

ITEM :

REPORT BY THE EXECUTIVE MAYOR

DRAFT ANNUAL BUDGET 2016/2017

PURPOSE OF THE REPORT

The purpose of the report is to submit the multi-year draft 16/17 budget of the Waterberg District Municipality to Council for approval.

STATUTORY/LEGAL REQUIREMENT

Section 24(1) of the Municipal Finance Management Act (MFMA) No. 56 of 2003:

“The municipal council must at least 30 days before the start of the budget year consider approval of the annual budget.”

Section 24(2)(c) of the Municipal Finance Management Act (MFMA) No. 56 of 2003:

“An annual budget must be approved together with the adoption of resolutions ... approving any changes to the municipality’s integrated development plan”

Section 17 of the MFMA states that an annual budget must be in a schedule in the “prescribed format”.

Paragraph 9 of the Municipal Budget & Reporting regulations (MBRR) indicates that:

“The annual budget and supporting documentation must be in the format specified in Schedule A and include all the required tables, charts and explanatory information.”

Paragraph 14 of the MBRR indicates that:

“An annual budget and supporting documentation tabled in a municipal council must be in the format in which it will eventually be approved by Council and be credible and realistic such that it is capable of being approved and implemented as tabled.”

Section 22 of the Municipal Finance Management Act (MFMA) No. 56 of 2003:

“(a) in accordance with Chapter 4 of the Municipal Systems Act—

(i) make public the annual budget and the documents referred to in section 17(3); and

(ii) invite the local community to submit representations in connection with the budget; and

(b) submit the annual budget—

(i) in both printed and electronic formats to the National Treasury and the relevant provincial treasury; and

(ii) in either format to any prescribed national or provincial organs of state and to other municipalities affected by the budget”

Section 87(1) of the Municipal Finance Management Act (MFMA) No. 56 of 2003:

“The board of directors of a municipal entity must for each financial year submit a proposed budget to its parent municipality not later than 150 days before the start of the entity’s financial year.”

Section 87(3) of the Municipal Finance Management Act (MFMA) No. 56 of 2003:

“The mayor of the parent municipality must table the proposed budget of the municipal entity in the council when the annual budget of the municipality for the relevant year is tabled.”

MFMA Circulars 78 & 79 has been attached.

STATUTORY/LEGAL REQUIREMENT *(continued)*

National Treasury Circular 66 dated 11 December 2012 requires that the Auditor General must from 2012/2013 express an opinion in relation to non-cash items as it relates to unauthorised expenditure resulting from overspending.

Section 160(2) of the Constitution provides that a council may not delegate the approval of budgets or the imposition of rates, taxes, levies and duties. In other words, *only the council may make decisions related to the raising of municipal revenues and approving (or authorising) the spending of those revenues through the budget or an adjustments budget.*

MFMA section 22. Immediately after an annual budget is tabled in a municipal council, the accounting officer of the municipality must

(b) submit the annual budget—

(i) in both printed and electronic formats to the National Treasury and the relevant provincial treasury;

BACKGROUND, EXPOSITION, FACTS AND PROPOSALS

According to the original Budget Process Plan the annual 16/17 budget has to be tabled to Council 90 days before the start of the new budget year, and it is tabled to Council on 31 March 2016.

After the approval by Council of the tabled 16/17 budget, the budget will be made public and submitted to National and Provincial Treasury. The municipality must embark on public participation for the Budget & IDP between March and April 2016 in terms of the 16/17 IDP/Budget Process Plan approved by Council in August 2015.

The budget related policies are being reviewed and where any adjustments are required, the revised policies will be attached to the final item for approval.

The budget is divided into a capital and operating budget. The IDP projects are divided into projects of a capital and operating nature.

The 16/17 municipal tariffs for the Abattoir and Fire Fighting have been reviewed and are attached to this budget item, no changes are proposed for Fire Fighting tariffs and Abattoir tariffs from the approved 15/16 tariffs.

All current investments have been committed in terms of the 15/16 IDP & Budget and the 16/17 IDP & Budget to such an extent that we are experiencing an operating shortfall in the medium term due to lack of accumulated surplus to fund the current operating losses, therefore the significantly reduced IDP budget

BACKGROUND, EXPOSITION, FACTS AND PROPOSALS *(continued)*

The South African Local Government Bargaining Council recently entered into a three-year Salary and Wage Collective Agreement for the period 01 July 2015 to 30 June 2018. The agreement reached is as follows:

- 2016/17 Financial Year – average CPI (Feb 2015 – Jan 2016) + 1 per cent
- 2017/18 Financial Year – average CPI (Feb 2016 – Jan 2017) + 1 per cent

Municipalities are advised to use this Salary and Wage Agreement when preparing their 2016/17 MTREF budgets. The National Treasury's recommended CPI rate for 2016/17 is 6.6%, therefore salary increase is calculated at 7.6% for the next financial period.

The shortfall in the 16/17 operating budget of R 18 725 163 is unfunded as such spending should be kept at a minimum level in order to reduce this projected deficit. The current IDP operating projects has a huge impact on this loss, since some projects which are not fully funded by grants have been included in this tabled budget. The full amount of the shortfall relates to an actual operating shortfall in the 16/17 year whereby the revenue received during the 15/16 year will not be enough to fund our budgeted 16/17 operating expenditure. This is a major cause for concern as the indication is that we will continuously be short on the budget in future as our revenue is fixed per grants and majority of our operating expenditure is salary related which often increases by more than the CPI or relevant equitable share percentage increase. The accumulated deficit from previous years would, as per the state of affairs currently, worsen the position. This now has a detrimental effect on the IDP as surpluses which were previously allocated to the IDP will now have to be used to fund operating shortfalls, thereby decreasing the IDP amount for projects significantly. Attached as Sheet SA10 is the funding measurement test which indicates that currently all years of the budget is still funded.

The only changes still to be affected on the budget tabled on 31 March 2016 are as follows:

- The revised policies has to be attached, if applicable;
- Identification and inclusion of detailed projects funded from own revenue & EPWP IG;
- Submission of Procurement Plan based on projects to be identified;
- Addressing shortfalls identified in the National Treasury review checklist of the March 2016 Tabled Budget, if applicable.

STAFF IMPLICATIONS

No new positions have been budgeted for, as such the current status quo remains.

FINANCIAL IMPLICATIONS

See attached Schedules.

Budget/IDP Road Shows will be held in March to May 2016 by the Offices of the Municipal Manager and Executive Mayor. The costs are defrayed from the IDP votes CO11 and CO12.

OTHER PARTIES CONSULTED

WDM Municipal Manager
WDM Section 57 managers
WDM Divisional managers
WDM IDP Forums

Bela Bela Local Municipality
Modimolle Local Municipality
Thabazimbi Local Municipality
Mookgophong Local Municipality

BACKGROUND, EXPOSITION, FACTS AND PROPOSALS (continued)

Limpopo Provincial Treasury
National Treasury
Community

Lephalale Local Municipality
Mogalakwena Local Municipality

(16/17 budget proposals for Contracted Services Firefighting was received from all Waterberg Local Municipalities)

ANNEXURES

Budget:

Table A1	-	Budget Summary
Table A2	-	Budgeted Financial Performance (by standard classification - GFS)
Table A3	-	Budgeted Financial Performance (by municipal vote)
Table A4	-	Budget Financial Performance (by revenue source & expenditure type)
Table A5	-	Budgeted Capital Expenditure by vote, standard classification and funding
Table A6	-	Budgeted Financial Position
Table A7	-	Budgeted Cash Flows
Table A8	-	Cash backed reserves / accumulated surplus reconciliation
Table A9	-	Asset Management
Table A10	-	Basic Service Delivery Measurement

Supporting documents:

Table SA1	-	Supporting detail to “Budgeted Financial Performance”
Table SA2	-	Matrix Financial Performance Budget (revenue source/expenditure per type)
Table SA3	-	Supporting detail to “Budgeted Financial Position”
Table SA4	-	Reconciliation of IDP strategic objectives and budget (revenue)
Table SA5	-	Reconciliation of IDP strategic objectives and budget (operating expenditure)
Table SA6	-	Reconciliation of IDP strategic objectives (capital expenditure) (there is none)
Table SA7	-	Measurable performance objectives
Table SA8	-	Performance indicators and benchmarks
Table SA9	-	Social, economic and demographic statistics and assumptions
Table SA10	-	Funding measurement
Table SA11	-	Property rates summary (N/A)
Table SA12a-	-	Property rates by category (current year) (N/A)
Table SA12b-	-	Property rates by category (budget year) (N/A)
Table SA13a-	-	Service Tariffs by category (N/A)
Table SA13b-	-	Service Tariffs by category (explanatory) (N/A)
Table SA14	-	Household bills (N/A)
Table SA15	-	Investment particulars by type
Table SA16	-	Investment particulars by maturity
Table SA17	-	Borrowing (there is none)
Table SA18	-	Transfers and grant receipts
Table SA19	-	Expenditure on transfers and grant programme
Table SA20	-	Reconciliation of transfers, grant receipts and unspent funds
Table SA21	-	Transfers and grant made by the municipality
Table SA22	-	Summary councillor and staff benefits
Table SA23	-	Salaries, allowances and benefits (political office bearers/cllrs/senior managers)
Table SA24	-	Summary of personnel numbers
Table SA25	-	Budgeted monthly revenue and expenditure (source & type)
Table SA26	-	Budgeted monthly revenue and expenditure (municipal vote)

ANNEXURES (continued)

Supporting documents (continued):

Table SA27 -	Budgeted monthly revenue and expenditure (standard classification)
Table SA28 -	Budgeted monthly capital expenditure (municipal vote) (there is none)
Table SA29 -	Budgeted monthly capital expenditure (standard classification) (there is none)
Table SA30 -	Budgeted monthly cash flow
Table SA31 -	Not required – municipality does not have active entities (N/A)
Table SA32 -	List of external mechanisms (there is none)
Table SA33 -	Contracts having future budgetary implications
Table SA34a	Capital expenditure on new assets by asset class
Table SA34b	Capital expenditure on the renewal of existing assets by asset class (there is none)
Table SA34c	Repairs and maintenance by asset class
Table SA34d	Depreciation by asset class
Table SA35 -	Future financial implications of the capital budget (there is none)
Table SA36 -	Detailed capital budget (there is none)
Table SA37 -	Projects delayed from previous financial analysis (to be determined in July 2015)

Annexure 1 -	Abattoir Tariffs
Annexure 2 -	Fire Fighting Tariffs
Annexure 3 -	IDP project summary
Annexure 4 -	Salary Summary
Annexure 5 -	Organogram 16/17 implementation status
Annexure 6 -	Circulars 78 & 79 of March 2016
Annexure 7 -	Cash available for 16/17 IDP projects
Annexure 8 -	Quality Certificate for 16/17 Budget
Annexure 9 -	A-schedule explanations
Annexure 10 -	Reconciliation of A1 grants to DORA
Annexure 11 -	Graphs (to be submitted in final budget)
Annexure 12 -	14/15 operating budget changes from tabled to final budget (not applicable)
Annexure 13 -	Asset Management Policy (to be submitted in final budget)
Annexure 14 -	Catering Policy (to be submitted in final budget)
Annexure 15 -	Debt Collection and Credit Control Policy (to be submitted in final budget)
Annexure 16 -	Investment Policy (to be submitted in final budget)
Annexure 17 -	Petty Cash Policy (to be submitted in final budget)
Annexure 18 -	Supply Chain Management Policy (to be submitted in final budget)
Annexure 19 -	Virement Policy (to be submitted in final budget)
Annexure 20 -	Breakdown of Councillors' 16/17 salaries as per the Upper Limit Gazette + 6%
Annexure 21 -	Procurement Plan for 15/17 IDP projects (to be submitted in final budget)
Annexure 22 -	MWIG letter appointing WDM as implementing agent

AUTHORITY

- Municipal Finance Management Act, No 56 of 2003
- Municipal Systems Act, No 32 of 2000
- Municipal Budget and Reporting Regulations, Notice 393 of 2009, Government Gazette no 32141 dated 17 April 2009
- The Division Of Revenue Bill 16/17

AUTHORITY (continued)

- MFMA Budget Circulars, most recently is 78 & 79 for the 16/17 Budget Year

RECOMMENDATIONS

That:

1. The report by the Executive Mayor regarding the 2016/2017 Annual Budget of the Waterberg District Municipality contained in the agenda, be approved.
2. Council approve the Annual Operating Budget for the financial year 2016/2017 and indicative for the two projected outer years 2017/2018 and 2018/2019.
3. Council approve the multi-year operating and capital projects appropriations for the financial year 2016/2017 and indicative for the two projected outer years 2017/2018 and 2018/2019.
4. Council approve the Tariffs reflected in Annexure 1 for Abattoir for the Budget year 2016/2017.
5. Council approve the Tariffs reflected in Annexure 2 for Fire Fighting for the Budget year 2016/2017.
6. The operating budget allocation per local municipality within the Waterberg District Municipality for Fire-Fighting Services be approved for the budget year 2016/2017.

Bela Bela Municipality	R	1 285 400
Lephalale Municipality	R	2 894 100
Modimolle Municipality	R	2 473 300
Mogalakwena Municipality	R	6 463 500
Mookgophong Municipality	R	1 399 000
Thabazimbi Municipality	R	1 445 900

7. Note that a salary increase for councillors of 7.6 % has been budgeted in the 2016/2017 budget year.
8. Note that a salary increase for officials and managers of 7.60 % has been budgeted in the 2016/2017 budget year.
9. The tabled 2016/2017 Budget and IDP be submitted to National and Provincial Treasury within 10 working days from approval.

The Annual Budget was prepared in terms of National Treasury MFMA Municipal Budget and Reporting Regulations. The growth parameters were calculated based on the average CPIX and guidance of Circular 79 6.6% in 2016/2017, 6.2% in 2017/2018 and 5.9% in 2018/2019.

The multi year draft budget is presented to Council for approval.

OVERVIEW OF THE BUDGET PROCESS

The 15/16 IDP/Budget Process Plan was adopted by Council in August 2015.

The 15/16 mid-year performance assessment was conducted in February 2016 which determined the 15/16 Adjustment Budget and formed the baseline of drafting the 16/17 Operating Expenditure budget (both zero-based and incremental budgeting was used).

Income amounts were based on the 16/17 DORA issued in March 2016.

The projects prioritisation phase will be finalised in April 2016 and the complete wish list of projects together with the proposed budgeted projects will be submitted to Council in the May 2016 final budget and will be subjected to the public participation process during March to May 2016.

Feedback from the WDM website, newspaper adverts and public road shows will be considered during April and May 2016, and where possible, adjustments to the Tabled Budget will be made, where necessary.

The draft 16/17 budget & IDP is therefore tabled for approval on 31 March 2016, within the deadlines as stipulated by legislation.

For further information on the IDP process, including IDP/Budget steering committee and IDP rep forum, please refer to the 16/17 IDP item tabled separately to this report.

There were no deviations from the key dates set out in the 16/17 IDP/Budget Time Schedule tabled in Council.

FINANCIAL MODELLING & KEY PLANNING DRIVERS

The following key factors and planning strategies have informed the compilation of the 16/17 MTREF:

- Policy priorities and strategic objectives
- 15/16 Adjustment Budget and Performance against SDBIP
- 14/15 audit outcome
- DORA
- Cash Flow Management Forecast for the next 3 years
- Improved and sustainable service delivery
- Sustaining the going concern of the municipality

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 78 & 79 have been taken into consideration in the planning and prioritisation process.

OVERVIEW OF BUDGET RELATED POLICIES

The following budget policies are being reviewed and the revised versions, if applicable, will be approved with the final budget:

- Asset Management Policy
- Catering Policy
- Debt Collection and Credit Control Policy
- Investment Policy
- Petty Cash Policy
- Supply Chain Management Policy
- Virement Policy

BUDGET ASSUMPTIONS

The equitable share formula has been reviewed in the prior year to also include an allocation to WDM for councillors' salaries and has assisted in alleviating some of the cash flow constraints of WDM. The additional allocation received for Councillor Remuneration amount to R 5 598 000 in 16/17 (versus the budgeted 16/17 Councillor Salaries of R 7 195 800. Our cash flows are though still increasing by less than our fixed operating expenditure, mostly due to personnel related expenditure increasing by more than inflation and this constitutes 67% of our operating budget (excluding operating IDP project expenditure) if all salary related benefits are included for officials and councillors. This has necessitated restrained expenditure, especially on the IDP, to ensure that cash outflows remain within the affordability parameters of the municipality's finances.

There are five key factors that have been taken into consideration in the compilation of the 16/17 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook in terms of MFMA Circular 79;
- The impact of municipal cost drivers;
- The grants allocated in DORA; and
- The increase in the cost of remuneration.

Inflation has been assumed at 6.6% in 2016/2017, 6.2% in 2017/2018 and 5.9% in 2018/2019.

Salary increases has been assumed at 7.6% in 2016/2017, 7.2% in 2017/2018 and 6.9% in 2018/2019.

For simplicity, the 16/17 MTREF is based on the assumption that all investments are undertaken using fixed interest rates.

The rate of abattoir revenue collection is currently expressed as a 100% of annual billings. Cash flow is assumed to be 100% of billings, due to the majority of clients being cash clients, plus no provision for doubtful debt as old disputes have been written off and there are currently no new disputes or long outstanding debts.

It is estimated that a spending rate of 100% is achieved on operating expenditure and 100% on the capital programme for the 16/17 MTREF of which performance has been factored into the cash flow budget.

BUDGET ASSUMPTIONS *(continued)*

It is assumed that all conditional grants will be fully spent by 30 June 2016 and all future years of the current MTREF and no roll overs have been budgeted.

Interest on investments has been assumed at an average annual rate of 5.5 % on the basis that the total amount to be invested will reduce as the year progresses. Interest on current account has been assumed at 6%, which is the current prime interest rate minus 4.5% as agreed with our banking service provider.

LEGISLATIVE COMPLIANCE STATUS

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting

Reporting to National Treasury in electronic formats was complied with on a monthly basis within average of 10 working days. This also includes reporting to Provincial Treasury and transferring departments for conditional grants. Section 71 reporting to the Executive Mayor (within average of 10 working days) was also complied with and includes supporting documentation pertaining to material month end procedures.

2. Internship programme

The Municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the BTO and Internal Audit. Although there have not been 5 at all times during the year, we endeavoured to have vacancies filled in internships as soon as possible. The majority of interns have been permanently absorbed in either Waterberg District Municipality or our local municipalities.

3. Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA.

4. Audit Committee

An Audit Committee has been established and is fully functional.

5. Service Delivery and Implementation Plan

The detail SDBIP document will be finalised for council approval in May 2016 and will be aligned and informed by the 16/17 MTREF Budget and IDP.

6. Annual Report

The Annual report is compiled in terms of the MFMA and National Treasury requirements and approved within the required timeframes.

LEGISLATIVE COMPLIANCE STATUS (continued)

7. MFMA Competency

Skills assessments have been conducted in terms of the Minimum Competency Gazette and special merit cases have been registered with and approved by National Treasury for which the officials are currently in the progress of obtaining those unit standards outstanding.

8. Policies

All MFMA Circulars and Regulations have been considered in the review of policies to be approved with the final budget.

REVENUE

Council's main source of income is Government Grants.

GRANT ALLOCATIONS – DIVISION OF REVENUE ACT (DORA)

In terms of the 16/17 Division of Revenue Act, the following allocations are made to Council:

	2016/17	2017/18	2018/19
Equitable Share	113 277 000	117 310 000	121 822 000
Mun. Systems Improvement grant	1 040 000	960 000	1 033 000
Finance Management Grant	1 250 000	1 250 000	1 000 000
EPWP Incentive Grant	1 102 000	-	-
RRAMS Grant	1 897 000	1 992 000	2 133 000

INTEREST RECEIVED

Interest received is income from external investments and interest on the current account. Provision of R 8 400 000 was made in this regard.

ABATTOIR

Council operates an Abattoir, which is a trading service. The trading service is supposed to break even, but is currently running at a loss. The Abattoir has a budgeted operating loss of R 6 353 300 for 16/17 (R 5 636 400 for 15/16).

No tariff increase is proposed at the abattoir. The current tariffs are attached per Annexure 1.

An amount of R 1 847 900 is provided for income from the abattoir disclosed as service charges on the A1 schedule.

OTHER INCOME

Other income refers to sundry income and recovery of tender document costs to a total budgeted amount of R 30 000.

REVENUE *(continued)*

OTHER INCOME *(continued)*

No changes to Fire Fighting tariffs is proposed for 16/17 (See attached Annexure 2). All six local municipalities must be encouraged to implement these particular Tariffs for the purposes of cost recovery. No fire fighting income has been budgeted due to the trend of the past years where very little to no fire fighting income was transferred to WDM, thus leading to the conclusion that any income budget for this purpose will be unrealistic.

The total budgeted revenue amounts to R 129 120 900 (15/16 - R 153 668 550). This is a decrease of 16% as compared to the 15/16 original budget, primarily due to not receiving MWIG allocation for the 2016/17 financial period.

Attached per **Tables A2, A3 and A4** are details on the revenue by GFS, vote and source.

EXPENDITURE

EMPLOYEE RELATED COSTS

Personnel expenditure increases by 11.95% in 16/17 to R 79 918 195 for officials (15/16 adjusted – R 71 384 940), excluding contributions to long service awards and post-retirement medical aid actuarial valuations.

Provision is made for a general increase of 7.60% for all employees. The SALGA Wage Curve Agreement has lapsed and National Treasury recommends a budgeted increase on personnel expenditure of CPIX of 6.6% plus 1%.

The Health salaries amount to R 16 853 700 (15/16 - R 15 658 300) which makes up 21.09% (21.94% in 15/16) of the total salaries – 7.63% increase year on year.

The Disaster salaries amount to R 7 122 820 (15/16 - R 6 607 440) which contributes 8.91% (9.26% in 15/16) of the total salaries – 7.80% year on year increase. This excludes the salaries budgeted in local municipalities for fire fighting staff appointed by the local municipalities. The increase is due to protective clothing expenditure for all local municipalities being budgeted for under the WDM vote.

The Abattoir salaries amounts to R 5 095 300 (15/16 - R 4 729 900) which makes up 6.38% (6.63% in 15/16) of the total salaries – 7.73% year on year increase.

The highest year on year increase however is 21.21 % in Budget & Treasury Office due to the prior year's CFO earnings being budgeted for 9 months instead of the full financial period.

Travel allowances were budgeted for all Divisional Managers as well as other extensive travellers in terms of the WDM approved Travel Allowance Policy. There are 63 travel allowances budgeted for in comparison to a total staff complement of 120 permanent employees (47%). No new travel allowances have been added for the 16/17 year.

Wages increased by 26% to R 186 000 (15/16 - R 147 250). This is due to the fact that increased days were requested for contract workers at the abattoir due to increased throughput.

Performance bonuses for S57 managers were budgeted for all managers who were anticipated to be employed at the WDM for at least one year at 30 June 2017, thus now including all 7 managers, which has resulted in the 92.4% year on year increase in performance bonus budget.

Budget is still provided for Provision for Leave and Provision for Officials' Bonuses due to the GRAP disclosure requirements for annual leave and officials' bonuses.

The total employee related costs amounts to R 79 918 195 (R 71 384 940 when including long term provisions for 2015/2016) which is a 11.95% increase on 15/16 personnel budget. The total amount contributes 59.58% (15/16 – 60.55%; 14/15 – 51.6%; 13/14 – 47.53% ; 12/13 - 41.49% ; 11/12 – 42.60%) of the total operating expenditure (including operating expenditure projects on the IDP, excluding roll overs).

EXPENDITURE (continued)

REMUNERATION OF COUNCILLORS

Councillors' salaries and allowances were based on the Government Gazette Determination of Earnings Threshold of January 2014 plus an annual increase of 7.6% in 16/17. The budget is now compiled on a Grade 4. Provision is made for six full time councillors. The total salaries and allowances for councillors amounts to R 7 358 900 (15/16 – R 6 807 500) and makes up 5.02% (15/16 – 5.2%; 14/15 – 5.1% ; 13/14 – 4.5% ; 12/13 – 4.3%) of the total operating expenditure, however this expenditure is subsidised by an equitable share allocation specifically for this purpose of R 5 598 000 for the 2016/17 financial period.

GENERAL EXPENSES

General expenditure has been increase by an inflation rate of 6.6% with the exception of operating project expenditure which includes IDP roll over operating expenditure from 15/16. However, to support austerity measures, no budget increases has been granted for catering and some expenditure votes have not been increased.

The major general expenses are audit fees, subsistence & travel, depreciation, municipal services, annual insurance and security for WDM premises, Abattoir, Modimolle, Mogalakwena and Lephalale disaster centres. General expenditure also includes allocations to all the Waterberg Local Municipalities' Disaster Centres for the operation thereof.

REPAIRS AND MAINTENANCE

An amount of R 1 749 600 (15/16 – R 1 641 300) is budgeted and constitutes 1% (15/16 - 1%) of the total operating budget. The provision is low due to the fact that we do not have infrastructure assets. This provision is mainly for buildings, vehicles and equipment.

CONTRACTED SERVICES

Contracted services refer to the fire fighting service which is rendered on behalf of Council by the Local Municipalities. Claims are submitted by the local municipalities on a regular basis. Provision of R 15 961 200 (15/16 – R 14 466 400) is made for all 6 local municipalities in total and this represents 11.2% (15/16 – 11.2%) of the operating budget. The reason for the lower year-on-year increase is due to a detailed inspection of local municipal payslips resulting in a more accurate projection of salaries per local municipality. The provision for firefighting per municipality is as follows:

Bela Bela Municipality	R	1 285 400
Lephalale Municipality	R	2 894 100
Modimolle Municipality	R	2 473 300
Mogalakwena Municipality	R	6 463 500
Mookgophong Municipality	R	1 399 000
Thabazimbi Municipality	R	1 445 900

EXPENDITURE (continued)

CONTRACTED SERVICES (continued)

The budget for the whole Disaster Department (including contract services for fire fighting) is R 35 582 640 (15/16 - R 34 415 067) which is a year-on-year increase of 3.4%. The total fire fighting/disaster function thus constitutes 25% (15/16 - 27%) of the total operating budget. This is excluding the IDP capital expenditure portion, if any.

MUNICIPAL HEALTH

Budget of R 20 267 200 (15/16 - R 18 845 500) is made for Municipal Health, which is a year-on-year increase of 8%. This includes personnel costs for 30 officials, which consist of a divisional manager, 6 environmental health heads and 23 environmental health practitioners.

National government has indicated that they will partly fund the service by providing an equitable share. As per the 16/17 DORA, the equitable share portion amounts to R 10 603 000, but this portion is for both Health AND Firefighting, which is significantly less than these two functions are costing the municipality at a total for both functions of R 55 849 840, thus unfunded by approximately R 45 million.

The total operating expenditure amounts to:

Including the IDP operating expenditure portion: R 162 182 400 (15/16 - R 166 790 472)

Excluding the IDP operating expenditure portion : R 142 950 900 (15/16 - R 129 133 100)

Excluding IDP project expenditure, this is a decrease of 2.8% (15/16 – 5.5% ; 2014/15 – 7.1% ; 2013/14 - 10.78% ; 2012/13 – 10.72%) as compared to the previous financial year’s budgets. The MFMA Circular 79 allows 6% and the municipality is thus within the prescribed parameters.

Attached per **Tables A2, A3 and A4** are details on the operating expenditure by GFS, vote and source.

EXPENDITURE (continued)

EXPENDITURE PER VOTE

A department constitutes a vote as per the MFMA definition. The following provisions were made per department:

	Operating	Capital	Total
Budget & Treasury	R 18 816 700	R -	R 18 816 700 (5)
Municipal Manager	R 9 933 830	R -	R 9 933 830 (7)
Corporate Services	R 20 184 900	R -	R 20 184 900 (4)
Planning & Econ Development	R 10 822 250	R -	R 10 822 250 (6)
Infrastructure Development	R 9 346 400	R -	R 9 346 400 (8)
Office of Executive Support	R 25 598 432	R -	R 25 598 432 (2)
Social Dev & Community Serv	R 3 428 875	R -	R 3 428 875 (10)
Disaster (Fire Fighting)	R 35 582 640	R -	R 35 582 640 (1)
Municipal Environmental Health	R 20 267 200	R -	R 20 267 200 (3)
Abattoir	R 8 201 200	R -	R 8 201 200 (9)
Total	R 162 182 427	R -	R 162 182 427

In 15/16 the top 3 expenditure budget departments were Disaster (#1), Executive Support (#2) and Environmental Health (#3). This has shifted slightly in 16/17 to Infrastructure (#1), Disaster (#2) and Executive Support (#3).

IDP

Projects are being identified in terms of Council's priorities and will be subjected to community participation processes.

The total budget allocation for projects is as follows:

2016/17	R 33 061 527
2017/18	R 34 729 805
2018/19	R 38 370 994

The IDP MTEF totals **R 33 061 527** of which the funding sources can be summarized as follows:

WDM Accumulated Surplus	R 0
RRAMS Grant	R 1 897 000
EPWP Incentive Grant	R 1 102 000
FMG & MSIG	R 2 290 000
Investment Income	R 8 000 000

The projects on the IDP are divided into operating and capital projects for the 2016/17 budget year, and are as follows:

IDP Capital	R 1 250 000
IDP Operating	R 17 981 500

IDP (continued)

The R 1 200 000 currently included in CO011 District Public Participation EM is what is available for project prioritisation.

Attached per **Schedule A5** are the details of the IDP by **GFS, vote and source**.

Attached per **Annexure 3** is a detailed breakdown of projects included in the IDP. The Budget is compiled on the projects and budget amounts recommended by the IDP Steering Committee.