

Financial Plan – 2017/2018 Financial Year

1. Introduction

The implementation of the Integrated Development Plan is largely reliant on the efficiency of the financial management system, and a strategy to enhance this capacity is necessary.

The principles, Strategic Financial Framework, the Medium Term Expenditure and Revenue Framework (for the next three years) and Capital Investment Programme, are outlined in this section.

Tswelopele Local Municipality is characterized by a substantially high unemployment level, and this impact the municipality negatively on issues of basic service delivery as community members are unable to pay for their services. The emphasis for 2017/2018 financial year will fall on basic service provision, which could be funded, by all levels of government and service providers. Local economic development should be encouraged as it could have a spill-over effect, which would be beneficial to the municipality as a whole, triggering more investment.

The sections below details the financial plan of the municipality for MTREF.

1.1. Operating revenue overview

Tswelopele Local Municipality has implemented revenue enhancement strategy. Free State Provincial Treasury is currently recommending to all Municipalities to establish Revenue Steering committee, amongst other functions that the committee will be doing is to ensure that the Municipality collects maximum revenue that is due to it.

The following key components were used in terms of budgeted revenue of the municipality:

- National Treasury MFMA Circulars
- Electricity Tariff increases as applied to National Electricity Regulator of South Africa
- Latest Valuation roll in terms of Municipal Property Rates Act, Act 6 of 2004
- Municipality's indigent policy
- Tariff Policy of the Municipality
- Tariff Increases for Water, Refuse and Sewerage
- Targeted revenue collection rate of 90% of the billed revenue

The table in the next page summarises the 2017/2018 revenue by source:

FS183 Tswelopele - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue By Source											
Property rates	2	-	-	-	-	-	-	-	17 000	18 700	20 570
Service charges - electricity revenue	2	-	-	-	-	-	-	-	34 241	37 666	41 432
Service charges - water revenue	2	-	-	-	-	-	-	-	8 155	9 129	10 210
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	6 631	7 295	8 024
Service charges - refuse revenue	2	-	-	-	-	-	-	-	4 200	4 620	5 083
Service charges - other					-	-	-	-	-	-	-
Rental of facilities and equipment									512	563	620
Interest earned - external investments									500	550	605
Interest earned - outstanding debtors									1 000	1 100	1 210
Dividends received									50	55	61
Fines, penalties and forfeits									40	44	48
Licences and permits									60	66	73
Agency services									-	-	-
Transfers and subsidies									62 602	68 935	74 318
Other revenue	2	-	-	-	-	-	-	-	2 155	2 370	2 607
Gains on disposal of PPE									4 250		
Total Revenue (excluding capital transfers and contributions)		-	-	-	-	-	-	-	141 397	151 093	164 859

As it can be seen from the above table, the revenue of the Municipality will increase in the Medium term, the main contributor is revenue from Electricity tariff and Grants and subsidies.

Table 3: Grants

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand										
EXPENDITURE:	1									
Operating expenditure of Transfers and Grants										
National Government:		65 449	–	66 373	65 239	65 239	65 239	62 602	68 935	74 318
Local Government Equitable Share		61 909		62 570	62 414	62 414	62 414	59 702	66 780	71 163
Finance Management		1 650		1 800	1 825	1 825	1 825	1 900	2 155	2 155
EPWP Incentiv e		1 000		1 073	1 000	1 000	1 000	1 000	–	–
Electricity Demand Side Management		890		930	–	–	–	–	–	–
Municipal Sy stems Improvement									–	1 000
Other transfers/grants [insert description]										
Provincial Government:		–	–	–	–	–	–	–	–	–
Other transfers/grants [insert description]										
District Municipality:		50	–	50	50	50	50	50	50	50
Lejweleputswa		50		50	50	50	50	50	50	50
Other grant providers:		–	–	–	–	–	–	–	–	–
[insert description]										
Total operating expenditure of Transfers and Grants		65 499	–	66 423	65 289	65 289	65 289	62 652	68 985	74 368

Total grants received will decrease in 2017/2018 and they will increase in 2018/2019. It should be noted that Municipality will not receive MSIG in 2017/2018.

Different components of revenue will be discussed in this page

1.1.1. Electricity

Tswelopele Local Municipality comprises of 2 townships (Phahameng and Tikwana) and 2 towns (Bultfontein and Hoopstad), and according to the latest census 2011 result, the municipality has 11992, out of this 11992 households, the Municipality only sells electricity to about 1350 households and the rest are serviced by Eskom. The Municipality buys bulk electricity from Eskom to sell to these households and businesses in Bultfontein and Hoopstad respectively.

National Energy regulator of South Africa (NERSA) approved an increase to Eskom of 2.2%.

Tswelopele Local Municipality is going to apply for 1.88%. The reason behind this is that Municipality still has a backlog in terms of its tariff increases.

Tswelopele Local Municipality target indigent households as per the approved indigent register for free basic electricity, all indigent households receive 50Kwh on a monthly basis.

1.1.2. Water

Water Meters are currently being installed in Tikwana, and the intention is that the Townships should be billed based on consumption and not flat rate as is currently the case.

The Municipality proposed an increase of 6.36% for water tariff.

There is currently no inclining block tariff structure implemented for water services, and for future, the Municipality will like to have this tariff structure in place. In terms of the free basic services policy of the Municipality, all households receive the free 6kl per month of water.

1.1.3. Sanitation (Sewerage)

A tariff increase of 6.36% is for sanitation from 1 July 2016 is proposed.

The following factors contributed to the proposed tariff:

- Sanitation charges are charged at a flat rate, irrespective of the quantity of water used / consumed
- Free Sanitation is only provided to indigent households as per the council approved Indigent register
- There is no inclining tariff structure for sanitation consumption

1.1.4. Waste Removal

The proposed tariff increase for waste removal is 6.36%; the reason for a slightly higher percentage increase for waste removal is due to the fact that this will only be the second

financial year that these tariffs are increased. The following factors were considered for the proposed tariff increase:

- Waste removal charges are charged at a flat rate, irrespective of litres of waste removed
- The increment will also cover the wear and tear off all the trucks and vehicles used to provide this service
- Waste removal is provided for free to all the households who are indigent
- All 11992 households waste are removed once a week

1.1.5. Property rates

Property rates is a statutory tax charged on all property owners within the jurisdiction of the Municipality, it is imposed in accordance to section 229 of the Constitution of South Africa and Municipal Property rates act, act 6 of 2004 (MPRA).

In terms of MPRA the municipality must prepare a valuation roll after every 4 financial year, Tswelopele Local Municipality first implemented the valuation roll in accordance with MPRA prescripts on the 1st July 2009, and according to this act a new valuation roll should be implemented on the 1st July 2017. The new valuation roll will be implemented on 1st July 2017

The municipality is proposing an increase of the tariffs on Property rates by 6.36% for all the properties which are not agricultural properties and only 0.00% for agricultural properties.

1.2. Operating Expenditure Framework

The municipality budgeted for an expenditure budget of R 166 624 000 (including non-cash items of R 25 310 000) and it was informed by the following:

- Balance budget constraints – the municipality must not budget for a deficit
- Funding of the budget as based on section 18 and section 19 of Municipal Finance Management act, act 54 of 2003
- National Treasury MFMA circulars
- South African Local Government Bargaining Council collective agreement on salaries
- Average CPI from 1 March 2016 to 28 February 2017

The table below show the total budgeted expenditure:

FS183 Tswelopele - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand	1										
Expenditure By Type											
Employee related costs	2	-	-	-	-	-	-	-	59 122	65 035	71 538
Remuneration of councillors		-	-	-	-	-	-	-	6 135	6 749	7 424
Debt impairment	3	-	-	-	-	-	-	-	5 641	5 641	5 641
Depreciation & asset impairment	2	-	-	-	-	-	-	-	19 669	19 669	19 669
Finance charges		-	-	-	-	-	-	-	2 178	2 396	2 635
Bulk purchases	2	-	-	-	-	-	-	-	31 916	35 108	38 618
Other materials	8	-	-	-	-	-	-	-	8 324	9 156	10 071
Contracted services		-	-	-	-	-	-	-	1 000	1 100	1 210
Transfers and subsidies		-	-	-	-	-	-	-	-	-	-
Other expenditure	4, 5	-	-	-	-	-	-	-	32 640	30 791	25 508
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Total Expenditure		-	-	-	-	-	-	-	166 624	175 644	182 315

1.3. Analysis of Capital Budget

Tswelopele Local Municipality capital budget is funded through Municipal Infrastructure Grant, Regional Bulk Infrastructure Grant and INEP grant

The following are the major capital projects budgeted for:

- Construction of Toilet Structures & Sewer Reticulation and Connections
- Construction of sewerage network
- Upgrading of Sports fields
- Upgrading of Roads
- Upgrading of Electricity Network
- Upgrading of Water treatment plant

Financial Plan – Tswelopele Local Municipality – 2017/2018 Financial plan.