

LEPELLE-NKUMPI LOCAL MUNICIPALITY

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ANNUAL BUDGET OF LEPELLE-NKUMPI LOCAL MUNICIPALITY

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Abbreviations and Acronyms

ASGISA Accelerated and Shared Growth Initiative
CFO Chief Financial Officer
MM Municipality Manager
CPI Consumer Price Index
DORA Division of Revenue Act
FBS Free basic services
GAMAP Generally Accepted Municipal Accounting Practice
GRAP General Recognised Accounting Practice
HR Human Resources
IDP Integrated Development Plan
IT Information Technology
KPA Key Performance Area
KPI Key Performance Indicator
LED Local Economic Development
MFMA Municipal Financial Management Act
Programme
MIG Municipal Infrastructure Grant
MPRA Municipal Properties Rates Act
MSA Municipal Systems Act
MTEF Medium-term Expenditure Framework
MTREF Medium-term Revenue and Expenditure Framework
PPE Property Plant and Equipment Lepelle-Nkumpi Local Municipality MTREF
SALGA South African Local Government Association
SDBIP Service Delivery Budget Implementation Plan
PGD Provincial Growth and Development
NPSDP National and Provincial Spatial Development Perspectives;
NKPIs National Key Performance Indicators
NSD National Spatial Development



Part 1 – Annual Budget

1.1 Mayor's Report

BUDGET SPEECH BY THE MAYOR OF LEPELLE-NKUMPI, HER WORSHIP, CLLR NAKEDI SIBANDA-KEKANA ON THE APPROVAL OF THE INTEGRATED DEVELOPMENT PLAN AND BUDGET FOR THE FINANCIAL YEAR 2018/19 DURING A SPECIAL SITTING OF COUNCIL HELD ON 31 MAY 2018 @ LEBOWAKGOMO CIVIC CENTRE

Honourable Speaker, Cllr Ntsoane

Chief Whip of Council, Cllr Thobejane

Members of Executive Committee

Chairperson of Oversight Committees

Honourable Councillors

Magoshi a rena

Executive Management Team led by Ntate Ben Mthogoane

Ladies and Gentlemen

Thobela, Dumelang, Re a lotsha. Greetings to you all.

On 24 May 2018 the State of Municipal Address was delivered to the residents of Lepelle-Nkumpi under the theme; **“Making Your Future Better – Learning from Madiba”**

I highlighted to fellow residents of Lepelle-Nkumpi that the first responsibility of leadership is to be realistic, no matter how much unpleasant it may be to the majority of people. The second is to restore hope in the midst of uncertainty. After-all, leadership is about being servant of the people.

SOMA addressed the reality that faces our municipality and which negatively impacts on its ability to help our community to resolve social and economic challenges facing them. Leadership must give hope to the people by informing them about the strategies and programmes put in place to mitigate such challenges facing the institution, and consequently the area as a whole.

ááááárable Speaker, we also declared that together we are walking into the **New Dawn** which will lead us to the golden age in which all problems will be solved and our wildest hopes will be fulfilled. We agree with President Ramaphosa that **“we**



have been given the responsibility to build a new nation, to confront the injustices of the past and inequalities of the present. We are called upon to do so under difficult conditions.” Hence our responsibility to develop an IDP and allocate resources through the budget that speaks to the fulfilment of such declaration.

Honourable Speaker, I am required as the Mayor, in terms of section 24 of Local Government Municipal Finance Management Act 56 of 2003, whose supreme purpose is to secure sound and sustainable financial management in municipalities, to present before your good selves a budget for approval at least 30 days prior the commencement of the financial year.

It is from this MFMA mandate that we are meeting here today, to present the draft Integrated Development Plan and Budget for 2018/9 Financial year for Lepelle-Nkumpi Local Municipality.

This budget is guided by the practical prioritization determined by the realities of financial capacity and also information sourced from consultations held with our communities. The following budget principles and guidelines directly informed the compilation of the 2018/19 Medium Term Revenue and Expenditure Framework:

- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazette as required by the annual Division of Revenue Act;
- Guidelines issued by the National Treasury on the projected inflation adjustments upon which the budget is based.

Honourable Speaker, allow me to highlight a few pertinent issues regarding the budget;

Our total operating revenue for the financial year 2018/19 amounts to 578 million and declines to R530 million and R555 million respectively for the two outer years of the medium term revenue and expenditure framework. Just over 50% of the total budgeted operating revenue is from government grants. This is a clear indication of the municipality's over reliance on government grant funding.

Total operating expenditure stands at R368 million for the 2018/19 financial year and will, in line with declining operating revenue, decline to R351 million and R370 million over the MTREF period. Significant to the above figure is the employee related costs which stands at R98.6 million for the financial year in question. This represent just over 27% of the total operating budget. The municipality is well within the national benchmarks of 35%



Our capital budget for the 2018/19 financial year stands at R196 million of which R57 million is derived from Municipal Infrastructure Grant. The remainder of the capital expenditure will be funded through own funding of the municipality. A detailed breakdown of how the capital budget was appropriated is contained in the budget document.

Before I conclude Honourable Speaker, allow me to highlight the following notes which I would like Council to consider incorporating into the budget;

- Electrification of 10 households in Lebowakgomo Zone B be moved from the 2019/20 financial year to 2018/19 financial year with a budget of R600 000. The reprioritization be funded by a cumulative sum of R200 000 each reduction from the construction of crèches projects. Thus allocating each R800 000 instead of R1 million initially indicated in the budget document.
- Lebowakgomo Conference Centre – Zone A project be renamed to Lebowakgomo Auditorium Centre – ward 15, 16, 17 & 18
- Small access bridge: Makadikadi/Ireland which was erroneously located in ward 20 be relocated to ward 30
- Sehlabeng/Hlakano: Construction of Stormwater drainage (ward 11) be changed to also include ward 10
- Public lights projects in Mashushu be renamed to Public lights Mphaaneng in ward 28
- Upgrading of Hwelereng access road from gravel to paving blocks and storm water control (multi-year) (ward 26) be renamed Upgrading of Hwelereng access road from gravel to tar and storm water control (multi-year) (ward 13)
- Construction of hawker stalls in Moletlane ward 12 budget of R1, 025 million be removed from the budget. The saving shall be regarded as a surplus until a new project is identified in the 2020/2021 financial year.
- Upgrading of internal streets from gravel to block paving – Lebowakgomo Zone S and Q be renamed to upgrading of internal streets from gravel to block paving Zone S (Ward 16) – Phase 1
- The three projects on the upgrading of access roads at meshate ya Ga-Kekana, Ga-Ledwaba and Ga-Mphahlele be renamed to upgrading of access roads at meshate ya Ga-Kekana, Ga-Ledwaba and Ga-Mphahlele to paving blocks.

Honourable Speaker, in the spirit of Thuma Mina, I hereby table the 2018/19 financial year IDP and Budget for approval with the abovementioned amendments together with all budget related policies including the following:

- Tariff Structure,
- SCM Policy,
- Model SCM Policy for Infrastructure Procurement & Delivery Management 2018/19 Financial Year,



- Asset Management Policy,
- Credit Control & Debt Collection Policy,
- Bad Debts & Write-Off Policy,
- Tariff Policy,
- Budget & Virement Policy,
- Cash & Investment Management Policy,
- Indigent Policy and
- Property Rates Policy.

I accordingly move.

I thank you. Ke a leboga. A re romegeng.



Council Resolutions

On the 30th of May 2018 the Council of Lepelle-Nkumpi Local Municipality met in Civic Hall to consider the approval of the annual budget of the municipality for the financial year 2018/19. The Council approved and adopted the following resolutions:

1. The Council of Lepelle-Nkumpi Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:

1.1 The annual budget of the municipality for the financial year 2018/19 and the multi-year and single-year capital appropriations as set out in the following tables:

1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 18 on page 24;

1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 19 on page 26;

1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 21 on page 28; and

1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 22 on page 30

1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:

1.2.1. Budgeted Financial Position as contained in Table 23 on page 32;

1.2.2. Budgeted Cash Flows as contained in Table 24 on page 34;

1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 25 on page 34;

1.2.4. Asset management as contained in Table 26 on page 36; and

1.2.5. Basic service delivery measurement as contained in Table 27 on page 38.

2. The Council of Lepelle-Nkumpi Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2018:

2.1 That the council approves the property rates charges as reflected below:-

TARIFF STRUCTURE	2018/2019	2019/2020	2020/2021
PROPERTY RATES			
<u>CATEGORY OF PROPERTY</u>			
-			
Residential stands (Improved)	0.0042	0.0044	0.0047
Residential stands (Vacant)	0.0211	0.0222	0.0234
Business stands /Industrial (Improved)	0.0062	0.0065	0.0069
Business stands/ Industrial (Vacant)	0.0073	0.0077	0.0081
Farming and Agricultural properties	0.0011	0.0011	0.0012
Mining properties	0.0062	0.0065	0.0069
All Government properties. (Improved)	0.0062	0.0065	0.0069



All Government properties. (Vacant)	0.0073	0.0077	0.0081
Flat Rate per Property in villages			
Businesses (commercial - in villages)			
Government Buildings			
Consumer Deposits : Domestic	800.00	800.00	800.00
	2,000.00	2,000.00	2,000.00
Businesses			
	5,000.00	5,000.00	5,000.00
Contractors			
Interest on Arrear Accounts	10%	10%	10%
R/D Cheque			
Copy of the Valuation Roll	500.00	500.00	500.00
Proof of Residents(Township)	15.00	15.00	15.00
Proof of Residents(Rural)-Letter from Tribal authority required	Free		

3. The Council Lepelle-Nkumpi Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2018 the tariffs for other services, as set out in Annexures A.

4. Council approves the following budget related policies:-

- 4.1 Supply Chain Management Policy
 - 4.2 Model SCM policy for infrastructure procurement & delivery management
 - 4.3 Assets management policy
 - 4.4 Credit Control and Debt Collection Policy
 - 4.5 Bad debts & write off policy
 - 4.6 Tariff policy
 - 4.7 Budget and Virement Policy
 - 4.8 Cash and Investment Management policy
 - 4.9 Property Rates Policy
 - 4.10 Indigent Policy.
5. Council notes the final total budget of both operating and capital for the amount of R578, 628,905



1.2 EXECUTIVE SUMMARY

1.2.1 BUDGET PREPARATIONS

The budget has been prepared in terms of guidelines as contained in Circular 91 of the MFMA. The contents and format of the budget are in line with the requirements of the Municipal Budget and Reporting Regulations and any applicable legislation

1.2.2 METHOD OF PREPARATION

The application of sound financial management principles for the compilation of the Lepelle-Nkumpi financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial management.

The Budget was prepared according to the performance based method. In terms of the method the previous year budget 2016/17 and the mid-year performance of the current year 2017/18 of the all votes and line items were analysed, reviewed and every amount allocated had to be motivated.

Executive Managers were requested to hand their requests to the Chief Financial Officer for inclusion on the budget. All departments gave input.

In terms of Section 16(2) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003), hereafter called the MFMA, the Mayor must table the Annual Budget at least 90 days before the start of the budget year, that is 31 March. Council must therefore consider any views of the community on the tabled budget (Section 22 of the MFMA) and approve the budget before the start of the financial year which is 1 July (Section 16(1) of the MFMA.

Operating Budget

In terms of GRAP format Capital Grants receivable are included in the Operating Budget. Capital Expenditure is not included in the Operating Budget. Operating expenditure is the day to day management items of the Municipality, i.e.: Salaries and Wages, Repairs and Maintenance, Debt Servicing, Depreciation on Assets, Insurance, Electricity, Telephone, Subsistence and Travelling Allowances, Fuel etc

The total revenue budget amounts to R525, 625,905. Table 1 hereunder summarizes the budget per department. Executive Managers must manage their own budgets. Allocations per line item are done by the departments themselves, as long as they don't exceed the amounts allocated per Table 1, which is Consolidated Overview of the 2018/19 Medium Term Revenue Expenditure Forecast



Table 1: Consolidated overview of the 2018/2019 Final Budget

	Adjusted Budget	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Total Revenue (excluding capital transfers and contributions)	486,045,616	525,625,905	476,445,899	498,255,916
Total Expenditure	348,188,880	368,641,055	351,942,099.56	370,296,853
Surplus/(Deficit)	201,570,735	209,987,850	178,577,799	184,994,063
Total Capital Expenditure	201,570,735	209,987,850	178,577,799	184,994,063

OPERATING BUDGET.

The operating budget deals with day to day operations of the municipality to ensure that service delivery is sustained.

The final operating budget has increased to R368.6 million compared to the current adjusted budget of R348.1 million.

The trend is that the operating expenditure has been increasing over the years driven by:

- ✦ salary increments
- ✦ the need to repair infrastructure
- ✦ the need to adequately budget for debt impairment and depreciation,
- ✦ Inflation

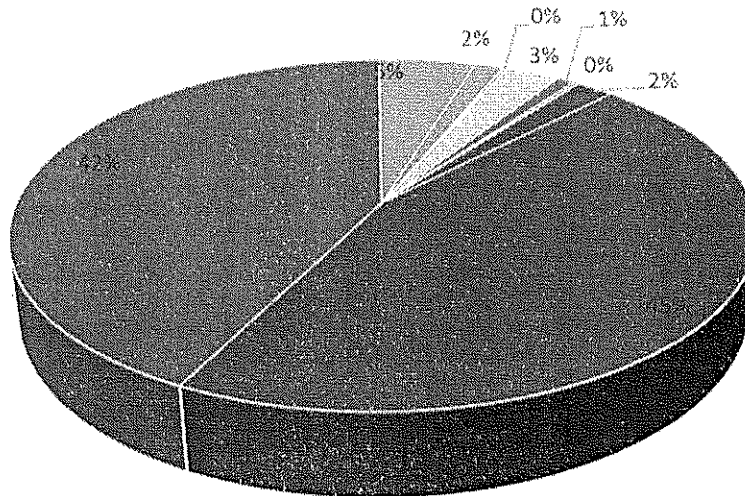


Total Revenue by source

Income	Amount	Percentage %
Property rates	25,864,008	4.9
Service charges - refuse revenue	7,628,612	1.5
Rental of facilities and equipment	1,092,273	0.2
Interest earned - external investments	14,761,048	2.8
Interest earned - outstanding debtors	4,687,131	0.9
Fines, penalties and forfeits	1,444,697	0.3
Agency services	10,232,787	1.9
Transfers and subsidies	237,598,926	45.2
Other revenue	222,316,423	42.3
Total Revenue (excluding capital transfers and contributions)	525,625,905	100.0



2018-19 Revenue



- Property rates
- Rental of facilities and equipment
- Interest earned - outstanding debtors
- Agency services
- Other revenue
- Service charges - refuse revenue
- Interest earned - external investments
- Fines, penalties and forfeits
- Transfers and subsidies

Comments on Operating Revenue

The property rates

The property rates amounts to R 31.8 million for the 2018/2019 financial year. This revenue stream has been increased by 5.03%. An amount of R7.9 million is budgeted for the income forgone in terms of rebates and discounts that are offered by the municipality for the indigents, pensioners and the areas where the municipality is not providing services. This revenue stream contributes 1.39% of the total revenue.

Service charges

Service charges include refuse removal of an amount of R7.6 million. This revenue stream has been increased by 4.98% of the operating revenue.

Rental income

The rental income amounts to R1.0 million. The stream contributes 0.2% of the total revenue.

Fines

The revenue budget for the fines have been increased from R1.2 million to R1.3 million.

Agency fees

The agency fees consists of revenue for provision of water services on behalf of the Capricorn District Municipality and motor vehicle licencing services on behalf of department of transport.

- ✓ The budget for this revenue stream has been decreased from R25.2 million to R10.2 million. Which is the decrease of 50% to 30% of the billing for water to be recognised as commission, this is in line with the WSA/WSP agreement with the Capricorn District Municipality which is 20% less than the 2017-18 agreement.
- ✓ 80:20 service level agreement with the department of transport of the licencing revenue. This revenue stream needs to be properly monitored. It contributes 2% to the total operating revenue streams.

Grants and Subsidies -- operating

The grants subsidies refer to the Division of Revenue Act allocations in the 2018/19 financial year, the operational grants allocations are as follows:-

Revenue By Source	Final Adjustment budget - 2017/18 FY	Budget Year+1 18/19	Budget Year+2 19/20	Budget Year+3 20/21
Equitable Share	212,142,000	222,970,000	244,235,000	263,221,000
FMG Grant	2,145,000	2,145,000	2,145,000	2,145,000
Mig Grant	53,134,000	53,003,000	54,074,000	57,035,000
INEP/DME	6,580,000	9,998,000	9,600,000	9,600,000
Epwp Incentive Grant	1,160,000	1,758,000	-	-
LED	327,926	327,926	-	-
Learnership Grant				
CDM: Waste Management Cleaning	350,000	-	-	-
CDM: Intergrated Transport Plan	500,000	400,000	-	-
CDM: Eradication of Alien Plants	2,500,000	-	-	-
Total Grants	278,838,926	290,601,926	310,054,000	332,001,000



Operating Revenue Framework

For Lepelle-Nkumpi Local Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

LONG TERM FINANCIAL STRATEGY

- ✓ There's currently an investment with VBS amounting to R 150m (capital amount) which was set aside to fund capital budget for the 2020/2021 Financial Year. The municipal bank balance as at end April 2018 was R134 032 558.16 including an amount of R25, 180,087.65 for unspent conditional grants.
- ✓ It very critical for the municipality to implement the debt management strategy, make sure debt is arrested before they are over 90 days This strategy should include an emphasis on the monitoring of the Top 100 debtors (based on 80-20 principle); the pursuance of government debt with possible intervention by National and other strategies already discussed above
- ✓ **Impact of environmental factors on municipal services tariffs and property rates**
- ✓ Ground water and surface water pollution resulting in poor water quality
- ✓ Land invasion's which negatively affect land development and land use (correct charge for property rates)
- ✓ Environmental degradation (illegal dumping and improper sewerage disposal resulting to poor air quality and human wellbeing)
- ✓ Municipalities also need to attract new businesses and create an environment to increase the rates base, sale of sites at Lebowakgomo unit H
- ✓ However, the increase in new businesses and development will also lead to an increased demand and cost on infrastructure.
- ✓ Table SA 10 (Funding measurement) and SA 9 (Asset Management) indicate a percentage lower than prescribed for Renewal and upgrading and R&M as a % PPE, this must be corrected as it has a negative impact of service delivery sustainability due to its link to an increase in service delivery backlog.



REVENUE OPTIMISATION

✦ Completeness of revenue and initiatives to collect debt over 90 days

- ✓ The Municipality has appointed a service provider to assist with the Development and Implementation of revenue enhancement strategy which include a debt recovery strategy.
- ✓ The first step the service provider will do in the implementation of the strategy is to assist the municipality with Data cleansing, to ensure that correct information for each consumer is kept on the financial system, that all consumers are charged for property rates and municipal services and for the correct tariff.
- ✓ The development of the strategy will include the four traditional centers of collection namely: Credit control, Call centre, Debt collection and Legal debt collections.
- ✓ Key to revenue collection is the billing and collecting of all known accounts on time and in full.
- ✓ CDM has appointed a service provider to assist with cost recovery on water services and the project has yielded the following result.
- ✓ LNM also embarked on the implementation of credit control on employees and councillors wherein they were forced to make arrangements and the project yielded the following result adequate provision for bad debts.

- ✓ Key to revenue collection is the billing and collecting of all known accounts on time and in full.

- ✓ CDM has appointed a service provider to assist with cost recovery on water services and the project has yielded the following result.

- ✓ LNM also embarked on the implementation of credit control on employees and councillors wherein they were forced to make arrangements and the project yielded the following result

- ✓ Adequate provision for bad debts

- ✓ LNM also commissioned a study on cost determination for rural waste removal,
- ✓ Address the issue of returned mail
- ✓ using revenue clearance certificates (RCCs) when a property is sold to ensure that all outstanding debt is collected
- ✓ The removal of meters (especially where there is tampering).

✦ Financial impact of proving FBS above the minimum FBS support

- ✓ The municipality has decided to provide FBS within the minimum requirement of R6kl water, 50kw Electricity, R29.16 for refuse removal and for Property rates a discounted rates of 50%, but the provision of the service has major challenges in terms of affordability and the impact on the financial sustainability of municipalities.



- ✓ Whilst the equitable share has been allocated to fund this, there is a funding gap due to high municipal needs.

✚ **Additional pressure on property rates**

- ✓ Inaccuracy in valuation of property
- ✓ Unregistered properties within the jurisdiction of the municipality
- ✓ Unconfirmed ownership of government properties.
- ✓ Farms properties transfers to traditional authorities which results in unpaid property rates.



LIM355 Lepelle-Nkumpi - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2016/17				Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		2014/15	2015/16	2016/17	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
RECEIPTS:	1, 2										
Operating Transfers and Grants											
National Government:											
Local Government Equitable Share		204,755	161,207	183,643	215,447	215,447	215,447	212,142	236,871	255,980	274,966
Municipal Systems Improvement		934	930	2,145	2,145	2,145	2,145	2,145	2,145	2,145	2,145
Finance Management		1,600	1,675	1,295	1,160	1,160	1,160	1,160	1,758	--	--
EPWP Incentive		1,785	1,525						9,998	9,600	9,600
Other operating transfers/grants [INEP]											
Other transfers/grants [insert description]											
Provincial Government:											
Other transfers/grants [insert description]											
District Municipality:											
CDM: Other grant		6,400	--	1,285	2,750	3,350	3,350	3,350	400	--	--
Other grant providers: [insert description]											

Total Operating Transfers and Grants	5	215,474	165,337	188,368	218,197	218,797	218,797	237,271	255,980	274,966
Capital Transfers and Grants										
National Government:										
Municipal Infrastructure Grant (MIG)		31,777	56,269	36,699	60,134 5,137	63,714	63,714	53,003	54,074	57,035
Other capital transfers/grants [INEP]			5,170			3,580	3,580			
Provincial Government:										
Other capital transfers/grants [insert description]										
District Municipality:										
CDM: Other grant		94								
Other grant providers: [insert description]										
Total Capital Transfers and Grants		31,871	61,438	36,699	65,271	63,714	63,714	53,003	54,074	57,035
TOTAL RECEIPTS OF TRANSFERS & GRANTS	5	243,989	229,153	245,370	283,468	282,511	282,511	290,274	310,054	332,001

- ✓ Tariff-setting is a key and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.
- ✓ National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible.
- ✓ Lepelle-nkumpi municipality tariffs increases as per the national treasury CPI inflation of 5.3% in 2018/19, 5.4% increase in 2018/19 and 5.5% increase in 2020/21 as guided in circular 91

Proposed rated levies for the 2018/19 financial year

PROPERTY RATES TARIFFS <u>CATEGORY OF PROPERTY</u>	2018/2019	2019/2020	2020/2021
Residential stands (Improved)	0.0042	0.0044	0.0047
Residential stands (Vacant)	0.0211	0.0222	0.0234
Business stands /Industrial (Improved)	0.0062	0.0065	0.0069
Business stands/ Industrial (Vacant)	0.0073	0.0077	0.0081
Farming and Agricultural properties	0.0011	0.0011	0.0012
Mining properties	0.0062	0.0065	0.0069
All Government properties. (Improved)	0.0062	0.0065	0.0069
All Government properties. (Vacant)	0.0073	0.0077	0.0081
Flat Rate per Property in villages			
Businesses (commercial - in villages)			
Government Buildings			
Consumer Deposits : Domestic	800.00	800.00	800.00
Businesses	2,000.00	2,000.00	2,000.00
Contractors	5,000.00	5,000.00	5,000.00
Interest on Arrear Accounts	10%	10%	10%
R/D Cheque			
Copy of the Valuation Roll	500.00	500.00	500.00
Proof of Residents(Township)	15.00	15.00	15.00
Proof of Residents(Rural)-Letter from Tribal authority required	Free	Free	Free



Waste Removal and Impact of Tariff Increases

- ✓ In terms of National Treasury circulars as a municipality we are not supposed to render the services at a loss, we should at least break even. The municipality has appointed a service provider to assist with the calculations cost of providing the waste removal service.

Table 11 Comparison between current waste removal fees and increases

FINAL TARIFF STRUCTURE - 2018/2019	2018/2019	2019/2020	2020/2021
COMMUNITY SERVICES			
REFUSE			
Residential	38.37	40.44	42.67
Business	729.34	768.72	811.00
Churches	153.55	161.84	170.74
Hostels/Boarding houses	767.73	809.19	853.69
Schools	153.55	161.84	170.74
Government Institutions	4130.65	4,353.71	4,593.16
Industrial	4130.65	4,353.71	4,593.16
Shopping Complex	8189.14	8,631.35	9,106.08
Flats	1279.55	1,348.65	1,422.82
Hospitals	4196.93	4,423.56	4,666.86
Indigents(Self targeting-Urban)	29.16	30.73	32.43
Indigents(Self targeting-Rural)	23.25	24.51	25.85
Environmental Affairs	2018/2019	2019/2020	2020/2021
Cutting of unwanted trees	760.00	801.04	845.10
Debushing(Per Site)	2,500.00	2,635.00	2,779.93
Penalty for Illegal Dumping	5,000.00	5,270.00	5,559.85
Penalty for Illegal Dumping(Health Care Risk Waste and Hazardous waste)	5,000.00	5,270.00	5,559.85
Dust bins(Mass Containers)			
	2018/2019	2019/2020	2020/2021
Commercial Refuse(6m3 per bin)	500.00	527.00	555.99
Rubble removal (6m3 per bin)	700.00	737.80	778.38



Occasional Services	500.00	527.00	555.99
Distance to be charged as per tariffs approved by Dept. of Transport			
Disposal of food waste	1,500.00	1,581.00	1,667.96
Rental of Skip Bins (per month)			
Rental of Skip Bins (per Day)	250.00	263.50	277.99
MUNICIPAL POUND FEES			
	2018/2019	2019/2020	2020/2021
Impoundment of goods per day	60.00	60.00	60.00
Admin fee : Goods	300.00	300.00	300.00
Salvaging of containers	3,000.00	3,000.00	3,000.00
Impounded Animal on the Public Road			
	2018/2019	2019/2020	2020/2021
Large Stock eg cattle, donkey	20.00	20.00	20.00
Small Stock eg goat, sheep	10.00	10.00	10.00
Transport of impounded animals			
Admin fee : Animals	10.00	10.00	10.00
Noise Abatement and Prevention of Nuisance By-Law			
	2018/2019	2019/2020	2020/2021
Application fee in terms of the by-law	N/A	N/A	N/A
Application for closure of street(per day)	N/A	N/A	N/A
Security for Street Closure(Refundable)	N/A	N/A	N/A
Penalty in terms of contravention of by-law	N/A	N/A	N/A
Land Fill Sites			
	2018/2019	2019/2020	2020/2021
General waste in excess of 1ton	Free	Free	Free
General waste above 800kg (per ton)	95.00	100.13	105.64
Businesss Waste	95.00	100.13	105.64
Industrial and Non-Hazodous mining Waste	170.00		

Clean Compost material in excess of 1000kg	Free	Free	Free
Clean Compost material above 1000kg	Free	Free	Free
Mixed waste (General and Garden)	Free	Free	Free
Mixed waste (Rubble and General)	N/A	N/A	N/A
Clean Rubble and soil	Free	Free	Free
Sorted Recyclables	Free	Free	Free
Tyres	N/A	N/A	N/A
Disposal of animal carcass (New)			
Large stock (cow, donkey, etc)	N/A	N/A	N/A
Small Stock (goat, sheep, dog, cat, pig, poultry, etc)	N/A	N/A	N/A



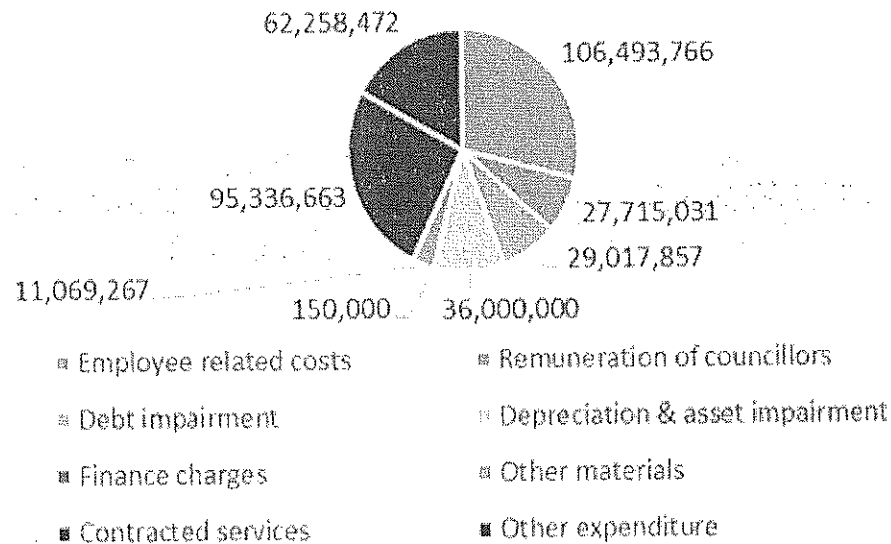
Expenditure By Type

Employee related costs	106,493,766	28.9
Remuneration of councillors	27,715,031	7.5
Debt impairment	29,017,857	7.9
Depreciation & asset impairment	36,000,000	9.8
Finance charges	150,000	0.0
Other materials	11,069,267	3.0
Contracted services	95,336,663	25.9
Other expenditure	62,258,472	16.9
Total Expenditure	368,041,055	100.0
Capital	210,587,850	
TOTAL	578,628,905	



Operating Expenditure

2018-19 Expenditure



Comments on Operating Expenditure

Employee related costs

- ✓ The employee related costs and remuneration of councillors indicate a percentage of 29% of the total operating budget.
- ✓ With regard to salaries and wages, municipalities have mandated SALGA negotiators to negotiate for a multi-year salary and wage collective agreement and the salary increases should be inflation-linked. During the fourth round of negotiations, SALGA reviewed its demand for a five (5) Year Collective Agreement and placed its final offer as follows:
 - Year 1 (2018/ 2019 financial year): An across the board increase of 6.6%;
 - Year 2 (2019/ 2020 financial year): Projected CPI for 2019 financial year plus 1% and
 - Year 3 (2020/ 2021 financial year): Projected CPI for 2020 financial year plus 1%.
- ✓ The municipality salaries budget was based on the SALGA recent collective agreement issued in 20 April 2018

Councillors Allowance

- ✓ The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.



General expenditure

In a bid to cut cost and ensure the funding of the overall budget. Circular 82 of the cost containment measures are adhere to and the following among others are strategies involve in cutting cost:-

✓ **Travel and subsistence and Air Travel**

- The use of National Treasury negotiated rates are mostly used.
- Overnight accommodation is booked when the kilometres to be travelled exceeds 500 kilometres(to and from the destination).

✓ **Catering costs**

- Do not incur catering expenses for any meetings where only municipal officials are in attendance, resulting in a decrease from R63 180 in the 2017/18 financial year to R20 240 proposed for the 2018/19 financial year.

✓ **Events, advertising and sponsorships**

- Municipality uses e tender for tender advertisement
- Uses newspapers only for post adverts
- Municipality discourages advertising in magazines and television.

✓ **Telephone and overtime**

- Limit municipal staff telephones and private calls to a reasonable amount.
- Encourage staff to take time off to make up for overtime worked.
- Unplanned overtime worked must be motivated and approved by management.

- ✓ General expenditure takes 16.9% of the total operating expenditure.

Contracted services

Even though the treasury discourages the use of consultants but due to human capacity, the municipality still appoints consultant to assist in the implementation of other programmes and projects budgeted for and still heavily relies on the use of consultants but conducts gap analysis as per the circular. This has resulted in the professional fees budget decreasing from R22.3m in the 2017/18 financial year to R20.2m, 10.2m and 4.8m respectively.

The contract management will have to be improved for the contracted services. The outsourcing of work will need to be controlled to ensure skill transfer.

Debt Impairment

The provision of debt impairment was based on an annual collection rate of 25 per cent and the Debt Write-off Policy of the Municipality. For the 2017/18 financial year this amount equates to R8.2 million. While this expenditure is considered to be a non-cash flow item, it forms the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues

Other Materials

The repairs and maintenance contributes 3% of the operating budget.



Depreciation

Depreciation constitutes 9.8% of the budget. The budget increase was informed by historical trends as well as budgeted and forecasted additions.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy

Operating Budget per Department

Department	Expenditure	Income	Capital
Executive and Council	47,086,472	-	-
Municipal Manager	16,018,506	-	-
Corporate Services	72,395,963	604,050	10,960,000
Budget and Treasury	96,858,926	452,886,892	-
Community Services	53,136,245	13,990,750	66,536,453
Planning and Development	20,706,185	48,082,922	3,000,000
Infrastructure Development	61,838,758	63,064,291	130,091,397
Capital			
Surplus			
TOTAL	368,041,055	578,628,905	210,587,850



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

LIM355 Lepelle-Nkumpi - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	R e f 1	2014/15		2015/16		2016/17		Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	18,786	Audited Outcome	17,050	Audited Outcome	23,011	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		18,786	17,050	23,011	22,663	22,663	22,663	22,663	22,663	-	25,864	27,261	28,760	
Service charges - electricity revenue		-	-	-	-	-	-	-	-	-	-	-	-	
Service charges - water revenue		-	-	-	-	-	-	-	-	-	-	-	-	
Service charges - sanitation revenue		-	-	-	-	-	-	-	-	-	-	-	-	
Service charges - refuse revenue		5,661	6,190	6,340	7,249	7,249	7,249	7,249	7,249	-	7,629	8,041	8,483	
Service charges - other		405												
Rental of facilities and equipment		218	258	592	1,037	1,037	1,037	1,037	1,037		1,092	1,151	1,215	
Interest earned - external investments		5,493	12,057	12,517	14,018	14,018	14,018	14,018	14,018		14,761	15,558	16,414	
Interest earned - outstanding debtors		5,380	13,247	14,261	4,451	6,973	6,973	6,973	6,973		4,687	4,940	5,212	
Dividends received														
Fines, penalties and forfeits		2,666	2,504	3,011	9,304	1,372	1,372	1,372	1,372		1,445	1,523	1,606	
Licences and permits														
Agency services		54,502	60,100	36,670	6,277	25,197	25,197	25,197	25,197		10,233	2,146	2,264	
Transfers and subsidies		169,001	212,001	208,671	218,525	219,125	219,125	219,125	219,125		237,599	255,980	274,966	
Other revenue		2,586	16,812	3,529	196,966	188,412	188,412	188,412	188,412		222,316	159,846	159,336	
Gains on disposal of PPE														
Total Revenue (excluding capital transfers and contributions)		264,699	340,219	308,601	480,491	486,046	486,046	486,046	486,046	-	525,626	476,446	498,256	

Table 3 Percentage growth in revenue by main revenue source

Description R thousand	Ref 1	2018/19 Medium Term Revenue & Expenditure Framework							
		Adjusted Budget	%	Budget Year 2018/19	%	Budget Year +1 2019/20	%	Budget Year +2 2020/21	%
Revenue By Source									
Property rates		22,663	5%	25,864	5%	27,261	6%	28,760	6%
Service charges - electricity revenue		—		—		—		—	
Service charges - water revenue		—		—		—		—	
Service charges - sanitation revenue		—		—		—		—	
Service charges - refuse revenue		7,249	1%	7,629	1%	8,041	2%	8,483	2%
Service charges - other									
Rental of facilities and equipment		1,037	0%	1,092	0%	1,151	0%	1,215	0%
Interest earned - external investments		14,018	3%	14,761	3%	15,558	3%	16,414	3%
Interest earned - outstanding debtors		6,973	1%	4,687	1%	4,940	1%	5,212	1%
Dividends received									
Fines, penalties and forfeits		1,372	0%	1,445	0%	1,523	0%	1,606	0%
Licences and permits									
Agency services		25,197	5%	10,233	2%	2,146	0%	2,264	0%
Transfers and subsidies		219,125	45%	237,599	45%	255,980	54%	274,966	55%
Other revenue		188,412	39%	222,316	42%	159,846	34%	159,336	32%
Gains on disposal of PPE									
Total Revenue (excluding capital transfers and contributions)		486,046	100%	525,626	100%	476,446	100%	498,256	100%



LIM355 Lepelle-Nkumpi - 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
Financial Performance										
Property rates	18,786	17,050	23,011	22,663	22,663	22,663	-	25,864	27,261	28,760
Service charges	6,066	6,190	6,340	7,249	7,249	7,249	-	7,629	8,041	8,483
Investment revenue	5,493	12,057	12,517	14,018	14,018	14,018	-	14,761	15,558	16,414
Transfers recognised - operational	169,001	212,001	208,671	218,525	219,125	219,125	-	237,599	255,980	274,966
Other own revenue	65,353	92,922	58,062	218,036	222,991	222,991	-	239,773	169,607	169,633
Total Revenue (excluding capital transfers and contributions)	264,699	340,219	308,601	480,491	486,046	486,046	-	525,626	476,446	498,256
Employee costs	70,249	78,996	83,926	91,795	96,688	96,688	-	106,494	110,239	116,303
Remuneration of councillors	15,795	16,779	18,270	26,320	26,320	26,320	-	27,715	29,212	30,818
Depreciation & asset impairment	27,263	27,993	54,078	31,000	36,000	36,000	-	36,000	37,944	40,031
Finance charges	19	81	201	60	60	60	-	150	158	167
Materials and bulk purchases	2,636	7,230	7,732	16,560	8,094	8,094	-	11,069	11,667	12,309
Transfers and grants	-	-	-	-	-	-	-	-	-	-
Other expenditure	68,218	98,126	177,610	160,398	181,027	181,027	-	186,613	162,722	170,670
Total Expenditure	184,180	229,205	341,817	326,134	348,189	348,189	-	368,041	351,942	370,297
Surplus/(Deficit)	80,519	111,014	(33,217)	154,357	137,857	137,857	-	157,585	124,504	127,959
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	32,882	61,438	36,699	65,271	63,714	63,714	-	53,003	54,074	57,035
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	113,401	172,452	3,483	219,628	201,571	201,571	-	210,588	178,578	184,994
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	113,401	172,452	3,483	219,628	201,571	201,571	-	210,588	178,578	184,994
Capital expenditure & funds sources										
Capital expenditure	47,854	86,697	89,511	219,628	201,571	201,571	-	209,988	178,578	184,994
Transfers recognised - capital	26,105	36,136	31,859	65,271	57,657	57,657	-	50,553	51,490	54,183
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	21,749	50,560	57,652	154,357	143,914	143,914	-	159,435	127,088	130,811
Total sources of capital funds	47,854	86,697	89,511	219,628	201,571	201,571	-	209,988	178,578	184,994
Financial position										
Total current assets	325,785	348,797	274,752	501,673	501,773	501,773	-	565,956	585,763	608,014
Total non current assets	517,483	566,434	770,042	988,061	1,012,638	1,012,638	-	810,033	854,585	901,587
Total current liabilities	93,012	93,927	57,758	41,573	41,573	41,573	-	58,341	61,548	64,934
Total non current liabilities	12,943	6,166	7,966	532	532	532	-	8,380	8,841	9,328
Community wealth/Equity	737,313	815,137	979,070	1,447,629	1,472,307	1,472,307	-	1,309,268	1,369,959	1,435,340
Cash flows										
Net cash from (used) operating	125,953	149,889	19,493	129,317	146,129	146,129	-	231,924	231,711	231,638
Net cash from (used) investing	(41,079)	(86,759)	(88,200)	(214,291)	(45,611)	(45,611)	-	(210,377)	(178,356)	(184,760)
Net cash from (used) financing	554	(334)	(483)	34	49	49	-	64	68	71
Cash/cash equivalents at the	193,807	256,603	187,413	132,244	287,980	287,980	-	309,391	362,813	409,763



year end										
Cash backing/surplus reconciliation										
Cash and investments available	193,807	256,603	187,413	133,944	134,044	134,044	-	204,788	221,887	236,991
Application of cash and investments	55,336	75,475	46,558	(112,220)	95,128	95,128	-	101,711	118,847	128,428
Balance - surplus (shortfall)	138,471	181,128	140,855	246,164	38,916	38,916	-	103,078	103,039	108,562
Asset management										
Asset register summary (WDV)	517,483	564,256	586,165	201,928	202,278	202,278		212,797	224,501	236,848
Depreciation	27,263	27,993	15,309	31,000	36,000	36,000		36,000	37,944	40,031
Renewal of Existing Assets	-	6,822	30,817	6,350	6,350	6,350		3,000	-	7,500
Repairs and Maintenance	2,553	7,230	7,732	16,560	15,111	15,111		19,188	20,224	21,336
Free services										
Cost of Free Basic Services provided	-	-	-	-	-	-	-	-	-	-
Revenue cost of free services provided	-	-	-	7,510	7,510	7,510	7,908	7,908	8,335	8,794
Households below minimum service level										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	39	34	34	33	34

Explanatory notes to MBRR Table A1 - Budget Summary

- ✓ Table A1 is a budget summary and provides a summarising overview of the Lepelle-Nkumpi budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
- ✓ The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
- ✓ Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
 - Capital expenditure is balanced by capital funding sources, of which
 - Transfers recognised is reflected on the Financial Performance Budget;
 - Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
 - Internally generated funds is financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
- ✓ Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery



backlogs. It is anticipated that by 2019/20 the provision of free basic services number of beneficiaries and the budget will increase.

- ✓ The municipality has decided to provide FBS within the minimum requirement of R6kl water, 50kw Electricity, R29.16 for refuse removal and for Property rates a discounted rates of 50%, but the provision of the service has major challenges in terms of affordability and the impact on the financial sustainability of municipalities.
- ✓ Whilst the equitable share has been allocated to fund this, there is a funding gap due to high municipal needs



LIM355 Lepelle-Nkumpi - 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>		248,639	324,881	293,405	436,451	467,577	467,577	479,589	451,718	472,696
Executive and council		-	-	-	-	-	-	-	-	-
Finance and administration		248,639	324,881	293,405	436,451	467,577	467,577	479,589	451,718	472,696
Internal audit		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		161	56	234	5,647	510	510	537	566	597
Community and social services		150	56	227	486	486	486	512	539	569
Sport and recreation		11	-	7	5,161	24	24	26	27	28
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		39,065	63,135	44,513	96,056	70,484	70,484	80,862	60,580	63,899
Planning and development		599	230	192	80,248	62,008	62,008	74,695	54,502	57,487
Road transport		38,466	62,904	44,322	13,908	5,976	5,976	6,166	6,078	6,412
Environmental protection		-	-	-	1,900	2,500	2,500	-	-	-
<i>Trading services</i>		9,715	13,586	7,147	7,604	11,184	11,184	17,637	17,651	18,094
Energy sources		1,011	5,170	-	-	3,580	3,580	9,998	9,600	9,600
Water management		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		8,705	8,416	7,147	7,604	7,604	7,604	7,639	8,051	8,494
<i>Other</i>	4	-	-	-	4	4	4	4	4	4
Total Revenue - Functional	2	297,581	401,657	345,300	545,762	549,760	549,760	578,629	530,520	555,291
Expenditure - Functional	-									
<i>Governance and administration</i>		169,147	199,896	299,789	211,433	251,701	251,701	261,021	257,320	263,091
Executive and council		23,265	29,010	29,960	39,287	40,825	40,825	42,460	44,755	47,216
Finance and administration		145,882	170,886	269,829	168,647	207,478	207,478	214,710	208,505	211,618
Internal audit		-	-	-	3,499	3,397	3,397	3,850	4,061	4,257
<i>Community and public safety</i>		190	674	139	3,199	4,878	4,878	6,631	6,675	7,042
Community and social services		-	59	139	3,199	4,878	4,878	6,631	6,675	7,042
Sport and recreation		190	615	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-



<i>Economic and environmental services</i>		2,961	2,307	10,939	58,297	42,972	42,972	45,926	45,213	45,990
Planning and development		883	1,808	1,945	28,961	17,840	17,840	15,949	13,979	13,038
Road transport		2,078	499	8,994	25,845	21,041	21,041	28,441	29,992	31,642
Environmental protection		–	–	–	3,491	4,091	4,091	1,536	1,242	1,310
<i>Trading services</i>		11,881	26,328	30,950	53,205	48,639	48,639	54,463	42,733	54,173
Energy sources		8,961	20,807	25,819	31,744	35,158	35,158	37,734	24,610	35,053
Water management		–	–	–	–	–	–	–	–	–
Waste water management		–	–	–	–	–	–	–	–	–
Waste management		2,920	5,521	5,131	21,461	13,481	13,481	17,329	18,124	19,121
<i>Other</i>	4	–	–	–	–	–	–	–	–	–
Total Expenditure - Functional	3	184,180	229,205	341,817	326,134	348,189	348,189	368,041	351,942	370,297
Surplus/(Deficit) for the year		113,401	172,452	3,483	219,628	201,571	201,571	209,988	178,578	184,994

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

- ✓ Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile „whole of government“ reports.
- ✓ Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.



LIM355 Lepelle-Nkumpi - 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	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand										
Revenue by Vote	1									
Vote 1 - Vote 1 - EXECUTIVE AND COUNCIL		-	-	-	-	-	-	-	-	-
Vote 2 - Vote 2 - MUNICIPAL MANAGER		-	-	-	-	-	-	-	-	-
Vote 3 - Vote 3 - CORPORATE SERVICES		219,981	265,620	241,444	574	574	574	604	637	672
Vote 4 - Vote 4 - BUDGET AND TREASURY		32,428	59,261	51,961	412,992	444,118	444,118	452,887	423,574	443,004
Vote 5 - Vote 5 - COMMUNITY SERVICES		11,784	15,108	15,004	28,606	16,137	16,137	13,991	14,746	15,557
Vote 6 - Vote 6 - PLANNING AND DEVELOPMENT		599	230	192	43,397	25,157	25,157	48,083	27,822	29,353
Vote 7 - Vote 7 - INFRASTRUCTURE DEVELOPMENT		32,788	61,438	36,689	60,194	63,774	63,774	63,064	63,741	66,705
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	297,581	401,657	345,300	545,762	549,760	549,760	578,629	530,520	555,291
Expenditure by Vote to be appropriated	1									
Vote 1 - Vote 1 - EXECUTIVE AND COUNCIL		22,024	23,810	27,075	41,933	45,671	45,671	47,086	49,633	52,363
Vote 2 - Vote 2 - MUNICIPAL MANAGER		1,241	5,200	2,885	13,223	16,661	16,661	16,019	15,838	16,681
Vote 3 - Vote 3 - CORPORATE SERVICES		101,169	103,642	130,050	65,341	66,069	66,069	72,396	73,166	77,228
Vote 4 - Vote 4 - BUDGET AND TREASURY		44,714	67,244	138,739	64,122	96,678	96,678	96,859	93,342	90,084
Vote 5 - Vote 5 - COMMUNITY SERVICES		4,113	6,695	7,031	52,834	47,943	47,943	53,136	55,189	58,225
Vote 6 - Vote 6 - PLANNING AND DEVELOPMENT		883	1,808	1,945	32,528	20,863	20,863	20,706	16,510	15,836
Vote 7 - Vote 7 - INFRASTRUCTURE DEVELOPMENT		10,037	20,807	34,093	56,152	54,303	54,303	62,439	48,263	59,880
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	184,180	229,205	341,817	326,134	348,189	348,189	368,041	351,942	370,297
Surplus/(Deficit) for the year	2	113,401	172,452	3,483	219,628	201,571	201,571	209,988	178,578	184,994



Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

- ✓ Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality.

Capital Budget

Capital expenditure is the expenditure incurred on items used over a period of time longer than 12 months to generate future income.

Capital projects amounting to R209, 987,850 have been included in this budget. Own sources available to fund these projects amount to R160, 035, 000. Our MIG allocation for 2018/2019 is R50,552,850 . Excluding PMU Operating expenditure. All projects presented in this report are the priorities as per the approved Integrated Development Plan which was reviewed and approved in May 2018 during community review meetings in all Lepelle-Nkumpi municipal wards.

Funding of Capital Budget

MIG	R50,552,850
OWN	R160,035,000
TOTAL	R210,587,850



Capital Expenditure by vote, functional classification and funding. mSCOA version 6.1

LIM355 Lepelle-Nkumpi - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description	Ref	2016/17			2017/18			2018/19 Medium Term Revenue & Expenditure Framework					
		Audited Outcome	2015/16 Audited Outcome	2016/17 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 thousand	1												
Capital expenditure - Vote													
Multi-year expenditure. to be appropriated													
Vote 3 - Vote 3 - CORPORATE SERVICES		-	-	3,695	5,100	5,100	-	-	-	-	-	-	-
Vote 5 - Vote 5 - COMMUNITY SERVICES		-	2,676	-	14,487	6,987	-	-	27,036	15,000	15,000	25,000	25,000
Vote 6 - Vote 6 - PLANNING AND DEVELOPMENT		-	-	-	-	-	-	-	3,000	10,000	10,000	-	-
Vote 7 - Vote 7 - INFRASTRUCTURE DEVELOPMENT		2,323	175	15,218	69,457	62,487	62,487	62,487	101,151	83,370	83,370	85,683	85,683
Capital multi-year expenditure sub-total		2,323	2,851	18,913	89,044	74,574	74,574	74,574	131,188	108,370	108,370	110,683	110,683
Single-year expenditure to be appropriated													
Vote 3 - Vote 3 - CORPORATE SERVICES		13,880	18,498	5,187	30,860	29,772	29,772	29,772	10,960	10,328	10,328	10,250	10,250
Vote 5 - Vote 5 - COMMUNITY SERVICES		7,199	14,516	11,567	45,404	43,075	43,075	43,075	38,900	13,200	13,200	28,100	28,100
Vote 6 - Vote 6 - PLANNING AND DEVELOPMENT		-	138	-	-	-	-	-	-	-	-	4,100	4,100
Vote 7 - Vote 7 - INFRASTRUCTURE DEVELOPMENT		24,452	50,693	53,843	54,320	54,149	54,149	54,149	28,940	46,680	46,680	31,861	31,861
Capital single-year expenditure sub-total		45,531	83,846	70,597	130,585	126,997	126,997	126,997	78,800	70,208	70,208	74,311	74,311
Total Capital Expenditure - Vote		47,854	86,697	89,511	219,628	201,571	201,571	201,571	209,988	178,578	178,578	184,994	184,994
Capital Expenditure - Functional													
Governance and administration		13,184	18,498	8,882	35,960	42,082	42,082	42,082	10,960	10,328	10,328	10,250	10,250
Executive and council													

Finance and administration	13,184	18,498	8,882	35,960	42,082	42,082	10,960	10,328	10,250
Internal audit									
Community and public safety	7,199	17,192	11,567	59,391	45,473	45,473	61,036	31,200	56,700
Community and social services	5,212	14,516	11,567	52,273	38,627	38,627	42,899	28,000	28,100
Sport and recreation	1,987	—	—	7,118	6,846	6,846	18,137	3,200	28,600
Public safety		2,676							
Housing									
Health									
Economic and environmental services	27,470	51,007	69,062	119,727	108,736	108,736	131,091	130,050	118,044
Planning and development	696	138	69,062	119,227	108,236	108,236	130,091	130,050	117,544
Road transport	26,775	50,868	—	500	500	500	1,000	—	500
Environmental protection									
Trading services	—	—	—	4,550	5,279	5,279	7,500	7,000	—
Energy sources				4,550	4,900	4,900	4,440	4,680	390
Water management									
Waste water management					379	379	7,500	7,000	—
Waste management									
Other	47,854	86,697	89,511	219,628	201,571	201,571	209,988	178,578	184,994
Total Capital Expenditure - Functional									
Funded by:									
National Government	26,023	36,136	31,859	60,134	57,657	57,657	50,553	51,490	54,183
Provincial Government			—	5,137	—	—			
District Municipality									
Other transfers and grants									
Transfers recognised - capital	26,023	36,136	31,859	65,271	57,657	57,657	50,553	51,490	54,183
Public contributions & donations									
Borrowing	21,749	50,560	57,652	154,357	143,914	143,914	159,435	127,088	130,811
Internally generated funds									
Total Capital Funding	47,854	86,697	89,511	219,628	201,571	201,571	209,988	178,578	184,994

LIM355 Lepelle-Nkumpi - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

LIM355 Lepelle-Nkumpi - 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 - Vote 1 - EXECUTIVE AND COUNCIL		-	-	-	-	-	-	-	-	-	-
Vote 2 - Vote 2 - MUNICIPAL MANAGER		-	-	-	-	-	-	-	-	-	-
Vote 3 - Vote 3 - CORPORATE SERVICES		-	-	3,695	5,100	5,100	5,100	-	-	-	-
Vote 4 - Vote 4 - BUDGET AND TREASURY		-	-	-	-	-	-	-	-	-	-
Vote 5 - Vote 5 - COMMUNITY SERVICES		-	2,676	-	14,487	6,987	6,987	-	27,036	15,000	25,000
Vote 6 - Vote 6 - PLANNING AND DEVELOPMENT		-	-	-	-	-	-	-	3,000	10,000	-
Vote 7 - Vote 7 - INFRASTRUCTURE DEVELOPMENT		2,323	175	15,218	69,457	62,487	62,487	-	101,151	83,370	85,683
		-	-	3,695							
Capital multi-year expenditure sub-total	7	2,323	2,851	18,913	89,044	74,574	74,574	-	131,188	108,370	110,683
Single-year expenditure to be appropriated	2										
Vote 1 - Vote 1 - EXECUTIVE AND COUNCIL		-	-	-	-	-	-	-	-	-	-
Vote 2 - Vote 2 - MUNICIPAL MANAGER		-	-	-	-	-	-	-	-	-	-
Vote 3 - Vote 3 - CORPORATE SERVICES		13,880	18,498	5,187	30,860	29,772	29,772	-	10,960	10,328	10,250
Vote 4 - Vote 4 - BUDGET AND TREASURY		-	-	-	-	-	-	-	-	-	-
Vote 5 - Vote 5 - COMMUNITY SERVICES		7,199	14,516	11,567	45,404	43,075	43,075	-	38,900	13,200	28,100
Vote 6 - Vote 6 - PLANNING AND DEVELOPMENT		-	138	-	-	-	-	-	-	-	4,100
Vote 7 - Vote 7 - INFRASTRUCTURE DEVELOPMENT		24,452	50,693	53,843	54,320	54,149	54,149	-	28,940	46,680	31,861
Vote 8 - [NAME OF VOTE 8]		45,531	83,846	70,597	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		47,854	86,697	89,511	130,585	126,997	126,997	-	78,800	70,208	74,311
Total Capital Expenditure - Vote		47,854	86,697	89,511	219,628	201,571	201,571	-	209,988	178,578	184,994



Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

- ✓ Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
- ✓ The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year has been for R131.1 million for the 2018/19 financial year and over the MTREF R70.2 million and R74.3 million respectively for the two outer years
- ✓ Single-year capital expenditure has been appropriated at R78.8 million for the 2018/19 financial year and over the MTREF R70.3 million and R74.3 million respectively for the two outer years
- ✓ The capital programme is funded from capital and national grants transfers and internally generated funds.



LIM355 Lepelle-Nkumpi – 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		11,455	1,703	14,262	1,700	1,700	1,700	-	1,788	1,887	1,991
Call investment deposits		182,352	254,901	173,151	132,244	132,344	132,344	-	203,000	220,000	235,000
Consumer debtors		45,256	36,661	19,244	335,721	335,721	335,721	-	197,047	199,533	206,445
Other debtors		85,293	53,687	64,133	29,508	29,508	29,508	-	159,952	159,946	159,939
Current portion of long-term receivables		-	-	-	-	-	-	-	-	-	-
Inventory		1,428	1,845	3,962	2,500	2,500	2,500	-	4,168	4,397	4,639
Total current assets		325,785	348,797	274,752	501,673	501,773	501,773	-	565,956	585,763	608,014
Non current assets											
Long-term receivables											
Investments											
Investment property											
Investment in Associate											
Property, plant and equipment		583,305	726,884	770,042	988,061	1,012,638	1,012,638	-	810,033	854,585	901,587
Agricultural											
Biological											
Intangible											
Other non-current assets											
Total non current assets		583,305	726,884	770,042	988,061	1,012,638	1,012,638	-	810,033	854,585	901,587
TOTAL ASSETS		909,090	1,075,681	1,044,794	1,489,734	1,514,411	1,514,411	-	1,375,989	1,440,348	1,509,602
LIABILITIES											
Current liabilities											
Bank overdraft									-	-	-
Borrowing		72	586	534	534	534	534	-	561	592	625
Consumer deposits		1,769	1,823	1,858					64	68	71
Trade and other payables		85,649	91,519	55,366	41,039	41,039	41,039	-	56,629	59,743	63,029
Provisions		5,521	-						1,087	1,145	1,208
Total current liabilities		93,012	93,927	57,758	41,573	41,573	41,573	-	58,341	61,548	64,934
Non current liabilities											
Borrowing		-	671	238	238	238	238	-	251	264	279
Provisions		12,943	5,496	7,728	294	294	294	-	8,130	8,577	9,049
Total non current liabilities		12,943	6,166	7,966	532	532	532	-	8,380	8,841	9,328
TOTAL LIABILITIES		105,955	100,094	65,724	42,105	42,105	42,105	-	66,721	70,390	74,261
NET ASSETS		803,136	975,587	979,070	1,447,629	1,472,307	1,472,307	-	1,309,268	1,369,959	1,435,340
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		803,136	975,587	979,070	1,447,629	1,472,307	1,472,307	-	1,309,268	1,369,959	1,435,340
Reserves		-	-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY		803,136	975,587	979,070	1,447,629	1,472,307	1,472,307	-	1,309,268	1,369,959	1,435,340



- ✓ Table A6 is consistent with international standards of good financial management practice, and improves understand ability for councillors and management of the impact of the budget on the statement of financial position (balance sheet).
- ✓ This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
- ✓ Table 6 is supported by an extensive table of notes (SA3 which can be found on page 102) providing a detailed analysis of the major components of a number of items, including:
 - Call investments deposits.
 - Consumer debtors.
 - Property, plant and equipment.
 - Trade and other payables.
 - Provisions non-current;
 - Changes in net assets; and
 - Reserves
- ✓ The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.



- ✓ Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position as an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.
 - Provisions non-current;
 - Changes in net assets; and
 - Reserves

- ✓ The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.

- ✓ Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.



LIM355 Lepelle-Nkumpi - Table A7
Budgeted Cash Flows

Description	R e f	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		6,391	2,423	9,065	9,065	9,065		11,537	12,171	12,840	6,391
Service charges		2,262	4,773	4,124	4,124	4,124		5,338	5,632	5,942	2,262
Other revenue		11,974	2,039	90,856	76,932	76,932		85,916	41,921	43,160	11,974
Government - operating		208,885	204,615	218,197	218,797	218,797		237,599	255,980	274,966	208,885
Government - capital		62,128	36,699	60,134	63,714	63,714		53,003	54,074	57,035	62,128
Interest		25,304	26,778	18,469	18,469	18,469		17,247	17,141	18,083	25,304
Dividends								-	-	-	
Payments											
Suppliers and employees		(166,973)	(257,632)	(271,469)	(244,912)	(244,912)		(178,566)	(155,050)	(180,221)	(166,973)
Finance charges		(81)	(201)	(60)	(60)	(60)		(150)	(158)	(167)	(81)
Transfers and Grants								-	-	-	
NET CASH FROM/(USED) OPERATING ACTIVITIES		149,889	19,493	129,317	146,129	146,129	-	231,924	231,711	231,638	149,889
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		1	1,311	5,337	200	200		210	222	234	1
Decrease (Increase) in non-current debtors								-	-	-	
Decrease (increase) other non-current receivables		(1,678)	-					-	-	-	(1,678)
Decrease (increase) in non-current investments								-	-	-	
Payments											
Capital assets		(85,083)	(89,511)	(219,628)	(45,811)	(45,811)		(210,588)	(178,578)	(184,994)	(85,083)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(86,759)	(88,200)	(214,291)	(45,611)	(45,611)	-	(210,377)	(178,356)	(184,760)	(86,759)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans									-	-	-
Borrowing long term/refinancing		(334)	(483)					-	-	-	(334)
Increase (decrease) in consumer deposits		-	-	34	49	49		64	68	71	-
Payments											
Repayment of borrowing								-	-	-	
NET CASH FROM/(USED) FINANCING ACTIVITIES		(334)	(483)	34	49	49	-	64	68	71	(334)



NET INCREASE/ (DECREASE) IN CASH HELD	62,796	(69,190)	(84,941)	100,568	100,568	-	21,611	53,422	46,949	62,796
Cash/cash equivalents at the year begin:	193,807	256,603	217,185	187,413	187,413	-	287,780	309,391	362,813	193,807
Cash/cash equivalents at the year-end:	256,603	187,413	132,244	287,980	287,980	-	309,391	362,813	409,763	256,603

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

- ✓ The budgeted cash flow statement is the first measurement in determining if the budget is funded.
- ✓ It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
- ✓ The 2018/19 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.
- ✓ Cash and cash equivalents totals R362.8million as at the end of the 2018/19.

LIM355 Lepelle-Nkumpi - 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		193,807	256,937	187,413	132,244	287,980	287,980	-	106,755	(17,091)	(142,509)
Other current investments > 90 days		(0)	(334)	0	1,700	(153,936)	(153,936)	-	98,033	238,977	379,499
Non current assets - Investments		-	-	-	-	-	-	-	-	-	-
Cash and investments available:		193,807	256,603	187,413	133,944	134,044	134,044	-	204,788	221,887	236,991
Application of cash and investments											
Unspent conditional transfers		-	-	-	1,800	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements		55,336	75,475	46,558	(114,020)	(89,109)	(89,109)	-	(77,659)	(45,033)	(46,672)
Other working capital requirements		-	-	-	-	-	-	-	-	-	-
Other provisions		-	-	-	-	-	-	-	-	-	-
Long term investments committed		-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments		-	-	-	-	184,237	184,237	-	179,370	163,880	175,100
Total Application of cash and investments:		55,336	75,475	46,558	(112,220)	95,128	95,128	-	101,711	118,847	128,428
Surplus(shortfall)		138,471	181,128	140,855	246,164	38,916	38,916	-	103,078	103,039	108,562



- ✓ The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
- ✓ In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
- ✓ The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be 'funded'.
- ✓ Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
- ✓ From the table it can be seen that for the period 2017/18 the surplus increased from R38.9 million to R108.6 million in 2020/21. For the rest of the MTREF a surplus is indicated.
- ✓ Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2014/15 MTREF was not funded owing to the significant deficit.
- ✓ As part of the budgeting and planning guidelines that informed the compilation of the 2014/15 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

LIM355 Lepelle-Nkumpi - 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		47,854	79,875	58,694	192,678	170,621	170,621	196,351	178,578	162,494
Roads Infrastructure		26,775	44,047	29,702	85,227	68,882	68,882	78,111	115,370	100,654
Storm water Infrastructure		-	-	10,498	28,000	33,354	33,354	44,540	10,000	9,000
Electrical Infrastructure		-	2,676	1,555	4,550	4,900	4,900	4,440	4,680	390
Water Supply Infrastructure		-	-	-	-	-	-	-	-	-
Sanitation Infrastructure		-	-	-	-	-	-	-	-	-
Solid Waste Infrastructure		-	-	-	7,500	379	379	7,500	7,000	-
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-	-



<i>Information and Communication Infrastructure</i>	-	-	-	-	-	-	-	-	-
Infrastructure	26,775	46,723	41,754	125,277	107,515	107,515	134,591	137,050	110,044
Community Facilities	5,212	14,516	11,544	37,773	33,337	33,337	46,299	21,200	31,500
Sport and Recreation Facilities	1,987	-	-	7,118	8,846	8,846	3,000	-	10,200
Community Assets	7,199	14,516	11,544	44,891	42,183	42,183	49,299	21,200	41,700
Heritage Assets	-	-	-	500	500	500	1,000	-	500
Revenue Generating	-	-	-	-	-	-	-	-	-
Non-revenue Generating	-	-	-	-	-	-	3,000	10,000	-
Investment properties	-	-	-	-	-	-	3,000	10,000	-
Operational Buildings	8,207	1,466	-	-	-	-	1,740	-	-
Housing	-	-	-	-	-	-	-	-	-
Other Assets	8,207	1,466	-	-	-	-	1,740	-	-
Biological or Cultivated Assets	-	-	-	-	-	-	-	-	-
Servitudes	-	-	-	-	-	-	-	-	-
Licences and Rights	-	-	-	-	-	-	-	-	-
Intangible Assets	-	-	-	-	-	-	-	-	-
Computer Equipment	715	-	1,499	3,710	1,710	1,710	1,200	920	2,000
Furniture and Office Equipment	1,075	3,701	4	3,150	850	850	3,100	508	950
Machinery and Equipment	68	10,787	1,594	13,650	13,762	13,762	1,820	8,900	7,300
Transport Assets	3,816	2,682	2,299	1,500	4,100	4,100	600	-	-
Libraries	-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals	-	-	-	-	-	-	-	-	-
Total Renewal of Existing Assets	-	6,822	30,817	6,350	6,350	6,350	3,000	-	7,500
<i>Roads Infrastructure</i>	-	6,822	16,438	6,000	6,000	6,000	3,000	-	7,500
<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>	-	-	10,684	-	-	-	-	-	-
<i>Coastal Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>	-	-	-	-	-	-	-	-	-
Infrastructure	-	6,822	27,122	6,000	6,000	6,000	3,000	-	7,500
Community Facilities	-	-	-	-	-	-	-	-	-
Sport and Recreation Facilities	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-
Heritage Assets	-	-	-	-	-	-	-	-	-



Revenue Generating	-	-	-	-	-	-	-	-	-
Non-revenue Generating	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-
Operational Buildings	-	-	3,695	350	350	350	-	-	-
Housing	-	-	-	-	-	-	-	-	-
Other Assets	-	-	3,695	350	350	350	-	-	-
Biological or Cultivated Assets	-	-	-	-	-	-	-	-	-
Servitudes	-	-	-	-	-	-	-	-	-
Licences and Rights	-	-	-	-	-	-	-	-	-
Intangible Assets	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-
Furniture and Office Equipment	-	-	-	-	-	-	-	-	-
Machinery and Equipment	-	-	-	-	-	-	-	-	-
Transport Assets	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals	-	-	-	-	-	-	-	-	-
Total Upgrading of Existing Assets	-	-	-	20,600	-	-	10,637	-	15,000
<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>	-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-
Community Facilities	-	-	-	7,000	-	-	-	-	-
Sport and Recreation Facilities	-	-	-	-	-	-	5,137	-	15,000
Community Assets	-	-	-	7,000	-	-	5,137	-	15,000
Heritage Assets	-	-	-	-	-	-	-	-	-
Revenue Generating	-	-	-	-	-	-	-	-	-
Non-revenue Generating	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-
Operational Buildings	-	-	-	13,600	-	-	3,500	-	-
Housing	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	13,600	-	-	3,500	-	-



Biological or Cultivated Assets	-	-	-	-	-	-	-	-	-
Servitudes	-	-	-	-	-	-	-	-	-
Licences and Rights	-	-	-	-	-	-	-	-	-
Intangible Assets	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-
Furniture and Office Equipment	-	-	-	-	-	-	-	-	-
Machinery and Equipment	-	-	-	-	-	-	-	-	-
Transport Assets	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	2,000	-	-
Zoo's, Marine and Non-biological Animals	-	-	-	-	-	-	-	-	-
Total Capital Expenditure									
<i>Roads Infrastructure</i>	26,775	50,868	46,139	91,227	74,882	74,882	81,111	115,370	108,154
<i>Storm water Infrastructure</i>	-	-	10,498	28,000	33,354	33,354	44,540	10,000	9,000
<i>Electrical Infrastructure</i>	-	2,676	1,555	4,550	4,900	4,900	4,440	4,680	390
<i>Water Supply Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Sanitation Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Solid Waste Infrastructure</i>	-	-	-	7,500	379	379	7,500	7,000	-
<i>Rail Infrastructure</i>	-	-	10,684	-	-	-	-	-	-
<i>Coastal infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>	-	-	-	-	-	-	-	-	-
Infrastructure	26,775	53,544	68,876	131,277	113,515	113,515	137,591	137,050	117,544
Community Facilities	5,212	14,516	-	44,773	33,337	33,337	46,299	21,200	31,500
Sport and Recreation Facilities	1,987	-	-	7,118	8,846	8,846	8,137	-	25,200
Community Assets	7,199	14,516	-	51,891	42,183	42,183	54,436	21,200	56,700
Heritage Assets	-	-	-	500	500	500	1,000	-	500
Revenue Generating	-	-	-	-	-	-	-	-	-
Non-revenue Generating	-	-	-	-	-	-	3,000	10,000	-
Investment properties	-	-	-	-	-	-	3,000	10,000	-
Operational Buildings	8,207	1,466	3,695	13,950	350	350	5,240	-	-
Housing	-	-	-	-	-	-	-	-	-
Other Assets	8,207	1,466	3,695	13,950	350	350	5,240	-	-
Biological or Cultivated Assets	-	-	-	-	-	-	-	-	-
Servitudes	-	-	-	-	-	-	-	-	-
Licences and Rights	-	-	-	-	-	-	-	-	-
Intangible Assets	-	-	-	-	-	-	-	-	-
Computer Equipment	715	-	-	3,710	1,710	1,710	1,200	920	2,000
Furniture and Office Equipment	1,075	3,701	-	3,150	850	850	3,100	508	950



Machinery and Equipment	68	10,787		13,650	13,762	13,762	1,820	8,900	7,300
Transport Assets	3,816	2,682		1,500	4,100	4,100	600	-	-
Libraries	-	-	-	-	-	-	2,000	-	-
Zoo's, Marine and Non-biological Animals	-	-	-	-	-	-	-	-	-
TOTAL CAPITAL EXPENDITURE - Asset class	47,854	86,697	89,511	219,628	176,971	176,971	209,988	178,578	184,994
ASSET REGISTER SUMMARY - PPE (WDV)									
<i>Roads Infrastructure</i>	158,214	222,780	265,779	106,299	106,299	106,299	111,827	117,977	124,466
<i>Storm water Infrastructure</i>									
<i>Electrical Infrastructure</i>		8,121	9,839	4,550	4,900	4,900	5,155	5,438	5,737
<i>Water Supply Infrastructure</i>									
<i>Sanitation Infrastructure</i>									
<i>Solid Waste Infrastructure</i>									
<i>Rail Infrastructure</i>									
<i>Coastal Infrastructure</i>									
<i>Information and Communication Infrastructure</i>									
Infrastructure	158,214	230,902	275,618	110,849	111,199	111,199	116,982	123,416	130,203
Community Facilities	197,123	184,294	11,567	58,423	58,423	58,423	61,461	64,841	68,408
Sport and Recreation Facilities				10,346	10,346	10,346	10,884	11,483	12,114
Community Assets	197,123	184,294	11,567	68,769	68,769	68,769	72,345	76,324	80,522
Heritage Assets									
Revenue Generating									
Non-revenue Generating									
Investment properties	-	-	-	-	-	-	-	-	-
Operational Buildings	150,996	117,039	266,915						
Housing									
Other Assets	150,996	117,039	266,915	-	-	-	-	-	-
Biological or Cultivated Assets									
Servitudes									
Licences and Rights		105	48						
Intangible Assets	-	105	48	-	-	-	-	-	-
Computer Equipment	1,970		2,050	3,710	3,710	3,710	3,903	4,118	4,344
Furniture and Office Equipment		6,850	3,838	3,150	3,150	3,150	3,314	3,496	3,688
Machinery and Equipment	2,175	759	652	12,900	12,900	12,900	13,571	14,317	15,105
Transport Assets	7,004	24,307	25,475	2,550	2,550	2,550	2,683	2,830	2,986
Libraries									
Zoo's, Marine and Non-biological Animals									
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	517,483	564,256	586,165	201,928	202,278	202,278	212,797	224,501	236,848
EXPENDITURE OTHER ITEMS									
Depreciation	27,263	27,993	15,309	31,000	36,000	36,000	36,000	37,944	40,031
Repairs and Maintenance by Asset Class	2,553	7,230	7,732	16,560	15,111	15,111	19,188	20,224	21,336
<i>Roads Infrastructure</i>	689	3,734	2,908	9,268	9,328	9,328	8,600	9,064	9,563
<i>Storm water Infrastructure</i>	-	-	-	-	-	-	-	-	-



Electrical Infrastructure	-	927	1,344	2,947	2,930	2,930	3,600	3,794	4,003
Water Supply Infrastructure	-	-	-	-	-	-	-	-	-
Sanitation Infrastructure	-	-	-	-	-	-	-	-	-
Solid Waste Infrastructure	-	-	-	-	-	-	-	-	-
Rail Infrastructure	-	-	-	-	-	-	-	-	-
Coastal Infrastructure	-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure	-	-	-	-	-	-	-	-	-
Infrastructure	689	4,661	4,252	12,215	12,258	12,258	12,200	12,859	13,566
Community Facilities	-	125	-	500	500	500	3,500	3,689	3,892
Sport and Recreation Facilities	-	-	-	-	-	-	-	-	-
Community Assets	-	125	-	500	500	500	3,500	3,689	3,892
Heritage Assets	-	-	-	-	-	-	-	-	-
Revenue Generating	-	-	-	-	-	-	-	-	-
Non-revenue Generating	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-
Operational Buildings	474	1,010	211	1,092	1,092	1,092	2,000	2,108	2,224
Housing	-	-	-	-	-	-	-	-	-
Other Assets	474	1,010	211	1,092	1,092	1,092	2,000	2,108	2,224
Biological or Cultivated Assets	-	-	-	-	-	-	-	-	-
Servitudes	-	-	-	-	-	-	-	-	-
Licences and Rights	-	-	53	254	254	254	254	268	282
Intangible Assets	-	-	53	254	254	254	254	268	282
Computer Equipment	-	-	-	-	-	-	-	-	-
Furniture and Office Equipment	1	32	-	-	-	-	200	211	222
Machinery and Equipment	1,002	29	205	500	500	500	500	527	556
Transport Assets	386	1,372	3,011	2,000	508	508	534	563	594
Libraries	-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURE OTHER ITEMS	29,816	35,223	23,042	47,560	51,111	51,111	55,188	58,168	61,367

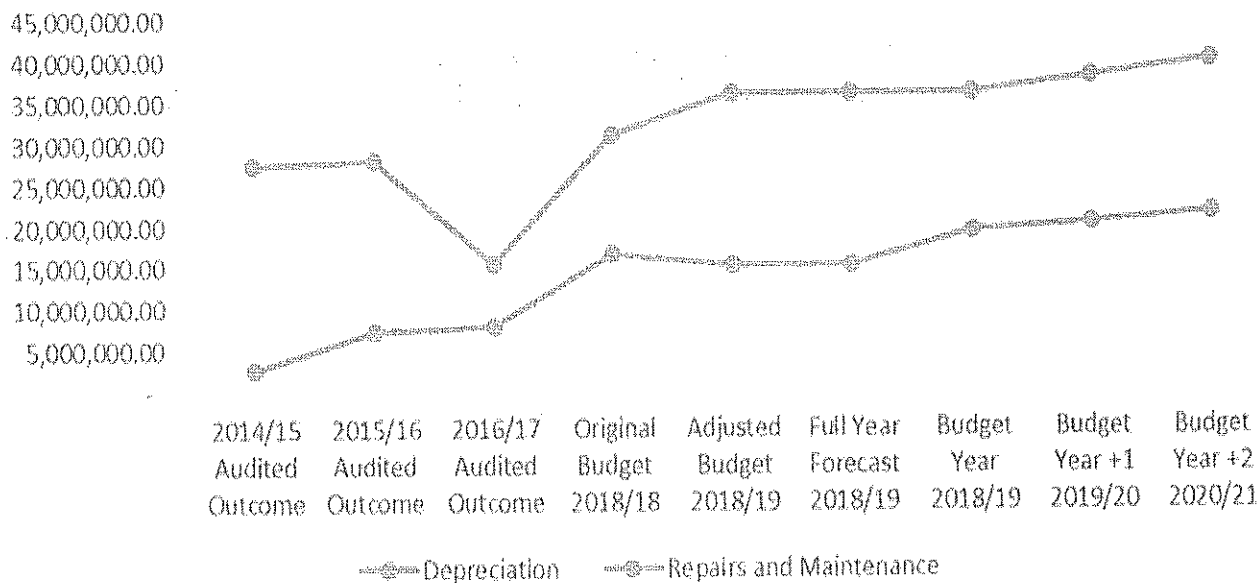
Explanatory notes to Table A9 - Asset Management

- ✓ Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
- ✓ National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. Lepelle-Nkumpi Municipality budget for the current financial year is insufficient with an improvement in the outer years to meet the National Treasury requirements.



- ✓ The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF.

Depreciation in relation to repairs and maintenance over the MTREF



LIM355 Lepelle-Nkumpi - Supporting Table SA8 Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	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
Borrowing Management											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	0.0%	0.1%	0.2%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	-0.7%	-0.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Safety of Capital Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Liquidity											
Current Ratio	Current assets/current liabilities	3.5	3.7	4.8	12.1	12.1	12.1	-	9.7	9.5	9.4
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	3.5	3.7	2.4	8.0	7.6	7.6	-	5.9	5.5	5.2
Liquidity Ratio	Monetary Assets/Current Liabilities	2.1	2.7	3.2	3.2	3.2	3.2	-	3.5	3.6	3.6
Revenue Management											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		32.1%	30.0%	24.5%	44.1%	44.1%	44.1%	0.0%	50.4%	50.4%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		32.1%	37.2%	24.5%	44.1%	44.1%	44.1%	0.0%	50.4%	50.4%	50.4%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	49.3%	26.6%	27.0%	76.0%	75.1%	75.1%	0.0%	67.9%	75.5%	73.5%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old				25,402	27,942	27,942		33,530	36,884	40,572
Creditors Management											
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA' s 65(e))				100.0%	100.0%	100.0%		100.0%	100.0%	100.0%
Creditors to Cash and investments		44.2%	35.7%	29.5%	29.7%	14.3%	14.3%	0.0%	18.3%	16.5%	15.4%
Other Indicators											
Electricity Distribution Losses (2)	Total Volume Losses (kW)	0	0	0	0	0	0	0	0	0	0
	Total Cost of Losses (Rand '000)	0	0	0	0	0	0	0	0	0	0
	% Volume (units purchased and generated less units sold)/units purchased and generated	0	0	0	0	0	0	0	0	0	0
Water Distribution Losses (2)	Total Volume Losses (kℓ)	0	0	0	0	0	0	0	0	0	0
	Total Cost of Losses (Rand '000)	0	0	0	0	0	0	0	0	0	0



	% Volume (units purchased and generated less units sold)/units purchased and generated	0	0	0	0	0	0	0	0	0	0
Employee costs	Employee costs/(Total Revenue - capital revenue)	26.5%	23.2%	27.2%	19.1%	19.9%	19.9%	0.0%	20.3%	23.1%	23.3%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	8.2%	0.0%	0.0%	24.3%	25.3%	25.3%		25.5%	29.3%	29.5%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	1.0%	2.1%	2.5%	3.4%	3.1%	3.1%		3.7%	4.2%	4.3%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	10.3%	8.3%	17.6%	6.5%	7.4%	7.4%	0.0%	6.9%	8.0%	8.1%
IDP regulation financial viability indicators	-										
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	3.8	4.8	5.4	14.2	14.2	14.2	-	16.8	12.2	12.3
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	520.7%	384.5%	278.5%	1180.1%	1180.1%	1180.1%	0.0%	1032.2%	986.2%	952.7%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	18.3	18.9	11.0	6.4	12.8	12.8	-	12.9	16.3	17.5

Performance indicators and benchmarks

Borrowing Management

- ✓ Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities.

Safety of Capital

- ✓ *The debt-to-equity ratio* is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets.
- ✓ *The gearing ratio* is a measure of the total long term borrowings over funds and reserves

Liquidity

- ✓ *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the Municipality has set a limit of 1, hence at no point in time should this ratio be less than 1. For the 2017/18 MTREF the current ratio is 3.2 in the 2018/19 financial year and 3.5 and 3.6 for the two outer years of the MTREF.
- ✓ *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately

Revenue Management

- ✓ It very critical for the municipality to implement the debt management strategy, make sure debt is arrested before they are over 90 days This strategy should include an emphasis on the monitoring of the Top 100 debtors (based on 80-20 principle); the pursuance of government debt with possible intervention by National and other strategies and other strategies already discussed above.

Creditors Management

- ✓ The City has managed to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality has managed to ensure a 100 per cent compliance rate to this legislative obligation.

OVERVIEW OF BUDGET RALATED POLICIES

- ✓ The municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.
- Tariff Structure,
- SCM Policy,
- Model SCM Policy for Infrastructure Procurement & Delivery Management 2018/19 Financial Year,
- Asset Management Policy,
- Credit Control & Debt Collection Policy,
- Bad Debts & Write-Off Policy,
- Tariff Policy,
- Budget & Virement Policy,
- Cash & Investment Management Policy,
- Indigent Policy and
- Property Rates Policy.

Overview of Budget Assumptions

- The following budget assumptions were made during the compilation of the draft 2018/19 MTREF budget
- ✓ The current economic environment, inflation rate including unemployment and affordability of services;
- ✓ Tariffs, levies and charges were calculated within the inflation targets (all services charges and rates increased by CPI Inflation 5.3%, 5.4% and 5.5%. as per circular 91 to ensure that expenditure is within the budget limits and mindful of ratios;
- ✓ Cash backing of reserves, municipality working on ensuring reserves are cash backed;
- ✓ Capital projects are funded by grants and own funding;



- ✓ Debt increasing on monthly basis (debtors book over R168.5m), service provider appointed to assist with the development of the Revenue Enhancement strategy which includes the debt management and recovery strategies

- ✓ The municipality salaries budget was based on the SALGA recent collective agreement issued in 20 April 2018 which the final offer as follows:
 - Year 1 (2018/ 2019 financial year): An across the board increase of 6.6%;
 - Year 2 (2019/ 2020 financial year): Projected CPI for 2019 financial year plus 1% and
 - Year 3 (2020/ 2021 financial year): Projected CPI for 2020 financial year plus 1%.

- ✓ Cash Flow Management
 - Table SA30 indicates the cash flow projections for the next financial year (monthly projections)
 - The projections were based on the previous performance and the procurement plan.
 - The grants receipts allocation is based on the grants transfer schedule.
 - Creditors are paid within 30 days to avoid penalties and litigations.
 - The money which is not immediately required is invested to earn interest



Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

LIM355 Lepelle-Nkumpi Supporting Table SA10
Funding measurement

Description	MFMA section	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
Funding measures												
Cash/cash equivalents at the year end - R'000	18(1)b		193,807	256,603	187,413	132,244	287,980	287,980	-	309,391	362,813	409,763
Cash + investments at the yr end less applications - R'000	18(1)b		138,471	181,128	140,855	246,164	38,916	38,916	-	103,078	103,039	108,562
Cash year end/monthly employee/supplier payments	18(1)b		18.3	18.9	11.0	6.4	12.8	12.8	-	12.9	16.3	17.5
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)		113,401	172,452	3,483	219,628	201,571	201,571	-	209,988	178,578	184,994
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)		N.A.	(12.5%)	20.3%	(4.1%)	(6.0%)	(6.0%)	(106.0%)	6.0%	(0.6%)	(0.5%)
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)		23.2%	17.8%	10.6%	42.0%	35.6%	35.6%	0.0%	37.6%	29.1%	29.9%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)		50.1%	139.7%	165.7%	78.9%	97.0%	97.0%	0.0%	86.6%	63.1%	52.2%
Capital payments % of capital expenditure	18(1)c;19		85.8%	98.1%	100.0%	100.0%	22.7%	22.7%	0.0%	100.3%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c		0.0%	(0.7%)	(0.8%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a									100.1%	100.0%	100.0%
Current consumer debtors % change - incr(decr)	18(1)a		N.A.	(30.8%)	(7.7%)	338.0%	0.0%	0.0%	(100.0%)	(2.3%)	0.7%	1.9%
Long term receivables % change - incr(decr)	18(1)a		N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)		0.5%	1.3%	1.0%	1.7%	1.5%	1.5%	0.0%	2.4%	2.4%	2.4%
Asset renewal % of capital budget	20(1)(vi)		0.0%	7.9%	34.4%	2.9%	3.2%	3.2%	0.0%	1.4%	0.0%	4.1%

✓ Cash/cash equivalent position

- The Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A positive cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.
- If the municipality's forecast cash position is negative, for any year of the medium-term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year. The forecasted cash and cash equivalents for the 2018/19 MTREF shows R309.3 million, R362.8 million and R409.7million for each respective financial year.



- ✓ *Cash plus investments less application of funds*
 - The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in Table A8, on page 46. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made.

- ✓ *Monthly average payments covered by cash or cash equivalents*
 - The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective

- ✓ *Surplus/deficit excluding depreciation offsets*
 - The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An „adjusted“ surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities is taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term.

- ✓ *Property Rates/service charge revenue as a percentage increase less macro inflation target*
 - The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in revenue which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

- ✓ *Cash receipts as a percentage of ratepayer and other revenue*
 - This factor is a macro measure of the rate at which funds are collected. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 37.6, 29.1 and 29.9 per cent for each of the respective financial years.

- ✓ *Debt impairment expense as a percentage of billable revenue*
 - This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. Considering the debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days.

- ✓ *Capital payments percentage of capital expenditure*
 - The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 2 per cent timing discount has been factored into the cash position forecasted over the entire financial year. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.



- ✓ *Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)*
 - The purpose of this measurement is to determine the proportion of a municipality's „own-funded“ capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers/grants and contributions) has been excluded.



- ✓ *Transfers/grants revenue as a percentage of Government transfers/grants available*
 - The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could indicate that not all grants as contained in the Division of Revenue Act (Dora) have been budgeted for. The Municipality has budgeted for all transfers.

- ✓ *Consumer debtors change (Current and Non-current)*
 - The purpose of these measures is to ascertain whether budgeted reductions in outstanding debtors are realistic.

- ✓ *Repairs and maintenance expenditure level*
 - This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected. A detail of the Municipality's strategy pertaining to asset management and repairs and maintenance is contained in Table SA34C.

- ✓ *Asset renewal/rehabilitation expenditure level*
 - This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for repairs and maintenance budgets. Further details in this regard are contained in table SA34b.



Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

- ✓ Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.
- ✓ The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.
- ✓ The primary aims of the Budget Steering Committee is to ensure:
 - That the process followed to compile the budget complies with legislation and good budget practices.
 - That there is proper alignment between the policy and service delivery priorities set out in the IDP and the budget, taking into account the need to protect the financial sustainability of municipality.
 - That the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
 - That the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.



BUDGET PROCESS OVERVIEW

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2010) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule during August 2017. Key dates applicable to the process were

2017/18 IDP/BUDGET/PMS PROCESS PLAN

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Requirement			
Legal requirement for a district/local plan	Water Services Development Plan	Department of Water and Sanitation	Water Services Act
	Integrated Transport Plan	Department of Transport	National Transport Bill
	Environmental Management Plans (EMPs)	Department of Environmental Affairs	National Environment Management Act (107 of 1998)
	Waste Management Plan	Department of Environmental Affairs	White Paper on Waste Management
Requirement for sector planning to be incorporated into IDP	Housing strategy	Human Settlements	Housing Act (Chapter 4, Section 9)
	Local Economic Development Strategy	Department of Cooperative Governance and Traditional Affairs	Municipal Systems Act
	Integrated Infrastructure Planning	Department of Cooperative Governance and Traditional Affairs	
	Spatial Development Framework	Department of Rural Development and Land Reform. Department of Cooperative Governance and Traditional Affairs	Municipal Systems Act, Spatial Planning and Land Use Management Act
	Environmental Management Plans (EMPs)	Department of Environmental Affairs	National Environment Management Act (107 of 1998)
	Environmental Legal Compliance Report	Department of Environmental Affairs	National Environment Management Act (107 of 1998)
Requirement that IDP complies with	National Environmental Management Act (NEMA) Principles	Department of Environmental Affairs	National Environment Management Act (107 of 1998)
	Development Facilitation Act (DFA) Principles	Department of Rural Development and Land Reform	Development Facilitation Act
	Environmental Implementation Plans (EIPs)	Department of Environmental Affairs	National Environment Management Act (107 of 1998)



POLICY/PROGRAMMES	RESPONSIBLE DEPARTMENT	SUBJECT	
	Environmental Management Plans (EMPs)	Department of Environmental Affairs	National Environment Management Act (107 of 1998)

Section 25 of the Municipal Systems Act stipulates that each council must, within a prescribed period after the start of its elected term, adopt a single, inclusive and strategic plan for the development of the municipality.

Section 34 prescribes that a municipal council:

- (a) must review its integrated development plan-
 - (i) annually in accordance with an assessment of its performance measurements in terms of section 41, and
 - (ii) to the extent that changing circumstances so demand
- (b) may amend its integrated development plan in accordance with a prescribed process.

Section 28 (1) of the Municipal Systems Act of 2000, stipulates that each municipal council must adopt a process set out in writing to guide the planning, drafting, adoption and review of its integrated development plan. Also, Section 21(1) (b) of the Municipal Finance Management Act 56 of 2003 states that the Mayor must at least 10 months before the start of the financial year, table to council a time schedule outlining key deadlines for IDP review and budget preparations and approval.

This document therefore seeks to explain the process that council of Lepelle-Nkumpi is to undertake in preparing for its IDP and Budget for the 2018/19 financial year by reflecting on legislative framework, schedule of activities to be undertaken together with dates and target groups/stakeholders and role players of the process.

2. NATIONAL AND PROVINCIAL PLANNING POLICY AND LEGISLATIVE FRAMEWORK

2.1. LIST OF NATIONAL AND PROVINCIAL BINDING LEGISLATIONS

2.2. LIST OF RELEVANT POLICIES AND PROGRAMMES



National Development Plan	President's Office	<p>RSA's vision 2030.</p> <p>Aims to eliminate poverty and reduce unemployment by uniting all South Africans, focusing on economic growth that is labour absorbing, building a capable and developmental state, and promoting active citizenry in development</p> <p>Key Economic Drivers, Job Creation, Infrastructure Investment, Low Carbon Economy, Rural Economy, Medium Term Strategic Framework</p>
New Growth Path	President's Office	<p>A (macro-economic) strategy for rebuilding and restructuring the economy.</p> <p>Contents include fiscal policy; monetary and exchange rate policy; trade, industrial and small enterprise policies; social and sectoral policies; public investment and asset restructuring; employment, wages and training; and policy coordination.</p>
Reconstruction & Development Programme (RDP)	President's Office	<p>Development planning and service delivery.</p> <p>Local Economic Development.</p>
Integrated Sustainable Rural Development Strategy (ISRDS)	President's Office	<p>The ISRDS is designed to realize a vision that will attain socially cohesive rural communities with viable institutions, sustainable economies and universal access to social amenities, able to attract and retain a skilled and knowledgeable people, who are equipped to contribute to growth and development.</p>
Urban Development Framework	Department of Human Settlements	<p>Seeks to accommodate the growth and job creation orientation. It does so through the accommodation of the need to stimulate local economic development and enhanced global competitiveness of South African cities.</p>
Rural Development Framework (RDF)	Department of Rural Development and Land Reform	<p>The RDF asserts a powerful poverty focus. It describes how government working with rural people aims to achieve a rapid and sustained reduction in rural poverty.</p>
Local Agenda (LA 21)	Department of Agriculture, Forestry and Fisheries &	<p>Blueprint for Sustainable Development.</p> <p>Delivering basic environmental, social and economic services.</p> <p>Local level planning.</p>



	Department of Environmental Affairs	Sustainable development of local urban settlements and communities.
Limpopo Development Plan (LDP)	Office of the Premier	Placing the economy on a new growth path capable of delivering decent work and sustainable livelihoods.
CDM 2030 Growth and Development Strategy	Capricorn District Municipality	The 2030 G&D strategy casts a vision that inspires development in all areas of CDM, stimulate economic growth, and create employment and addressing the structural inefficiencies of the district and local municipalities.



Municipal manager/IDP Manager	Municipal Planning Manager/IDP Manager Manager/ Executive	<ul style="list-style-type: none"> - Daily coordination and overall management of the planning process - Stakeholders' involvement - Responsible for crafting of the IDP - Ensures that the planning process is participatory, strategic and implementation oriented and is aligned with sector planning requirements - Ensures proper documentation of the results of the planning of the IDP document - Ensures time frames are adhered to - Ensures linkages between IDP priorities and budget processes - Chairs the IDP steering committee meetings
IDP/Budget/PMS Steering Committee	<ul style="list-style-type: none"> - Planning and LED Portfolio committee members/ Budget and Treasury Portfolio Chairperson, Infrastructure Cluster Portfolio Chairperson -Municipal Manager - Executive Managers 	<ul style="list-style-type: none"> - Provide relevant technical, sector and financial information and support for the review process. - Prepares the IDP/Budget/PMS review process plan - Summarizes and process inputs from public participation - Translation of broad community issues into priorities into outcome based programs and projects. -Responsible for drafting and monitoring of implementation of IDP and Budget - Provides inputs related to various stages of planning and budgeting - Proposes prioritization and sequencing of projects for implementation Proposes Draft IDP and Budget for adoption
Municipal Council	All Councilors	<ul style="list-style-type: none"> -Considers and adopts the IDP/Budget/PMS review process plan - Responsible for the final adoption of the IDP, Budget and service delivery implementation plan
Ward Councillors	Councillors representing wards	<ul style="list-style-type: none"> - Link municipal planning process to their wards - Organise public participation meetings



		- Ensure that annual Community/Ward Based Plans are linked to and based on the IDP process
IDP representative forum	<ul style="list-style-type: none"> -Residents' Organisations -Sector departments - Ward committees - Executive committee members - Farming Community - Other stakeholder representative 	<ul style="list-style-type: none"> -Represent the interests of various constituencies in the IDP review process. - Ensure stakeholder inputs are included in the IDP process - Coordination and alignment in planning and service delivery - Monitor the performance of the planning and implementation process

3. INSTITUTIONAL FRAMEWORK AND ROLES/RESPONSIBILITIES DURING THE IDP/BUDGET REVIEW PROCESS

4. STAKEHOLDER CONSULTATIONS

In terms of Municipal systems Act, the IDP review process should start ten months before the beginning of the financial year under review.

4.1 First Phase: September- October-November

The first phase of the IDP/Budget review process allows the community to identify broader development needs and priorities. It also allows the community, together with other stakeholders, to input on the IDP analysis phase.

During this phase deliberate efforts must be made to involve ward based organized/community structures/stakeholders/service providers, previously marginalised groups and broad community members through community based planning approach. Sector-based consultations will also be conducted during this phase to coordinate alignment in planning processes through IDP Rep Forum.

4.2 Second Phase; April- May

The phase will be characterized by comprehensive stakeholder consultations, policy review and public submissions. The public participation will be allowed for comments and inputs into the draft IDP and budget. It is therefore imperative to publish both draft IDP and budget prior to the commencement of the second phase of stakeholder consultations.



4.3. Other Media for Public Participation

The following mechanisms will also be used for public participation:

Print Media

National and Regional Newspapers and the municipal newsletter will be used to inform the community of the activities of process plan and even progress on implementation of the IDP.

Radio Slots

The local community radio stations and regional radio stations will be utilised to make public announcements and interviews about IDP process plan activities and progress on implementation.

Municipal Website



	Responsible Office	Timeline
IDP/ Budget/PMS review process plan is approved by council.	Mayor	July 2017
Tabling of Annual Performance Report	Mayor	July 2017
Submission of Annual Financial Statements to Auditor General	Municipal Manager/ Chief Financial Officer	31 August 2017
Quarterly Review of 2017/18 SDBIP Performance by Exco and Management	Mayor	October 2017
Submission of 2017/18 SDBIP Quarterly Performance Report to Council	Mayor	27 October 2017
Situational analysis is compiled to determine community needs and priorities through ward consultation, desktop and consultation with other relevant stakeholders	Mayor/ Speaker	October 2017 to 31 December 2017
Receive the audit report on Annual Financial Statement from Auditor General.	Municipal Manager/ Chief Financial Officer	31 November 2017
Prepare action/audit plan and incorporate responses to queries into the annual report	Municipal Manager/ Chief Financial Officer	30 November 2017
IDP Steering Committee Conducts Desktop Situational Analysis	Planning and LED Executive Manager/ Municipal Manager	31 October 2017
Budget offices of municipality determine revenue projections and proposed rate and service charges and drafts initial allocations to functions and departments for the next financial year after taking into account strategic objectives	Municipal Manager/ Chief Financial Officer	30 November 2017
Engagements with Provincial and National sector departments on sector specific programmes for alignment with municipal plans	Municipal Manager/ Chief Financial Officer	31 December 2017
Mid-Year Review of 2017/18 SDBIP Performance	Mayor	31 September 2017



Tabling of 2017/18 Mid-Year Performance Assessment Report and Tabling of 2016/17 Annual Report to Council	Mayor	30 January 2018
Council approves 2017/18 Adjustment Budget	Municipal Manager/ Chief Financial Officer	27 February 2018
Strategic planning session to review municipal objectives and strategies/indicators and develop one year service delivery plan and MTREF budget.	Mayor	March 2018
Preparation of departmental operational plans and SDBIP aligned to strategic objectives in IDP including plans from other government departments/entities and bulk providers	Municipal Manager/ Chief Financial Officer	March 2018
Tabling of 1 st Draft IDP/ Budget reviewed for 2018/19 and budget related policies to council	Mayor	28 March 2018
Quarterly Review of 2017/18 SDBIP Performance by Exco and Management	Mayor	April 2018
Submission of 2017/18 SDBIP Quarterly Performance Report to Council	Mayor	30 April 2018
Stakeholders consultation (with IDP/Budget Stakeholders' Representative Forum/Communities/Traditional Leaders and business) regarding 2018/19 Draft IDP/Budget	Mayor/ Speaker	April/May 2018
Strategic planning session to consider inputs from the public and stakeholders regarding 2018/19 Draft IDP/Budget, 2018/19 Tariff Structure and Budget related policies	Mayor	May 2018
Adoption of reviewed IDP and budget for 2018/19 financial year by council	Mayor	29 May 2018
Submission of copies of reviewed 2018/19 IDP/ Budget to the CoGHSTA MEC, CDM, National Treasury and Provincial Treasury	Chief Financial Officer/ Municipal Manager	June 2018



Submission of service delivery implementation plans and budget (SDBIP) to the Mayor for approval.	Municipal Manager	June 2018
2018/19 IDP/Budget and SDBIP are made public, including being put on municipal website.	Municipal Manager	June 2018

Municipal website will also be utilized to communicate and inform the community. Copies of the IDP and Budget will be placed on the website for people and service providers to download.

5. Schedule of Activities and Time Table to be followed

6. COMMUNITY CLUSTER CONSULTATIVE MEETINGS

DATE	TIME	VENUE	CLUSTERED WARDS
April 2018	10h00	Mahlatjane Hall	27/28/29
May 2018	10h00	Seleteng	19/20/21/22/23/24/25/26/30
May 2018	10h00	Moletlane	1/2/3/4/5/6/7/8/9/10/11/12/13/14
May 2018	14h00	Lebowakgomo High	15/16/17/18

7. IDP REP. FORUM MEETINGS

DATE	TIME	VENUE
20 March 2018	11h00	Lebowakgomo Civic Hall
23 May 2018	11h00	Lebowakgomo Civic Hall

8. TRADITIONAL LEADERS AND BUSINESS CONSULTATION MEETINGS

Target Group	DATE	TIME	VENUE
Traditional Leaders	April 2018	10h00	Lebowakgomo
Business	April 2018	10h00	Lebowakgomo



9. IDP/BUDGET/PMS STEERING COMMITTEE MEETINGS

DATE	TIME	VENUE
July 2017	10h00	Lebowakgomo Cultural Centre Boardroom
November 2017	10h00	Lebowakgomo Cultural Centre Boardroom
January 2018	10h00	Lebowakgomo Cultural Centre Boardroom
April 2018	10h00	Lebowakgomo Cultural Centre Boardroom



10. STRATEGIC PLANNING SESSIONS

SESSION	DATE	PURPOSE
Departmental Planning Sessions X 6 (Officials from Municipal Departments)	December 2017	Review Departmental Strategies, Objectives, Indicators and Policies/Sector Plans
Extended Management Planning Session (Executive Managers, Labour Representatives and Heads of Units/Divisions)	December 2017	Review 2017/18 Mid-Year Performance, Strategies and Budget Adjustment, Objectives, Indicators and
	May 2018	Integration, alignment and consolidation of inputs from stakeholders regarding 2018/19 Draft IDP/Budget and Tariff Structure, Policies/Sector Plans
Exco Lekgotla (Exco, PMT, MPAC Representatives, Labour Representatives and Audit Committee)	15 January 2018	Review 2017/18 SDBIP Mid-Year Performance and Budget Adjustment
	19-20 February 2018	Review Strategies, Objectives, Indicators, Budget and Policies/Sector Plans
	18 May 2018	Integration, alignment and consideration of inputs from stakeholders regarding 2018/19 Draft IDP/Budget, Tariff Structure and Policies/Sector Plans
Organisational Strategic Planning Session (All Councillors, Audit Committee, Labour Representatives and Management)	07-08 March 2018	Review Strategies, Objectives, Indicators, Budget and Policies/Sector Plans



Overview of alignment of annual budget with IDP

The development of the IDP of 2019-2022 and the 2018/2019 Budget Compilation were done simultaneously. During the Community Participation Process IDP priorities and the implications it will have on the current and future budgets were discussed.

Projects in the Budget come from community needs/priorities and municipality's sector plans and are further guided by IDP analysis and strategies chapter's Initial projects planning looks at SDF implementation guidelines for allocation of budget resources.

Limpopo SDF, Limpopo Development Plan, NDP, New Growth Path, MTSF and SIP's, among others, are to align municipal planning with National and Provincial Planning Frameworks. Provincial COGHSTA and OTP departments also form part of municipality's strategic planning activities to guide the municipality.

Infrastructure Projects are identified from community needs/priorities and municipality's sector plans and prioritised through MTREF period and five years IDP projects.

Projects are identified through.

- ✓ Ward consultation
- ✓ Sector plans

The Municipal Departments are aligned with the 5 Local Government Key Performance Areas. The Department's strategies are therefore linked to the 5 KRA's. Details of the Budgets allocated to the various departments are reflected in schedules SA4-6.

The Departmental SDBIP contains projects and programmes listed in the IDP.

The Executive Manager's performances plan is linked to the Departmental SDBIP. The SDBIP marries the Performance Management System with the budget and the IDP. Thus the strategic Direction mapped out in the IDP is matched with financial resources and delivery of services as specified in the PMS.

Alignment of implemented projects to the IDP

For the current 2017/18 IDP and Budget, municipality appointed technical assistance to quality assure and assist with alignment

Budget linkages to the IDP

IDP has a dedicated Chapter on Projects which is a budget linked to Municipality's KPA's

Decision making process that inform projects included in the IDP

IDP/Budget steering committee looks at the proposed First Draft IDP for tabling to Exco and Council. Once tabled, the process of public participation opens for inputs/comments and public meetings after which the Final Draft of IDP/Budget are taken through the same approval process.



SERVICE DELIVERY BUDGET IMPLEMENTATION PLAN

- ✓ The development, implementation and monitoring of a service delivery and budget implementation plan (SDBIP) is one of the requirements in the Municipal Financial Management Act (MFMA).
- ✓ Circular 13 of the National Treasury, "states that the SDBIP gives effect to the integrated Development Plan (IDP) and the budget of the municipality and will be possible if the IDP and the budget are fully aligned with each other, as required by the MFMA".
- ✓ As the budget gives effect to the strategic priorities of the municipality it is important to supplement the budget and the IDP. The SDBIP serves as the commitment by the municipality, which includes the administration, council and community, whereby the intended objectives and projected achievements are expressed in order to ensure that desired outcomes over the long term are achieved and are implemented by the administration over the next months.

The SDBIP Concept

- ✓ National Treasury, in MFMA circular 13, outlined the concept of the SDBIP. It is seen as a contract between administration, council and community expressing the goals and objectives set by the council as quantifiable outcomes that can be implemented by the administration over the next twelve months.
- ✓ As a vital monitoring tool, the SDBIP should assist the Mayor and the Municipal Manager to be pro-active and take remedial steps in the event of poor performance. The SDBIP requires the inclusion of targets for the activities that will be undertaken, for physical and measurable progress as well as financially. The top level of the SDBIP includes measurable performance objectives in the form of service delivery targets and performance indicators that are provided to the community, that is, what impacts it seeks to achieve.
- ✓ These are drawn from the IDP programmes, services and activities that are relevant to each specific directorate as well as the statutory plans that the departments are responsible for. The SDBIPs therefore are the key mechanisms for monitoring the different responsibilities and targets that each department must fulfil in meeting service delivery needs provided to the community.

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South Africa society can only be realised through a credible integrated developmental planning process.

The National Priority Outcomes

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP.



A Municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

It is important that the IDP developed by municipalities correlate with Nation and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Issues of national and provincial importance are reflected in the IDP of the municipality.

One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Lepelle-Nkumpi municipality response to these requirements.

The national and provision priorities, policies

- Provincial Growth and Development
- National and Provincial Spatial Development Perspectives;
- Relevant Sector plans, Legislation and policy;
- National Key Performance Indicators (NKPI"s);
- Accelerated and Shared Growth
- National Spatial Development

The 2019/20 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue

LIM355 Lepelle-Nkumpi - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)

Strategic Objective	Goal	Goal Code	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
R thousand												
To encourage good governance and public participation	Improve communication to stakeholders through various platforms			32,428			45	45	45	47	50	53
To provide assurance and consulting services to management and Council on internal controls, risk management and governance	Support oversight role of Audit committee, Support oversight role of Audit committee, Monitor effectiveness of internal controls through internal audit practices,						681	681	681	681	681	681



To improve service delivery by providing high quality ICT services	Implementation of electronic integrated municipal system, implementation of the reviewed Disaster recovery plan	45,423	148	234	406	406	406	427	450	475
To provide effective and efficient Human Resources management and	Render efficient Human Resources management, optimal development and Organisational strategies.		128	54	996	996	996	1,005	686	697
To provide effective general administration, security and fleet management services	Render general administration, security and fleet management services.	2,919	265,344	241,156	433,913	443,689	443,689	474,225	425,487	445,140
To improve municipality's financial planning, expenditure, accounting and reporting capability	Compile Annual GRAP Financial Statements compliant and submit to stakeholders				300	300	300	300	300	300
Prepare the MSCOA compliant budget within legislative timeframes	Annual MSCOA compliant budget prepared and submitted to council by 31 May 2018	599			664	664	664	664	664	664
To improve municipality's financial planning, expenditure, accounting and reporting capability	Manage and monitor financial resources of the municipality		59,261	51,961	18,731	7,604	7,604	7,632	8,051	8,494
To improve access to waste management services	Provide waste management services		8,416	7,147	7,604	21,902	21,902	22,997	24,261	25,596
To ensure enforcement and compliance with environmental legislation	Conduct environmental compliance inspections	216,212			1,900	2,500	2,500	-	-	-
To ensure public safety	Conduct operations on enforcement of National Road Traffic Act and Municipal by-laws		6,636	7,622	13,550	5,618	5,618	5,384	5,680	5,993
To provide community, sports/, recreational and child care facilities.	Construct new community halls and crèches		56	-	441	441	441	464	490	516
To provide community, sports/, recreational and child care facilities.	Improve on maintenance of community, sports, recreational and child care facilities		-	234	5,161	24	24	26	27	28
To provide roads and storm water infrastructure	Improve on maintenance of roads and storm water infrastructure, Maintain existing tarred roads, Upgrade gravel roads to surfaced roads and Electrical services		61,438	36,699	60,194	60,134	60,134	63,003	63,674	66,635
To facilitate job creation in the area	Create jobs through the Community Work Programme and Expanded Public Works Programme				1,160	1,160	1,160	1,758	-	-
To facilitate job creation in the area and to stimulate growth and development in the area	To create Jobs through the Community work programme and Expanded Public Works Programme and Support local SMMEs, Cooperatives and businesses		230	192	16	16	16	17	18	18



To provide energy and lighting infrastructure in a cost-effective way	To provide electrical connections to households in all wards, Improve on maintenance of current lighting infrastructure							3,580	3,580	-	-	-
Allocations to other priorities			2									
Total Revenue (excluding capital transfers and contributions)			1	297,581	401,657	345,300	545,762	549,760	549,760	578,629	530,520	555,291

LIM355 Lepelle-Nkumpi - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

Strategic Objective	Goal	Goal Code	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
R thousand												
To encourage good governance and public participation	Conduct Council oversight through MPAC and other platforms, to improve Communications to Stake Holders through various platforms			23,265	29,010	29,960	39,376	39,593	39,593	41,119	43,340	45,723
To encourage good governance and public participation	Provide strategic and integrated development planning services to council			883	1,808	1,945	1,645	1,140	1,140	800	844	890
To promote the needs and interests of special focus groups	Mainstream and monitor compliance to special focus programmes						1,377	1,677	1,677	1,677	1,767	1,864
To provide assurance and consulting services to management and Council on internal controls, risk management and governance	Support oversight role of Audit committee, Support oversight role of Audit committee, Monitor effectiveness of internal controls through internal audit practices,						4,367	3,397	3,397	3,850	4,061	4,257
Monitor effectiveness of internal controls through internal audit practices	Assess service providers						2,000	1,000	1,000	-	-	-
To improve service delivery by providing high quality ICT services	Implementation of electronic integrated municipal system, Implementation of the reviewed Disaster recovery plan			1,270	866	2,029	225	225	225	225	237	250
To provide and advice on legal matters, draft and interpret contracts and legislations, ensure legal compliance.	Provide inhouse legal support to the municipality						3,936	4,436	4,436	3,436	3,625	3,825
To provide effective and efficient Human Resources management and	Render efficient Human Resources management, optimal development and Organisational strategies.			70,100	75,781	78,508	95,919	97,676	97,676	103,354	108,985	114,979
To render and promote efficient Human Resources management, optimal development and Organisational	Manage sound employment relations, employee health and wellness programmes						2,000	431	431	331	349	368

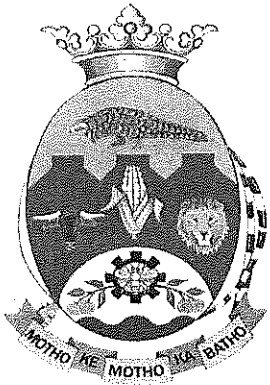


strategies.											
To provide effective general administration, security and fleet management services	Render general administration, security and fleet management services.	29,800	26,995	49,513	49,599	49,032	49,032	38,843	34,831	32,054	
To improve municipality's financial planning, expenditure, accounting and reporting capability	Compile Annual GRAP Financial Statements compliant and submit to stakeholders				1,000	500	500	500	550	600	
Manage and monitor financial resources of the municipality	GRAP compliant fixed asset register				2,100	2,000	2,000	2,000	2,300	3,000	
Prepare the MSCOA compliant budget within legislative timeframes	Annual MSCOA compliant budget prepared and submitted to council by 31 May 2018				1,500	3,000	3,000	3,000	3,500	3,500	
To improve municipality's financial planning, expenditure, accounting and reporting capability	Manage and monitor financial resources of the municipality	44,714	67,244	138,739	52,903	67,976	67,976	68,066	63,475	62,904	
To ensure access to free basic services, to improve to waste management services and to ensure public Safety	Review and update the indigent register and provide waste management services and to conduct operations on enforcement of National Road Traffic Act and Municipal by-Laws	4,113	6,695	7,031	22,212	18,527	18,527	19,096	20,147	21,255	
To provide energy and lighting infrastructure in a cost-effective way	To provide electrical connections to households in all wards, Improve on maintenance of current lighting infrastructure	8,961	20,807	8,275	18,231	33,712	33,712	37,134	24,610	35,053	
To provide roads and storm water infrastructure	Improve on maintenance of roads and storm water infrastructure, Maintain existing tarred roads, Upgrade gravel roads to surfaced roads	1,076	-	25,819	19,384	17,918	17,918	24,704	23,654	24,827	
To improve quality of life for residents, to stimulate growth and development in the area,	Guide, monitor and control spatial planning, land use management and development within the Municipality, Provide real estate property management for the Municipality				8,360	5,950	5,950	19,906	15,667	14,946	
Allocations to other priorities											
Total Expenditure		1	184,180	229,205	341,817	326,134	348,189	348,189	368,041	351,942	370,297

LIM355 Lepelle-Nkumpi - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)

Strategic Objective	Goal	Goal Code	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	
R thousand													
To provide effective general administration, security and fleet management services	Render general administration, security and fleet management services.	A		13,184	18,498	8,882	33,960	32,260	32,260	20,360	13,328	10,250	
To improve access to waste management services	Provide waste management services	B		-	-	-	7,500	379	379	7,500	7,000	-	
To ensure enforcement and compliance with environmental legislation	Conduct environmental compliance inspections	C		-	-	-	500	500	500	1,000	-	500	
To ensure public safety	Conduct operations on enforcement of National Road Traffic Act and Municipal by-laws	D		-	2,676	-	8,000	8,000	8,000	4,000	-	-	
To provide energy and lighting infrastructure in a cost-effective way	To provide electrical connections to households in all wards, Improve on maintenance of current lighting infrastructure	E		-	-	-	4,550	5,947	5,947	4,440	4,680	390	
To provide community, sports/, recreational and child care facilities.	Construct new community halls and crèches	F		5,212	14,516	11,567	22,923	29,716	29,716	25,899	15,000	24,000	
To provide community, sports/, recreational and child care facilities.	Improve on maintenance of community, sports, recreational and child care facilities	G		1,987	-	-	27,968	20,833	20,833	18,137	3,200	28,600	
To provide roads and storm water infrastructure	Improve on maintenance of roads and storm water infrastructure, Maintain existing tarred roads, Upgrade gravel roads to surfaced roads	H		26,775	50,868	69,062	114,227	103,936	103,936	125,651	125,370	117,154	
To facilitate job creation in the area and to stimulate growth and development in the area	To create Jobs through the Community work programme and Expanded Public Works Programme and Support local SMMEs, Cooperatives and businesses	I		696	138	-	-	-	-	3,000	10,000	4,100	
Allocations to other priorities				3									
Total Capital Expenditure				1	47,854	86,697	89,511	219,628	201,571	201,571	209,988	178,578	184,994





LEPELLE-NKUMPI LOCAL MUNICIPALITY

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QUALITY CERTIFICATE

ANNUAL BUDGET

I, TB Mothogoane, the Municipal Manager of Lepelle- Nkumpi Municipality, hereby certify that the Annual Budget for 2018-2019 and the supporting documentation, have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and the supporting documents are consistent with the Integrated Development Plan of the Municipality

Name: TB Mothogoane
Municipal Manager of Lepelle Nkumpi Municipality (LIM355)

Signature:.....

Date 14/06/2018

MUNICIPAL CALL CENTRE NUMBER: 0800 222 011

"Motho ke motho ka batho"