

# MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK FOR THE 2018/2019 FINANCIAL AND TWO OUTER YEARS

## REPORT FROM THE OFFICE OF THE EXECUTIVE MAYOR

### **PURPOSE:**

The purpose of this report is to table the draft budget for the period 2018/19 financial year and for the two outer years for consideration and approval.

### **BACKGROUND:**

Section 16(1) and (2) of the Local Government: Municipal Finance Management Act, Act 56 of 2003, stipulates the following:

- “1. The Council of a municipality must for each year approve an Annual Budget for the municipality before the start of the new financial year.*
- 2. In order for the municipality to comply with subsection (1), the mayor of a municipality must table the Annual Budget at a council meeting at least 90 days before the start of the budget year.”*

### **DISCUSSION:**

In terms of Section 9 of the Municipal Budget and Reporting Regulations, the Annual Budget and Supporting documentation of the municipality must be in a format specified in Schedule A and include all the required tables, explanatory information, taking into account any guidelines issued by the Minister of Finance in terms of Section 168(1) of the MFMA.

A copy of the draft budget, including recommendations, the executive summary, draft annual budget tables, overview of the budget and budget related policies is attached as **ANNEXURE A**. The table below depicts the consolidated Overview of the Draft Budget:

Description	Audited Outcome 2016/2017	Original Budget 2017/2018	Adjusted Budget 2017/2018	Budget 2018/2019	Budget 2019/2020	Budget 2020/2021
	R'000	R'000	R'000	R'000	R'000	R'000
<b>Total Operating Revenue</b>	1 451 396	1 7602 268	1 7602 268	1 764 051	1 872 491	1 994 957
<b>Total Operating Expenditure</b>	2 368 137	1 655 807	1 655 807	1 965 947	1 803 635	1 904 201
<b>Surplus /( Deficit) for the year before grant capital revenue</b>	<b>(916 741)</b>	<b>104 461</b>	<b>104 461</b>	<b>(201 896)</b>	<b>68 856</b>	<b>90 756</b>
<b>Grant capital revenue</b>		72 796	72 796	74 651	73 803	60 900
<b>Surplus /( Deficit) for the year</b>		<b>31 665</b>	<b>31 665</b>	<b>(127 245)</b>	<b>(4 947)</b>	<b>29 856</b>
<b>Total Capital Expenditure</b>	61 207	104 461	104 461	153 366	73 803	73 790

## **RECOMMENDATIONS OF THE EXECUTIVE MAYOR**

1. That the 2018/2019 draft budget, comprising of an Operating Revenue of **R 1,764,051,285**, an Operating Expenditure of **R 1,965,947,526** and capital budget of **R 153,366,000** with the indicative allocation for the two outer years, as set out in the following tables **BE ADOPTED** in terms of Section 16 (2) of the Municipal Finance Management Act (No 56 of 2003):

Table A1: Budget Summary

Table A2: Budget Financial Performance

Table A3: Budgeted Financial Performance (Municipal Votes)

Table A4: Budgeted Financial Performance (Revenue & Expenditure)

Table A5: Budgeted Capital Expenditure by Vote

Table A6: Budgeted Financial Position

Table A7: Budgeted Cash Flows

Table A8: Cash Backed Reserves / Accumulated Surplus Reconciliation

Table A9: Asset Management

2. That the budget related policies of Council be circulated to various Portfolio Committees for **REVIEWAL** and be **TABLED** in the next Council meeting for the final budget approval.
3. That the budget be approved noting that it is **UNFUNDED** however the funding status will change as a result of the implementation of the strategy attached
4. That proposed tariff increases **BE ADOPTED** as follows:

6.1 *ASSESSMENT RATES*

All property taxes as per the 2017/2018 tariff book increased by 5.4%.

6.2 *SEWERAGE*

All sewerage charges as per the 2017/2018 tariff book increased by 12.2%.

6.3 *REFUSE*

All refuse charges as per the 2017/2018 tariff book increased by 5.4%.

6.4 *WATER*

All basic water charges as per the 2017/2018 tariff book increased by 12.2%

6.5 *ELECTRICITY*

All basic electricity charges increase with 6.84% in line with NERSA

6.6 *DEPOSITS*

Increase with 5.4%

6.7 *MISCELLANEOUS TARIFFS*

- As per the 2017/18 tariff book increased by 5.4%.
- These are tariffs that are used on a needs basis.
- All tariffs exclude VAT except in the case of assessment rates that are zero-rate.

6.8 *INTEREST / CAPITALIZED ARREARS*

- No interest will be levied on those arrears for which the consumer made formal arrangements.
  - Interest will only be levied on those arrears for which no formal arrangement exist and/or arrear as a result of not complying with the said arrangements.
  - Interest rates will be levied at market related rates.
5. That a copy of the approved budget **BE SUBMITTED** in print form and electronically to Provincial and National Treasury.
  6. That the budget workshop **BE HELD** on the 05<sup>th</sup> April 2018 for all Councillors and senior staff from various departments **TO DISCUSS** the draft in details
  7. That the Council **TAKE NOTE** of the budget consultation schedule incorporated in the draft budget and that the Office of th1 Speaker **TO CO-ORDINATE** budget consultation with communities as of the 09<sup>th</sup> to the 25<sup>th</sup> of April 2018.