

SPECIAL COUNCIL: 2018-05-25

SUBMISSION OF THE BUDGET FOR 2018/2019 MTREF FINANCIAL YEAR FOR APPROVAL

Report of the Mayor 2018-04-06

1. PURPOSE:

The purpose of this submission is to seek Council approval for the 2018/2019 to 2020/2021 MTREF (Medium Term Revenue and Expenditure Framework) Operating Revenue and Expenditure and Capital Revenue and Expenditure.

2. BACKGROUND:

The Municipal Council per resolution 01/06/2017 dated 06/06/2017 approved the 2017/2018 to 2019/2020 and resolution 05/02/2018 dated 26/02/2018 for adjustment Operating and Capital Revenue and Expenditure appropriation.

3. LEGISLATIVE REQUIREMENTS:

The Municipal Finance Management Act, Act 56 of 2003 section 18 and 19 requires that the budget must be fully funded. The Provincial Treasury uses tools to check the funding of the budget. The Provincial Treasury used National Treasury circulars: Numbers 54, 55, 66, 75, 85, 86, 88 and 89, 90 and 91 are used test the budget funding.

It was noted that there is lack of proper implementation of Sections 18 and 19 of Municipal Finance Management 56 of 2003. This in short subscribe that budget must be funded.

BUDGET ASSESSMENT OUTCOMES 2017/2018 REPORT (EXTRACT FROM 2017-2018 PROVINCIAL TREASURY REPORT)

ASSESSMENT CRITERIA

1) CREDIBILITY

- 1.1 To determine if the budget is funded in terms of Section 18 of the MFMA
- 1.2 Adopted a budget process with evidence of sufficient political oversight and public participation
- 1.3 Political oversight and guidance is crucial for the budget process as the approval of the budget is the responsibility of Council and not that of the Budget and Treasury Office
- 1.4 In assessing the credibility of the budget, the revenue planning framework and associated assumptions are interrogated to determine if they are realistic and indicative of multi-year budgeting.

2) RELEVANCE

- 2.1) To test if the budget is aligned to the reviewed Integrated Development Plan (IDP) of the municipality and the extent to which national and provincial priorities, including MFMA Circulars 85, 86 mSCOA circular 6, were considered.

3) SUSTAINABILITY

- 3.1 To determine whether the budget gives effect to the long-term financial and operational sustainability of the municipality. It is crucial that the budget is a multiyear budget over the MTREF

4) Conclusion

Based on the above assessment the municipality's budget is not funded and not sustainable over the MTREF, as the statement of financial performance, cash flows and cash backed reserves/accumulated surplus reconciliation are showing deficits/shortfalls over the MTREF with the exception of year 2 which has indicated a surplus.

5) RECOMMENDATIONS

- 5.1 To fully implement revenue strategies discussed previously to ensure financial sustainability of the municipality
- 5.2 To improve revenue collection rate to ensure cost recovery of services rendered and as well improve cash flow status
- 5.3 To fully implement the Cost Containment plan that was approved during 2015 to yield some results for improvement
- 5.5 To consider addressing payments of outstanding creditors to meet other working capital requirement
- 5.6 That the Ramotshere Moiloa Local Municipality to consider the assessed outcome/conclusion during budget implementation

Funding of expenditure

18. (1) An annual budget may only be funded from-
- (a) realistically anticipated revenues to be collected;
 - (b) cash-backed accumulated funds from previous years' surpluses not committed for other purposes; and
 - (c) borrowed funds, but only for the capital budget referred to in section 17(2).
- (2) Revenue projections in the budget must be realistic , taking into account-
- (a) projected revenue for the current year based on collection levels to date; and for other purposes; and
 - (b) actual revenue collected in previous financial years.

Capital projects

19. (1) A municipality may spend money on a capital project only if-

- (a) the money for the project, excluding the cost of feasibility studies conducted by or on behalf of the municipality, has been appropriated in the capital budget referred to in section 17(2);
- (b) the project, including the total cost, has been approved by the Council;
- (c) section 33 has been complied with, to the extent that that section may be applicable to the and
- (d) the sources of funding have been considered, are available and have not been committed for other purposes.

(2) Before approving a capital project in terms of subsection (1)(b), the Council of municipality must consider:

- (a) the projected cost covering all financial years until the project is operation and
- (b) the future operational costs and revenue on the project including municipal tax and tariff implications

(3) A municipal Council may in terms of subsection (1)(h) approve Capital projects below prescribed value either individually or as part of consolidated capital programme

Funding of the budget is based on combination of own revenue, conditioned Grants and Equitable Share.

4. **BUDGET ASSUMPTION**

In consolidating the 2018/ 2019 – 2020/2021 budget, there were consultations with directorates and where HOD's were not available Managers gave their inputs. The inputs received totalled R333 943 406 Expenditure as first draft from R293 015 000 for 2017/2018 Adjustment Budget Operating Expenditure. The total revenue is R 341 892 000 including from adjustment budget revenue of R297 088 000. The total expenditure deference is R42 593 040 which represent 13% growth. The revenue growth is 13.10% at R44 804 000 for operating budget.

The Capital Expenditure for 2018/2019 to 2020/2021 is R53 670 000 from R54 589 000 adjustment budget for 2017/2018. This reflect a decrease of R919 000.

The below table represent the department, 2017/2018 Adjustment Budget, Revenue Allocation per department, the 2018/2019 Final Draft, the growth amount from 2017/2018 Adjustment Budget to final 2018/2019 and the percentage growth per department.

Department	Adj 2017/18	Revenue Allo	Final 2018/19	2018/19 Amount	%
1 Good Governance	35 530 072	38 009 597	39 231 682	3 701 610	9,44
2 Promote Community participation	6 299 262	7 441 765	7 580 590	1 281 328	16,90
3 Planning and LED	4 138 862	5 855 701	5 449 701	1 310 839	24,05
4 Financial Viability	52 389 157	81 592 273	54 347 613	1 958 456	3,60
5 Service Delivery	83 978 810	117 792 261	93 646 068	9 667 258	10,32
8 Community Services	35 608 015	38 599 267	42 644 373	7 036 358	16,50
9 Roads and infrastructure	43 349 545	62 295 758	54 406 376	11 056 831	20,32
10 Organisational Transformation	15 570 685	18 324 957	17 824 957	2 254 272	12,65
11 Municipal Buildings	9 231 746	9 831 809	9 831 809	600 063	6,10
13 municipal planning	1 899 481	4 769 948	4 789 948	2 890 466	60,34
14 Information Technology	3 354 731	3 100 289	4 190 289	835 558	19,94
	291 350 366	387 613 625	333 943 406	42 593 040	13

Funding of the budget is based on combination of own revenue, conditioned Grants and Equitable Share. The revenue allocation is based on internal generated revenue and grant allocations from Provincial and National Treasuries

The below table represent the total of all various grants allocation for Ramotshere Moiloa Local municipality per type for different purposes. The grants are divided into conditional and non-conditional. The non-conditional grant is the Equitable Share. This grant its original condition was meant to fund the indigent and to balance the budget. The municipality needs to correct/improve the cash situation by improving its collection rate from average **72% to 95%**. This requires that certain processes need to be implemented and one of them is the **alignment of municipal business processes**.

FUNDING	2017/18	2018/19	2019/20	2020/21
MIG	45 033 000	36 453 000	37 154 000	39 095 000
EQUITABLE SHARE	137 639 000	153 173 000	170 214 001	184 185 001
FMG	2 145 000	2 215 000	2 215 000	2 215 000
INEP	15 000 000	9 269 000	6 400 000	12 800 000
EPWP	1 091 000	1 094 000	-	-
LIBRARY GRANT	1 000 000	1 280 000	1 352 000	-
	201 908 000	203 484 000	217 335 001	238 295 001
CAPEX GRANT FUNDED	55 706 000	45 722 000	43 554 000	51 895 000

In analysing the internal funding sources, it was noted that the revenue from trading services is insufficient to carry the costs of its services. This creates a serious problem because the departments concerned realize deficits. This means that revenue generated is not sufficient and not sustainable. The below table reflect the situation from 1st July 2017 to 31st December 2017 half year assessment.

The following trading services are not self-sufficient and not sustainable

SERVICE	½ YEAR RESULTS FOR 2017-2018
1. Electricity	57% Loss
2. Water	34% Loss
3. Sewerage	23% Loss
4. Refuse removal	2% Loss

The above figure reflects the budgeted amounts versus the actual amounts billed. Currently there are no statistics to give indication of how many properties are affected. There is a challenge of some properties that are being billed outside the billing financial system. This is evidenced by the properties for Rural Development. The bills are manually calculated and revenue received is allocated on suspense account. This create a challenge with the Annual Financial Statement preparation as figures are reflected as liability. This will have an impact on prior year adjustment. Treatment of transactions will be discussed with Auditor General to agree on proper disclosure.

The municipality has appointed the Property Valuer to perform the Interim Valuations. It has been discovered that properties valued R30 million were not reflected on the valuation roll and probably not being billed. The service provider has been requested to conduct property reconciliation. This discovery excludes the properties of Rural Development. Furthermore it was discovered that there is no correlation between property system valuation, manual valuation roll and deeds office property register, the following are records:

- 1) System Valuation 8642
- 2) Manual Valuation 9314
- 3) Deeds officer property register 9866

This has resulted in 1224 shortfall for properties between system valuation roll and deeds property register.

In terms of Audit Report for period ending 30th June 2017, the Electricity Distribution costs reflect huge losses for the size of this municipality.

Details	2016/2017	2016/2015
Kilo Watts per Hour	11 530 507	16 422 060
Total in Rand	10 839 200	13 471 728

The amounts indicated above are significant as portion of it could have been utilized for the following:

1. Increased repairs and maintenance vote to 8% from 2% during 2017/2018
2. Renewal of assets for Electricity or creation of new electricity assets.
3. Sustain the department to a larger extend and further reduce the costs and losses

It is evident that a large amount of work needs to be done to ensure added revenue by doing the following:

1. Ensure that tariffs are cost reflective
2. Billing is correct by billing all properties in the systems
3. Meter Audits are done to check if all meters are functional – dysfunctional meters to be replaced
4. Meters that were not part of the properties are included in the system and debtors be informed. Debt Collection and Credit Policies of other municipalities reflect that the municipality can recover lost revenue for the past 36 months. Policy amendment needs to be done.
5. Analysis to be done to check if approved tariffs are correctly captured on the system.

STRATEGIES TO BE DEVELOPED

The Municipality is to develop short term to medium term strategy in order to optimize, enhance and protect the revenue.

PROPERTY RATE: The Municipalities has engaged the services of the service provider to conduct the interim valuations. The Municipality is currently on the 3rd supplementary valuation. The 3rd generation valuation roll will be implemented on the 1st July 2019 and the processes of appointments are to be finalized.

REFUSE REMOVAL: All various business sections need to be visited to investigate the refuse collection tariffs and the number of visits to clear the sites in order to determine if tariffs are cost reflective. The exercise to be conducted is:

1. Type of refuse whether dry and wet
2. Frequently of visits by the Municipality to collect e.g. daily – 2/twice a day or weekly
3. The size of collection in comparison with the tariff proposed

WATER: Similarly all various business sectors need to be visited to check if water meters are functional, dysfunctional water meters to be replaced. The other matters to check are include and no limited to:

1. If there are no by-passes/bridging
2. Bulk dials are working – dysfunctional to be replaced
3. To check if there are any sectors that have meters that are not on the system – correct the system

LAND USE: It is to check that all the tariffs are charged according to land use. There will be constant liaison with the respective departments to check if the use of land corrected and that the tariffs match each other.

SEWERAGE: The methodology of charging the sewerage need to be assessed to determine if tariff are cost reflective in terms of size of property, land use and that tariffs on system are correct.

ELECTRICITY: In terms of electricity there are a number of issues that need to be attended to. The following are key and require external experts to assist in performance of the following functions:

1. **Cost of supply** – the process is to do the entire revenue value chain in determining the cost of supply and it includes :
 - 1.1 Salaries of employees – Electricity Department
 - 1.2 Tools of Trade - Electricity Department
 - 1.3 Net Work – Electricity Department
 - 1.4 Repairs and Maintenance – Electricity Department
 - 1.5 Shared Costs – Electricity Department
 - 1.6 Depreciation of electricity assets
 - 1.7 Electricity debtors impairment
 - 1.8 Profit Margins
 - 1.9 Energy cash Allocation
 - 1.10 Customer Segmentation
 - 1.11 Current Tariff feasibility approved
 - 1.12 Verify Tariffs vs System Tariffs
 - 1.13 Wring a report to NERSA (This is required before municipal tariff of Electricity are approved. For 2018/2019 the municipality has applied for extension to 2019/2020)
2. **Energy Balancing** – the process is to do the entire revenue in determining the cost of supply and it includes :
 1. Technical Losses
 2. Non-Technical Losses
 3. Identify arrears where there are high losses
 4. Solution to reduce the losses

The two above named aspects are critical and must be performed as NERSA requirement for tariff approval. Due to time constrains the exercise could not be conducted in 2017/2018 financial year due to the following:

1. Call for proposals
2. Evaluation for proposal
3. Adjudication for proposals
4. Award of proposals

The Municipality applied for postponement of the requirement NERSA for 2018/2019 to 2019/2020

THE INTERNAL SHORT TERM PROCESSES FOR ELECTRICITY

The following functions are key for revenue enhancement:

1. Investigate bridging / bypassing
2. Dysfunction meters to be replaced
3. Check meter for factors if its captured on the system
4. Check land used versus the tariff used.
5. Configuration of vending system and billing system
6. Amend policy on priority payment when purchasing electricity
7. Council to agree and approve on percentage as in 6 above

ESTABLISHMENT OF REVENUE ENHANCEMENT COMMITTEE

It is critical that the revenue enhancement committee be established and approved by Council. The Committee should consist of the following officials:

1. Municipal Manager – Overseer
2. Chief Financial Officer - Chairperson
3. Manager Revenue
4. Manager Electricity
5. Manager Water and Sanitation
6. Manager Planning and Development dealing with Land Matters
7. Manager Refuse Removal
8. Other additional Managers to support Revenue Enhancement

The Technical committee may sub-delegate or establish a working committee that will work with real matters on the ground and revert back to the main committee weekly at the date to be determined.

The purpose of this committee basically is to strategically deal with issues of revenue enhancement and revenue protection. Ideally is to focus on the following:

1. Investigate key customer accounts – top 50 business for tariffs - land use and billing
2. Investigate other business for tariffs – land use and billing
3. Investigate guest houses for tariffs – land use and billing
4. Investigate other residential properties as above as in 2 and 3 above - low lying fruits where it is possible to collect.

After the sub – committee has investigated all anomalies, these will be corrected after the facts have been verified. The System accounts will reflect the correct amounts to be collected. The affected account holders will be notified of the changes effected and the impact on the account.

Data Processing:

It is critical to note that the municipality does not have a dedicated officials nor sub-unit that specifically process data for meter reading, indigent registration and or valuation roll. Currently data processing is done on ad-hoc basis. This is critical to ensure that reporting is credible and that data is frequently updated on the financial system. Two posts have been identified and will be funded through Finance Management Grant.

Accountants for Quarterly and Annual Financial Statement:

It needs to be noted that annually the municipality spends between R5m to R6m in payment to consultants who compile Annual financial statement. National Treasury has issued Circular 71 which required the municipalities to quarterly and annually provides ratios. Ratios are only provided where AFS have been compiled and this exercise ensures accurate reporting. Two posts have been identified and will be funded through Finance Management Grant. Apart from reporting the accountants will also during the months conduct reconciliations. Appointment of these officials will phase out use of consultants which will result in cost savings. These savings might be converted to service delivery.

5. Discussions:

The adjustment budget was done on the basis of Virements because the Municipality did not receive additional funding. This necessitated that the entire line items be analysed to check the past 6 months revenue and expenditures. A number of changes were made and the end results are summarised in the table below and compared to the proposed figures for 2018/2019 financial year. The following is a comparative table from original 2017/2018, Adjustment 2017/2018 and proposed 2018/2019 budget.

Operating Budget and Capital Budget proposals

DETAILS	ORIGINAL 2017/2018	ADJUSTMENT 2017/2018	2018/2019 PROPOSED BUDGET
REVENUE	R 317,788 Million	R 297.088 Million	R 387. 613 Million
EXPENDITURE	R 311,634 Million	R 293.015 Million	R 333.943 Million
VARIANCE	R (6,154) Million	R (4.073) Million	R (53.670) Million

Enhancement of revenue and revenue protection are key to the Ramotshere Moiloa Municipality. The quick wins strategy is to be implemented soon in order to raise additional revenue. The current trends of low revenue generation need to be investigated and corrective measures be implemented. It is critical that all directorates participate in this drive in order to realise improved revenue.

Key to revenue enhancement is the resubmission of medium to long term revenue enhancement strategy and establishment of revenue enhancement committee for approval by Council.

Capital Budget

DETAILS	ORIGINAL 2017/2018	ADJUSTMENT 2017/2018	2018/2019 PROPOSED BUDET
REVENUE	R 66,187 Million	R 54,589 Million	R 53.670 Million
EXPENDITURE	R 66.187 Million	R 54,589 Million	R 53.670 Million
VARIANCE	R (0.00) Million	R (0, 000) Million	R (0, 000) Million

The municipality depend 100% grand funding for capital projects. Mainly the allocation is form Municipal Infrastructure Grant (MIG) and Integrated National Electrification Programme (INEP).

MIG funding is meant for projects that are registered and approved by the funder Provincially and Nationally. INEP is meant for electrification where the municipality is registered by NERSA to reticulate electricity within its area of jurisdiction.

It be noted that due to under performance of the municipality in terms of the conditional grants, the National Treasury will withhold some of the trenches which were to be transferred to the municipality. The R8.4 million INEP has already been withheld and there is likelihood that R8.3million MIG will also be withheld by National Treasury. There are various reasons attributing to these actions by National Treasury. In summary quarterly grant expenditure MUST be at 25% and if this target is not reached, it is assumed that there is under performance from the municipal side.

Of the R54,589 million reduced funding from conditional grants, R50.374 million will be funded by National fiscus and R4.215 will be funded internally and a certain portion from Provincial Department of Sports and Recreation in terms of Libraries.

In adjusting the 2017/2018 budget consideration was taken from the report of Provincial Treasury during the bench mark exercise that the budget was not funded. This meant that the municipality will not be able to meet its mandatory obligations in terms of IDP and SDBIP's.

The salary bill is at 47% which is above the norm of 25% - 40% by 7%. It is critical that this matter filing of vacancies priorities be given to the following:

- 1) Posts that will generate revenue
- 2) Posts that are legislated
- 3) Posts that will improve service delivery

The tables previously presented will be changed to accommodate the changed figures.

In reducing the expenditure, priority will be given to legislated matters and matters of services delivery. In terms of training, priority will be given to Budget and Treasury Office due to statutory requirements of competencies. These trainings are funded by National Treasury in terms of Finance Management Grant (FMG) and where it is critical to do so. Separate funding will be required for this venture. In order to properly monitor expenditure, it is suggested that expenditures be adjudicated by Chief Financial Officer and Municipal Manager. This practice will ensure that unauthorised expenditure is curbed and not repeated as in previous years.

In adjusting the operating budget reprioritisation was made based on the circumstances at which the municipality is allocated. The following were reprioritised items:

- 1) Service delivery departments
- 2) Payments to attorneys
- 3) Legislated and compliance matters
- 4) Payments of Human capital

In the downward economic situation in South Africa and the low collection rate averaged at 79% in December 2017, it is critical that a focus on spending be directed towards service delivery. Departments are to apply **Austerity measure** and spend in terms of the **affordability** of the municipality. Creating a larger creditors invoices will be detrimental to the municipality based of the low inflow of cash. The replacements of dysfunctional water/electricity meters will assist in more inflow of cash. This will improve water/electricity metering and will gradually reduce water/electricity loses.

The National government has introduced majors in cost curtailment. His Excellency the President in his SONA gave national guidelines on costs drivers and how they are to be reduced. A similar approach must be practiced by the municipality and the following spending reduction is eminent and is to be implemented immediately as cost cutting measures:

- 1) Reduction in overtime
- 2) Reduction in telephone bill
- 3) Reduction in Travelling and Subsistence
- 4) Reduction in use of fuel and oil (Vehicle movements to be monitored)
- 5) Training to be targeted to the prescribed legislations (Competencies be in line with legislative requirements)
- 6) Reduction in spending in departments and to target service delivery issues
- 7) Cutting costs on printing and stationary (recycling of paper)
- 8) Prioritising to fill posts that are critical and generating revenue
- 9) A moratorium be placed in filling other vacant posts

Executive Summary

The application of sound financial management principles for the compilation of Ramotshere Moiloa Local Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The 2017/18 Adjustment Budget notes that the global economic outlook has weakened and the pattern of slow growth is likely to persist, with consequences for all developing economies. South Africa's gross domestic product (GDP) forecast for 2017 has also been revised down. The National Treasury projects GDP growth of 1.3 per cent in 2017, rising to 1.9 per cent by 2020. Average growth over the forecast period is 0.7 percentage points lower than at the time of the 2016 Medium Term Budget Policy Statement. Inadequate electricity supply, however, will impose a serious constraint on output and exports over the short term. The table below give percentages in terms of growth factors which will impact in the 2017/2018 and future budgets:

Macroeconomic performance and projections:

CPI Inflation 6.3% (2016/2017 Actual) , 5.4% (Estimate 2017/2018) 5.2% , (Forecast 2018/2019) , 5.5% (Forecast 2019/2020) and 5.5% (Forecast 2020/2021)

Source: Medium Term Budget Policy Statement 2017 and National Treasury Circular 89

Note: the fiscal year referred to is the national fiscal year (April to March) which is more closely aligned to the municipal fiscal year (July to June) than the calendar year inflation.

In allocating the revised expenditure, focus was based on the core issues that affect the lives and lively wood of the communities that the municipality is serving. During the preparation of the 2017/18 MTREF adjustment budget key issues were limited by the available resources and the respective directorates are to apply a phase in approached or a form of project based approach. At the end of it all the community will be able to see the direction of the municipality and be encouraged to pay for services. The following services are prioritised:

- Repairs to ageing infrastructure for Water Treatment Plant & Water Reticulation
- Problems with water quality
- Most high mast lights and street lights not functional
- Our roads are not good, most roads are still gravel.
- Skills shortage
- Inadequate income for operational purposes
- The ongoing difficulties in the national and local economy
- The increased cost of bulk electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be a point where services will no-longer be affordable;
- Inability to attract and sustain investors

- Poor relationship between the Municipality and Business community
- Interruption of water supply, electricity supply and refuse removal

The slowdown in economic growth since 2012 has highlighted structural constraints in the domestic economy. Achieving faster sustainable growth and large-scale job creation will require structural shifts in the economy, stronger supply-side value chains, higher exports, moderation in wage increases and, crucially, growing private-sector investment based on confidence in the long-term business environment.

Fiscal constraints means that transfers to municipalities will grow more slowly in the period ahead than they have in the past. Accordingly, municipalities must renew their focus on core service delivery functions and reduce costs without adversely affecting basic services. Furthermore they must ensure that efficiency gains, eradication of non-priority spending (cost containment measures) and the reprioritisation of expenditure relating to core infrastructure continue to inform the planning framework.

The state of the economy has an adverse effect on the consumers. As a result municipalities' revenues and cash flows are expected to remain under pressure. Furthermore municipalities should carefully consider affordability of tariff increases, especially as it relates to domestic consumers while considering the level of services versus the associated cost.

The 2017/18 Adjustment MTREF is an important milestone for the current Municipal Council bearing in mind the Council commenced their term with a deficit on the budget for operations, accumulated debts under investment in repairs and maintenance of infrastructure amongst other challenges.

6. The following are proposed tariff increases recommended for changes :

Service per type	2018/2019	2019/2020	2020/2021
Water	6.5%	6.5%	6.5%
Sewerage	6.5%	6.5%	6.5%
Refuse Removal	6.5%	6.5%	6.5%
Electricity	6.84%	6.84%	6.84%
Property Rates	6.5%	6.5%	6.5%
Other Tariff of charge	6.5%	6.5%	6.5%

7. **Recommendations:**

1. That in terms of section 24 of the Municipal Finance Management Act, 56 of 2003, the annual budget of the municipality for the financial year 2018/19; and indicative allocations for the two projected outer years 2019/20 and 2020/21; and the multi-year capital appropriations **BE APPROVED**
2. That in terms of section 24(2)(c)(i) 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 for the supply of Water, Removal services, Sanitation services, Property Rates and Sundry Tariffs as set out "Annexure C" **BE APPROVED** for accounts rendered with effect from 1 July 2018;
3. That, pending approval by NERSA, the 6.84% the proposed increase on electricity tariffs, for the supply of electricity accounts rendered with effect from 1 July 2018, **BE APPROVED**;
4. That the proposed tariffs increase as indicated in "Annexure C" **BE APPROVED**
5. That Council **APPROVE** the changes to organogram to urgently fill the posts of 2 Posts Senior Clerks Data Processing and 2 Accountants to compile Annual Financial Statement and Quarterly Financial Statement
6. That Council **TO NOTE** that the 2018/2019 Operating Budget is **NOT FUNDED**
7. That the annual salary increase of 6.5% **BE NOTED**, as per the multi years collective salary agreement between SALGA and labour unions. There are still negotiations at bargaining Council as the salary agreement expired during the 2017/2018 financial year. 2018/2019 to 2020/2021 three year agreement is finalised
8. That provision **BE MADE** for a 6.5% estimate increase in the Allowances of Councillors, of which final approval is still to be announced in terms of Public Office Bearers Act;
9. That Heads of Department Ensure that the revenue and expenditure of their relevant department/section is monitored regularly, and, should it be found that the estimate revenue would not be realised, the Budget and Treasury Office **BE ADVISED** accordingly in order for the revenue budget to be adjusted during the budget adjustment process;
10. That Capital expenditure to be financed from grants and other external mechanisms **BE IMPLEMENTED** after the funds secured have been confirmed in writing and/ or received;

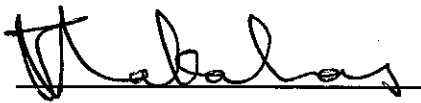
11. That the proposed capital budget **BE ENTIRELY BASED** on the IDP priorities in order to achieve National targets on service provision;
12. That in terms of the Indigent Policy, the monthly gross household earnings for the approval as an indigent household application **BE CAPPED** at R4 400;
13. That it **BE APPROVED** that only indigent customers will be provided with the free basic services;
14. That the level of subsidisation of indigent customers in terms of the Indigent Policy **BE DETERMINED** as follows:
 - a. Water - 6 kl per month
 - b. Electricity - 50 kwh per month
 - c. Basic Electricity
 - d. Basic Water
 - e. Basic Sewerage
 - f. Refuse Removal
 - g. Property Rates
15. That the following Budget Related Policies **APPROVED** be reviewed:
 - a) Credit Control & Debt Collection Policy
 - b) Supply Chain Management Policy.
 - c) Property Rates Policy
 - d) Tariff Policy
 - e) Budget Policy (Virements Policy)
 - f) Asset Management Policy
 - g) Indigent Policy
 - h) UIFW Policy

MUNICIPAL MANAGERS QUALITY CERTIFICATION

I, T.R. Phakalane Acting Municipal Manager of Ramotshere Moiloa Local Municipality, hereby 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.

Acting Municipal Manager of Ramotshere Moiloa Local Municipality

Signature

A handwritten signature in black ink, appearing to read 'T.R. Phakalane', written over a horizontal line.

Date

25 May 2018