

***CENTRAL KAROO DISTRICT  
MUNICIPALITY***



***ANNUAL BUDGET 2018/2019 AND  
MTREF – 21 MAY 2018***

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## 1. Glossary

**Adjustments Budgets** – Prescribed in section 28 of the Municipal Finance Management Act. It is the formal means by which a Municipality may revise its budget during a financial year.

**Allocations** – Money received from Provincial and National Treasury.

**Budget** – The financial plan of a Municipality.

**Budget related policy** – Policy of a Municipality affecting or affected by the budget.

**Capital Expenditure** – Spending on municipal assets such as land, buildings and vehicles. Any capital expenditure must be reflected as an asset on a Municipality's balance sheet.

**Cash Flow Statement** – A statement showing when actual cash will be received and spent by the Municipality, and the month end balances of cash and short term investments. Cash receipts and payments do not always coincide with budgeted revenue and expenditure timings. For example, when an invoice is received by the Municipality it is shown as expenditure in the month that the services or goods are received, even though it may not be paid in the same period.

**CKDM** – Central Karoo District Municipality

**DORA** – Division of Revenue Act. The annual piece of legislation that indicate the allocations from National Government to Local Government.

**Equitable Share** – A general grant paid to municipalities. It is predominantly targeted to assist with free basic services.

**GDFI** - Gross Domestic Fixed Investment

**GFS** – Government Finance Statistics. An internationally recognised classification system that facilitates comparisons between municipalities.

**IDP** – Integrated Development Plan. The main strategic planning document of a Municipality.

**KPI** – Key Performance Indicators. Measures of service output and/or outcome.

**MFMA** - Municipal Finance Management Act (No 53 of 2003). The principle piece of legislation relating to municipal financial management.

**MTREF** – Medium Term Revenue and Expenditure Framework as prescribed by the MFMA sets out indicative revenue and projected expenditure for the budget year plus two outer financial years to determine the affordability level.

**Operating Expenditure** – Spending on the day to day expenses of a Municipality such as general expenses, salaries & wages and repairs & maintenance.

**Rates** – Local Government tax based on assessed valuation of a property.

**TMA** – Total Municipal Account

**SDBIP** – Service Delivery Budget Implementation Plan. A detailed plan comprising quarterly performance targets and monthly budget estimates.

**Strategic Objectives** – The main priorities of a Municipality as set out in the IDP Budgeted spending must contribute towards achievement of these strategic objectives.

**Vote** – One of the main segments into which a budget is divided, usually at department level.

## **CHAPTER 1 – MAYOR’S REPORT**

Councilors, municipal manager, head of departments, guests, ladies and gentlemen, good morning to all.

The 2018 Division of Revenue Bill was used as guidance in the preparation of the budget as the Division of Revenue Act, 2018 was not yet promulgated at the time of preparation of the 2018/2019 budget.

Economic pressures country wide continues to impact on Central Karoo District Municipality (the Municipality), the pressure on the National Fiscus impacted directly on the Municipality, as the number and value of conditional grants decreased despite prior year DORA publications.

The limited economic growth in the District remains a concern and the ongoing drought’s negative impact on the employment rates in the District is becoming a grave concern. The country’s economic performance has slowed down over the last couple of years and this had a direct effect on our area. The current economic outlook remains bleak and it is not foreseen that the growth rate will increase dramatically.

The budget I am tabling here today was prepared in accordance with the prescripts of the Municipal Finance Management Act, (Act 56 of 2003), the Municipal Budget Circular for the 2018/2019 MTREF as applicable and complies with Generally Recognized Accounting Practice - Local Government.

The budget was compiled, taking into account the Macro-economic growth parameters and also addresses the following National and Provincial Key Performance areas, being:

- Basic service Delivery (BSD)
- Municipal Transformation and Institutional Development (MTID)
- Municipal Financial Viability and Management (MFVM)
- Local Economic Development (LED)
- Good Governance and Public Participation(GGPP)

The following underlying factors were also taken into consideration with the compilation of the 2018/2019 draft budget:

- The current socio-economic circumstances of our communities and especially the high rate of unemployment
- External factors having a direct impact on the budget such as the consumer inflation rate
- The wage agreement not yet concluded between organized labour and the South African Local Government Bargaining Council – any increase above 6.5% will have a devastating effect on the Municipality
- The implementation of mSCOA
- The increase in the VAT rate to 15%

The major sources of revenue can be summarized as follows:

- National grants and subsidies – R 32 435 000
- Western Cape provincial grants and subsidies – R 640 000
- Department of Transport and Public Works – R 45 500 000

Addressing revenue generation challenges will remain high on the list of priorities for the Municipality in the MTREF period.

## **ORGANOGRAM**

The Municipality is in the process of finalizing the review of the organogram to ensure that the strategic objectives of the Municipality can be met and the adjusted organogram was used in the preparation of the employee cost budget.

Some key positions could not be funded due to the current budgetary restraints by the Municipality while funding of other positions had to be staggered throughout the financial year.

## **MUNICIPAL STANDARD CHART OF ACCOUNTS (MSCOA)**

The Municipality remains committed to the implementation of mSCOA as the mSCOA Regulations apply to all municipalities and municipal entities with effect from 1 July 2017.

The implementation of a mSCOA compliant system requires a substantial outlay of resources from the Municipality and all engagements with National and Provincial Treasury will continue in order to obtain further financial support regarding the implementation of the SEBATA system.

To quote MFMA Circular 86: *“Technically, for a Municipality to be regarded as mSCOA compliant on 1 July 2017 it must be able to transact across all the mSCOA segments and its core system and all sub-systems (including that of its municipal entities) must seamlessly integrate.”*

This means that the Municipality must have an Enterprise Management System in place that will accommodate seamless integration of the Integrated Development Plan (IDP), Service Delivery and Budget Implementation Plan (SDBIP) and Budget facilities into the core financial system as these documents create a point of departure for the transactional environment.

The 2018/2019 budget was prepared across all the MSCOA segments as required.

## **IN CONCLUSION**

I would like to thank all parties that was involved in the draft budget preparation process, including all parties that took part in the public participation process that ensured that the inputs of National Treasury, the Western Cape Provincial Government, the B Municipalities and, most importantly, the community were taken into account during the finalisation of the budget and IDP.

**I thank you**  
**Dr AL Rabie**  
**EXECUTIVE MAYOR**

## CHAPTER 2 – COUNCIL RESOLUTION

1. That in terms of section 24 of the Municipal Finance Management Act, 56 of 2003, the Annual budget of the Central Karoo District Municipality for the financial year 2018/2019; and indicative allocations for the two projected outer years 2019/2020 and 2020/2021; and the multi-year and single year capital appropriations are approved as set-out in the following tables:
  - 1.1 Budgeted Financial Performance (revenue and expenditure by standard classification);
  - 1.2 Budgeted Financial Performance (revenue and expenditure by municipal vote);
  - 1.3 Budgeted Financial Performance (revenue by source and expenditure by type); and
  - 1.4 Multi-year and single year capital appropriations by municipal vote and standard classification and associated funding by source.
2. That the financial position, cash flow, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are adopted as set-out in the following tables:
  - 2.1 Budgeted Financial Position;
  - 2.2 Budgeted Cash Flows;
  - 1.3 Cash backed reserves and accumulated surplus reconciliation;
  - 1.4 Asset management; and
  - 1.5 Basic service delivery measurement.
3. That in terms of section 24(2)(c)(ii) of the Municipal Finance Management Act, 56 of 2003 and sections 74 and 75A of the Local Government: Municipal Systems Act 32 of 2000 as amended, the tariffs as set out in annexure A, that were used to prepare the estimates of revenue by source, are approved with effect from 1 July 2018.
4. That in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) the tariffs for other services, as set out in Annexure A, that were used in compiling the final budget, are approved with effect from 1 July 2018.
5. That in terms of section 24(2)(c)(iii) of the Municipal Finance Management Act, 56 of 2003, the measurable performance objectives for capital and operating expenditure by vote for each year of the medium term revenue and expenditure framework as set out in Supporting Table SA7 are approved.
6. That in terms of the provisions of **Section 75A** of the Municipal Systems Act, 32 of 2000, the notice of the tariff amendments be displayed on notice boards at all municipal offices, libraries, and be advertised in local newspapers.
7. That in terms of the municipal budget and reporting regulations, paragraph 7, the budget policies, as indicated, are approved with effect 1 July 2018.
8. That in terms of section 24(2)(c)(iv) of the Municipal Finance Management Act, 56 of 2003, the final IDP for 2018/2019 – 21/22 be approved
9. That the final documents be available for inspection at the municipal offices.

## **CHAPTER 3 – EXECUTIVE SUMMARY**

### **PREFACE**

The budget tabled here today is the MTREF (Medium Term Revenue and Expenditure Framework) for the 2018/2019, 2019/2020 and 2020/2021 financial years as legislatively prescribed in terms of section 16(2) of the Municipal Finance Management Act, Act 56 of 2003 (MFMA).

The following documents were considered in the preparation of the budget:

- The Municipal Finance Management Act, Act 56 of 2003 (MFMA)
- National treasury circular 91 as well as other prior circulars giving guidance on budget processes
- The municipal budget and reporting regulations as issued in Government gazette 32141 on 17 April 2009
- Government Gazette 37577 dated 22 April 2014: Municipal Regulations on Standard Chart of Accounts
- Division of Revenue Bill - (As introduced in the National Assembly (proposed section 76); explanatory summary of Bill published in Government Gazette No. 40610 of 10 February 2017)
- Value-Added Tax Act, No. 89 of 1991 with the amendment re the VAT rate

### **CAPITAL BUDGET**

The drafting of the IDP runs concurrent with the 2018/2019 budget process in order to update the Medium Term Expenditure Framework (MTEF). The IDP budget link is summarized in the supporting tables attached hereto.

The Medium Term Expenditure Framework should guide the Municipality with regards to its funding requirements in the medium term (3 years).

The aforementioned capital requirements are only indicative of the confirmed funding for the MTEF and do not include issues of priority where funding applications are in process and have not yet been confirmed.

The Municipality is funding 100% of the capital budget using the Equitable Share allocation to the Municipality and the expenditure is focused on replacing the outdated computer equipment, providing office furniture for newly appointed staff and ensuring that the Environmental Health Department has the required tools and equipment to carry out the required testing in line with best practices. In addition, Hazmat and other equipment will be acquired to assist with the handling of hazmat and other fire emergencies. One municipal pool vehicle will also be acquired to replace the vehicle that was lost in an accident during 2017/2018.



## Summary Of Capital Budget Per Standardized Project:

### Capital budget: Project

	2017/2018 March Adjustment Budget	2018/2019	2019/2020	2020/2021
Capital:Non-infrastructure:New:Computer Equipment	127 000	282 500		1 050 000
Capital:Non-infrastructure:New:Furniture and Office Equipment	236 000	424 850	198 000	60 000
Capital:Non-infrastructure:New:Machinery and Equipment	1 067 594	108 000	600 000	
Capital:Non-infrastructure:New:Transport Assets		200 000	200 000	
<b>Grand Total</b>	<b>1 430 594</b>	<b>1 015 350</b>	<b>998 000</b>	<b>1 110 000</b>

### Capital budget: Function

	2017/2018 March Adjustment Budget	2018/2019	2019/2020	2020/2021
<b>CIVIL DEFENCE</b>	<b>1 067 594</b>	<b>100 000</b>		
CIVIL DEFENCE	1 067 594	100 000		
<b>CORPORATE SERVICES</b>	<b>12 000</b>	<b>532 600</b>	<b>358 000</b>	<b>50 000</b>
ADMINISTRATION	12 000	522 000	355 000	50 000
CORPORATE SERVICES		5 000		
HUMAN RESOURCES		5 600	3 000	
<b>CORPORATE WIDE STRATEGIC PLANNING</b>	<b>30 000</b>	<b>59 500</b>	<b>40 000</b>	<b>50 000</b>
PMS/RISK/ICT		8 000		50 000
STRATEGIC SUPPORT SERVICES	30 000	51 500	40 000	
<b>COUNCIL</b>	<b>35 000</b>			
COUNCIL	35 000			
<b>FINANCE</b>	<b>125 000</b>	<b>140 000</b>		<b>1 000 000</b>
FINANCE	125 000	140 000		1 000 000
<b>HEALTH</b>	<b>24 000</b>	<b>64 000</b>	<b>600 000</b>	
MUNICIPAL HEALTH	24 000	64 000	600 000	
<b>MUNICIPAL MANAGER</b>	<b>37 000</b>	<b>11 750</b>		<b>10 000</b>
LEGAL SERVICES		10 000		10 000
MUNICIPAL MANAGER	37 000	1 750		
<b>STRATEGIC PLANNING</b>		<b>7 500</b>		
STRATEGIC SUPPORT SERVICES		7 500		
<b>TECHNICAL SERVICES</b>	<b>100 000</b>	<b>100 000</b>		
ROADS	100 000	100 000		
<b>Grand Total</b>	<b>1 430 594</b>	<b>1 015 350</b>	<b>998 000</b>	<b>1 110 000</b>

## Capital budget: Strategic objectives

	2017/2018 March Adjustment Budget	2018/2019	2019/2020	2020/2021
Build a well capacitated workforce, skilled youth and communities		48 600	3 000	
Deliver a sound and effective administrative and financial service to achieve sustainability and viability in the region	174 000	643 750	355 000	1 110 000
Facilitate good governance principles and effective stakeholder participation	35 000			
Improve and maintain district roads and promote safe road transport	100 000	100 000		
Prevent and minimize the impact of possible disasters and improve public safety in the region	1 067 594	100 000		
Promote regional economic development, tourism and growth opportunities	30 000	59 000	40 000	
Promote safe, healthy and socially stable communities through the provision of a sustainable environmental health service	24 000	64 000	600 000	
<b>Grand Total</b>	<b>1 430 594</b>	<b>1 015 350</b>	<b>998 000</b>	<b>1 110 000</b>

## OPERATING BUDGET

### EXPENDITURE

#### Summary Of Expenditure Budget Per GRAP Item:

	2017/2018 March Adjustment Budget	2018/2019	2019/2020	2020/2021
COUNCIL	3 478 296	3 730 911	3 954 765	4 192 051
DEPRECIATION	494 445	432 355	455 340	479 547
EMPLOYEE	38 260 478	47 069 789	49 545 241	52 173 373
OTHER	36 427 958	29 250 103	29 505 344	30 712 011
<b>Grand Total</b>	<b>78 661 176</b>	<b>80 483 157</b>	<b>83 460 690</b>	<b>87 556 982</b>

The increase in the operating budget amounts to R 1.8 million for the 2018/2019 financial year and represents an increase of 2% over the 2017/2018 adjustment budget. While the Equitable Share and Roads allocation increased thus allowing the Municipality to revisit the organogram and focus on LED and tourism projects, the project related grants from the Western Cape Provincial Government decreased sharply.

A summary of the operating budget is attached herewith and includes all operating expenditure necessary for operating the Municipality for the 2018/2019 financial year.

The operating budget was not prepared on general increase basis but was prepared based on an extensive needs analysis. The budgets for 2019/2020 and 2020/2021 was prepared on an inflation projection of 5.3%.

Salary and related expenditure, excluding remuneration of public office bearers, amounts to R 47 million or 58 % of the total expenditure. The comparative expenditure may seem excessive at first, but the usual percentage expected at a B-Municipality is not attainable at a C-Municipality. The lack of bulk accounts such as ESKOM has a significant impact when the salary ratios are considered. In addition, permission was obtained from the Western Cape Provincial Roads Department to expand the Roads organogram significantly to allow for better service delivery in the fast area maintained by the District.

A comparison with the 2017/2018 figures indicate an increase of R 8.8 million on the total salary budget. The expenditure increased significantly because the newest salary agreement between SALGBC and the unions have not yet been reached. Provision was therefore made for an increase in the base agreement of 7% - this will result in an actual increase of around 9% when the annual notch increases are taken into account. In addition, the review of the organogram necessitated budgeting for some identified posts.

The Roads Department budget was based on the 2018/2019 allocation as contained in the Memorandum of Understanding entered into between the Municipality and the Department of Transport. Changes to the Roads budget will therefore be made during the adjustment budget process to allow for the expenditure incurred during 1 April 2018 to 30 June 2019.

## REVENUE

The budgeted revenue (including capital grant revenue) for the 2018/2019 financial year amounts to R 81 896 918.

### Summary of Revenue Budget per source:

	2017/2018 March Adjustment Budget	2018/2019	2019/2020	2020/2021
EQUITABLE SHARE	-26 353 770	-29 515 000	-30 316 000	-31 867 000
INTEREST	-610 000	-700 000	-737 100	-776 166
NT AUDIT SUPPORT	-2 015 000	-3 000 000	-3 159 000	-3 326 427
RAMMS	-1 917 000	-1 920 000	-2 035 000	-2 152 000
ROADS	-38 456 302	-40 950 000	-43 120 350	-45 405 729
LG SETA	-984 000			
RENTAL	-199 950	-100 000	-105 300	-110 881
ROADS AGENCY FEE	-3 563 869	-3 947 368	-4 156 579	-4 376 878
CHIETA	-1 765 200			
WC CAPACITY BURSARY GRANT	-245 044	-360 000		
WC - FMG CAPACITY - ROLL OVER	-868 571			
WC FINANCE CAPACITY GRANT	-1 775 000	-280 000	-280 000	
OTHER INCOME	-265 339	-124 550	-131 151	-138 102
FINANCIAL MANAGEMENT GRANT	-1 250 000	-1 000 000	-1 000 000	-1 000 000
<b>Grand Total</b>	<b>-80 269 046</b>	<b>-81 896 918</b>	<b>-85 040 480</b>	<b>-89 153 183</b>

## TARIFFS

Tariffs are important to ensure the financial sustainability and economic viability of the Municipality and this principle was applied in the determination of the environmental health tariffs for the 2018/2019 financial year. The environmental health services functionality are not funded through the tariffs, the Health Function is funded via Equitable Share. Service to the community upon requests are however performed on the basis that directly accountable costs can be recovered.

## FINANCIAL VIABILITY AND SUSTAINABILITY

The Municipality must ensure the financial sustainability of its operations and ensure that it operates as a going concern. The budget for 2018/2019 financial year as well as the outer 2 years are funded.

## **SDBIP (SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN)**

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. The top level service delivery and budget implementation plan will be submitted to the Executive Mayor within 14 days of approval of the Annual Budget and the IDP for approval by the Executive Mayor within 28 days as per section 69 and section 53 of the Municipal Finance Management Act. The SDBIP will be submitted to Council after approval by the Executive Mayor for information purposes.

## **POLICY CHANGES**

Management conducted the required annual review of all budget related policies in conjunction with Council and with the required community inputs that was requested. The process will be finalised before 30 June 2018.

**S JOOSTE**

**MUNICIPAL MANAGER**

## **CHAPTER 4 – ANNUAL BUDGET TABLES**

See Annexure C

## **CHAPTER 5 – OVERVIEW OF THE ANNUAL BUDGET PROCESS**

The entire budget process is prescribed by the Municipal Finance Management Act.

Section 21(1) (b) of the MFMA requires the mayor to table not later than 10 months before the start of the budget year a time schedule outlining the key deadlines and processes for the preparation, tabling and approval of the Annual Budget, the review of the IDP and budget related policies and any consultation process which would be part of the process.

The time schedule was tabled to the Council in August 2017 and the first community engagements were held in October 2017 with more outreaches held during May 2018.

The consultation process involves presenting and eliciting comments from the public, National Treasury, the Western Cape Provincial Government and the Laingsburg Municipality, Prince Albert Municipality and Beaufort West Municipality.

The following stakeholders are identified:

- 1 community
- 2 senior management
- 3 the work force
- 4 trade unions
- 5 agricultural forums
- 6 general public and interested parties
- 7 local municipalities
- 8 national and provincial sector departments

### ***Political oversight of the process***

The schedule of key deadlines was submitted to management to monitor the progress of the process by officials against the schedule tabled by the Executive Mayor.

### ***Consultations & advertisements***

Advertisements will be placed in the local newspapers circulating in the area of jurisdiction and district informing the community of the tabling of the budget, requesting inputs.

## **Stakeholders**

The following stakeholders have been identified for consultation:

- National Treasury
- Provincial Treasury
- B Municipalities in area
- Provincial sector departments
- Community

## **CHAPTER 6 - ALIGNMENT OF ANNUAL BUDGET WITH INTEGRATED DEVELOPMENT PLAN**

### ***The review process focussed on:***

- ❖ Improving the **strategic nature** of the document, thereby ensuring effective use of available data, careful consideration of available resources, as well as exploring locally appropriate solutions to complex development issues.
- ❖ Increasing the usefulness of the document during **implementation** and monitoring.

### ***The process was influenced by:***

- ❖ Project progress information as provided by Heads of Departments
- ❖ An extensive data search to update the analysis chapter.
- ❖ Inputs from community based planning initiatives

The alignment of the IDP with the budget is illustrated in the A Schedule and the strategic objectives link with the capital projects are included in Annexure B.

These allocations are to link up with the Service Delivery and Budget Implementation plan. A Service Delivery and Budget Implementation Plan will be developed and will be tabled with the final budget to Council. The final SDBIP needs to be approved within 28 days after the adoption of the budget. KPA's and KPI's have been developed and strategic alignment between IDP, Budget and SDBIP are assured.

## **CHAPTER 7 - MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS**

The Municipality's business and service delivery priorities will be reviewed as part of this year's planning and budget process. The top level service delivery and budget implementation plan will be submitted to the Executive Mayor within 14 days of approval of the Annual Budget and the IDP for approval by the Executive Mayor within 28 days as per section 69 and section 53 of the Municipal Finance Management Act. The SDBIP will be submitted to Council after approval by the Executive Mayor for information purposes.

## **CHAPTER 8 – OVERVIEW OF BUDGET RELATED POLICIES**

### **BUDGET RELATED POLICIES**

The prioritization of service delivery and the management of council functions is the key to the budget. Central Karoo District Municipality's budget process is guided and governed by legislation regulations and budget related policies.

Central Karoo District Municipality embarked on a process of reviewing all financial and budget related policies during the budget process for 2017/2018 financial year and the process was repeated for the 2018/2019 financial year.

The following policies remained unchanged during the annual review process:

1. Policy on Borrowing – no changes
2. Funding And Reserve Policy – no changes
3. Asset Management Policy – no changes
4. Risk Management Policy – no changes
5. Risk Management Strategy – no changes
6. MFMA Delegations Register – no changes
7. Anti-Corruption And Fraud Prevention Policy – no changes
8. Budget Policy – no changes
9. Unforeseen And Unavoidable Expenditure Policy – no changes
10. Whistle Blowing Policy – no changes
11. Fluitjie Blaas Beleid – no changes
12. The Relief Fund Policy – no changes
13. Infrastructure Procurement Policy – no changes
14. Municipal Entities Policy – no changes
15. Travel And Subsistence Policy – no changes (As approved by Council on 6/12/2017)
16. Overtime Policy – no changes
17. Acting Policy – no changes
18. Grants In Aid Policy – no changes
19. Communication Strategy – no changes
20. Kontantbestuur en Beleggings

The following policies were drafted, reviewed or re-done during the annual review process and they will be work-shopped with the Council on 31 May 2018 and approved by Council before the commencement of the 2018/2019 financial year:

21. Credit Control And Debt Collection Policy – change re interest as requested by auditors
22. Supply Chain Management Policy – range of procurement processes adjusted in line with SCM Regulations
23. SCM Delegations Register – range of procurement processes adjusted in line with SCM Regulations



24. Virement Policy – authorisation limits adjusted to allow for MSCOA management
25. Tariff Policy - change re interest as requested by auditors
26. Tools Of Trade Policy – legal references changed
27. Long Term Financial Plan Policy – new policy
28. Unauthorised, Fruitless and Wasteful and Irregular Expenditure – new policy
29. Disciplinary Board Terms of Reference – new policy
30. Cost Containment Policy – new policy
31. Contract Management Policy – new policy
32. Communication Action Plan 2018/2019 – budget allocation included

## **CHAPTER 9 – OVERVIEW OF THE BUDGET ASSUMPTIONS**

The budget for the 2018/2019 financial year was drawn up with the following assumptions and principles taken into account:

- The budget is prepared in terms of the provisions of the Generally Recognized Accounting Practice framework to comply with the provisions of the MFMA GRAP implementation dates.
- The impact of the Municipal Standard Chart of Accounts was taken in to account during the budget preparation.
- Revenue figures are based on realistic estimates of revenue to be collected.
- Actual revenue collected for the current year and realistic revenue projections were taken into account in determining the revenue for the coming year.
- The principals of economic viability and sustainability is applied in all services and where possible no cross subsidization is done between services.
- National growth parameters were used as far as possible for the determination of outer year budget amounts.
- A general salary increase of 7 % was used for the determination of the salaries of staff whilst 6% was used for increase in salaries for the Public office bearers
- The Municipality still relies heavily on grants and subsidies for funding of the capital requirements for the 2018/2019 financial year.
- Only funded capital projects are included in the capital estimates for the 2018/2019 financial year.
- Both the capital and operating budgets are informed by the IDP process done through a public participation process.
- The impact of the increase in the VAT rate from 14% to 15% was taken into account.



## **CHAPTER 10 - BUDGET FUNDING**

### **FUNDING OF BUDGET EXPENDITURE**

Operating expenditure to the amount of R 80 483 157 and Capital expenditure of R 1 015 350 will be funded through the following sources:

<b>Row Labels</b>	<b>Sum of 2018/2019</b>
EQUITABLE SHARE	-29 515 000
INTEREST	-700 000
NT AUDIT SUPPORT	-3 000 000
RAMMS	-1 920 000
ROADS	-40 950 000
RENTAL INCOME	-100 000
ROADS AGENCY FEE	-3 947 368
WC CAPACITY BURSARY GRANT	-360 000
WC FINANCE CAPACITY GRANT	-280 000
OTHER INCOME	-124 550
FINANCIAL MANAGEMENT GRANT	-1 000 000
<b>Grand Total</b>	<b>-81 896 918</b>

### **FISCAL SUSTAINABILITY OF THE MUNICIPALITY**

Strict budget control is exercised in order to ensure that operating expenditure does not exceed actual operating revenue received. Blocks will be put on expenditure to ensure that the monthly expenditure incurred remains in proportion with the available monthly budget.

The credit control policy will be strictly enforced in the 2018/2019 financial year to ensure that all monies due to the Municipality is collected in further contribution to the sustainable rendering of services.

### **FINANCIAL CHALLENGES AND CONSTRAINTS**

Central Karoo District Municipality faces the following financial challenges:

- 1) Achieving financial stability in the medium term and long term
- 2) Dependence on grant funding
- 3) Managing cost
- 4) Exploring alternative revenue sources

A long term financial plan will be compiled during 2018/2019 to ensure that these challenges are addressed.

## **FINANCIAL RISKS**

Financial risks include:

- Changes in inflation rate and other variables
- Unemployment trends
- Global financial instability
- The impact of the change in the VAT rate

## **FUNDING COMPLIANCE IN TERMS OF SECTION 18 OF THE MFMA**

In compliance with the requirements of Section 18 of the MFMA, the revenue budget was based on the following principles:

- Realistically anticipated revenue to be collected.
- Actual revenue of previous years was taken into account.
- Capital projects were only included if funding confirmation was received, either by means of the DORA allocations as promulgated or by means of commitment from funding institutions.

## **PARTICULARS OF PLANNED SAVINGS OVER THE MEDIUM TERM**

The principle of value adding in all aspects of the administration and service rendering is applied and no expenditure is incurred unless value is added to the municipal administration or services. Care is taken in administrative and supply chain processes to ensure that real economic benefit flows to the Municipality as a result of funds being spent.

The following expenditure items are closely monitored:

- Travelling and subsistence
- Telephone expenses.
- Overtime and standby allowances
- Workshops and conferences.
- Fuel and maintenance expenditure in respect of service delivery vehicles
- Stationery expenditure
- Expenditure relating to all forms of catering

## **CONTRIBUTIONS OR DONATIONS IN CASH OR IN-KIND**

No donations are budgeted for the 2018/2019 financial year. Support to the community will be given in terms of the Relief Fund Policy.

## PARTICULARS OF THE MUNICIPALITY'S INVESTMENTS

Investments are made when funds are available in line with the Cash management and Investment policy.

## PARTICULARS OF BANK OVERDRAFTS AND CREDIT FACILITIES

The Municipality does not have a bank overdraft facility.

## PARTICULARS OF GRANTS AND SUBSIDIES RECEIVED

The budgeted grants to be received for the 2018/2019 financial year are as follows – Extract as per Division of Revenue Bill, 2018 – 2018 Summary of allocations to Local Government:

### LOCAL GOVERNMENT MTEF ALLOCATIONS: 2018/19 - 2020/21

	2018/19 R thousands	2019/20 R thousands	2020/21 R thousands
<b>C DC5 Central Karoo</b>			
<b>Direct transfers</b>			
<b>Equitable share and related</b>	<b>28 502</b>	<b>30 316</b>	<b>31 867</b>
<b>Infrastructure</b>	<b>1 920</b>	<b>2 035</b>	<b>2 152</b>
Rural roads assets management systems grant	1 920	2 035	2 152
<b>Capacity building and other current transfers</b>	<b>2 013</b>	<b>1 000</b>	<b>1 000</b>
Local government financial management grant	1 000	1 000	1 000
Expanded public works programme integrated grant for municipalities	1 013		
<b>Sub total direct transfers</b>	<b>32 435</b>	<b>33 351</b>	<b>35 019</b>
<b>Total</b>	<b>32 435</b>	<b>33 351</b>	<b>35 019</b>

### Transfers from Provincial Departments

<b>Municipal Allocations from Provincial Departments</b>	<b>640</b>	<b>280</b>	<b>-</b>
<i>of which</i>			
<b>Provincial Treasury</b>	<b>640</b>	<b>280</b>	<b>-</b>
Western Cape Financial Management Support Grant	280	280	
Western Cape Financial Management Capacity Building Grant	360		
<b>Total: Transfers from Provincial Departments</b>	<b>640</b>	<b>280</b>	<b>-</b>

## **CHAPTER 12 – ALLOCATIONS AND GRANTS MADE BY THE MUNICIPALITY**

No budget provisions were made for allocations or grants made by the Municipality, other than a provision for the audit of CKEDA for the period 1 July 2017 to date of deregistration.

## **CHAPTER 13 – COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS**

The budget for Council Allowances was prepared based on a 6% increase on the current allowances as contained in the Remuneration Of Public Office Bearers Act : Determination Of Upper Limits Of Salaries, Allowances And Benefits Of Different Numbers Of Municipal Councils.

The budget for senior management was prepared based on a 5% inflation related increase based on the current salary packages and the information contained in the Draft Notice: Upper limits of total remuneration packages payable to Senior Managers for 2017/2018 – the same rate that was used for the preparation of the salaries increases of the other staff.

The South African Local Government Bargaining Council entered into a three-year Salary and Wage Collective Agreement for the period 01 July 2015 to 30 June 2018. The agreements has come to an end and negotiations are currently under way. The salary budget was prepared based on a 7% increase, the effect of the notch increases results in actual expected increases nearing 9%. The effect of the notch increases were allowed for in the budget.

## **CHAPTER 14 – MONTHLY TARGETS – REVENUE, EXPENDITURE AND CASH FLOW**

The targets are detailed in the budget tables, included in Annexure C

## **CHAPTER 15 – ANNUAL BUDGETS AND SDBIP PLANS – INTERNAL DEPARTMENTS**

Refer to Chapter 4 and 5 of the IDP and the final SDBIP

## **CHAPTER 16 – ANNUAL BUDGETS AND SDBIP PLANS – MUNICIPAL ENTITIES**

The municipal entity – Central Karoo Economic Development Agency (CKEDA) is in the process of being deregistered. The Municipality budgeted for the audit fees to be paid re CKEDA for the period 1 July 2017 until deregistration.

## **CHAPTER 17 - CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS**

There are no contracts with future budgetary implications other than operational contracts such as the contract for the financial system with SEBATA.

## **CHAPTER 18 – CAPITAL EXPENDITURE DETAILS**

The capital requirements are only indicative of the confirmed funding for the MTEF and do not include issues of priority where funding applications are in process and have not yet been confirmed.

The Municipality is funding 100% of the capital budget using the Equitable Share allocation and the expenditure is focused on replacing the outdated computer equipment, providing office furniture for newly appointed staff and ensuring that the Environmental Health Department has the required tools and equipment to carry out the required testing in line with best practices.

### **Summary Of Capital Budget Per Standardized Project:**

Capital budget: Project

	<b>2017/2018 March Adjustment Budget</b>	<b>2018/2019</b>	<b>2019/2020</b>	<b>2020/2021</b>
Capital:Non-infrastructure:New:Computer Equipment	127 000	282 500		1 050 000
Capital:Non-infrastructure:New:Furniture and Office Equipment	236 000	424 850	198 000	60 000
Capital:Non-infrastructure:New:Machinery and Equipment	1 067 594	108 000	600 000	
Capital:Non-infrastructure:New:Transport Assets		200 000	200 000	
<b>Grand Total</b>	<b>1 430 594</b>	<b>1 015 350</b>	<b>998 000</b>	<b>1 110 000</b>

Capital budget: Strategic objectives

	<b>2017/2018 March Adjustment Budget</b>	<b>2018/2019</b>	<b>2019/2020</b>	<b>2020/2021</b>
Build a well capacitated workforce, skilled youth and communities		48 600	3 000	
Deliver a sound and effective administrative and financial service to achieve sustainability and viability in the region	174 000	643 750	355 000	1 110 000
Facilitate good governance principles and effective stakeholder participation	35 000			
Improve and maintain district roads and promote safe road transport	100 000	100 000		
Prevent and minimize the impact of possible disasters and improve public safety in the region	1 067 594	100 000		
Promote regional economic development, tourism and growth opportunities	30 000	59 000	40 000	
Promote safe, healthy and socially stable communities through the provision of a sustainable environmental health service	24 000	64 000	600 000	
<b>Grand Total</b>	<b>1 430 594</b>	<b>1 015 350</b>	<b>998 000</b>	<b>1 110 000</b>

## **CHAPTER 19 – LEGISLATION COMPLIANCE STATUS**

The Municipal Finance Management Act brought about uniformity, accountability and control measures to local government in terms of financial reporting and budgeting. The Act required a high level of transformation financial disciplines and planning.

New budget regulations were published in Gazette nr. 32141 on 17 April 2009. The object of these regulations is to secure sound and sustainable management of the budgeting and reporting practices of municipalities by establishing uniform norms and standards and other requirements for ensuring transparency, accountability and appropriate lines of responsibility in the budgeting and reporting process. The 2018/2019 budgets for all municipalities needs to comply with these regulations.

## **CHAPTER 20 – OTHER SUPPORTING DOCUMENTATION – SERVICE LEVEL STANDARDS**

**PERFORMANCE LEVELS STANDARDS – SEE Annexure D**

## **CHAPTER 21 – ANNUAL BUDGET - ENTITIES**

The municipal entity – Central Karoo Economic Development Agency (CKEDA) is in the process of being deregistered. The Municipality budgeted for the audit fees to be paid re CKEDA for the period 1 July 2017 to deregistration.

No IDP, Annual Budget or SDBIP has thus been compiled for the municipal entity, DKEDA as the entity will not be functional during 2018/2019 and will not enter into any transactions.



## **CHAPTER 22 – MUNICIPAL MANAGER’S QUALITY CERTIFICATE**

I, **Stefanus Jooste**, municipal manager of Central Karoo District Municipality herby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the Municipality.

**STEFANUS JOOSTE**

**Municipal Manager of the Central Karoo District Municipality**

**DC5**

A handwritten signature in black ink, appearing to read 'Stefanus Jooste', written in a cursive style.

**21 May 2018**

# **ANNEXURE A**

## **Tariffs**

# **ANNEXURE B**

Row Labels	2018/2019	2019/2020	2020/2021
<b>Build a well capacitated workforce, skilled youth and communities</b>	<b>48 600</b>	<b>3 000</b>	
<b>CORPORATE SERVICES</b>	<b>8 600</b>	<b>3 000</b>	
Capital:Non-infrastructure:New:Furniture and Office Equipment	8 600	3 000	
<b>FINANCE</b>	<b>40 000</b>		
Capital:Non-infrastructure:New:Computer Equipment	40 000		
<b>Deliver a sound and effective administrative and financial service to achieve sustainability and viability in the region</b>	<b>643 750</b>	<b>355 000</b>	<b>1 110 000</b>
<b>CORPORATE SERVICES</b>	<b>524 000</b>	<b>355 000</b>	<b>50 000</b>
Capital:Non-infrastructure:New:Computer Equipment	89 000		
Capital:Non-infrastructure:New:Furniture and Office Equipment	235 000	155 000	50 000
Capital:Non-infrastructure:New:Transport Assets	200 000	200 000	
<b>CORPORATE WIDE STRATEGIC PLANNING</b>	<b>8 000</b>		<b>50 000</b>
Capital:Non-infrastructure:New:Computer Equipment	8 000		50 000
<b>FINANCE</b>	<b>100 000</b>		<b>1 000 000</b>
Capital:Non-infrastructure:New:Computer Equipment	100 000		1 000 000
Capital:Non-infrastructure:New:Furniture and Office Equipment			
<b>MUNICIPAL MANAGER</b>	<b>11 750</b>		<b>10 000</b>
Capital:Non-infrastructure:New:Computer Equipment			
Capital:Non-infrastructure:New:Furniture and Office Equipment	11 750		10 000
<b>Facilitate good governance principles and effective stakeholder participation</b>			
<b>COUNCIL</b>			
Capital:Non-infrastructure:New:Machinery and Equipment			
<b>Improve and maintain district roads and promote safe road transport</b>	<b>100 000</b>		
<b>TECHNICAL SERVICES</b>	<b>100 000</b>		
Capital:Non-infrastructure:New:Furniture and Office Equipment	100 000		
<b>Prevent and minimize the impact of possible disasters and improve public safety in the region</b>	<b>100 000</b>		
<b>CIVIL DEFENCE</b>	<b>100 000</b>		

Capital:Non-infrastructure:New:Machinery and Equipment	100 000		
<b>Promote regional economic development, tourism and growth opportunities</b>	<b>59 000</b>	<b>40 000</b>	
<b>CORPORATE WIDE STRATEGIC PLANNING</b>	<b>51 500</b>	<b>40 000</b>	
Capital:Non-infrastructure:New:Computer Equipment	8 000		
Capital:Non-infrastructure:New:Furniture and Office Equipment	43 500	40 000	
<b>STRATEGIC PLANNING</b>	<b>7 500</b>		
Capital:Non-infrastructure:New:Computer Equipment	7 500		
<b>Promote safe, healthy and socially stable communities through the provision of a sustainable environmental health service</b>	<b>64 000</b>	<b>600 000</b>	
<b>HEALTH</b>	<b>64 000</b>	<b>600 000</b>	
Capital:Non-infrastructure:New:Computer Equipment	30 000		
Capital:Non-infrastructure:New:Furniture and Office Equipment	26 000		
Capital:Non-infrastructure:New:Machinery and Equipment	8 000	600 000	
<b>(blank)</b>			
<b>(blank)</b>			
<b>(blank)</b>			
<b>Grand Total</b>	<b>1 015 350</b>	<b>998 000</b>	<b>1 110 000</b>

# **ANNEXURE C**

# **ANNEXURE D**

Western Cape: Final Schedule of Service Delivery Standards Table - Central Karoo District (DC5) 2017/18		Key to note	select from drop down
Standard	Description	Service Level	Municipality (Code)
			Central Karoo District (DC5)
<b>Solid Waste Removal</b>			Financial Year
			2017/18
	Premise based removal (Residential Frequency)	N/A	
	Premise based removal (Business Frequency)	N/A	
	Bulk Removal (Frequency)	N/A	
	Removal Bags provided(Yes/No)	N/A	
	Garden refuse removal Included (Yes/No)	N/A	
	Street Cleaning Frequency in CBD	N/A	
	Street Cleaning Frequency in areas excluding CBD	N/A	
	How soon are public areas cleaned after events (24hours/48hours/longer)	N/A	
	Clearing of illegal dumping (24hours/48hours/longer)	N/A	
	Recycling or environmentally friendly practices(Yes/No)	N/A	
	Licenced landfill site(Yes/No)	N/A	
<b>Water Service</b>			
	Water Quality rating (Blue/Green/Brown/N0 drop)	N/A	
	Is free water available to all? (All/only to the indigent consumers)	N/A	
	Frequency of meter reading? (per month, per year)	N/A	
	Are estimated consumption calculated on actual consumption over (two month's/three month's/longer period)	N/A	
	On average for how long does the municipality use estimates before reverting back to actual readings? (months)	N/A	
	<b>Duration (hours) before availability of water is restored in cases of service interruption (complete the sub questions)</b>	N/A	
	One service connection affected (number of hours)	N/A	
	Up to 5 service connection affected (number of hours)	N/A	
	Up to 20 service connection affected (number of hours)	N/A	
	Feeder pipe larger than 800mm (number of hours)	N/A	
	What is the average minimum water flow in your municipality?	N/A	
	Do you practice any environmental or scarce resource protection activities as part of your operations? (Yes/No)	N/A	
	How long does it take to replace faulty water meters? (days)	N/A	
	Do you have a cathodic protection system in place that is operational at this stage? (Yes/No)	N/A	
<b>Electricity Service</b>			
	What is your electricity availability percentage on average per month?	N/A	
	Do your municipality have a ripple control in place that is operational? (Yes/No)	N/A	
	How much do you estimate is the cost saving in utilizing the ripple control system?	N/A	
	What is the frequency of meters being read? (per month, per year)	N/A	
	Are estimated consumption calculated at consumption over (two month's/three month's/longer period)	N/A	
	On average for how long does the municipality use estimates before reverting back to actual readings? (months)	N/A	
	Duration before availability of electricity is restored in cases of breakages (immediately/one day/two days/longer)	N/A	



Are accounts normally calculated on actual readings? (Yes/no)	N/A
Do you practice any environmental or scarce resource protection activities as part of your operations? (Yes/No)	N/A
How long does it take to replace faulty meters? (days)	N/A
Do you have a plan to prevent illegal connections and prevention of electricity theft? (Yes/No)	N/A
How effective is the action plan in curbing line losses? (Good/Bad)	N/A
How soon does the municipality provide a quotation to a customer upon a written request? (days)	N/A
How long does the municipality takes to provide electricity service where existing infrastructure can be used? (working days)	N/A
How long does the municipality takes to provide electricity service for low voltage users where network extension is not required? (working days)	N/A
How long does the municipality takes to provide electricity service for high voltage users where network extension is not required? (working days)	N/A
<b>Sewerage Service</b>	
Are your purification system effective enough to put water back in to the system after purification?	N/A
To what extend do you subsidize your indigent consumers?	N/A
<b>How long does it take to restore sewerage breakages on average</b>	N/A
Severe overflow? (hours)	N/A
Sewer blocked pipes: Large pipes? (Hours)	N/A
Sewer blocked pipes: Small pipes? (Hours)	N/A
Spillage clean-up? (hours)	N/A
Replacement of manhole covers? (Hours)	N/A
<b>Road Infrastructure Services</b>	
Time taken to repair a single pothole on a major road? (Hours)	N/A
Time taken to repair a single pothole on a minor road? (Hours)	N/A
Time taken to repair a road following an open trench service crossing? (Hours)	N/A
Time taken to repair walkways? (Hours)	N/A
<b>Property valuations</b>	
How long does it take on average from completion to the first account being issued? (one month/three months or longer)	N/A
Do you have any special rating properties? (Yes/No)	N/A
<b>Financial Management</b>	
Is there any change in the situation of unauthorised and wasteful expenditure over time? (Decrease/Increase)	Decrease
Are the financial statement outsourced? (Yes/No)	Yes
Are there Council adopted business process tsructuing the flow and managemet of documentation feeding to Trial Balalnce?	No
How long does it take for an Tax/Invoice to be paid from the date it has been received?	30 days
Is there advance planning from SCM unit linking all departmental plans quaterly and annually including for the next two to three years procurement plans?	No
<b>Administration</b>	
Reaction time on enquiries and requests?	5 days
Time to respond to a verbal customer enquiry or request? (working days)	1 day
Time to respond to a written customer enquiry or request? (working days)	5 days

Time to resolve a customer enquiry or request? (working days)	10 days
What percentage of calls are not answered? (5%,10% or more)	20%
How long does it take to respond to voice mails? (hours)	1 day
Does the municipality have control over locked enquiries? (Yes/No)	N/A
Is there a reduction in the number of complaints or not? (Yes/No)	Yes
How long does it take to open an account to a new customer? (1 day/ 2 days/ a week or longer)	N/A
How many times does SCM Unit, CFO's Unit and Technical unit sit to review and resolve SCM process delays other than normal monthly management meetings?	Ad hoc
<b>Community safety and licensing services</b>	
How long does it take to register a vehicle? (minutes)	N/A
How long does it take to renew a vehicle license? (minutes)	N/A
How long does it take to issue a duplicate registration certificate vehicle? (minutes)	N/A
How long does it take to de-register a vehicle? (minutes)	N/A
How long does it take to renew a drivers license? (minutes)	N/A
What is the average reaction time of the fire service to an incident? (minutes)	N/A
What is the average reaction time of the ambulance service to an incident in the urban area? (minutes)	N/A
What is the average reaction time of the ambulance service to an incident in the rural area? (minutes)	N/A
<b>Economic development</b>	
How many economic development projects does the municipality drive?	See IDP
How many economic development programme are deemed to be catalytic in creating an enabling environment to unlock key economic growth projects?	See IDP
What percentage of the projects have created sustainable job security?	See IDP
Does the municipality have any incentive plans in place to create an conducive environment for economic development? (Yes/No)	See IDP
<b>Other Service delivery and communication</b>	
Is a information package handed to the new customer? (Yes/No)	N/A
Does the municipality have training or information sessions to inform the community? (Yes/No)	Yes
Are customers treated in a professional and humanly manner? (Yes/No)	Yes