



2018/19 MTREF Budget

Matjhabeng Local Municipality

FS184

April 2018

Purpose

- To present the Annual Budget for the 2018/2019 medium term revenue and expenditure framework (MTREF) financial year.

Background

- According to section 16 (2) of the MFMA the Municipal Council must at least 90 days before the start of the budget year consider approval of the annual budget to be able to adhere to subsection 1 of section 16, which stipulates “The council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year. The Total Annual Budget for the 2018/19 financial year is **R 2 726 759 150**, inclusive of operating and capital transfers.
- The Annual Budget was tabled in council on 28 March 2018 and council resolved as follows:

COUNCIL RESOLVED: (28 MARCH 2018)

- That Council **TAKES NOTE** of the 2018-2019 Annual Budget for the Matjhabeng Municipality.
- That the 2018/19 Annual Budget **BE SUBJECTED** to a process of public participation.



Budget 2018/19 MTREF

- The municipal budget is prepared in accordance with:
 - Municipal Finance Management Act, No.56 of 2003
 - Municipal Budget and Reporting Regulations
 - National Treasury Budget Circulars
- The two key concepts were considered during the preparation of the budget:
 - The budget must be funded according to MFMA section 18(1); and
 - 2. The budget must be credible.



Budget 2018/19 MTREF

- The municipal budget is prepared over a 7 year period, prior 3 years (14/15; 15/16; 16/17) reflecting the audited outcomes (actuals), current year (17/18) and 3 forecasted budget years (18/19; 19/20; 20/21).
- The funding of the budget is estimated in accordance with the budget assumptions. The budget assumptions are as follow:
- Budget Assumptions:-
 - CPIX of approximately 5.3%
 - Increase in Sedibeng Water tariffs by 9%
 - Eskom Tariff increase of 6.84% and 7.23% for municipalities
 - Salary increases of approximately 8%
 - National Treasury (MFMA Circular No. 91)
 - Historic collection trends
- The funding of the budget is consistent with the trends, current and past of actual funding collected or received.



AMENDMENTS TO TABLED BUDGET TO ENSURE A FUNDED BUDGET.

The tabled budget was not funded as per the funding measurement test. In order to adopt a funded budget the following adjustments were made to the tabled budget.

- **Revenue**
- The total revenue (excluding capital transfers and contributions) reduced from R 2,5 billion to R 2,4 billion.
- The total revenue inclusive of capital transfers and contributions reduced from R 2,7 billion to R 2,6 billion.
- The decrease were made in terms of reducing the gains on disposal of assets. The initial budgeted amount was R122 million and subsequent reduced to R50 million.



AMENDMENTS TO TABLED BUDGET TO ENSURE A FUNDED BUDGET.

- Revenue (cont...)
- The gains on disposal of assets were informed by the investment property of the municipality.
- We can therefore say that the budgeted revenue amount is realistic based on the historic trends.

Revenue by source	14/15 Audited outcome	15/16 Audited outcome	16/17 Audited outcome	Current year 17/18	Budget year 18/19	Budget year 19/20	Budget year 20/21
Total Revenue(exl capital transfers)	R 1,6billion	R 1,8billion	R2,1billion	R2,billion	R2,4billion	R2,5billion	R2,7billio n
Total Revenue	R1,8billion	R1,9billion	R2,2billion	R2,4billion	R2,6billion	R2,7billion	R2,8billio n



BUDGETED STATEMENT OF FINANCIAL PERFORMANCE - REVENUE

Table A4-Budgeted Financial performance indicates the revenue per source.

FS184 Matjhabeng - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand	1										
Revenue By Source											
Property rates	2	194 087	262 455	279 796	279 252	279 252	279 252	279 252	294 053	310 225	327 288
Service charges - electricity revenue	2	451 357	414 498	470 762	627 540	627 540	627 540	627 540	673 476	710 517	749 596
Service charges - water revenue	2	287 935	322 440	342 295	344 357	344 357	343 077	343 077	361 260	381 129	402 091
Service charges - sanitation revenue	2	119 017	128 256	149 195	148 388	148 388	147 748	147 748	155 578	164 135	173 163
Service charges - refuse revenue	2	72 527	78 928	93 709	84 161	84 161	83 979	83 979	88 430	93 294	98 425
Service charges - other											
Rental of facilities and equipment		8 261	9 117	12 969	20 000	20 000	20 000	20 000	21 060	22 218	23 440
Interest earned - external investments		4 352	3 230	2 207	3 456	3 456	3 456	3 456	3 639	3 839	4 051
Interest earned - outstanding debtors		100 735	123 872	152 129	128 855	128 855	128 855	128 855	135 684	143 147	151 020
Dividends received		15	17	14	19	19	19	19	20	21	23
Fines, penalties and forfeits		11 631	11 207	5 041	20 000	20 000	20 000	20 000	21 060	22 218	23 440
Licences and permits		49	67	80	72	72	72	72	75	80	84
Agency services					25 000	-	-	-	-	-	-
Transfers and subsidies		419 259	410 416	391 992	406 776	406 776	406 776	406 776	461 818	501 197	528 763
Other revenue	2	26 288	79 157	240 893	178 400	213 400	213 400	213 400	224 710	237 069	250 108
Gains on disposal of PPE					50 000	50 000	50 000	50 000	50 000	10 000	10 000
Total Revenue (excluding capital transfers and contributions)		1 695 512	1 843 662	2 141 082	2 316 276	2 326 276	2 324 174	2 324 174	2 490 864	2 599 091	2 741 491



AMENDMENTS TO TABLED BUDGET TO ENSURE A FUNDED BUDGET.

The tabled budget was not funded as per the funding measurement test. In order to adopt a funded budget the following adjustments were made to the tabled budget.

- **Expenditure**
- The total expenditure decreased from R2,5b to R2,4b
- In order for the total expenditure to decrease we had to reduce the budgeted amount for contracted services and other expenditure.



AMENDMENTS TO TABLED BUDGET TO ENSURE A FUNDED BUDGET.

- **Contracted services**

- Contracted services is made up out of consultants and professionals, outsourced services and contractors.
- The line item for contractors refers to contractors procured by the municipality for repairs and maintenance.
- The initial budget for contracted services were R 220 million and we reduced it to R 96 million.
- The table below gives more detail on the decrease:

Contracted services	Tabled March 2018 budget	April 2018	Amount reduced
Consultants and professionals	R56 million	R36 million	R20 million
Outsourced services	R40 million	R30,2 million	R10 million
Contractors	R123,8 million	R30 million	R 93 million
Total amount	R220 million (rounded off)	R 96 million (rounded off)	



AMENDMENTS TO TABLED BUDGET TO ENSURE A FUNDED BUDGET.

- **Other Expenditure**

- Other expenditure relates to the operating cost of the municipality, the running cost which is also more service delivery linked.
- The table below gives more detail on the decrease:

Tabled March 2018 budget	April 2018	Amount reduced
R 124 million	R100 million	R24 million

It should be noted that the R100m is below the prior years audited actuals. The 2016/17 actual was R208m.



BUDGETED STATEMENT OF FINANCIAL PERFORMANCE - EXPENDITURE

FS184 Matjhabeng - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand	1										
Expenditure By Type											
Employee related costs	2	554 600	611 811	654 634	678 372	678 372	678 372	678 372	732 642	791 253	854 553
Remuneration of councillors		25 449	27 191	28 791	28 539	28 539	28 539	28 539	30 823	32 518	34 306
Debt impairment	3	73 512	642 252	350 487	135 000	135 000	135 000	135 000	142 020	142 020	142 020
Depreciation & asset impairment	2	200 342	207 910	210 591	87 000	87 000	87 000	87 000	136 000	143 480	151 371
Finance charges		180 329	119 574	225 561	112 763	127 127	127 127	127 127	133 865	141 227	148 995
Bulk purchases	2	685 781	854 953	893 422	851 493	851 493	851 491	851 493	919 227	969 784	1 023 122
Other materials	8	39 361	39 768	71 864	245 455	78 355	78 355	78 355	122 508	129 245	136 354
Contracted services		95 550	110 461	167 483	68 495	218 862	218 862	218 862	96 375	90 351	74 120
Transfers and subsidies		-	-	-	-	-	-	-	-	-	-
Other expenditure	4, 5	168 440	158 082	208 156	115 704	115 704	115 704	118 083	100 000	105 500	111 303
Loss on disposal of PPE					-	-	-	-	-	-	-
Total Expenditure		2 023 363	2 772 001	2 810 990	2 322 822	2 320 453	2 320 451	2 322 832	2 413 458	2 545 379	2 676 145



BUDGETED CASHFLOW STATEMENT

- The average pay rate of 60% is incorporated in the budget cash flow statement.
- The table below gives a comparison of the audited actuals and the 18/19 budget to indicate how we arrived at the 60% average pay rate:

Revenue per source	Audited Actual 16/17	Cash flow Budget 18/19
Property rates	R279 million	R264 million
Electricity	R470 million	R404 million
Water	R342 million	R216 million
Sewerage	R149 million	R124 million
Refuse	R93 million	R88 million



BUDGETED CASHFLOW STATEMENT

- The cash and cash equivalents will therefore move from a – R271million to R1 million.
- The historic trend is similar to the budgeted closing balance.

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18	MTREF 18/19		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand								
NET INCREASE/ (DECREASE) IN CASH HELD								
		(2 425)	8 950	(13 792)	(3 941)	6 158	(39 530)	(60 889)
Cash/cash equivalents at the year begin:		2 392	(33)	8 917	(4 875)	(4 875)	1 282	(38 248)
Cash/cash equivalents at the year end:		(33)	8 917	(4 875)	(8 816)	1 282	(38 248)	(99 137)



BUDGETED CASHFLOW STATEMENT

FS184 Matjhabeng - Table A7 Budgeted Cash Flows

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		194 087	262 455	279 796	262 455	262 455	262 455	262 455	264 647	279 203	294 559
Service charges		613 583	591 364	830 862	1 017 779	1 017 779	1 017 779	1 017 779	833 734	879 590	927 967
Other revenue		34 073	53 057	54 148	203 989	203 989	203 989	203 989	160 174	168 983	178 277
Government - operating	1	417 936	405 396	390 988	396 776	396 776	396 776	396 776	461 818	501 197	528 763
Government - capital	1	167 088	117 247	113 363	156 216	156 216	156 216	156 216	163 245	144 023	151 944
Interest		4 352	3 230	2 207	145 890	145 890	145 890	145 890	139 323	146 986	155 070
Dividends		15	17	14	19	19	19	19	20	21	23
Payments											
Suppliers and employees		(1 093 639)	(1 336 575)	(1 514 215)	(1 930 872)	(1 930 872)	(1 930 872)	(1 930 872)	(1 772 372)	(1 887 107)	(2 009 534)
Finance charges		(180 329)	(115)	(260)	(127 127)	(127 127)	(127 127)	(127 127)	(131 188)	(138 403)	(146 015)
Transfers and Grants	1				(32 850)	(32 850)	(32 850)	(32 850)	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		157 166	96 076	156 902	92 275	92 275	92 275	92 275	119 403	94 493	81 055
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		9 979	16		60 000	60 000	6 000	60 000	50 000	10 000	10 000
Decrease (Increase) in non-current debtors					-	-	-	-	-	-	-
Decrease (increase) other non-current receivables					-	-	-	-	-	-	-
Decrease (increase) in non-current investments			18 862						-	-	-
Payments											
Capital assets		(156 275)	(93 156)	(159 530)	(156 216)	(156 216)	(156 216)	(156 216)	(163 245)	(144 023)	(151 944)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(146 295)	(74 278)	(159 530)	(96 216)	(96 216)	(150 216)	(96 216)	(113 245)	(134 023)	(141 944)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans					-	-	-	-	-	-	-
Borrowing long term/refinancing									-	-	-
Increase (decrease) in consumer deposits		(13 296)	(12 849)	(11 164)	-	-	-	-	-	-	-
Payments											
Repayment of borrowing									-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES		(13 296)	(12 849)	(11 164)	-	-	-	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD		(2 425)	8 950	(13 792)	(3 941)	(3 941)	(57 941)	(3 941)	6 158	(39 530)	(60 889)
Cash/cash equivalents at the year begin:	2	2 392	(33)	8 917	(4 875)	(4 875)	(4 875)	(4 875)	(4 875)	1 282	(38 248)
Cash/cash equivalents at the year end:	2	(33)	8 917	(4 875)	(8 816)	(8 816)	(62 816)	(8 816)	1 282	(38 248)	(99 137)



AMENDMENTS TO TABLED BUDGET TO ENSURE A FUNDED BUDGET.

- After the above amendments were done the funding measurement as per table SA10 clearly indicated that the Budget 2018/19 MTREF is funded. See table below.

FS184 Matjhabeng 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
High Level Outcome of Funding Compliance												
Total Operating Revenue			1 695 512	1 843 662	2 141 082	2 316 276	2 326 276	2 324 174	2 324 174	2 490 864	2 599 091	2 741 491
Total Operating Expenditure			2 023 363	2 772 001	2 810 990	2 322 822	2 320 453	2 320 451	2 322 832	2 413 458	2 545 379	2 676 145
Surplus/(Deficit) Budgeted Operating Statement			(327 851)	(928 339)	(669 909)	(6 546)	5 823	3 723	1 342	77 406	53 712	65 346
Surplus/(Deficit) Considering Reserves and Cash Backing			(1 562 760)	(2 214 470)	(2 940 089)	275 748	25 720	(372 127)	(372 127)	316 220	316 220	316 220
MTREF Funded (1) / Unfunded (0)		15	0	0	0	1	1	0	0	1	1	1
MTREF Funded ✓ / Unfunded ✗		15	✗	✗	✗	✓	✓	✗	✗	✓	✓	✓



Thank you

