

BEAUFORT WEST MUNICIPALITY



ANNUAL BUDGET

**2018/19 Medium Term Revenue
Expenditure Framework (MTREF)**

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ANNUAL BUDGET

1.1 MAYOR'S REPORT

To be included

1.2 COUNCIL RESOLUTIONS

The Council of Beaufort West Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves:

1. The annual budget of the municipality for the financial year 2018/19 and the capital appropriations as set out in the following tables:
 - Budgeted Financial Performance (revenue and expenditure by standard classification) reflected in Table A2;
 - Budgeted Financial Performance (revenue and expenditure by municipal vote) reflected in Table A3;
 - Budgeted Financial Performance (revenue by source and expenditure by type) reflected in Table A4;
 - Capital budget by municipal vote and standard classification and associated funding by source as reflected in Table A5;
 - Budgeted Financial Position reflected Table A6;
 - Budgeted Cash Flows reflected Table A7;
 - Cash Backed Reserves / Accumulated Surplus Reconciliation reflected Table A8;
 - Asset Management reflected Table A9;
 - Basic Service Delivery Measurement reflected Table A10;
 - Detailed capital budget over the 2018/19 Medium Term Revenue Expenditure Framework (MTREF) - Annexure B
2. Approves the increases in Tariffs for Rates, Service Charges and Other Sundry Tariffs as set out in Annexure A

1.3 EXECUTIVE SUMMARY

The following were used as guidance to compile the 2018/19 Medium Term Revenue and Expenditure Framework (MTREF):

- National Treasury's MFMA Circular No. 89 : Municipal Budget Circular for the 2018/19 MTREF – 8 December 2017; - Annexure C
- National Treasury's MFMA Circular No. 91 : Municipal Budget Circular for the 2018/19 MTREF – 7 March 2018; - Annexure D
- Municipal Budget and Reporting Regulations (MBRR);
- Municipal Regulations on a Standard Chart of Accounts in government gazette Notice No. 37577 on 22 April 2014;
- National & Provincial Budgets;
- 2018 Division of Revenue Bill (Gazette No. 41432 of 09 February 2018);
- 2018 Provincial Gazette No. 7890, dated 05 March 2018;
- The Municipality's IDP.

The main challenges experienced during the compilation of the 2017/18 MTREF can be summarised as follows:

- The current ongoing economic difficulties faced by our country;
- Local political instability and its effects on the Municipality's administrative functions and processes;
- The need to reprioritise capital projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- Wage increases for municipal staff that continue to exceed inflation, as well as the need to fill critical vacancies;
- The increased cost of bulk electricity;
- Compliance with mSCOA requirements;
- Population growth placing a strain on infrastructure and housing needs;
- Ageing and poorly maintained water, roads and electricity infrastructure;

- Limited available own funding to fund much needed infrastructure.

Consolidated Overview of the 2018/19 MTREF

Description	Adjusted Budget R'000	Budget Year 2018/19 R'000	Budget Year +1 2019/20 R'000	Budget Year +2 2020/21 R'000
Total Operating Revenue	265,437	303,973	316,042	330,759
Total Operating Expenditure	289,535	319,844	329,356	344,677
Surplus/(Deficit)	(24,098)	(15,871)	(13,314)	(13,917)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	85,726	23,087	22,873	23,707
Contributions recognised - capital & contributed assets	-	-	5,000	15,000
Surplus/(Deficit) for the year	61,627	7,216	14,559	24,790
Total Capital Expenditure	88,326	24,187	27,873	38,707

Total operating revenue has grown by 14.52% or R 38,536 million for the 2018/19 financial year when compared to the 2017/18 Adjustments Budget. For the two outer years, operational revenue will increase by 3.97% and increase by 4.66% respectively.

Total operating expenditure for the 2018/19 financial year has been appropriated at R319,8 million and translates into a budgeted deficit of R15,8 million. When compared to the 2017/18 Adjustments Budget, operational expenditure has grown by 10.47 per cent in the 2018/19 budget and increase by 2.97 per cent in 2019/20 increase by 4.65 per cent in 2020/21.

The capital budget of R24,1 million for 2018/19 is 72.62 per cent less when compared to the 2017/18 Adjustment Budget. The reduction is due to a decrease in transfers from national and provincial government as well as the cash flow realities and declining cash position of the municipality. The 2018/19 capital budget is funded mainly from national transfers (MIG) of 54.11 per cent, INEP 41.34 per cent and the remaining 4.55 per cent from internally generated funds (CRR). For the two outer years the capital budget is 100 per cent funded from national transfers MIG, INEP and RBIG. Consequently, the capital budget remains relatively flat over the medium-term.

1.4 OPERATING REVENUE FRAMEWORK

Revenue is projected to increase by 14.52% from R 265,4 million in 2017/18 to R 303,9 million 2018/19 and will increase by 3.97% and 4.66% respectively in 2019/20 and 2020/2021.

The following table is a summary of the 2018/19 MTREF (classified by main revenue source):

Description	Current Year 2017/18		2018/19 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2018/19	%	Budget Year +1 2019/20	%	Budget Year +2 2020/21	%
R thousands								
Financial Performance								
Property rates	34,747	13.09%	37,156	12.22%	39,386	12.46%	41,749	12.62%
Service charges	115,384	43.47%	122,165	40.19%	129,495	40.97%	137,264	41.50%
Investment revenue	1,260	0.47%	1,260	0.41%	1,345	0.43%	1,420	0.43%
Transfers recognised - operational	80,590	30.36%	102,893	33.85%	103,521	32.76%	105,824	31.99%
Other own revenue	33,456	12.60%	40,499	13.32%	42,295	13.38%	44,502	13.45%
Total Revenue (excluding capital transfers and contributions)	265,437	100%	303,973	100%	316,042	100%	330,759	100%

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

- National Treasury's guidelines and macroeconomic policy;
- Revenue enhancement and maximizing the revenue base;
- Revenue management, which aims to ensure a minimum 88% annual collection rate given the current economic climate;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Subsidizing all indigent households in terms of the relief offered by the municipality.

Revenue generated from services charges remain the major source of revenue for the municipality amounting to 40.19% of total revenue.

The second largest source is transfers and subsidies totaling R 102,8 million or 33.85%. The following table indicate national and provincial transfers and subsidies gazetted to Beaufort West Municipality in the 2018 Division of Revenue Bill (Gazette No. 41432 of 09 February 2018) by National Treasury and in the 2018 Provincial Gazette No. 7890, dated 05 March 2018 by Provincial Treasury.

Description	Ref	2018/19 Medium Term Revenue & Expenditure Framework		
		Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand				
RECEIPTS:	1, 2			
Operating Transfers and Grants				
National Government:		60,329	64,320	69,428
Local Government Equitable Share		56,655	61,921	67,002
Finance Management		1,700	1,700	1,700
EPWP Incentive		1,285	-	-
Electricity Demand Side Management		-	-	-
Municipal Infrastructure Grant		689	699	726
		-	-	-
Provincial Government:		42,564	39,201	36,396
Financial Management Support Grant		330	330	-
Financial Management Capacity Building Grant		360	-	-
Human Settlements Development Grant (Beneficiaries)		35,160	32,700	30,020
Maintenance and Construction of Transport Infrastructure		850	-	-
Library Service: Replacement Funding for Most Vulnerable B3 Municipalities		5,550	5,857	6,172
Thusong Service Centres Grant (Sustainable: Operational Support Grant)		110	110	-
Department Local Government		-	-	-
Community Development Workers (CDW) Operational Support Grant		204	204	204
		-	-	-
District Municipality:		-	-	-
<i>[insert description]</i>		-	-	-
		-	-	-
Other grant providers:		-	-	-
<i>[insert description]</i>		-	-	-
		-	-	-
Total Operating Transfers and Grants	5	102,893	103,521	105,824

The third largest source is property rates totaling R 37,1 million or 12.22%, followed by other own revenue totaling R 40,4 million or 13.32% and investment revenue totaling R 1,2 million or 0.41%.

1.5 OPERATING EXPENDITURE FRAMEWORK

Employee related costs

The Salary and Wage Collective Agreement for the period 01 July 2015 to 31 June 2018 has come to an end. Negotiations are still underway between SALGA and the unions. Given the current situation the Municipality has budgeted for a notch increase and an annual wage increase of 7%.

Remuneration of councillors

The remuneration of councillors are budgeted for in accordance with the Government Gazette on the Remuneration of Public Office Bearers Act: Determination of Upper Limits of Salaries, Allowances and Benefits as determined by the Department of Cooperative Governance.

The following table is a high level summary of the 2018/19 budget and MTREF (classified per main type of operating expenditure):

Description	Ref	2018/19 Medium Term Revenue & Expenditure Framework							
		Adjusted Budget	%	Budget Year 2018/19	%	Budget Year +1 2019/20	%	Budget Year +2 2020/21	%
Expenditure By Type									
Employee related costs	2	91,292	31.53%	103,811	32.46%	110,994	33.70%	118,659	34.43%
Remuneration of councillors		5,510	1.90%	6,225	1.95%	6,598	2.00%	6,994	2.03%
Debt impairment	3	19,990	6.90%	22,832	7.14%	24,202	7.35%	25,412	7.37%
Depreciation & asset impairment	2	17,465	6.03%	19,222	6.01%	20,431	6.20%	21,841	6.34%
Finance charges		3,245	1.12%	2,306	0.72%	2,447	0.74%	2,594	0.75%
Bulk purchases	2	67,280	23.24%	70,500	22.04%	74,942	22.75%	79,439	23.05%
Other materials	8	24,728	8.54%	19,720	6.17%	19,150	5.81%	20,270	5.88%
Contracted services		7,842	2.71%	8,639	2.70%	9,194	2.79%	9,713	2.82%
Transfers and subsidies		80	0.03%	650	0.20%	700	0.21%	750	0.22%
Other expenditure	4, 5	52,102	18.00%	65,936	20.62%	60,697	18.43%	59,004	17.12%
Loss on disposal of PPE		-	0.00%	-	0.00%	-	0.00%	-	0.00%
Total Expenditure		289,535	100%	319,844	100%	329,356	100%	344,677	100%

The budgeted allocation for employee related costs for the 2018/19 financial year totals R 103,8 million, which equals 32.46% of the total operating expenditure. Based on the collective SALGBC wage agreement, salary increases have been factored into this budget at a percentage increase of 7% for the 2018/19 financial year. An annual increase of 7% has been included respectively for the 2019/20 and 2020/21 financial years.

Bulk purchases amounts to 22.04% of the total operating expenditure. The NERSA proposes a 6.84 per cent guideline increase for municipal electricity tariffs for 2018/19. This is based on a bulk tariff increase for municipalities of 7.32 per cent. Water bulk purchases will increase by inflation year on year.

Finance charges consist primarily of the repayment of interest on long-term borrowing and finance leases. Finance charges make up 0.72% (R2.3 million) of operating expenditure excluding annual redemption for 2018/19 and amounts to 0.74% and 0.75% for the two outer years.

Other materials comprise of amongst others the purchase of materials and spares for maintenance, cleaning materials and chemicals.

Other expenditure comprises of various line items relating to the daily operations of the municipality and operating grant expenditure.

1.6 CAPITAL EXPENDITURE

A capital budget amounting to R 24,187 million is proposed for 2018/19 (R 27,873 million and R 38,707 million respectively for the two outer years). The capital budget will be funded as follows:

Funded by:	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
National Government	23,087,200	27,873,400	38,707,350
Provincial Government	-	-	-
District Municipality	-	-	-
Other transfers and grants	-	-	-
Transfers recognised - capital	23,087,200	27,873,400	38,707,350
Public contributions & donations	-	-	-
Borrowing	-	-	-
Internally generated funds	1,100,000	-	-
Total Capital Funding	24,187,200	27,873,400	38,707,350

Annexure B provide the detailed capital budget over the 2018/19 Medium Term Revenue Expenditure Framework (MTREF) per project.

1.7 ANNUAL BUDGET TABLES

In accordance with the Budget and Reporting Regulations the following compulsory schedules are attached reflecting the detail of the above mentioned amounts.

- Budget Summary Table A1;
- Budgeted Financial Performance Table A2;
- Budgeted Financial Performance Table A3;
- Budgeted Financial Performance Table A4;
- Budgeted Capital Expenditure by vote, standard classification Table A5;
- Budgeted Financial Position Table A6;
- Budgeted Cash flows Table A7;
- Cash backed reserves/accumulated surplus reconciliation A8;
- Asset Management Table A9;
- Basic Service Delivery Measurement Table A10.

The required main budget schedules (Table A1 – A10) as listed above are being provided below;

Table A1 Budget Summary

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousands										
Financial Performance										
Property rates	-	-	-	36,417	34,747	34,747	-	37,166	39,386	41,749
Service charges	-	-	-	116,065	115,384	115,384	-	122,165	129,495	137,264
Investment revenues	-	-	-	1,260	1,260	1,260	-	1,260	1,345	1,420
Transfers recognised - operational	-	-	-	91,621	80,590	80,590	-	102,893	103,521	105,824
Other own revenue	-	-	-	51,366	33,456	33,456	-	40,499	42,295	44,502
	-	-	-	295,728	265,437	265,437	-	303,973	316,042	330,769
Total Revenue (excluding capital transfers and contributions)	-	-	-	93,514	91,292	91,292	-	103,811	110,994	118,659
Employee costs	-	-	-	5,385	5,510	5,510	-	6,225	6,598	6,994
Remuneration of councillors	-	-	-	16,935	17,465	17,465	-	19,222	20,431	21,841
Depreciation & asset impairment	-	-	-	1,713	3,245	3,245	-	2,308	2,447	2,594
Finance charges	-	-	-	96,006	92,008	92,008	-	90,220	94,082	99,709
Materials and bulk purchases	-	-	-	100	80	80	-	650	700	760
Transfers and grants	-	-	-	90,121	79,934	79,934	-	97,408	94,093	94,150
Other expenditure	-	-	-	303,804	289,535	289,535	-	319,844	329,356	344,677
Total Expenditure	-	-	-	303,804	289,535	289,535	-	319,844	329,356	344,677
Surplus/(Deficit)	-	-	-	(8,076)	(24,089)	(24,099)	-	(15,871)	(13,314)	(13,917)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	-	-	-	14,640	85,726	85,726	-	23,087	22,873	23,707
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	5,000	15,000
Surplus/(Deficit) after capital transfers & contributions	-	-	-	6,564	61,627	61,627	-	7,216	14,559	24,790
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	-	-	-	6,564	61,627	61,627	-	7,216	14,559	24,790
Capital expenditure & funds sources										
Capital expenditure	-	-	-	15,870	88,326	88,326	-	24,197	27,873	38,707
Transfers recognised - capital	-	-	-	14,640	85,726	85,726	-	23,087	27,873	38,707
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	-	-	-	1,230	2,600	2,600	-	1,100	-	-
Total sources of capital funds	-	-	-	15,870	88,326	88,326	-	24,197	27,873	38,707
Financial position										
Total current assets	-	-	-	52,394	46,778	46,778	-	51,766	62,819	70,335
Total non current assets	-	-	-	470,159	542,328	542,328	-	551,085	563,796	588,667
Total current liabilities	-	-	-	45,266	37,351	37,351	-	44,988	54,556	57,846
Total non current liabilities	-	-	-	66,291	66,291	66,291	-	65,186	64,501	64,565
Community wealth/Equity	-	-	-	410,977	485,464	485,464	-	492,577	507,557	534,591
Cash flows										
Net cash from (used) operating	-	-	-	23,692	89,923	89,923	-	30,799	39,921	46,569
Net cash from (used) investing	-	-	-	(15,980)	(88,436)	(88,436)	-	(24,197)	(27,873)	(38,707)
Net cash from (used) financing	-	-	-	(2,926)	(2,926)	(2,926)	-	(4,226)	(2,944)	(2,964)
Cash/cash equivalents at the year end	-	-	-	9,199	5,199	5,199	-	7,586	16,688	21,555
Cash backing/surplus reconciliation										
Cash and investments available	-	-	-	9,199	5,199	5,199	-	7,586	16,688	21,555
Application of cash and investments	-	-	-	(841)	(11,268)	(11,268)	-	(370)	7,937	19,442
Balance - surplus (shortfall)	-	-	-	9,840	16,496	16,496	-	7,955	8,752	8,114
Asset management										
Asset register summary (WDV)	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-
Renewal of Existing Assets	-	-	-	-	-	-	-	8,910	9,746	8,289
Repairs and Maintenance	-	-	-	-	-	-	-	-	-	-
Free services										
Cost of Free Basic Services provided	-	-	-	16,810	16,810	16,810	19,169	19,169	20,319	21,538
Revenue cost of free services provided	-	-	-	6,201	10,144	10,144	6,338	6,338	6,718	7,121
Households below minimum service level										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-

Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue - Functional										
<i>Governance and administration</i>		-	-	-	74,338	90,233	90,233	85,861	88,540	94,538
Executive and council		-	-	-	36,545	38,168	38,168	39,989	44,061	47,847
Finance and administration		-	-	-	37,793	51,765	51,765	45,872	44,479	46,691
Internal audit		-	-	-	-	300	300	-	-	-
<i>Community and public safety</i>		-	-	-	33,704	28,691	28,691	42,289	43,068	38,491
Community and social services		-	-	-	6,358	6,316	6,316	6,631	6,989	7,248
Sport and recreation		-	-	-	2,422	12,145	12,145	3,034	3,249	1,084
Public safety		-	-	-	801	801	801	1	2	2
Housing		-	-	-	24,123	9,428	9,428	32,623	32,829	30,157
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		-	-	-	53,012	22,051	22,051	39,688	40,092	46,175
Planning and development		-	-	-	402	401	401	796	812	846
Road transport		-	-	-	52,610	21,651	21,651	38,892	39,280	45,329
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		-	-	-	149,316	210,187	210,187	159,222	172,215	190,263
Energy sources		-	-	-	90,523	92,713	92,713	98,349	99,195	104,931
Water management		-	-	-	27,589	67,219	67,219	30,146	37,948	51,058
Waste water management		-	-	-	21,466	40,519	40,519	20,791	23,995	23,086
Waste management		-	-	-	9,738	9,736	9,736	9,936	11,076	11,189
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Revenue - Functional	2	-	-	-	310,368	351,162	351,162	327,060	343,915	369,467
Expenditure - Functional										
<i>Governance and administration</i>		-	-	-	55,923	72,583	72,583	67,854	66,559	70,696
Executive and council		-	-	-	14,625	17,296	17,296	16,735	16,867	17,942
Finance and administration		-	-	-	40,807	54,492	54,492	49,693	48,704	51,695
Internal audit		-	-	-	490	795	795	1,427	988	1,058
<i>Community and public safety</i>		-	-	-	46,226	31,560	31,560	56,384	58,157	57,105
Community and social services		-	-	-	9,387	9,068	9,068	9,430	10,037	10,626
Sport and recreation		-	-	-	8,099	7,910	7,910	8,778	9,348	9,975
Public safety		-	-	-	3,418	3,855	3,855	4,053	4,339	4,633
Housing		-	-	-	25,322	10,727	10,727	34,123	34,433	31,871
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		-	-	-	64,570	44,920	44,920	51,943	52,837	55,892
Planning and development		-	-	-	5,608	5,953	5,953	6,693	6,896	7,133
Road transport		-	-	-	58,962	38,967	38,967	45,251	45,942	48,759
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		-	-	-	136,555	139,990	139,990	143,662	151,803	160,984
Energy sources		-	-	-	84,900	84,495	84,495	82,687	87,624	92,916
Water management		-	-	-	25,528	24,635	24,635	26,934	28,522	30,271
Waste water management		-	-	-	11,088	13,636	13,636	16,444	16,977	17,966
Waste management		-	-	-	15,040	17,224	17,224	17,597	18,680	19,831
<i>Other</i>	4	-	-	-	531	482	482	-	-	-
Total Expenditure - Functional	3	-	-	-	303,804	289,535	289,535	319,844	329,356	344,677
Surplus/(Deficit) for the year		-	-	-	6,564	61,627	61,627	7,216	14,559	24,790

Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
					Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast
Revenue by Vote	1									
Vote 1 - Municipal Manager		-	-	-	-	1,780	1,780	-	-	-
Vote 2 - Director: Corporate Service		-	-	-	42,335	47,839	47,839	46,037	50,435	54,447
Vote 3 - Director: Financial Services		-	-	-	37,065	45,802	45,802	41,720	40,899	42,900
Vote 4 - Director: Engineering Services		-	-	-	59,656	128,323	128,323	65,890	76,459	91,156
Vote 5 - Director: Community Services		-	-	-	80,789	34,706	34,706	75,064	76,927	76,033
Vote 6 - Director: Electrical Services		-	-	-	90,523	92,713	92,713	98,349	99,195	104,931
		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	-	-	-	310,368	351,162	351,162	327,060	343,915	369,467
Expenditure by Vote to be appropriated	1									
Vote 1 - Municipal Manager		-	-	-	3,600	5,739	5,739	4,754	4,159	4,447
Vote 2 - Director: Corporate Service		-	-	-	29,359	35,769	35,769	34,966	36,631	39,139
Vote 3 - Director: Financial Services		-	-	-	20,602	28,343	28,343	25,854	24,126	25,263
Vote 4 - Director: Engineering Services		-	-	-	81,055	80,239	80,239	89,265	92,209	97,787
Vote 5 - Director: Community Services		-	-	-	84,289	54,950	54,950	82,217	84,607	85,125
Vote 6 - Director: Electrical Services		-	-	-	84,900	84,495	84,495	82,667	87,624	92,916
		-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	-	-	-	303,804	289,535	289,535	319,844	329,356	344,677
Surplus/(Deficit) for the year	2	-	-	-	6,564	61,627	61,627	7,216	14,559	24,790

Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue By Source											
Property rates	2	-	-	-	35,417	34,747	34,747	-	37,156	39,386	41,749
Service charges - electricity revenue	2	-	-	-	74,602	73,863	73,863	-	76,474	83,183	88,174
Service charges - water revenue	2	-	-	-	19,442	19,520	19,520	-	20,008	21,209	22,481
Service charges - sanitation revenue	2	-	-	-	14,531	14,513	14,513	-	15,517	16,447	17,434
Service charges - refuse revenue	2	-	-	-	7,490	7,488	7,488	-	8,166	8,656	9,175
Service charges - other		-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		-	-	-	1,363	1,267	1,267	-	1,376	1,445	1,517
Interest earned - external investments		-	-	-	1,260	1,260	1,260	-	1,260	1,345	1,420
Interest earned - outstanding debtors		-	-	-	2,616	2,716	2,716	-	2,940	3,116	3,303
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		-	-	-	44,785	13,323	13,323	-	30,429	31,636	33,218
Licences and permits		-	-	-	596	615	615	-	629	666	706
Agency services		-	-	-	680	750	750	-	760	795	843
Transfers and subsidies		-	-	-	91,621	80,590	80,590	-	102,893	103,521	105,824
Other revenue	2	-	-	-	1,326	14,785	14,785	-	4,375	4,637	4,916
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		-	-	-	295,728	265,437	265,437	-	303,973	316,042	330,759
Expenditure By Type											
Employee related costs	2	-	-	-	93,514	91,292	91,292	-	103,811	110,994	118,659
Remuneration of councillors		-	-	-	5,385	5,510	5,510	-	6,225	6,598	6,994
Debt impairment	3	-	-	-	35,265	19,990	19,990	-	22,832	24,202	25,412
Depreciation & asset impairment	2	-	-	-	16,935	17,465	17,465	-	19,222	20,431	21,841
Finance charges		-	-	-	1,713	3,245	3,245	-	2,308	2,447	2,594
Bulk purchases	2	-	-	-	68,085	67,260	67,260	-	70,500	74,942	79,439
Other materials	8	-	-	-	27,960	24,726	24,726	-	19,720	19,150	20,270
Contracted services		-	-	-	3,595	7,842	7,842	-	8,639	9,194	9,713
Transfers and subsidies		-	-	-	100	80	80	-	650	700	750
Other expenditure	4, 5	-	-	-	51,241	52,102	52,102	-	65,936	60,697	59,004
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Total Expenditure		-	-	-	303,804	289,535	289,535	-	319,844	329,356	344,677
Surplus/(Deficit)		-	-	-	(8,076)	(24,098)	(24,098)	-	(15,871)	(13,314)	(13,917)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		-	-	-	14,640	85,726	85,726	-	23,087	22,873	23,707
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	6	-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (in-kind - all)		-	-	-	-	-	-	-	5,000	15,000	-
Surplus/(Deficit) after capital transfers & contributions		-	-	-	6,564	61,627	61,627	-	7,216	14,559	24,790
Taxation		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		-	-	-	6,564	61,627	61,627	-	7,216	14,559	24,790
Attributable to minorities		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		-	-	-	6,564	61,627	61,627	-	7,216	14,559	24,790
Share of surplus/ (deficit) of associate	7	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year		-	-	-	6,564	61,627	61,627	-	7,216	14,559	24,790

Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 2 - Director: Corporate Service		-	-	-	-	-	-	-	-	-	-
Vote 3 - Director: Financial Services		-	-	-	-	-	-	-	-	-	-
Vote 4 - Director: Engineering Services		-	-	-	-	-	-	-	-	-	-
Vote 5 - Director: Community Services		-	-	-	-	-	-	-	-	-	-
Vote 6 - Director: Electrical Services		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	-	-	-	-	-	-	-	-	-	-
Single-year expenditure to be appropriated	2										
Vote 1 - Municipal Manager		-	-	-	-	30	30	-	50	-	-
Vote 2 - Director: Corporate Service		-	-	-	200	277	277	-	250	-	-
Vote 3 - Director: Financial Services		-	-	-	200	245	245	-	200	-	-
Vote 4 - Director: Engineering Services		-	-	-	10,440	79,974	79,974	-	9,427	17,741	28,787
Vote 5 - Director: Community Services		-	-	-	1,000	1,000	1,000	-	200	533	-
Vote 6 - Director: Electrical Services		-	-	-	4,030	6,800	6,800	-	14,060	9,600	9,920
Capital single-year expenditure sub-total		-	-	-	15,870	88,326	88,326	-	24,187	27,873	38,707
Total Capital Expenditure - Vote		-	-	-	15,870	88,326	88,326	-	24,187	27,873	38,707
Capital Expenditure - Functional											
Governance and administration		-	-	-	680	1,604	1,604	-	500	-	-
Executive and council		-	-	-	-	107	107	-	50	-	-
Finance and administration		-	-	-	680	1,497	1,497	-	450	-	-
Internal audit		-	-	-	-	-	-	-	-	-	-
Community and public safety		-	-	-	3,150	13,676	13,676	-	3,009	3,011	833
Community and social services		-	-	-	200	200	200	-	200	-	-
Sport and recreation		-	-	-	2,150	12,676	12,676	-	2,809	3,011	833
Public safety		-	-	-	800	800	800	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		-	-	-	4,624	5,660	5,660	-	6,301	6,583	10,982
Planning and development		-	-	-	-	-	-	-	200	-	-
Road transport		-	-	-	4,624	5,660	5,660	-	6,101	6,583	10,982
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		-	-	-	7,416	67,386	67,386	-	14,377	18,280	28,882
Energy sources		-	-	-	4,030	6,800	6,800	-	14,060	9,800	9,920
Water management		-	-	-	1,271	39,137	39,137	-	-	5,883	16,972
Waste water management		-	-	-	2,114	21,449	21,449	-	317	2,255	-
Waste management		-	-	-	-	-	-	-	-	533	-
Other		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Functional	3	-	-	-	15,870	88,326	88,326	-	24,187	27,873	38,707
Funded by:											
National Government		-	-	-	13,840	50,236	50,236	-	23,087	27,873	38,707
Provincial Government		-	-	-	800	35,490	35,490	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	-	-	-	14,640	85,726	85,726	-	23,087	27,873	38,707
Public contributions & donations	5	-	-	-	-	-	-	-	-	-	-
Borrowing	6	-	-	-	-	-	-	-	-	-	-
Internally generated funds		-	-	-	1,230	2,600	2,600	-	1,100	-	-
Total Capital Funding	7	-	-	-	15,870	88,326	88,326	-	24,187	27,873	38,707

Table A6 Budgeted Financial Position

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
ASSETS											
Current assets											
Cash		-	-	-	5,392	1,392	1,392	-	2,162	7,215	9,873
Call investment deposits	1	-	-	-	3,807	3,807	3,807	-	5,423	9,473	11,682
Consumer debtors	1	-	-	-	17,664	19,522	19,522	-	20,087	19,764	19,944
Other debtors		-	-	-	21,803	18,328	18,328	-	20,161	22,177	24,395
Current portion of long-term receivables		-	-	-	-	-	-	-	-	-	-
Inventory	2	-	-	-	3,729	3,729	3,729	-	3,952	4,189	4,441
Total current assets		-	-	-	52,394	46,778	46,778	-	51,766	62,819	70,335
Non current assets											
Long-term receivables		-	-	-	1,738	1,738	1,738	-	1,859	1,990	2,129
Investments		-	-	-	-	-	-	-	-	-	-
Investment property		-	-	-	8,150	7,819	7,819	-	7,562	7,285	7,018
Investment in Associate		-	-	-	-	-	-	-	-	-	-
Property, plant and equipment	3	-	-	-	454,405	526,861	526,861	-	535,893	548,851	571,961
Agricultural		-	-	-	-	-	-	-	-	-	-
Biological		-	-	-	-	-	-	-	-	-	-
Intangible		-	-	-	471	515	515	-	395	274	164
Other non-current assets		-	-	-	5,398	5,396	5,396	-	5,396	5,396	5,396
Total non current assets		-	-	-	470,159	542,328	542,328	-	551,085	563,796	586,867
TOTAL ASSETS		-	-	-	522,553	589,106	589,106	-	602,850	626,615	657,002
LIABILITIES											
Current liabilities											
Bank overdraft	1	-	-	-	-	-	-	-	-	-	-
Borrowing	4	-	-	-	2,986	2,986	2,986	-	3,206	3,747	2,310
Consumer deposits		-	-	-	1,353	1,353	1,353	-	1,456	1,595	1,775
Trade and other payables	4	-	-	-	32,546	24,611	24,611	-	31,522	40,098	44,153
Provisions		-	-	-	8,401	8,401	8,401	-	8,804	9,206	9,608
Total current liabilities		-	-	-	45,286	37,351	37,351	-	44,988	54,556	57,846
Non current liabilities											
Borrowing		-	-	-	11,120	11,120	11,120	-	9,591	8,391	7,821
Provisions		-	-	-	55,171	55,171	55,171	-	55,595	56,120	58,744
Total non current liabilities		-	-	-	66,291	66,291	66,291	-	65,186	64,501	64,565
TOTAL LIABILITIES		-	-	-	111,576	103,642	103,642	-	110,173	119,057	122,411
NET ASSETS	5	-	-	-	410,977	485,464	485,464	-	492,677	507,557	534,591
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		-	-	-	407,050	481,537	481,537	-	487,254	500,614	525,128
Reserves	4	-	-	-	3,926	3,926	3,926	-	5,423	6,943	9,463
TOTAL COMMUNITY WEALTH/EQUITY	5	-	-	-	410,977	485,464	485,464	-	492,677	507,557	534,591

Table A7 Budgeted Cash Flows

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		-	-	-	33,282	33,292	33,292	-	32,629	34,660	36,739
Service charges		-	-	-	108,944	107,067	107,067	-	113,783	120,610	122,556
Other revenue		-	-	-	21,141	26,120	26,120	-	30,746	32,277	33,952
Government - operating	1	-	-	-	91,621	79,435	79,435	-	102,893	103,521	105,824
Government - capital	1	-	-	-	14,640	78,347	78,347	-	23,087	27,973	38,707
Interest		-	-	-	3,794	3,794	3,794	-	4,200	4,461	4,723
Dividends		-	-	-	-	-	-	-	-	-	-
Payments											
Suppliers and employees		-	-	-	(247,927)	(234,807)	(234,807)	-	(274,531)	(281,576)	(294,080)
Finance charges		-	-	-	(1,713)	(3,245)	(3,245)	-	(1,358)	(1,206)	(1,103)
Transfers and Grants	1	-	-	-	(100)	(80)	(80)	-	(650)	(700)	(750)
NET CASH FROM/(USED) OPERATING ACTIVITIES		-	-	-	23,682	89,923	89,923	-	30,799	39,921	46,569
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current debtors		-	-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables		-	-	-	(110)	(110)	(110)	-	-	-	-
Decrease (increase) in non-current investments		-	-	-	-	-	-	-	-	-	-
Payments											
Capital assets		-	-	-	(15,870)	(88,326)	(88,326)	-	(24,187)	(27,873)	(38,707)
NET CASH FROM/(USED) INVESTING ACTIVITIES		-	-	-	(15,980)	(88,436)	(88,436)	-	(24,187)	(27,873)	(38,707)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		-	-	-	60	60	60	-	103	111	118
Payments											
Repayment of borrowing		-	-	-	(2,986)	(2,986)	(2,986)	-	(4,329)	(3,055)	(3,112)
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	-	(2,926)	(2,926)	(2,926)	-	(4,226)	(2,944)	(2,994)
NET INCREASE/ (DECREASE) IN CASH HELD		-	-	-	4,786	(1,439)	(1,439)	-	2,386	9,103	4,867
Cash/cash equivalents at the year begin:	2	-	-	-	4,413	6,637	6,637	-	5,199	7,585	16,888
Cash/cash equivalents at the year end:	2	-	-	-	9,199	5,199	5,199	-	7,585	16,888	21,555

Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Cash and investments available											
Cash/cash equivalents at the year end	1	-	-	-	9,199	5,199	5,199	-	7,585	16,688	21,555
Other current investments > 90 days		-	-	-	(0)	(0)	(0)	-	-	-	-
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
Cash and investments available:		-	-	-	9,199	5,199	5,199	-	7,585	16,688	21,555
Application of cash and investments											
Unspent conditional transfers		-	-	-	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	-	-	-
Other working capital requirements	3	-	-	-	(641)	(11,288)	(11,288)	-	(5,793)	993	3,978
Other provisions		-	-	-	-	-	-	-	-	-	-
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	5,423	6,943	9,463
Total Application of cash and investments:		-	-	-	(641)	(11,288)	(11,288)	-	(370)	7,937	13,442
Surplus(shortfall)		-	-	-	9,840	16,486	16,486	-	7,955	8,752	8,114

Table A9 Asset Management

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
CAPITAL EXPENDITURE										
Total New Assets	1	-	-	-	-	-	-	15,277	18,127	30,418
<i>Roads Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	-	2,183	3,626
<i>Electrical Infrastructure</i>		-	-	-	-	-	-	13,880	9,600	9,920
<i>Water Supply Infrastructure</i>		-	-	-	-	-	-	-	5,811	16,972
<i>Sanitation Infrastructure</i>		-	-	-	-	-	-	317	-	-
<i>Solid Waste Infrastructure</i>		-	-	-	-	-	-	-	533	-
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>		-	-	-	-	-	-	-	-	-
Infrastructure		-	-	-	-	-	-	14,177	18,127	30,418
<i>Community Facilities</i>		-	-	-	-	-	-	-	-	-
<i>Sport and Recreation Facilities</i>		-	-	-	-	-	-	-	-	-
Community Assets		-	-	-	-	-	-	-	-	-
<i>Heritage Assets</i>		-	-	-	-	-	-	-	-	-
<i>Revenue Generating</i>		-	-	-	-	-	-	-	-	-
<i>Non-revenue Generating</i>		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
<i>Operational Buildings</i>		-	-	-	-	-	-	-	-	-
<i>Housing</i>		-	-	-	-	-	-	-	-	-
Other Assets		-	-	-	-	-	-	-	-	-
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
<i>Services</i>		-	-	-	-	-	-	-	-	-
<i>Licences and Rights</i>		-	-	-	-	-	-	-	-	-
Intangible Assets		-	-	-	-	-	-	-	-	-
<i>Computer Equipment</i>		-	-	-	-	-	-	200	-	-
<i>Furniture and Office Equipment</i>		-	-	-	-	-	-	300	-	-
<i>Machinery and Equipment</i>		-	-	-	-	-	-	600	-	-
Transport Assets		-	-	-	-	-	-	-	-	-
<i>Land</i>		-	-	-	-	-	-	-	-	-
<i>Zoo's, Marine and Non-biological Animals</i>		-	-	-	-	-	-	-	-	-
Total Renewal of Existing Assets	2	-	-	-	-	-	-	8,910	9,746	8,289
<i>Roads Infrastructure</i>		-	-	-	-	-	-	6,101	3,844	7,456
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	-	556	-
<i>Electrical Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Water Supply Infrastructure</i>		-	-	-	-	-	-	-	82	-
<i>Sanitation Infrastructure</i>		-	-	-	-	-	-	-	2,255	-
<i>Solid Waste Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>		-	-	-	-	-	-	-	-	-
Infrastructure		-	-	-	-	-	-	6,101	6,735	7,456
<i>Community Facilities</i>		-	-	-	-	-	-	-	-	-
<i>Sport and Recreation Facilities</i>		-	-	-	-	-	-	2,809	3,011	833
Community Assets		-	-	-	-	-	-	2,809	3,011	833
<i>Heritage Assets</i>		-	-	-	-	-	-	-	-	-
<i>Revenue Generating</i>		-	-	-	-	-	-	-	-	-
<i>Non-revenue Generating</i>		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
<i>Operational Buildings</i>		-	-	-	-	-	-	-	-	-
<i>Housing</i>		-	-	-	-	-	-	-	-	-
Other Assets		-	-	-	-	-	-	-	-	-
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
<i>Services</i>		-	-	-	-	-	-	-	-	-
<i>Licences and Rights</i>		-	-	-	-	-	-	-	-	-
Intangible Assets		-	-	-	-	-	-	-	-	-
<i>Computer Equipment</i>		-	-	-	-	-	-	-	-	-
<i>Furniture and Office Equipment</i>		-	-	-	-	-	-	-	-	-
<i>Machinery and Equipment</i>		-	-	-	-	-	-	-	-	-
Transport Assets		-	-	-	-	-	-	-	-	-
<i>Land</i>		-	-	-	-	-	-	-	-	-
<i>Zoo's, Marine and Non-biological Animals</i>		-	-	-	-	-	-	-	-	-
Total Upgrading of Existing Assets	6	-	-	-	-	-	-	-	-	-
<i>Roads Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Water Supply Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Sanitation Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Solid Waste Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-	-

Coastal Infrastructure		-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
Infrastructure		-	-	-	-	-	-	-	-	-
Community Facilities		-	-	-	-	-	-	-	-	-
Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-
Community Assets		-	-	-	-	-	-	-	-	-
Heritage Assets		-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Other Assets		-	-	-	-	-	-	-	-	-
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Services		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-	-
Intangible Assets		-	-	-	-	-	-	-	-	-
Computer Equipment		-	-	-	-	-	-	-	-	-
Furniture and Office Equipment		-	-	-	-	-	-	-	-	-
Machinery and Equipment		-	-	-	-	-	-	-	-	-
Transport Assets		-	-	-	-	-	-	-	-	-
Land		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
Total Capital Expenditure	4	-	-	-	-	-	6,101	3,844	7,456	-
Roads Infrastructure		-	-	-	-	-	-	2,739	3,526	-
Storm water Infrastructure		-	-	-	-	-	-	-	-	-
Electrical Infrastructure		-	-	-	-	-	13,860	9,600	9,920	-
Water Supply Infrastructure		-	-	-	-	-	-	5,893	16,972	-
Sanitation Infrastructure		-	-	-	-	-	-	317	2,255	-
Solid Waste Infrastructure		-	-	-	-	-	-	-	533	-
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
Infrastructure		-	-	-	-	-	26,279	24,663	37,074	-
Community Facilities		-	-	-	-	-	-	-	-	-
Sport and Recreation Facilities		-	-	-	-	-	2,609	3,011	833	-
Community Assets		-	-	-	-	-	2,609	3,011	833	-
Heritage Assets		-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Other Assets		-	-	-	-	-	-	-	-	-
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Services		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-	-
Intangible Assets		-	-	-	-	-	-	-	-	-
Computer Equipment		-	-	-	-	-	200	-	-	-
Furniture and Office Equipment		-	-	-	-	-	300	-	-	-
Machinery and Equipment		-	-	-	-	-	600	-	-	-
Transport Assets		-	-	-	-	-	-	-	-	-
Land		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
TOTAL CAPITAL EXPENDITURE - Asset class		-	-	-	-	-	24,187	27,873	38,707	-
ASSET REGISTER SUMMARY - PPE (WDV)	5	-	-	-	-	-	-	-	-	-
Roads Infrastructure		-	-	-	-	-	-	-	-	-
Storm water Infrastructure		-	-	-	-	-	-	-	-	-
Electrical Infrastructure		-	-	-	-	-	-	-	-	-
Water Supply Infrastructure		-	-	-	-	-	-	-	-	-
Sanitation Infrastructure		-	-	-	-	-	-	-	-	-
Solid Waste Infrastructure		-	-	-	-	-	-	-	-	-
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
Infrastructure		-	-	-	-	-	-	-	-	-
Community Facilities		-	-	-	-	-	-	-	-	-
Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-
Community Assets		-	-	-	-	-	-	-	-	-
Heritage Assets		-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		-	-	-	-	-	-	-	-	-

Housing		-	-	-	-	-	-	-	-	-
Other Assets		-	-	-	-	-	-	-	-	-
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-	-
Intangible Assets		-	-	-	-	-	-	-	-	-
Computer Equipment		-	-	-	-	-	-	-	-	-
Furniture and Office Equipment		-	-	-	-	-	-	-	-	-
Machinery and Equipment		-	-	-	-	-	-	-	-	-
Transport Assets		-	-	-	-	-	-	-	-	-
Land		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	-	-	-	-	-	-	-	-	-
EXPENDITURE OTHER ITEMS										
Depreciation	7	-	-	-	-	-	-	-	-	-
Repairs and Maintenance by Asset Class	3	-	-	-	-	-	-	-	-	-
Roads Infrastructure		-	-	-	-	-	-	-	-	-
Storm water Infrastructure		-	-	-	-	-	-	-	-	-
Electrical Infrastructure		-	-	-	-	-	-	-	-	-
Water Supply Infrastructure		-	-	-	-	-	-	-	-	-
Sanitation Infrastructure		-	-	-	-	-	-	-	-	-
Solid Waste Infrastructure		-	-	-	-	-	-	-	-	-
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
Infrastructure		-	-	-	-	-	-	-	-	-
Community Facilities		-	-	-	-	-	-	-	-	-
Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-
Community Assets		-	-	-	-	-	-	-	-	-
Heritage Assets		-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Other Assets		-	-	-	-	-	-	-	-	-
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-	-
Intangible Assets		-	-	-	-	-	-	-	-	-
Computer Equipment		-	-	-	-	-	-	-	-	-
Furniture and Office Equipment		-	-	-	-	-	-	-	-	-
Machinery and Equipment		-	-	-	-	-	-	-	-	-
Transport Assets		-	-	-	-	-	-	-	-	-
Land		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURE OTHER ITEMS		-	-	-	-	-	-	-	-	-
<i>Renewal and upgrading of Existing Assets as % of total capex</i>		<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>36.8%</i>	<i>35.0%</i>	<i>21.4%</i>
<i>Renewal and upgrading of Existing Assets as % of deprecn</i>		<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>
<i>R&M as a % of PPE</i>		<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>
<i>Renewal and upgrading and R&M as a % of PPE</i>		<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>

Table A10 Basic service delivery measurement

WC053 Beaufort West - Table A10 Basic service delivery measurement										
Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Household service targets										
Water:										
Piped water inside dwelling			11,948	11,948	11,948	11,948	11,948	12,460	12,746	12,746
Piped water inside yard (but not in dwelling)			2,122	2,122	2,122	2,122	2,122	2,122	2,122	2,122
Using public tap (at least min. service level)	2		49	49	49	49	49	49	49	49
Other water supply (at least min. service level)	4		31	31	31	31	31	31	31	31
<i>Minimum Service Level and Above sub-total</i>			14,150	14,150	14,150	14,150	14,150	14,662	14,948	14,948
Using public tap (< min. service level)	3									
Other water supply (< min. service level)	4		260	260	260	260	260	260	260	260
No water supply										
<i>Below Minimum Service Level sub-total</i>			260	260	260	260	260	260	260	260
Total number of households	5		14,410	14,410	14,410	14,410	14,410	14,922	15,208	15,208
Sanitation/sewage:										
Flush toilet (connected to sewerage)			11,832	11,832	11,832	11,832	11,832	12,344	12,630	12,630
Flush toilet (with septic tank)			1,568	1,568	1,568	1,568	1,568	1,568	1,568	1,568
Chemical toilet										
Pit toilet (ventilated)			355	355	355	355	355	355	355	355
Other toilet provisions (> min. service level)			31	31	31	31	31	31	31	31
<i>Minimum Service Level and Above sub-total</i>			13,786	13,786	13,786	13,786	13,786	14,298	14,584	14,584
Bucket toilet			309	309	309	309	309	309	309	309
Other toilet provisions (< min. service level)										
No toilet provisions			305	305	305	305	305	305	305	305
<i>Below Minimum Service Level sub-total</i>			614	614	614	614	614	614	614	614
Total number of households	5		14,400	14,400	14,400	14,400	14,400	14,912	15,198	15,198
Energy:										
Electricity (at least min. service level)			2,281	2,281	2,281	2,281	2,281	2,281	2,281	2,281
Electricity - prepaid (min. service level)			9,654	9,654	9,654	9,654	9,654	10,168	10,452	10,452
<i>Minimum Service Level and Above sub-total</i>			11,935	11,935	11,935	11,935	11,935	12,447	12,733	12,733
Electricity (< min. service level)										
Electricity - prepaid (< min. service level)										
Other energy sources										
<i>Below Minimum Service Level sub-total</i>										
Total number of households	5		11,935	11,935	11,935	11,935	11,935	12,447	12,733	12,733
Refuse:										
Removed at least once a week			11,491	11,491	11,491	11,491	11,491	12,003	12,289	12,289
<i>Minimum Service Level and Above sub-total</i>			11,491	11,491	11,491	11,491	11,491	12,003	12,289	12,289
Removed less frequently than once a week										
Using communal refuse dump										
Using own refuse dump										
Other rubbish disposal										
No rubbish disposal										
<i>Below Minimum Service Level sub-total</i>										
Total number of households	5		11,491	11,491	11,491	11,491	11,491	12,003	12,289	12,289
Households receiving Free Basic Service										
Water (6 kilolitres per household per month)					6,153	6,153	6,153	6,153	6,153	6,153
Sanitation (free minimum level service)					5,953	5,953	5,953	5,953	5,953	5,953
Electricity/other energy (50kwh per household per month)					5,094	5,094	5,094	5,094	5,094	5,094
Refuse (removed at least once a week)					2,480	2,480	2,480	2,480	2,480	2,480
Cost of Free Basic Services provided - Formal Settlements (R'000)										
Water (6 kilolitres per indigent household per month)					8,052	8,052	8,052	10,038	10,641	11,279
Sanitation (free sanitation service to indigent households)					3,471	3,471	3,471	3,799	4,027	4,269
Electricity/other energy (50kwh per indigent household per month)					4,243	4,243	4,243	4,154	4,403	4,667
Refuse (removed once a week for indigent households)					1,044	1,044	1,044	1,178	1,248	1,323
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)										
Total cost of FBS provided					16,810	16,810	16,810	19,169	20,319	21,538
Highest level of free service provided per household										
Property rates (R value threshold)			19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000
Water (kilolitres per household per month)			6	6	6	6	6	6	6	6
Sanitation (kilolitres per household per month)										
Sanitation (R/and per household per month)										
Electricity (kwh per household per month)			50	50	50	50	50	50	50	50
Refuse (average litres per week)										
Revenue cost of subsidised services provided (R'000)										
Property rates (tariff adjustment) (impermissible values per section 17 of MPRA)										
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA					6,201	10,144	10,144	6,338	6,718	7,121
Water (in excess of 6 kilolitres per indigent household per month)										
Sanitation (in excess of free sanitation service to indigent households)										
Electricity/other energy (in excess of 50 kwh per indigent household per month)										
Refuse (in excess of one removal a week for indigent households)										
Municipal Housing - rental rebates										
Housing - top structure subsidies										
Other										
Total revenue cost of subsidised services provided					6,201	10,144	10,144	6,338	6,718	7,121

1.8 MUNICIPAL MANAGER'S QUALITY CERTIFICATE

Quality Certificate

In my capacity as the Municipal Manager of the Beaufort West Local Municipality, I hereby certify that the 2018/19 Medium Term Revenue Expenditure Framework (MTREF) and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the budget and supporting documents are consistent with the Integrated Development Plan of the municipality.



Kosie Haarhoff

Beaufort West Local Municipality (WC053)

29.5.2018

Date

Beaufort West Municipality
15 Church Street, Beaufort West
Tel 023-414-8133
www.beaufortwestmun.co.za



ANNEXURE A
2018/19 - 2020/21

BEAUFORT WEST MUNICIPALITY

Increases in Tariffs for Rates, Service Charges and Other Sundry Tariffs

Annexure A – Increases in Tariffs for Rates, Service Charges and Other Sundry Tariffs

1. Tariffs for Rates with effect from 1 July 2018:

1.1 the tariffs for property rates – 6.25% increase;

Beaufort West, Merweville, Nelspoort and Murraysburg

Agricultural	R0.003400 minus 65% Additional Discount
Business	R0.023800
Industrial	R0.023800
National Monuments	R0.023800 minus 10% Additional Discount
Public Service Infrastructure	R0.001700
Residential	R0.017000
State Owned	R0.023800

Rebates in respect of residential properties will be granted in accordance with the municipality's rates policy.

Having taken into account the limited rate funded services supplied to agricultural properties in general, the contribution of agriculture to the local economy, the extent to which agriculture assists in meeting the service delivery and development obligations of the municipality and the contribution of agriculture to the social and economic welfare of farm workers, the municipality grant rebates to the effect that the netto rate payable on agricultural properties will amount to R0.001190.

A rates rebate shall be granted to owners of properties who meet the following criteria:

- The property must be occupied by the owner;
- The rebate will be available to one property only in cases where more than one property is owned by the applicants;
- The owner must be older than 60 years;

- The rebate shall be granted on properties where the municipal valuation is less than R750,000.

The rebate referred to in the previous paragraph shall be dependent on the monthly household income as follows:

Less than R 1,500 per month	- 30%
R 1,501 to R 2,000	- 20%
R 2,001 to R 7,500	- 10%

The first R19,000 of all residential properties shall not be subject to rates.

2. Tariffs and other sundry tariffs increases from 1 July 2018:

2.1 the tariffs for electricity – **6.84%**; The National Electricity Regulator (NERSA) has approved an increase in the bulk tariff from Eskom of **7.32%**.

2.2 the tariffs for water – **7%**;

2.3 the tariffs for sanitation – **7%**;

2.4 the tariffs for refuse removal – **7%**;

2.5 Other sundry tariffs – **5%, excluding cemeteries**;

2.6 Drought Tariffs.

DROOGTE TARIEWE

Item No

4. WATERBEPERKINGS : 2018/2019 TARIEWE

Die inwerkingstelling van die verskillende fases is soos volg:-

Gamkadam vlak	60%	Fase 1
	40%	Fase 2
	20%	Fase 3
	5%	Fase 4

Die tariewe sal soos volg wees:-

- FASE 1 –GAMKADAM WATERVLAK 60%
- Kredietmeters

A = Voorgestelde normale tarief 1 vir 2018/19

B = Voorgestelde tarief 2 vir 2018/19

Tarief 1	0 – 6 kl	@	A
Tarief 2	7 – 15 kl	@	B
Tarief 3	16 – 25 kl	@	1.5 B
Tarief 4	26 – 50 kl	@	2.0 B
Tarief 5	50 kl++	@	2.85 B

Besighede: Tarief 3: Voorgestelde tarief 3 vir 2018/19

- Vooruitbetaalmeters

A = Voorgestelde normale tarief 1 vir 2018/19

B = Voorgestelde tarief 2 vir 2018/19

Tarief 1	0 – 6 kl	@	A
Tarief 2	7 – 15 kl	@	B
Tarief 3	16 kl+++	@	1.5 B1

W. (vervolg)

Item No

- FASE 2 - GAMKADAM WATERVLAK 40%
- Kredietmeters

A = Voorgestelde normale tarief 1 vir 2018/2019

B = Voorgestelde tarief 2 vir 2018/2019

Tarief 1	0 – 6 kl	@	A
Tarief 2	7 – 10 kl	@	B
Tarief 3	11 – 15 kl	@	1.5 B
Tarief 4	16 – 20 kl	@	2.0 B
Tarief 5	21 – 30 kl	@	2.85 B
Tarief 6	31 kl+++	@	3.50 B

Besighede: Tarief 3:- 1.5 B

- Vooruitbetaalmeters

Tarief 1	0 – 6 kl	@	A1
Tarief 2	7 – 10 kl	@	B1
Tarief 3	11 – 15 kl	@	1.5 A1
Tarief 4	16 kl+++	@	2.0 B1

- FASE 3 - GAMKADAM WATERVLAK 20%
- Kredietmeters

A = voorgestelde normale tarief 1 vir 2018/19

B = voorgestelde tarief 2 vir 2018/19

Tarief 1	0 – 6 kl	@	A
Tarief 2	7 – 10 kl	@	B
Tarief 3	11 – 15 kl	@	2.0 B
Tarief 4	16 – 20 kl	@	3.0 B
Tarief 5	21 – 30 kl kl	@	3.50 B
Tarief 6	31kl+++	@	4.50 B

W. (vervolg)

Item No

Besighede: Tarief 3: 2.0 B

➤ Vooruitbetaalmeters

Tarief 1	0 – 6 kl	@	A1
Tarief 2	7 – 10 kl	@	B1
Tarief 3	11 – 15 kl	@	1.5 B1
Tarief 4	16 kl+++	@	2.0 B1

Indien 'n verbruiker 15 kl te bowe gaan word 'n toeslag van 100% op die water rekening gehef.

➤ FASE 4 - GAMKADAM WATERVLAK 5%

Tariewe bly dieselfde as in Fase 3, maar indien 'n verbruiker 10 kl te bowe gaan 'n toeslag van 200% op die verbruik van die water rekening gehef.

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ANNEXURE B

2018/19 - 2020/21

<h2>BEAUFORT WEST MUNICIPALITY</h2>

Detailed Capital budget over the 2018/19 Medium Term Revenue Expenditure Framework (MTREF)

Detailed Capital Budget over the 2018/19 Medium Term Revenue Expenditure Framework (MTREF)

Directorate	Main Vote	Vote Name	Project Name	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21	Funding Source
Vote 1 - Municipal Manager	1010	Municipal Manager	Furniture and Office Equipment	50 000	-	-	CRR
Vote 2 - Director: Corporate Service	1100	Admin: Corporate Services	Furniture and Office Equipment	50 000	-	-	CRR
Vote 3 - Director: Financial Services	1200	Admin: Financial Services	Furniture and Office Equipment	200 000	-	-	CRR
Vote 2 - Director: Corporate Service	1201	Information Technology	5 X Laptops / PC Workstation Completed	74 200	-	-	CRR
Vote 2 - Director: Corporate Service	1201	Information Technology	Fibre Connectivity Infrastructure	40 800	-	-	CRR
Vote 2 - Director: Corporate Service	1201	Information Technology	5 X MS Office 2016 Licenses	10 000	-	-	CRR
Vote 2 - Director: Corporate Service	1201	Information Technology	Cybercom Firewall	75 000	-	-	CRR
Vote 4 - Director: Engineering Services	1400	Admin: Engineering Service	Machinery and Equipment	200 000	-	-	CRR
Vote 4 - Director: Engineering Services	1580	Recreation Sites	Beaufort West Sports Stadium: Upgrade Rugby Field	902 000	371 191	197 123	MIG
Vote 4 - Director: Engineering Services	1580	Recreation Sites	Beaufort West: Voortrekker Street Sports Fields - Upgrade Tennis Courts	635 543	-	-	MIG
Vote 4 - Director: Engineering Services	1580	Recreation Sites	Kwa-Mandlenkosi: Upgrade Sports Stadium	635 543	1 296 697	635 876	MIG
Vote 4 - Director: Engineering Services	1580	Recreation Sites	Rustdane: Upgrade Existing Regional Sport Stadium Ph2	135 865	1 342 805	-	MIG
Vote 4 - Director: Engineering Services	1580	Recreation Sites	Nelspoort: Upgrade Sport Stadium	500 000	-	-	MIG
Vote 4 - Director: Engineering Services	1640	Sewerage Farm	Nelspoort: Rehabilitate Sanitation: Oxidation Ponds	2 134 647	-	-	MIG
Vote 4 - Director: Engineering Services	1640	Sewerage Farm	Nelspoort (Budget Maintenance): Rehabilitate Sanitation: Oxidation Ponds Ph2	120 000	-	-	MIG
Vote 4 - Director: Engineering Services	1640	Sewerage Farm	Prince Valley, Area 58: New Bulk Sewer Pump Station & Rising Main	317 205	-	-	MIG
Vote 4 - Director: Engineering Services	1660	Street Works & Storm Water	Kwa-Mandlenkosi: Upgrade Streets - Dliso Avenue & Matshaka Street	1 505 340	-	-	MIG
Vote 4 - Director: Engineering Services	1660	Street Works & Storm Water	Nelspoort: Upgrade Roads - Freddie Max Crescent	1 300 000	-	1 438 544	MIG
Vote 4 - Director: Engineering Services	1660	Street Works & Storm Water	Merweville: Upgrade Roads	1 025 000	-	-	MIG
Vote 4 - Director: Engineering Services	1660	Street Works & Storm Water	Prince Valley (Ward 6): Upgrade Streets - James Smith/Michael de Villiers Avenue	2 754 898	-	-	MIG
Vote 4 - Director: Engineering Services	1660	Street Works & Storm Water	Rustdane, Kwa-Mandlenkosi & Hillside II - Rehabilitate Gravel Roads	-	1 945 201	-	MIG
Vote 4 - Director: Engineering Services	1660	Street Works & Storm Water	Rustdane: Pieter Street - Upgrade Gravel Roads	-	-	1 073 542	MIG
Vote 4 - Director: Engineering Services	1660	Street Works & Storm Water	Hillside: New Stormwater Retention Pond Ph2	-	-	3 526 177	MIG
Vote 4 - Director: Engineering Services	1660	Street Works & Storm Water	Rustdane: External Stormwater next to Brittekant St (Ph IV Housing)	562 680	-	-	MIG
Vote 5 - Director: Community Services	1800	Admin: Community Service	Machinery and Equipment	200 000	-	-	CRR
Vote 5 - Director: Community Services	1980	Refuse Removal	Beaufort West: New Refuse Transfer Station	532 874	-	-	MIG
Vote 6 - Director: Electrical Services	3010	Admin: Electrical Services	Machinery and Equipment	200 000	-	-	CRR
Vote 6 - Director: Electrical Services	3050	Admin: Electrical Services	Integrated National Electrification Programme	9 600 000	-	9 920 000	INEP
Vote 6 - Director: Electrical Services	3060	Reticulation: Low Voltage	Electrification of 257 Houses (S1 Development) Phase 1	3 983 500	-	-	INEP
Vote 6 - Director: Electrical Services	3060	Reticulation: High Voltage	Upgrading of Low Smith Substation (Phase 2)	2 800 000	-	-	INEP
Vote 6 - Director: Electrical Services	3060	Reticulation: High Voltage	Upgrading of Beaufort West Substation - Katieskop (Phase 3)	716 500	-	-	INEP
Vote 6 - Director: Electrical Services	3060	Reticulation: High Voltage	New S1 Development Substation	2 500 000	-	-	INEP
Vote 4 - Director: Engineering Services	4010	Admin: Water	Greater Beaufort West Ph2: New High Mast Lighting	2 704 703	-	-	MIG
Vote 4 - Director: Engineering Services	4050	Water Purification	Beaufort West: Investigation for New Aquifers	-	-	139 507	MIG
Vote 4 - Director: Engineering Services	4050	Water Purification	Beaufort West: Klein Hens River - New Water Supply Pipelines & Upgrade Boreholes & Pump Station	-	-	1 832 415	MIG
Vote 4 - Director: Engineering Services	4050	Water Purification	Nelspoort: New Bulk Water Supply	810 961	-	-	MIG
Vote 4 - Director: Engineering Services	4050	Water Purification	Regional Bulk Infrastructure Grant	5 000 000	-	15 000 000	RBIG
Vote 4 - Director: Engineering Services	5660	Murraysburg Street Works & Storm Water	Murraysburg: Rehabilitate Roads & Stormwater	1 023 128	-	2 394 718	MIG
Vote 4 - Director: Engineering Services	5660	Murraysburg Street Works & Storm Water	Murraysburg: Upgrade Streets - Sellars, Paarden & Perl Roads	399 115	-	2 549 448	MIG
Vote 4 - Director: Engineering Services	5660	Murraysburg Street Works & Storm Water	Murraysburg: New Stormwater Drainage	-	-	-	MIG
Vote 4 - Director: Engineering Services	5660	Murraysburg Street Works & Storm Water	Murraysburg South: Upgrade Stormwater Channel	1 539 000	-	-	MIG
Vote 4 - Director: Engineering Services	5660	Murraysburg Street Works & Storm Water	Murraysburg: New Fencing of Stormwater Channel Ph1	555 500	-	-	MIG
Vote 6 - Director: Electrical Services	5800	Murraysburg Electricity	Murraysburg: New High Mast Lighting	81 750	-	-	MIG
Vote 4 - Director: Engineering Services	5900	Murraysburg Water Works	Murraysburg (Budget Maintenance): Upgrade & Extend Water Supply	1 155 315	-	-	MIG
			Total	24 187 200	27 873 400	38 707 350	

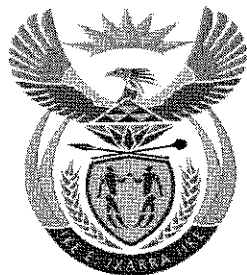
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ANNEXURE C
2018/19 – 2020/21

BEAUFORT WEST MUNICIPALITY

*National Treasury's MFMA Circular No. 89: Municipal Budget Circular for the
2018/19 MTREF – 8 December 2017*



Municipal Budget Circular for the 2018/19 MTREF

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Introduction

The purpose of the annual budget circular is to guide municipalities with their compilation of the 2018/19 Medium Term Revenue and Expenditure Framework (MTREF). This circular is linked to the Municipal Budget and Reporting Regulations (MBRR); and strives to support municipalities' budget preparation processes so that the minimum requirements of the MBRR are achieved.

In 2010 National Treasury introduced the local government budget and financial reform agenda and since then several projects to further this agenda have been introduced. The recent implementation of the municipal Standard Chart of Accounts (*mSCOA*) and the accompanying "game changers" signals a smarter way forward to strengthening local government finances.

Among the objectives of this budget circular is to demonstrate how municipalities should undertake annual budget preparation in accordance with the budget and financial reform agenda and associated "game changers".

Municipalities are reminded to refer to the annual budget circulars of the previous years for guidance on budget preparation that is not covered in this circular.

1. The South African economy and inflation targets

In the 2017 Medium Term Budget Policy Statement the Minister of Finance stated that, improving the country's economic growth in the period ahead remains the biggest challenge. This undoubtedly echoes the sentiments expressed in the previous year's annual budget circular, that the South African economic outlook is bleak.

The National Treasury's macroeconomic projections show that per capita income will continue to stagnate unless appropriate financial decisions are taken. This implies that a new course of action is required to break the cycle of weak growth, escalating government debt, increasing unemployment and declining investment and business confidence.

It is important to note that the 2017 projected Gross Domestic Product (GDP) growth forecast of 1.3 per cent in the 2017/18 budget was revised down to 0.7 per cent. The rate of recovery will be slow and at this time, it is anticipated that growth of 1.9 per cent may be reached by 2020.

Notably, the anticipated economic improvements, employment opportunities and business recovery have not materialised hence the economy remains unstable. The impact of the decline in mining growth and the struggle in the agriculture sector because of the persistent drought influence the low economic growth.

The mining outlook remains subdued due to continued domestic policy uncertainty and rising production costs. Fixed-capital stock in manufacturing has declined every year since 2009, indicating a gradual erosion of capacity. Formal non-agricultural employment declined by 0.2 per cent in the first half of 2017 compared to the same period last year. Employment prospects in manufacturing remain constrained. Similarly, employment growth in the trade sector is likely to remain under pressure given low consumer confidence and weak credit growth.

In summary, the country's tax collection targets have not been met and this means that the fiscus has less funds available to allocate across the various spheres of government. Unfortunately, a similar decline cannot be measured in expenditure and this means that deficits are growing.

The following macro-economic forecasts must be considered when preparing the 2018/19 MTREF municipal budgets.

Table 1: Macroeconomic performance and projections, 2016 - 2020

Fiscal year	2016/17	2017/18	2018/19	2019/20	2020/21
	Actual	Estimate	Forecast		
CPI Inflation	6.3%	5.4%	5.2%	5.5%	5.5%

Source: Medium Term Budget Policy Statement 2017.

Note: the fiscal year referred to is the national fiscal year (April to March) which is more closely aligned to the municipal fiscal year (July to June) than the calendar year inflation.

2. Key focus areas for the 2018/19 budget process

2.1 Local government conditional grants and additional allocations

The proposed division of revenue continues to prioritise funding services for poor communities. Allocations to local government subsidise the delivery of free basic services to low-income households, and the infrastructure needed to deliver those services.

The 2017 Medium Term Budget Policy Statement (MTBPS) indicates transfers to local government for the 2018 MTREF are R397 billion, of which 62.2 per cent comprise unconditional allocations while the remainder is conditional grant funding. The allocations for local government over the medium term represent 9.2 per cent of non-interest expenditure and an increase of 8.3 per cent.

The equitable share and the allocation of the general fuel levy to local government constitute unconditional funding. Municipalities are reminded that this funding allocation is formula driven and designed to fund the provision of free basic services to disadvantaged communities. Conditional grant funding must be utilised for the intended purpose within the timeframes, as specified in the annual Division of Revenue Bill. Monies not spent must be returned to the fiscus and requests for roll-overs will only be considered in extenuating circumstances.

The annual Division of Revenue Bill will be published in February 2018 after the Minister of Finance's budget speech. The grant allocations will be specified in this Bill and municipalities must reconcile their budgets to the numbers published herein.

Municipalities are advised to use the indicative numbers presented in the 2017 Division of Revenue Act to compile their 2018/19 MTREF. In terms of the outer year allocations (2020/21 financial year), it is proposed that municipalities conservatively limit funding allocations to the indicative numbers as proposed in the 2017 Division of Revenue Act for 2018/19. The DoRA is available at <http://www.treasury.gov.za/documents/national%20budget/2017/default.aspx>

Changes to local government allocations

- The Equitable Share formula takes into account the rising bulk costs of electricity and water, as well as household growth. This is confirmed by the additional R1.5 billion in 2019/20 that was part of the 2017 budget for the *local government equitable share*.
- In line with government's Integrated Urban Development Framework (IUDF), a new approach to funding intermediate cities will be piloted as part of the *municipal infrastructure grant* in 2018/19. It will emphasise a programme of capital investment that

combines grant and non-grant funding. This approach may take the form of a separate grant for qualifying cities over the medium term, with strong performance incentives.

- The allocation mechanism of the *public transport network grant*, which funds the improvement of urban public transport systems, will be amended. The changes will provide more stability in allocations for smaller cities. Performance incentives will be introduced and stricter conditions applied. Where cities fail to demonstrate that they have financially sustainable plans for public transport networks, allocations will be cut. Performance incentives will also be considered for other conditional grants, including for improved spending on infrastructure maintenance.
- The National Treasury and the Department of Human Settlements will review spending on urban informal settlement upgrading, with a view to changing the grant system to enable increased investment in in-situ upgrading. This work will be aligned to the review of the provincial *human settlements development grant*.

The Presidency announced in a press statement on 27 November 2017 that, "President Jacob Zuma has directed the Minister of Finance, Mr Malusi Gigaba, assisted by the Presidential Fiscal Committee, to identify concrete measures to urgently address the challenges identified in the Medium Term Budget Policy Statement." These measures should focus on four areas, one of which is, "To identify and finalise proposals for cuts in expenditure amounting to about R25 billion. Such proposed cuts should not be in areas that will negatively affect economic growth prospects and job creation." National Treasury is currently working to implement this directive from the President. If the proposed cuts in expenditure are adopted by Cabinet, they could result in substantial changes to the division of revenue that was tabled in the 2017 MTBPS. Municipalities should be aware in their planning that these changes could include substantial reductions to grants to local government. The details of any cuts to expenditure will be announced when the 2018 Budget is tabled on 21 February 2018.

Reforms to local government fiscal framework

Reforms over the medium term will enhance the ability of municipalities to raise revenue to invest in their own development.

Government will:

- Table amendments to the Municipal Fiscal Powers and Functions Act (2007) to better regulate the levying of municipal development charges; and
- Update the policy framework for municipal borrowing and financial emergencies. The purpose is to establish a system which does not only guarantee stability and certainty in local government finances, but also seeks to implicitly create incentives and attract more players in the municipal debt market space, i.e. insurers, pension funds, fund managers and DFIs.

Municipal revenue-raising capacities vary widely. The National Treasury will consider applications to waive co-funding requirements for infrastructure projects in municipalities with little or no ability to raise finance for such projects. Reprioritisations within the *regional bulk infrastructure grant*, *water services infrastructure grant* and *municipal infrastructure grant* will be made to fund the Bucket Eradication Programme.

2.2 Municipal Standard Chart of Accounts (*m*SCOA)¹

The implementation of *m*SCOA Regulations from 01 July 2017 revealed some of the challenges with version 6.1 of the chart that must be addressed. As a result of this, the chart was updated and version 6.2 is released with this circular (see Annexure A). Version 6.2 of the chart will be effective from 2018/19 and must be used to compile the 2018/19 MTREF. In addition, there were classification differences between the original budgets that were adopted by municipal council and the data strings that were submitted to National Treasury. Furthermore, the budget related policies were not updated to align to *m*SCOA (e.g. Virement policy).

Version 6.2 of the *m*SCOA chart to be used for the 2018/19 MTREF is available on the link below:
<http://mfma.treasury.gov.za/RegulationsandGazettes/MunicipalRegulationsOnAStandardChartOfAccountsFinal/Pages/default.aspx>

Amendments of mSCOA implementation errors during the adjustments budget

During the budget verification process it was evident that municipalities had challenges aligning the *m*SCOA original budget data string to the original budget adopted by municipal council. The challenges differed per municipality and include differences on classification. Most municipalities were granted permission to correct the alignment during the 2017/18 adjustments budget process. The adjusted budget data strings should align to Schedule B adopted by municipal council. National and Provincial treasuries will undertake the verification process on the adjusted budgets in relation to the data strings. Therefore, municipalities are advised to submit the draft data strings and B-schedules in advance for testing purposes to ensure that aligned documents are adopted by municipal council by 28 February 2018.

The impact of mSCOA on the virement policy

MFMA Circular No. 51 highlighted the principles that must be incorporated into municipal virement policies. It also emphasised that the policy must indicate how the virement process must be managed within the municipality to enable the tracking and reporting of funding shifts.

The principles are still applicable and relevant. The only difference is that a transaction in *m*SCOA relates to six regulated segments, therefore all segments must be considered when making a virement. Municipalities are urged to review the policy and update reference to "Vote" to align to the function segment and indicate the funding applicable to the item being transferred in relation to the funding segment. Therefore, with the implementation of *m*SCOA, virements can only take place within a function or sub-function and the same source of funding. The creation of new projects or savings across functions can only take place through an adjustment budget. The policy must clearly articulate that virements should not be allowed from the repairs and maintenance project in the project segment.

Clarification of core and non-core functions

There are municipalities that experienced challenges with the implementation of the function segment due to the interpretation of what is core and non-core. Core functions provides for the matters in terms of section 156 (1) of the Constitution. These are functions performed by local government and constitutionally assigned to local government in terms of Part B of Schedule 4 and Part B of Schedule 5. Non-core function refers to the functions performed by

¹ The Minister of Finance promulgated the Municipal Regulations on a Standard Chart of Accounts in government gazette Notice No. 37577 on 22 April 2014.

local government that are constitutionally assigned to provincial government in terms of section 156(4) of the Constitution. Local Government are compensated for delivering these functions on behalf of provincial government and typically receive a management fee from the provincial department.

For example, with the water function, if a municipality is an approved Water Service Authority (WSA), the provision of water will be a core function of that municipality. However, where a municipality is providing the service on an agency basis and is not an approved WSA, this will be a non-core function.

2018/19 mSCOA Audit process

When the *mSCOA* Regulation was promulgated in 2014, it provided for a three-year preparation and readiness window. All municipalities had to be compliant with the *mSCOA* classification framework by 1 July 2017. In order to ensure that municipalities meet the compliance deadline, National Treasury provided technical guidance on the processes required through MFMA Circulars No. 57, 80, 85 and *mSCOA* Circulars 1, 2, 3, 4, 5, and 6. Furthermore, a transversal tender (RT25-2016) was issued to reduce the time spent by municipalities on onerous tender processes and price negotiations when changing its current financial system to comply with *mSCOA*. These circulars read together with the *mSCOA* regulations should be the first point of departure when municipalities prepare their *mSCOA* audit files and the following key documents should typically be included in the audit files:

- Governance: Council resolutions pertaining to *mSCOA* implementation, including the resolutions to establishment a *mSCOA* steering committee and project implementation team; all documents of the Project Steering Committee and Project Implementation Committee such as agendas, attendance registers, signed minutes of all meetings, correspondence with National and Provincial Treasuries and the *mSCOA* project plan and reports/evidence of monitoring thereof;
- Change management and training: Records as evidence that change management were implemented and that all officials were trained on *mSCOA* and the use of the *mSCOA* enabling financial system;
- Procurement of Systems: Evidence that the processes set out in Annexure B of *mSCOA* Circular No. 6 was followed, including conducting an ITC due diligence process, obtaining a recommendation from the *mSCOA* project steering committee and the views of the National/Provincial Treasury and correspondence with the Office of the Procurement Officer (OCPO) of National Treasury where the transversal tender RT25-2016 was used; and
- Data migration/conversion: As part of the audit process, the Auditor-General will review the conversion/migration/cleansing processes used by the municipality to assess the completeness, accuracy and validity of data.

Municipalities are advised to use their internal audit function to ensure that the correct process was followed. Internal audit must ensure that the municipality has complied with the requirements of *mSCOA* and the reports of internal audit must be tabled at audit committee and at municipal council for their consideration.

2.3 Reporting indicators

The National Treasury has finalised the process of rationalising the built environment reporting for the eight metropolitan municipalities with an aim to reduce the reporting burden, which included the development of a set of indicators that will enable government to monitor progress on the integrated and functional outcomes.

There has been some confusion as to the level that indicators in the Service Delivery Budget Implementation Plan (SDBIP) occupy, particularly in relation to quarterly projections of service delivery targets and performance indicators for each vote (as per MFMA Circular No. 13).

Municipalities are urged to refer to MFMA Circular No.88 on rationalisation of planning and reporting requirements for the 2018/19 MTREF issued on 30 November 2017. The circular contains municipal performance indicators for metropolitan municipalities. In providing guidance, conceptual clarity and alignment between the Integrated Development Plan (IDP), Built Environment Performance Plan (BEPP), SDBIP and the performance part of the Annual Report, the MFMA Circular has conceptual application of benefit to all municipalities.

The performance indicators will be applicable to metropolitan municipalities from the 2018/19 financial year, and incrementally introduced to other categories of municipalities from 2019/20 onwards, although earlier compliance is encouraged.

2.4 Borrowing for capital infrastructure

In terms of Section 46 of the MFMA, a municipality may incur long-term debt only for the purpose of current or future capital expenditure on property, plant or equipment, and in specified circumstances for refinancing existing long-term debt. A municipality cannot borrow to replenish capital, nor can borrowing be attributed to previous years' investment projects.

It has come to National Treasury's attention that some municipalities budget for long-term borrowing in a specific financial year to finance capital projects; however, the expenditure is financed from internally generated funds and not with the planned/ budgeted long-term borrowing as was approved by council. The municipalities will then obtain the long-term debt in future years to refinance the internally generated funds which were used to finance the capital projects in the previous financial years. This practice is not supported as it is not consistent with section 15 of the MFMA that provides that a municipality can only incur expenditure in terms of an approved budget and within the amounts appropriated for the different votes. The incurring of the expenditure against a different source of finance than what was approved will be regarded as unauthorised expenditure.

3. The revenue budget

Similar to the rest of government, municipalities face a difficult fiscal environment. Even as demand for services rises, weak economic growth has put stress on consumers' ability to pay for services, while transfers from national government are growing more slowly than in the past. Some municipalities have managed these challenges well, but others have fallen into financial distress and face liquidity problems. These include municipalities that are unable to meet their payment obligations to Eskom, water boards and other creditors. There is a need for municipalities to focus on collecting revenues owed to them, and eliminate wasteful and non-core spending. Municipal budgets will be scrutinised to ensure that municipalities adequately provide to service their debt obligations. Municipalities must ensure that expenditure is limited to the maximum revenue collected and not spend on money that they do not have.

Municipalities are reminded that, the local government equitable share allocation is mainly to fund the costs of free basic services and to subsidise the administrative costs of the smaller and more rural municipalities. The increasing unemployment and growth in the number of persons per household means that the revenue foregone in respect of free basic services will likely increase and it will become even more difficult to collect revenue. The household budget will be under pressure and trade-offs will be applied as it may be unaffordable to pay all household expenses with regularity.

National Treasury encourages municipalities to maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other customers while ensuring the financial sustainability of the municipality. The Consumer Price Index (CPI) inflation is forecasted to be within the upper limit of the 3 to 6 per cent target band; therefore municipalities are required to **justify all increases in excess of the projected inflation target for 2018/19** in their budget narratives, and pay careful attention to the differential incidence of tariff increases across all consumer groups. In addition municipalities should include a detail of their revenue growth assumptions for the different service charges in the budget narrative.

3.1 Maximising the revenue generation of the municipal revenue base

The implementation of mSCOA requires systems integration of several sub-systems such as that which contains the municipal valuation roll. Among the internal controls, the system must have the capability to compare the valuation roll data to that of the billing system; the list of exceptions derived from this reconciliation provides an indication of where the municipality may be compromising its revenue generation in respect of property rates. Municipalities must reconcile valuation roll data, billing system and the deeds office. This may become a formal disclosure item in the near future.

Municipal own revenue sources are shrinking due to widespread drought and households opting for alternative sources of energy. This means that more effort is required to maximise revenue derived from property rates.

3.2 Eskom bulk tariff increases

2017/18 was the last year of the third Multi-Year Price Determination (MYPD) for Eskom's tariffs approved by the National Energy Regulator of South Africa (NERSA). Eskom has applied for a one year average tariff increase of 19.9 per cent for 2018/19. For municipalities, the different timing of the municipal financial year means that the increase Eskom has applied for would mean a 27.29 per cent average tariff increase in the 2018/19 municipal financial year. The National Energy Regulator of South Africa recently concluded a process of public hearings on this application, but has yet to publish a decision on the application. Municipalities can monitor www.nersa.org.za for news on the outcome of this process.

Municipalities should note that the average electricity tariff increase for municipalities in the 2017/18 municipal financial year was only 0.31 per cent. MFMA Circular No. 86 noted that by the time that tariff announcement was made, the local government equitable share allocations for 2017/18 had already been calculated with a higher electricity tariff increase. That circular said that "municipalities will have to budget to retain any surplus funds from the higher free basic services subsidy paid [through the local government equitable share] in 2017/18 in order to offset the cost of providing free basic electricity in 2018/19."

Municipalities are also urged to examine the cost structure of providing electricity services and to apply to NERSA for electricity tariff increases that reflect the total cost of providing the service so that they work towards achieving fully cost-reflective tariffs that will help them achieve financial sustainability. Municipalities in arrears with Eskom should ensure that their payment arrangements are effected in their 2018/19 MTREF budget.

3.3 Water tariff increases

The prevailing drought makes it difficult for some municipalities to improve revenue generation from this service. It is now more important to improve demand management, infrastructure maintenance, loss management, meter reading and tariff setting in respect of water services.

Municipalities must ensure that the tariffs charged are able to cover for the cost of bulk purchases, ongoing operations as well as provision for future infrastructure. There are

municipalities that are struggling to pay water boards due to a number of issues, one of which is poor financial sustainability and cost recovery. All municipalities in arrears with bulk suppliers must ensure that their payment arrangements are effected in their 2018/19 MTREF budget.

Accounting officers should take note that failure to undertake proper due diligence in terms of the affordability of payment arrangements and making the necessary provision in the municipality's budget will be considered as an act of financial misconduct and the necessary action in terms of chapter 15 of the MFMA read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings will have to be taken.

Municipalities that may have benefited from having introduced penalty tariffs for non-compliant consumers will have to adjust their budgets accordingly.

3.4 Water Conservation and Water Demand Management (WCWDM)

Water Conservation and Water Demand Management has been identified as a key intervention to balance available municipal supply against projected future needs. In this regard municipalities must actively implement WCWDM. Ongoing accurate monitoring and reporting of municipal Non-Revenue Water (NRW) and water loss performance against set targets and baselines is critical. The reporting must take place via the International Water Association (IWA) water balance methodology. No new funding towards future water infrastructure projects will be considered unless municipalities can provide actual consumption figures and prove that their water losses are under control. Municipalities should increase their efforts to reduce NRW and the negative impact it has on their ability to generate their own income and run a viable water business.

4. Funding choices and management issues

The Circular clearly outlines that, as a result of the economic landscape and weak tariff setting, municipalities are under pressure to generate revenue. The ability of customers to pay for services is declining and this means that less revenue will be collected. Therefore, municipalities must consider the following when compiling their 2018/19 MTREF budgets:

- improving the effectiveness of revenue management processes and procedures;
- paying special attention to cost containment measures by, amongst other things, controlling unnecessary spending on nice-to-have items and non-essential activities as was highlighted in MFMA Circular No. 82;
- ensuring value for money through the procurement process;
- the affordability of providing free basic services to all households; and
- curbing consumption of water and electricity by the indigents to ensure that they do not exceed their allocation.

Accounting officers are reminded of their responsibility in terms of section 62(1)(a) of the MFMA to use the resources of the municipality effectively, efficiently and economically. Failure to do this will result in the accounting officer committing an act of financial misconduct which will trigger the application of chapter 15 of the MFMA read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.

4.1 Employee related costs

The *Salary and Wage Collective Agreement* for the period 01 July 2015 to 31 June 2018 has come to an end. The process is under consultation; therefore, in the absence of other information from the South African Local Government Bargaining Council communication will be provided at a later stage.

4.2 Remuneration of councilors

Municipalities are advised to budget for the actual costs approved in accordance with the Government Gazette on the Remuneration of Public Office Bearers Act: Determination of Upper Limits of Salaries, Allowances and Benefits of different members of municipal councils published annually between December and January by the Department of Cooperative Governance. Any overpayment to councilors contrary to the upper limits as published by the Minister of Cooperative Governance and Traditional Affairs will be irregular expenditure in terms of section 167 of the MFMA and must be recovered from the councilor(s) concerned.

5. Conditional Grant Transfers to Municipalities

5.1 Non-compliance of in year monitoring

In terms of Section 74(1) of the Municipal Finance Management Act (No 56. of 2003) (MFMA), municipalities must submit to the National and Provincial treasuries documents and monthly grant return forms as may be prescribed or required. Furthermore, section 12(2) of the Division of Revenue Act (Act No. 3 of 2017) (DoRA) states that the municipality, as part of the report required in terms of section 71 of the MFMA, report on the matters referred to in subsection (4) and submit a copy of that report to the relevant provincial treasury, the National Treasury and the relevant Transferring Officer.

There are municipalities that have not been complying with the reporting requirements as stipulated above. Municipalities are reminded that non-submission of monthly reports translates to non-compliance with the MFMA and DoRA. The National Treasury and Transferring Officer will be implementing stringent measures to municipalities that do not comply with the prescripts. This includes, but is, not limited to the stopping and reallocation of conditional grants funding away from municipalities that are non-compliant. Municipalities are encouraged to comply with the reporting requirements in order to avoid withholding or stopping of an allocation.

6. The Municipal Budget and Reporting Regulations

6.1 Tabling of funded budgets

The importance of tabling funded budgets is highlighted in MFMA Circular No. 74. This is one of the game changers in local government to ensure financial sustainability. As an initiative to support municipalities in this regard, the National and Provincial treasuries are assessing tabled budgets and assisting municipalities in effecting the required changes to ensure that they adopt funded budgets. However, some municipalities have challenges in correcting the budgets to ensure that they are funded in one financial year due to financial challenges. As a result, such municipalities must, together with their 2018/19 MTREF budget, table a plan in a municipal council on how and by when the budget will improve from an unfunded to a funded position. The National and Provincial treasuries will assess the budget together with the plans and support the municipality accordingly.

6.2 Budgeting for collections from arrear debtors

Most municipalities do not split collections between current and arrear debtors when reporting on table A7, this results in the collection rate being overstated. Municipalities are required to only disclose receipts from current accounts under cash flow from operating activities and the receipts from arrear accounts should be disclosed under cash flow from investing activities (Decrease in non-current debtors).

6.3 VAT implications (Budgeting on capital (A5) vs reporting)

MFMA Circular No. 58 indicated that municipalities must disclose total capital conditional grant allocations reflected in the DoRA under 'transfers and grants – capital' on Tables A2, A3, A4 and A5. However, there are municipalities that are experiencing challenges when reporting capital expenditure performance against the budget. The expenditure at year end appears to be understated when compared to the budget.

In terms of paragraph 4.5 of the VAT 419 Value-Added Tax – Guide for Municipalities, section 8(5A) was introduced to create a deemed supply where a person receives a grant from a public authority, constitutional institution or municipality. In light of the above it is clear that transfers to municipalities are deemed to be a zero-rated supply which includes VAT at 0 per cent. Grants are therefore VAT inclusive as per MFMA Circular No. 58 but at 0 per cent. **Therefore, municipalities must budget for VAT at 0 per cent and not 14 per cent on tables A4 and A5.** The approach also applies to the adjustments budget process (tables B4 and B5).

The fact that grants are a zero-rated supply enables municipalities to claim the input VAT on expenditure incurred. In line with MFMA Circular No. 58 a municipality must report the VAT inclusive expenditure against all conditional grants for purposes of DoRA, failing which the reclaimed input VAT will reflect as 'unspent' and revert to the National Revenue Fund (NRF). In practice the amount of expenditure (VAT exclusive) in the grant register will be expensed/capitalised and the VAT portion reflected in the grant register may be utilised by the municipality as own revenue in terms of MFMA Circular No. 58. This also removes any doubt about the misalignment of Tables SA18, SA19, SA20, A4 and A5 due to VAT.

6.4 Budgeting for projections on tables SA25 to SA30

Over the years municipalities in general have not adequately completed the supporting tables SA25 to SA30, where projections were equally divided over twelve months. In addition, the quarterly projections reported on the C schedules differ with the projections that were set in the adopted budgets. This has defeated the purpose of monthly projections which seeks to improve cash flow and performance management. The implementation of *m*SCOA requires municipalities to undertake monthly projections, which must align to the supporting tables of the A schedule. Municipalities must reflect realistic projections when they adopt the budget and not to change the projections during in-year reporting.

6.5 Service level standards

A broad guideline was provided on the minimum service standards to be incorporated in the budget documentation. In addition, MFMA Circular No.74 included a framework that was developed as an outline to assist municipalities in finalising their service level standards.

Municipalities are advised to update the service level standards to align to the new IDPs that were compiled after the 2016 Local Government Elections. As indicated in MFMA Circular No.74 it is not possible to have the same service level standards across all municipalities. Therefore, the outline must be used as a guideline and be amended accordingly to align to the municipality's specific circumstances.

6.6 Schedule A - version to be used for the 2018/19 MTREF

National Treasury has released Version 6.2 of Schedule A1 (the Excel Formats) which is aligned to version 6.2 of the *m*SCOA classification framework which must be used when compiling the 2018/19 MTREF budget. **ALL municipalities MUST** use this version for the preparation of their 2018/19 MTREF budget.

It is imperative that all municipalities prepare their 2018/19 MTREF budgets in their financial systems and that the A1 schedule be produced directly from their financial system. All financial systems must have this functionality to assist and prepare budgets.

Special attention must be given to the supporting schedules in the prescribed A1 schedule. Where detailed data is lying in a sub-system e.g. human resource data for SA22 to SA24, this data must be pulled from the sub-system into the applicable supporting sheet.

Download Version 6.2 of Schedule A1 by clicking [HERE](#)

The Municipal Budget and Reporting Regulations, formats and associated guides are available on National Treasury's website at:
<http://mfma.treasury.gov.za/RegulationsandGazettes/Pages/default.aspx>

6.7 Assistance with the compilation of budgets

If municipalities require advice with the compilation of their respective budgets, specifically the budget documents or Schedule A1, they should direct their enquiries to their respective provincial treasuries or to the following National Treasury officials:

Province	Responsible NT officials	Tel. No.	Email
Eastern Cape	Bernard Mokgabodi	012-315 5936	Bernard.Mokgabodi@treasury.gov.za
	Matjati Mashoeshoe	012-315 5553	Matjati.Mashoeshoe@treasury.gov.za
Free State	Jordan Maja	012-315 5663	Jordan.Maja@treasury.gov.za
	Cethekile Moshane	012-315 5079	Cethekile.moshane@treasury.gov.za
Gauteng	Kgomotso Baloyi	012-315 5866	Kgomotso.Baloyi@treasury.gov.za
	Nomxolisi Mawulana	012-315 5460	Nomxolisi.Mawulana@treasury.gov.za
KwaZulu-Natal	Bernard Mokgabodi	012-315 5936	Bernard.Mokgabodi@treasury.gov.za
	Johan Botha	012-315 5171	Johan.Botha@treasury.gov.za
Limpopo	Una Rautenbach	012-315 5700	Una.Rautenbach@treasury.gov.za
	Sifiso Mabaso	012-315 5952	Sifiso.Mabaso@treasury.gov.za
Mpumalanga	Willem Voigt	012-315 5830	Willem.Voigt@treasury.gov.za
	Mandla Gilimani	012-315 5807	Mandla.Gilimani@treasury.gov.za
Northern Cape	Jordan Maja	012-315 5663	Jordan.Maja@treasury.gov.za
	Anthony Moseki	012-315 5174	Anthony.Moseki@treasury.gov.za
North West	Sadesh Ramjathan	012-315 5101	Sadesh.Ramjathan@treasury.gov.za
	Makgabo Mabotja	012-315 5156	Makgabo.Mabotja@treasury.gov.za
Western Cape	Vuyo Mbunge	012-315 5661	Vuyo.Mbunge@treasury.gov.za
	Kevin Bell	012-315 5725	Kevin.Bell@treasury.gov.za
	Sibusiso Mahlangu	012-395 6737	Sibusiso.Mahlangu@treasury.gov.za
Technical issues with Excel formats	Elsabe Rossouw	012-315 5534	ldataqueries@treasury.gov.za

National Treasury, together with the provincial treasuries, will undertake a compliance check and, where municipalities have not provided complete budget information, the municipal budgets will be returned to the mayors and municipal managers of the affected municipalities for the necessary corrections. Municipal managers are reminded that the annual budget must be accompanied by a quality certificate and council resolution in accordance with the format specified in item 31 of Schedule A of the Municipal Budget and Reporting Regulations.

The National Treasury would like to emphasise that where municipalities have not adhered to the Municipal Budget and Reporting Regulations, **they will be required to go back to the municipal council and table a complete budget document aligned to the requirement of the Municipal Budget and Reporting Regulations. In addition, where municipalities have adopted an unfunded budget, they will be required to correct the budget to ensure it adopt and implement a funded budget. However, where there are challenges the process indicated in paragraph 6.1 above will be applied.**

Municipalities with municipal entities are once again reminded to prepare consolidated budgets and in-year monitoring reports for both the parent municipality and its entity or entities. The following must be compiled:

- An annual budget, adjustments budget and monthly financial reports for the parent municipality in the relevant formats;
- An annual budget, adjustments budget and monthly financial reports for the entity in the relevant formats; and
- A consolidated annual budget, adjustments budget and monthly financial reports for the parent municipality and all its municipal entities in the relevant formats.

The A Schedule that the municipality submits to National Treasury must be a consolidated budget for the municipality (plus entities) and the budget of the parent municipality. D schedules must be submitted for each entity.

7. Budget process and submissions for the 2018/19 MTREF

7.1 Submitting budget documentation and schedules for 2018/19 MTREF

To facilitate oversight of compliance with the Municipal Budget and Reporting Regulations, accounting officers are reminded that:

- Section 22(b)(i) of the MFMA requires that, **immediately** after an annual budget is tabled in a municipal council, it must be submitted to the National Treasury and the relevant provincial treasury in both printed and electronic formats. If the annual budget is tabled to council on 29 March 2018, the final date of submission of the electronic budget documents and corresponding electronic returns is **Tuesday, 03 April 2018**. The deadline for submission of hard copies including council resolution is **Friday, 06 April 2018**.
- Section 24(3) of the MFMA, read together with regulation 20(1), requires that the approved annual budget must be submitted to both National Treasury and the relevant provincial treasury **within ten working days** after the council has approved the annual budget. If the council only approves the annual budget on 30 June 2018, the final date for such a submission is **Friday, 13 July 2018**, otherwise an earlier date applies.

The municipal manager must submit:

- the budget documentation as set out in Schedule A (version 6.2) of the Municipal Budget and Reporting Regulations, including the main Tables (A1 - A10) and ALL the supporting tables (SA1 – SA38) in both printed and electronic formats;
- the draft service delivery and budget implementation plan in both printed and electronic format;
- the draft integrated development plan;
- the council resolution;
- signed Quality Certificate as prescribed in the Municipal Budget and Reporting Regulations; and

- schedules D specific for the entities.

Municipalities are required to send electronic versions of documents and the A1 schedule to lgdocuments@treasury.gov.za. Any problems experienced in this regard can be addressed with Elsabe Rossouw at Elsabe.Rossouw@treasury.gov.za. Budget related documents and schedules may also be uploaded using the LG Upload Portal at <https://portals.treasury.gov.za/sites/LGUploadPortal/SitePages/Home.aspx>

Municipalities are required to send printed submissions of their budget documents and council resolution to:

For couriered documents

Ms Linda Kruger
National Treasury
40 Church Square
Pretoria, 0002

For posted documents

Ms Linda Kruger
National Treasury
Private Bag X115
Pretoria, 0001

In addition to the above-mentioned budget documentation, metropolitan municipalities must submit the draft Built Environment Performance Plan (BEPP) tabled in council by 31 March 2018 to Yasmin.coovadia@treasury.gov.za. If the BEPP documents are too large to be sent via email (exceeds 4MB) please submit to yasmin.coovadia@gmail.com or send to Yasmin Coovadia via Dropbox; any problems experienced in this regard can be addressed with Yasmin.Coovadia@treasury.gov.za. Hard copies of the BEPP may be sent to Yasmin Coovadia, National Treasury, 3rd floor 40 Church Square, Pretoria, 0002 or Private Bag X115, Pretoria, 0001.

7.2 Budget reform returns to the Local Government Database for publication

Municipalities are required to continue to use the Budget Reform Returns to upload budget and monthly expenditure to the National Treasury Local Government Database for publication purposes. All returns are to be sent to lgdatabase@treasury.gov.za. Municipalities must submit returns for both the draft budget and the final adopted budget as this will assist the National and provincial treasuries with the annual benchmark process. The current electronic returns may be downloaded from National Treasury's website at the following link: http://mfma.treasury.gov.za/Return_Forms/Pages/default.aspx.

The tabled and adopted budget data strings submitted to the Local Government Database and Reporting system should also be consolidated figures.

7.3 In-year reporting

The impact of mSCOA on in-year reporting

Municipalities must submit the mSCOA compliant data strings to the LG Upload Portal. National Treasury will continue with parallel reporting using the old format (return forms) and the mSCOA data strings until it is satisfied that all municipalities are mSCOA compliant and reporting adequately to support all publications. Therefore, the data submitted using both reporting methods must reconcile. National and Provincial treasuries together with the municipalities will conduct monthly verification of the data strings, Schedules C and the return forms to ensure that corrections are effected. All corrections must be done by **28 February 2018** in line with the amendments to the adjustments.

Supporting documents to be submitted with Section 71 monthly reports

Municipalities were advised in MFMA Circular No. 67 that they must provide the following additional information and supporting documentation to the National Treasury as part of the submission of the Section 71 input forms:

- An extract of the trial balances from the general ledger;
- Copies of the actual monthly bank statements (reflecting the opening and closing bank balances) for the primary bank account;
- Bank reconciliation for the reporting period in the primary bank account; and
- Copies of the quarterly tabled section 71 documents in the prescribed Schedule C format including the applicable council resolution.

Most municipalities have not followed the guideline; therefore, municipalities are reminded that this request is still applicable and that the information must be submitted with the monthly Section 71 reports. The information is meant to assist in improving the quality of the quarterly published local government performance information.

Monthly reporting of debtors and creditors

National Treasury has observed through in-year monitoring that most municipalities are overstating debtors as they report on gross debtors instead of net. The format of the monthly debtors return form (Age Analysis of Debtors) provides for a column to disclose provision for impairment as per council policy. Therefore municipalities are urged to always reflect the provision for impairment in the column as indicated above for National Treasury to be able to reconcile the net debtors.

It was also observed that most municipalities are understating outstanding creditors. There is a major difference in the amounts reported through in-year reporting and those disclosed in the annual financial statements. It is assumed that amounts are not disclosed for all sundry payments and contractual commitments. Municipalities are urged to reconcile creditors on a monthly basis to increase the quality of reporting and for effective cash flow management.

7.4 Budget verification process

Annually during the budget verification process it is noted that municipalities have challenges to align the audited years, which results in amendments to the Schedule A. Municipalities must ensure that the audited figures and adjusted budget figures captured on the Schedule A aligns to the annual financial statements and Schedule B respectively.

7.5 Publication of budgets on municipal websites

In terms of section 75 of the MFMA, all municipalities are required to publish their tabled budgets, adopted budgets, annual reports (containing audited annual financial statements) and other relevant information on the municipality's website. This will aid in promoting public accountability and good governance.

All relevant documents mentioned in this circular are available on the National Treasury website, <http://mfma.treasury.gov.za/Pages/Default.aspx>. Municipalities are encouraged to visit it regularly as documents are regularly added / updated on the website.

Contact



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

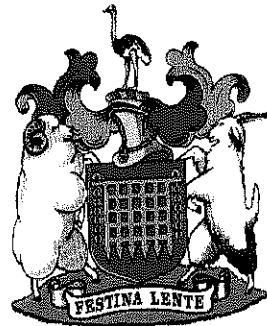
Post Private Bag X115, Pretoria 0001
Phone 012 315 5009
Fax 012 395 6553
Website <http://www.treasury.gov.za/default.aspx>

JH Hattingh
Chief Director: Local Government Budget Analysis
08 December 2017

Annexure A – Changes to mSCOA version 6.2

No.	Segment	Amendment
1	Region	Include ward / township breakdown as requested by municipalities
2	Region	Retired decommissioned municipalities due to demarcation
3	Region	Updated name changes due to demarcation and gazette notifications received
4	Item Revenue: Licences or permits	Added item for revenue from Atmospheric Emission Licence Fees
5	Item Expenditure: Depreciation	Added breakdown of asset classification to align to the CIDMS classification and SA34d
6	Item Expenditure: Remuneration of councillors	Added remuneration of Section 79 chairperson as this needs to be reported separately
7	Item Expenditure: Contracted services	Added line item for outsourced printing services
8	Item Expenditure: Operational cost: Licences	Added line item for liquor licence (entities)
9	Item Expenditure	Added "Transfer to Accumulated Surplus" account
10	Item Expenditure	Added "Capitalisation" accounts to capitalise materials, plant and vehicle costs
11	Item Assets: Investments	Report at institution level and breakdown detail for own purposes.
12	Item Assets: Current Accounts: Control, Clearing and Interface Accounts	Added line item for mistakes made by bank (over/ under banking, unidentified deductions from bank account)
13	Item: Assets, Liabilities and Net Assets	Removed all "Closing Balance" accounts
14	Item Assets and Liabilities	Added "Opening Balance" accounts, detail to be carried in the sub-system
15	Function	Expanded definition descriptions to guide municipalities on the difference between core and non-core functions
16	Fund	Added breakdown of grants, transfers and subsidies as requested by municipalities
17	Fund	Aligned Fund, Item Liabilities, Item Expenditure and Item Revenue segments
18	Project	Changed breakdown allowed to "Yes" for 8 items that indicated "breakdown required but principle N/A".

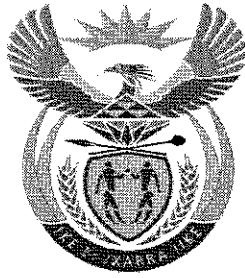
Beaufort West Municipality
15 Church Street, Beaufort West
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ANNEXURE D
2018/19 - 2020/21

BEAUFORT WEST MUNICIPALITY

*National Treasury's MFMA Circular No. 91: Municipal Budget Circular for the
2018/19 MTREF - 7 March 2018*



Municipal Budget Circular for the 2018/19 MTREF

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Introduction

This budget circular is a follow-up to the one issued in December 2017. It guides municipalities with their preparation of the 2018/19 Medium Term Revenue and Expenditure Framework (MTREF) and, as with previous annual budget circulars it should be read within this context. Among the objectives of this Circular, is to support municipalities with giving effect to National Treasury's Municipal Budget and Reporting Regulations (MBRR) within the current economic climate. The key focus of this Circular is the grant allocations per the 2018 Budget Review and the 2018 Division of Revenue Bill.

1. The South African economy and inflation targets

The 2018 Budget Review emphasised that, although global risk factors remain elevated, the world economy continues to provide a supportive platform for South Africa to expand trade and investment. The world economic growth is at its highest since 2014 and continues to gather pace with Gross Domestic Product (GDP) growth increasing across all major economies.

South Africa has experienced a period of protracted economic weakness which diminishes private investment. This may be attributed to domestic constraints, associated to political uncertainty, and declining business and consumer confidence. The local economy is beginning to recover after a short recession in early 2017 however the improvement is insufficient. Growth has remained stagnant at less than 2 per cent and unemployment remains high at 26.7 per cent. The prerequisites for increased revenue and expanded service delivery are more rapid growth, investment and job creation.

The GDP growth rate is forecasted at 1.5 per cent in 2018, 1.8 per cent in 2019 and 2.1 per cent in 2020. Statistics South Africa's December 2017 economic statistics showed an unexpected improvement in the economic outlook, largely as a result of growth in agriculture and mining.

The main risks to the economic outlook are continued policy uncertainty and deterioration in the finances of state-owned entities. The drought experienced in several provinces poses significant risks to agriculture and tourism for the period ahead, and this may threaten jobs in these sectors. The current water crisis in the Western Cape and other provinces will affect economic growth. While the drought's impact is uncertain much depends on how long it will prevail; the extent to which specific catchment areas are affected; and the success of mitigation measures.

These economic challenges will continue to exert pressure on municipal revenue generation and collection levels hence a conservative approach is advised for revenue projections. Municipalities affected by the drought should also consider its impact on revenue generation. In addition, municipalities will have to improve their efforts to limit non-priority spending and to implement stringent cost-containment measures.

The following macro-economic forecasts must be considered when preparing the 2018/19 MTREF municipal budgets.

Table 1: Macroeconomic performance and projections, 2017 - 2020

Fiscal year	2017/18	2018/19	2019/20	2020/21
	Estimate	Forecast		
Consumer Price Inflation (CPI)	5.3%	5.3%	5.4%	5.5%
Real GDP growth	1.0%	1.5%	1.8%	2.1%

Source: 2018 Budget Review.

Note: the fiscal year referred to is the national fiscal year (April to March) which is more closely aligned to the municipal fiscal year (July to June) than the calendar year inflation.

2. Key focus areas for the 2018/19 budget process

2.1 Local government grants and additional allocations

Since the 2017 Medium Term Budget Policy Statement (MTBPS) reprioritisation and reductions undertaken have affected planned spending for 2018/19. Local government direct and indirect transfers absorb 18.8 per cent of the reductions. A total of R13.9 billion has been cut from direct local government conditional grant allocations for the Medium Term Expenditure Framework (MTEF) period ahead since the 2017 MTBPS was tabled. Indirect grants to local government have been reduced by an additional R2.2 billion.

The reductions did not affect all conditional grants, and not all grants were reduced by the same percentage. The infrastructure conditional grants, particularly the larger ones, were mainly affected as this was considered the most practical approach. The overall impact of reducing this funding affects capital programmes; therefore local government's share of the reductions is higher than their share of the division of revenue, given that municipalities receive a number of infrastructure grants. The average reductions over the medium term are 3.5 per cent of local government allocations.

Conditional grant funding targets delivery of national government's service delivery priorities. It is imperative that municipalities understand and comply with the conditions stipulated in the Division of Revenue Act (DoRA) in order to access this funding. The equitable share and the sharing of the general fuel levy constitute additional unconditional funding, of which the equitable share is designed to fund the provision of free basic services to disadvantaged communities.

Allocations to the local government equitable share will continue to grow over the next three years, alongside a significant reduction in conditional grants. The total value of conditional grants directly transferred to local government increases from R43.3 billion in 2018/19 to R44.8 billion in 2019/20 and R47.8 billion in 2020/21.

Large municipalities are expected to invest more of their own resources, offsetting some of the impact of reductions to infrastructure grants, while building partnerships with the private sector for infrastructure delivery over the period ahead.

The 2018 Budget provides for R382.8 billion to be transferred directly to local government and a further R21.8 billion allocated to indirect grants for the 2018 MTREF. Direct transfers to local government over the medium term account for 9 per cent of national government's non-interest expenditure. Total direct allocations to local government grow at an annual average rate of 7.5 per cent over the MTEF period. The total spending on local government increases to 9.5 per cent of national non-interest expenditure when adding indirect transfers.

Municipalities are reminded that all allocations included in their budgets must correspond to the allocations listed in the Division of Revenue Bill. All the budget documentation can be accessed from the National Treasury website by clicking on the link below:
<http://www.treasury.gov.za/documents/national%20budget/2018/>

Changes to local government allocations

Unconditional grants

An amount of R3.4 billion is added to the *local government equitable share* over the medium term to compensate for the rising costs of providing free basic services to the growing number of indigent households. This covers the likely above-inflation increases in the costs of bulk water and electricity. This also allows for faster increases in the allocations to poorer and rural municipalities through the redistributive components of the equitable share formula. This allocation is in addition to the previous increases and an above inflation growth rate for the baseline in 2020/21. This means that the local government equitable share grows at an annual average rate of 10.4 per cent over the MTEF.

Conditional grants

The most substantial reduction has been applied to the largest grant – the *municipal infrastructure grant*. However, the structure of the formula used to allocate this grant reduces the impact of reductions on smaller municipalities. Project-based grants, such as those in the electricity and water sectors, have identified projects that will be postponed as a result of the adjustments. These changes do not affect any water augmentation projects in drought-affected areas.

Reductions to the *public transport network grant* are much larger in the outer years of the MTEF. This allows for the Department of Transport and the National Treasury to review the sustainability of public transport plans and to assess whether some cities should put projects on hold while they revisit system design.

The 2017 MTBPS announced a new funding mechanism to support recovery plans for municipalities that face a financial crisis, as provided for in section 139(5) of the Constitution. A *new municipal restructuring grant* will be introduced to help municipalities in financial crisis to implement reforms to turn themselves around. The National Treasury will consult with national departments, provinces and South African Local Government Association (SALGA) on the design of the grant and its coordination with other capacity-building programmes during 2018. The grant is intended to be a short-term intervention that will fund the turnaround of struggling municipalities. It will help identified municipalities that are in financial distress, but have demonstrated a commitment to implementing the necessary reforms. If needed, the intervention powers outlined in section 139 of the Constitution may also be used as part of the broader approach to turning around these municipalities.

The municipal restructuring grant will be made available within the parameters of the existing legal framework and will not provide bailouts to municipalities. It will fund the implementation of specific outputs in support of a financial recovery plan approved by a municipal council. The council must demonstrate political buy-in by adopting such a plan, and the municipality must also commit its own resources to implementing parts of the plan.

Smaller cities face some of the same urban development challenges as major metropolitan areas. These cities will be eligible for a *new integrated urban development grant* from 2019/20. Cities will have to meet planning and performance criteria to receive the grant, which will be funded through a shift of funds from the municipal infrastructure grant. The new grant will require cities to plan for a programme of infrastructure investment, funded from grants and own revenues, rather than just standalone projects. This aligns with the policy set out in the Integrated Urban Development Framework (IUDF) approved by Cabinet in April 2016. This approach will be piloted in uMhlathuze and Polokwane local municipalities in 2018/19. Eligible municipalities will be invited to apply for the grant during 2018. The application process is set out in clause 27(5) of the 2018 Division of Revenue Bill.

2.2 Drought disaster relief

Severe drought conditions are affecting large parts of the country, and placing extreme strain on the supply of water to the nearly 4 million people in the City of Cape Town. Some smaller towns in the Northern Cape, Eastern Cape and Western Cape, as well as Nelson Mandela Bay Metro, are also facing severe water shortages. The drought has been classified as a national disaster by the National Disaster Management Centre. Government is committed to managing available supply to ensure basic needs are met, while implementing plans to improve long-term sustainability in a water stressed country.

Government is prepared to provide financial assistance as deemed necessary:

- A provisional allocation of R6 billion has been set aside in 2018/19 for drought relief in several provinces, to assist the water sector and to augment public investment projects supported by improved infrastructure planning. Some of these funds may be allocated to support water augmentation projects in an Adjustments Budget, however, the full costs of new schemes will eventually have to be recovered from water users through tariffs.
- The Division of Revenue Act allows for conditional grant funds to be reallocated for disaster relief. Such additional funding may be used in 2017/18 for immediate interventions such as accelerating groundwater development.
- Disaster relief grants for provinces and municipalities are R423.7 million in 2017/18 and R472.9 million in 2018/19. This may be quickly released to assist in the event of an emergency.
- If agricultural employment is seriously destabilised, government can temporarily increase the intake on the Working for Water Programme. These short-term jobs will provide a substitute employment option, while helping to improve runoff in catchment areas by removing alien vegetation.

2.3 Participation in RT15-2016 Vodacom transversal contract- for the supply and delivery of mobile communication services to the state

When municipalities make an application to the Office of the Chief Procurement Officer (OCPO) to participate in the RT15-2016 transversal contract's account management service offering in respect of smart meters, they must comply with the process that will be communicated in an MFMA Circular that will soon be issued. In terms of the application process municipalities are expected to provide evidence of adequate operating budget provision over the MTREF. The Circular will include pre-conditions for eligibility to participate, such as adequate resourcing and technology platform to fulfil their obligation as envisaged by the Smart Utility Management Solution; and capability to sustain the implementation effort in the longer term.

3. The revenue budget

National Treasury encourages municipalities to maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other customers while ensuring the financial sustainability of the municipality. The Consumer Price Index (CPI) inflation is forecasted to be within the upper limit of the 3 to 6 per cent target band; therefore municipalities are required to **justify all increases in excess of the projected inflation target for 2018/19** in their budget narratives, and pay careful attention to the differential incidence of tariff increases across all consumer groups. In addition municipalities should

include a detail of their revenue growth assumptions for the different service charges in the budget narrative.

Local government also confronts tough fiscal choices in the face of financial and institutional problems that result in service-delivery breakdowns and unpaid bills. Municipalities can offset these trends by improving own revenue collection, working more efficiently and implementing cost containment measures.

3.1 Eskom bulk tariff increases

The National Energy Regulator of South Africa (NERSA) published their "Municipal Tariff Guideline Increase, Benchmarks and Proposed Timelines for Municipal Tariff Approval Process for the 2018/19 Financial Year" on 28 February 2018. Municipalities are encouraged to download the full guideline document (available at www.nersa.org.za) and study it carefully. The guideline includes an update to the average cost structure used to determine the municipal tariff increase. It also sets out proposed timeframes for the approval of municipal tariffs. NERSA invites comments on the guideline to be submitted by 20 March 2018.

The NERSA document proposes a 6.84 per cent guideline increase for municipal electricity tariffs for 2018/19. This is based on a bulk tariff increase for municipalities of 7.32 per cent.

Municipalities are urged to examine the cost structure of providing electricity services and to apply to NERSA for electricity tariff increases that reflect the total cost of providing the service so that they work towards achieving fully cost-reflective tariffs that will help them achieve financial sustainability. Municipalities in arrears with Eskom should ensure that their payment arrangements are effected in their 2018/19 MTREF budget.

It should be noted that the guideline increase for municipal tariffs and the bulk tariff increase that Eskom will charge municipalities are both lower than the 8 per cent used to calculate the free basic electricity subsidies provided through the local government equitable share formula.

4. Funding choices and management issues

4.1 Management issues

Many municipalities continue to face institutional challenges and mismanagement that result in service delivery failures, bad debt accumulation, limited cash flows and consequent non-payment of creditors. Eskom and water boards are owed the greater percentage of the total municipal creditors; and protracted non-payment undermines the financial sustainability of these state-owned entities.

The non-payment of creditors is a symptom of underlying problems which include, among others, weaknesses in revenue collection and underinvestment in asset maintenance and renewal, which compromises the reliability of delivering basic services. There are too many municipalities that fail to adopt credible budgets and this means that even if they adhere to their budgeted plans, they will not be financially sustainable.

The national and provincial departments collectively owe municipalities and while much of the historic debt has been verified by the Department of Public Works there are departments that do not have sufficient funds to settle these debts. The Department of Public Works continues to facilitate the ongoing government debt verification and settlement process.

In order to achieve financial sustainability, municipalities must demonstrate the political will to implement the changes required to improve their performance. Where municipalities

consistently fail to deliver their mandates, the Constitution provides for provincial and/or national government to intervene.

Government will introduce a conditional grant in the outer years of the 2018 MTEF to provide support to municipalities facing financial crises. This grant funding will only be accessible to municipalities that have demonstrated the political will to implement reforms necessary to turn themselves around. The grant will be designed and consulted during 2018.

4.2 Employee related costs

The *Salary and Wage Collective Agreement* for the period 01 July 2015 to 31 June 2018 has come to an end. The process is under consultation; therefore, in the absence of other information from the South African Local Government Bargaining Council communication will be provided at a later stage.

4.3 Remuneration of councilors

Municipalities are advised to budget for the actual costs approved in accordance with the Government Gazette on the Remuneration of Public Office Bearers Act: Determination of Upper Limits of Salaries, Allowances and Benefits of different members of municipal councils published annually between December and January by the Department of Cooperative Governance. Any overpayment to councilors contrary to the upper limits as published by the Minister of Cooperative Governance and Traditional Affairs will be irregular expenditure in terms of section 167 of the MFMA and must be recovered from the councilor(s) concerned.

5. Conditional Grant Transfers to Municipalities

This section provides guidance to municipalities with regard to the preparation for the 2017/18 unspent conditional grant and roll-over process and should be referenced to previous annual budget circulars.

5.1 Criteria for the rollover of conditional grant funds

Section 22 of the 2017 Division of Revenue Act (DoRA) requires that any conditional grants which are not spent at the end of the municipal financial year must revert to the National Revenue Fund, unless the receiving officer, provincial treasury and transferring national officer proves to the satisfaction of National Treasury that the unspent allocation is committed to identifiable projects, in which case the funds may be rolled over.

When applying to retain unspent conditional allocations committed to identifiable projects or requesting a rollover in terms of section 22(2) of the DoRA, municipalities must include the following information with their submission to National Treasury:

1. A formal letter, signed by the accounting officer must be addressed to the **National Treasury** requesting the rollover of unspent conditional grants in terms of section 22(2) of the 2017 DoRA;
2. A list of all the projects that are linked to the unspent conditional grants and a breakdown of how much was allocated and spent per project;
3. The following evidence indicating that work on each of the projects has commenced, as applicable to the specific rollover(s):
 - a) Proof that the project tender was published and the period for tender submissions closed before 31 March;
 - b) Proof that a contractor or service provider was appointed for delivery of the project before 31 March; or

- c) Proof of a project tender, appointment of contractor or service provider for delivery of service before 30 June in cases where additional funding was allocated during the course of the final year of the project; and
 - d) Evidence that all projects linked to an allocation will be fully utilised by 30 June 2019 (attach cash flow projection for the applicable grant).
4. A progress report (also in percentages) on the status of each project's implementation (**attach a visible implementation plan**);
 5. The value of the committed project funding, and the conditional allocation from the funding source;
 6. Reasons why the grants were not fully spent during the year of original allocation per the DoRA;
 7. Municipalities must not include previous year's unspent conditional grants as a rollover request. Rollover of rollovers will not be considered;
 8. An indication of the time-period within which the funds are to be spent if the roll over is approved; and
 9. Proof that the Chief Financial Officer and Municipal Manager are permanently appointed.

No rollover requests will be considered for municipalities with vacant or acting Chief Financial Officers and Municipal Managers for a period exceeding 6 months from the date of vacancy.

If any of the above information is not provided or the application is received by National Treasury (Intergovernmental Relations Division) after 31 August 2018, the application will be declined.

In addition, National Treasury will also consider the following information when assessing rollover applications; and reserves the right to decline an application should there be non-performance by the municipality in any of these areas:

1. Compliance with the in-year reporting requirements in terms of sections 71 and 72 of the MFMA and section 12 of the 2017 DoRA, including the municipal manager and chief financial officer signing-off on the information sent to National Treasury;
2. Submission of the pre-audited Annual Financial Statements information to National Treasury by 31 August 2018;
3. Accurate disclosure of grant performance in the 2017/18 pre-audited Annual Financial Statements, (i.e. correct disclosure of grant receipts and spending in the notes to the AFS);
4. The National Treasury will not consider requests to approve the entire allocation to the municipality as there should be a minimum spend of 50 per cent of the allocation per programme;
5. Cash available in the bank (net position including short term investments) as at 30 June 2018 and in line with the cash flow statements to finance the roll-over request;
6. No approval will be granted to municipalities requesting a roll-over of the same grant for the third consecutive time;
7. Incorporation of the Appropriation Statement;
8. No roll over application project constituted through Regulation 32 of the Municipal Supply Chain Management Regulations (Gazette No.27636) will be approved. Projects linked to additional funding and disasters are exempted;
9. If the full amount that is requested for roll over is not entirely cash backed, such a roll over will not be approved. National Treasury will not approve portions of roll over requests; and
10. Evidence that the roll over application is linked to invoices that were issued within the last 30 days of the municipal financial year end.

5.2 Unspent conditional grant funds for 2017/18

The process to ensure the return of unspent conditional grants for the 2017/18 financial year will be managed in accordance with section 22 of the DoRA. In addition to the previous MFMA circulars, the following practical arrangements will apply:

- Step 1: Municipalities must submit their June 2018 conditional grant expenditure reports according to section 71 of the MFMA reflecting all accrued expenditure on conditional grants and further ensure that expenditure reported to both National Treasury and national transferring officers reconcile.
- Step 2: When preparing the Annual Financial Statements a municipality must determine the portion of each national conditional grant allocation that remained unspent as at 30 June 2018. These amounts MUST exclude all interest earned on conditional grants, retentions and VAT related to conditional grant spending that has been reclaimed from SARS, which must be disclosed separately.
- Step 3: If the receiving officer wants to motivate in terms of section 22(2) of the 2017 DoRA that the unspent funds are committed to identifiable projects, the roll over application pack must be submitted to National Treasury by 31 August 2018.

National Treasury will not consider any rollover requests that are incomplete or received after this deadline.

- Step 4: National Treasury will confirm in writing whether or not the municipality may retain any of the unspent funds as a rollover based on criteria outlined above by 22 October 2018 or whether it will agree to any alternative payment arrangement or schedules.
- Step 5: National Treasury will communicate the unspent conditional grants amount by 05 November 2018. A municipality must return the remaining unspent conditional grant funds that are not subject to a specific repayment arrangement to the National Revenue Fund by 19 November 2018.
- Step 6: Any unspent conditional grant funds that should have, but has not been repaid to the National Revenue Fund by 19 November 2018, and for which a municipality has not requested a repayment arrangement, will be offset against the municipality's 03 December 2018 equitable share allocation.

All other issues pertaining to Appropriation Statement and reporting on approved roll overs are addressed in the Annexure to MFMA Circular No. 86.

6. The Municipal Budget and Reporting Regulations

6.1 The impact of VAT increase on tariffs

VAT will increase from 14 per cent to 15 per cent from April 2018. In terms of Section 7(4) of Value-Added Tax Act (No. 89 of 1991), the VAT increase takes effect on 1 April. It is a tax increase as result of tax legislation that municipalities must implement and not an increase of tariffs by the municipalities. Therefore Section 28(6) of the Municipal Finance Management Act, 2003 (No. 56 of 2003) (MFMA), is not applicable in this regard.

Whether the additional amount is recoverable from the customer or not, the supplier must account for VAT on any supplies made on or after 1 April 2018 at the increased VAT rate.

The South African Revenue Service issued a guideline on how the increase in VAT must be implemented. The guideline is available on the link below:

<http://www.sars.gov.za/AllDocs/OpsDocs/Guides/LAPD-VAT-G13%20-%20VAT%20Pocket%20Guide%20on%20the%20VAT%20rate%20increase%20on%201%20April%202018%20-%20External%20Guide.pdf>

6.2 Schedule A - version to be used for the 2018/19 MTREF

National Treasury has released Version 6.2 of Schedule A1 (the Excel Formats) which is aligned to version 6.2 of the mSCOA classification framework which must be used when compiling the 2018/19 MTREF budget. **ALL** municipalities **MUST** use this version for the preparation of their 2018/19 MTREF budget.

It is imperative that all municipalities prepare their 2018/19 MTREF budgets in their mSCOA financial systems and that the A1 schedule be produced directly from their financial system. All financial systems must have this functionality to assist and prepare budgets.

Special attention must be given to the supporting schedules in the prescribed A1 Schedule. Where detailed data is housed in a sub-system e.g. human resource data for SA22 to SA24, this data must be extracted from the sub-system into the applicable supporting sheet.

The following supporting tables will be included for perusal and sign-off during the verification process of the 2018 MTREF: SA11, SA12a, SA13a, SA14, SA22, SA23, SA24, SA25, SA27, SA36, SA37 and SA38.

It is therefore important to focus on the additional supporting data as well as the financial data submitted on A1 to A10 during the verification process undertaken with National Treasury, the provincial treasuries and all municipalities.

Download Version 6.2 of Schedule A1 by clicking [HERE](#)

The Municipal Budget and Reporting Regulations, formats and associated guides are available on National Treasury's website at:

<http://mfma.treasury.gov.za/RegulationsandGazettes/Pages/default.aspx>

6.3 Assistance with the compilation of budgets

In cases where the municipality requires advice with the compilation of their respective budgets, specifically the budget documents or Schedule A1, they should direct their enquiries to their respective provincial treasuries or to the following National Treasury official:

Province	Responsible NT officials	Tel. No.	Email
Eastern Cape	Bernard Mokgabodi	012-315 5936	Bernard.Mokgabodi@treasury.gov.za
	Matjatji Mashoeshoe	012-315 5553	Matjatji.Mashoeshoe@treasury.gov.za
Free State	Jordan Maja	012-315 5663	Jordan.Maja@treasury.gov.za
	Cethekile Moshane	012-315 5079	Cethekile.moshane@treasury.gov.za
Gauteng	Kgomotso Baloyi	012-315 5866	Kgomotso.Baloyi@treasury.gov.za

	Nomxolisi Mawulana	012-315 5460	Nomxolisi.Mawulana@treasury.gov.za
KwaZulu-Natal	Bernard Mokgabodi	012-315 5936	Bernard.Mokgabodi@treasury.gov.za
	Johan Botha	012-315 5171	Johan.Botha@treasury.gov.za
Limpopo	Una Rautenbach	012-315 5700	Una.Rautenbach@treasury.gov.za
	Sifiso Mabaso	012-315 5952	Sifiso.Mabaso@treasury.gov.za
Mpumalanga	Willem Voigt	012-315 5830	Willem.Voigt@treasury.gov.za
	Mandla Gilimani	012-315 5807	Mandla.Gilimani@treasury.gov.za
Northern Cape	Jordan Maja	012-315 5663	Jordan.Maja@treasury.gov.za
	Anthony Moseki	012-315 5174	Anthony.Moseki@treasury.gov.za
North West	Sadesh Ramjathan	012-315 5101	Sadesh.Ramjathan@treasury.gov.za
	Makgabo Maboŋja	012-315 5156	Makgabo.Maboŋja@treasury.gov.za
Western Cape	Vuyo Mbunge	012-315 5661	Vuyo.Mbunge@treasury.gov.za
	Kevin Bell	012-315 5725	Kevin.Bell@treasury.gov.za
Technical issues with Excel formats	Elsabe Rossouw	012-315 5534	ldataqueries@treasury.gov.za

National Treasury, together with the provincial treasuries, will undertake a compliance check and, where municipalities have not provided complete budget information, the municipal budgets will be returned to the mayors and municipal managers of the affected municipalities for the necessary corrections. Municipal managers are reminded that the annual budget must be accompanied by a quality certificate and council resolution in accordance with the format specified in item 31 of Schedule A of the Municipal Budget and Reporting Regulations. In addition to the above compliance check, the mSCOA data strings will be assessed to determine whether the municipalities are compliant.

The National Treasury herewith emphasises that where municipalities have not adhered to the Municipal Budget and Reporting Regulations, **they will be required to return to the municipal council and table a complete budget document aligned to the requirement of the Municipal Budget and Reporting Regulations.**

Municipalities with municipal entities are once again reminded to prepare consolidated budgets and in-year monitoring reports for both the parent municipality and its entity or entities. The following must be compiled:

- An annual budget, adjustments budget and monthly financial reports for the parent municipality in the relevant formats;
- An annual budget, adjustments budget and monthly financial reports for the entity in the relevant formats; and
- A consolidated annual budget, adjustments budget and monthly financial reports for the parent municipality and all its municipal entities in the relevant formats.

The Schedule A that the municipality submits to National Treasury must be a consolidated budget for the municipality (plus entities) and the budget of the parent municipality. Schedules D must be submitted for each entity.

7. Budget process and submissions for the 2018/19 MTREF

7.1 Budgeting for the audited years on Schedule A (mSCOA)

According to international learning practices, it is appropriate to reclassify historical information in accordance with the changes that occur in the Standard Chart of Accounts. Municipalities must capture the reclassified audit outcomes for 2014/15 to 2016/17 in version 6.2 of the Schedule A when compiling 2018/19 MTREF budgets.

The amalgamated municipalities must complete the 2016/17 audited years, current year (2017/18) and the 2018/19 MTREF budgets.

7.2 Submitting budget documentation and schedules for 2018/19 MTREF

To facilitate oversight of compliance with the Municipal Budget and Reporting Regulations, accounting officers are reminded that:

- Section 22(b)(i) of the MFMA requires that, **immediately** after an annual budget is tabled in the municipal council, it must be submitted to the National Treasury and the relevant provincial treasury in both printed and electronic formats. If the annual budget is tabled to council on 29 March 2018, the final date of submission of the electronic budget documents and corresponding electronic returns is **Tuesday, 03 April 2018**. The deadline for submission of hard copies including council resolution is **Friday, 06 April 2018**.
- Section 24(3) of the MFMA, read together with regulation 20(1), requires that the approved annual budget must be submitted to both National Treasury and the relevant provincial treasury **within ten working days** after the council has approved the annual budget. If the council only approves the annual budget on 30 June 2018, the final date for such a submission is **Friday, 13 July 2018**, otherwise an earlier date applies.

The municipal manager must submit:

- the budget documentation as set out in Schedule A (version 6.2) of the Municipal Budget and Reporting Regulations, including the main Tables (A1 - A10) and ALL the supporting tables (SA1 – SA38) in both printed and electronic formats;
- the draft service delivery and budget implementation plan in both printed and electronic format;
- the draft integrated development plan;
- the council resolution;
- signed Quality Certificate as prescribed in the Municipal Budget and Reporting Regulations;
- the budget locking certificate; and
- schedules D specific for the entities.

Municipalities are required to send electronic versions of documents and the A1 schedule to lgdocuments@treasury.gov.za. Any problems experienced in this regard can be addressed with Elsabe Rossouw at Elsabe.Rossouw@treasury.gov.za. Budget related documents and schedules may also be uploaded using the LG Upload Portal at <https://portals.treasury.gov.za/sites/LGUploadPortal/SitePages/Home.aspx>

Municipalities are required to send printed submissions of their budget documents and council resolution to:

For couriered documents

Ms Linda Kruger
National Treasury
40 Church Square
Pretoria, 0002

For posted documents

Ms Linda Kruger
National Treasury
Private Bag X115
Pretoria, 0001

In addition to the above-mentioned budget documentation, metropolitan municipalities must submit the draft Built Environment Performance Plan (BEPP) tabled in council by 31 March 2018 to Yasmin.coovadia@treasury.gov.za. If the BEPP documents are too large to be sent via email (exceeds 4MB) please submit to yasmin.coovadia@gmail.com or send to Yasmin Coovadia via Dropbox; any problems experienced in this regard can be addressed with Yasmin.Coovadia@treasury.gov.za. Hard copies of the BEPP may be sent to Yasmin Coovadia, National Treasury, 3rd floor 40 Church Square, Pretoria, 0002 or Private Bag X115, Pretoria, 0001.

7.3 Budget reform returns to the Local Government Database for publication

Municipalities are required to continue to use the Budget Reform Returns to upload budget and monthly expenditure to the National Treasury Local Government Database for publication purposes. All returns are to be sent to lgdatabase@treasury.gov.za. Although there is some mis-alignment between the *m*SCOA classification and the budget return forms, municipalities must find the best fit to represent their 2018 MTREF budget figures as the publications will still be based on the budget returns for 2018/19.

Municipalities must submit returns for both the **tabled** budget and the final **adopted** budget as this will assist the National and provincial treasuries with the annual benchmark process. The current electronic returns may be downloaded from National Treasury's website at the following link: http://mfma.treasury.gov.za/Return_Forms/Pages/default.aspx.

The tabled and adopted budget data strings submitted to the Local Government Database and Reporting system should also be consolidated figures.

7.4 Upload of the *m*SCOA budget data strings to the LG upload portal

Municipalities must upload the *m*SCOA data strings for the tabled (**TABB**) and adopted (**ORGB**) budget to the upload portal. The budget data strings must be accompanied by the IDP project details data strings (**PRTA** and **PROR**). The deadlines for submission of the MBRR documents are also applicable to the *m*SCOA data strings. Refer to paragraph 7.2 above.

7.5 Publication of budgets on municipal websites

In terms of section 75 of the MFMA, all municipalities are required to publish their tabled budgets, adopted budgets, annual reports (including the audited annual financial statements) and other relevant information on the municipality's website. This will aid in promoting transparency and good governance.

All relevant documents mentioned in this circular are available on the National Treasury website, <http://mfma.treasury.gov.za/Pages/Default.aspx>. Municipalities are encouraged to visit it regularly as documents are regularly added / updated on the website.

Contact



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Post Private Bag X115, Pretoria 0001
Phone 012 315 5009
Fax 012 395 6553
Website <http://www.treasury.gov.za/default.aspx>

JH Hattingh
Chief Director: Local Government Budget Analysis
07 March 2018