

MEMORANDUM

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CC Registry:	MANAGEMENT TEAM AND DEPARTMENTAL FINANCIAL CHAMPIONS	DMS No:	1149405
Other:		In response to DMS No:	
From:	CHIEF FINANCIAL OFFICER	Date:	26 August 2016
Subject:	2017/18 BUDGET GUIDELINE MEMO		

This Budget guideline memorandum serves as an executive summary to assist management in the 2017/18 Budget process.

Please note that specifically for all financial champions this summary memo needs to be read in conjunction with the Budget Policy document contained on DMS 1145282. This requirement is in order for the CFO to compile a comprehensive and complete a legislative budget document.

IDP – A Single inclusive strategic plan

Management is reminded that the 2016/17 IDP report approved in terms of Council Resolution no. 10876 dated 25/05/2016, is the driver for the 2017/18 Budget with regards to the goals and objectives.

Refer to DMS 1134690 for the 2016/17 Adopted IDP.

The following are pertinent issues arising from the 2017/18 Budget Policy document that need to be highlighted in this budget memorandum:

1. mSCOA requirements
2. Financial Champions
3. Deadline dates
4. Capital and Operating Funding
5. Ntambanana operating costs

1. mSCOA requirements

The primary aspect of budgeting in terms of mSCOA is that municipalities are supposed to be budgeting by Project and not **only** per item of expenditure. Although the financial system does not properly accommodate project based budgeting, the finance department is preparing all documentation for project based budgeting. Therefore it imperative that departments submit working papers that support project based budgeting. Working papers that have been submitted by item of expenditure only will not be accepted.

Please refer to the examples contained in the Budget policy (**DMS 1145282**).



Furthermore, as National Treasury has released version 6 of the mSCOA tables that will be the basis for the 2017/18 MTREF, the Budget office will issue a further memorandum and an excel template on budgeting in terms of mSCOA projects. This template will need to be completed by departments as part of their budget document submissions.

2. Financial Champions

Departments need to ensure that the Financial Champions in each department have been identified and the Budget Office has been notified.

These Financial Champions need to be given the appropriate mandate by each Deputy Municipal Manager and the respective Head of Department to ensure that the department complies with the Budget guideline memo and supporting Budget Policy (typical comments received from Financial Champions in the past is that they are not receiving co-operation from their Departmental colleagues, this needs to be resolved).

The CFO requests that each Department include an opportunity for each Financial Champions to address the Department Management at their respective Management meetings.

3. Deadline dates

ADJUSTMENT BUDGET 2016/17 - CAPITAL AND OPERATING

A hard copy of each department's document must be signed by the Head of Section and submitted to the budget office by no later than **11 November 2016.**

Please note that the Adjustment Budget is not a new Budget but only a process to regularize budget transfers and other minor budget amendments which require Council approval.

DRAFT MTREF BUDGET 2017/18 - CAPITAL AND OPERATING

A hard copy of each department's document must be signed by the Head of Section and submitted to the budget office by no later than **11 November 2016.**

It is important that these deadlines are met as the processes that followed to reconcile and balance the budget are numerous and legislative deadlines need to be met.

4. Capital and Operating Funding

a. Capital Funding

Based on the policies for internal reserves, borrowing appetite and the Division of Revenue Act, the available funds per service for the next three financial years are as follows:



Final Capital Allocation per Service	2017/18	2018/19	2019/20
	R'000	R'000	R'000
Electricity	66 592	70 588	74 583
Fleet	20 705	21 947	23 190
IT Services	10 047	10 650	11 253
Rates and General	68 802	72 930	77 058
Refuse	10 854	11 505	12 156
Sewer	26 098	27 664	29 230
Water	46 902	49 717	52 531
Grand Total	250 000	265 000	280 000

A breakdown of Rates and General Service has been included in the Budget Policy document (DMS 1145282) under section 14.

The table below contains the 2016/17 Division of Revenue Act allocation for the 2017/18 and 2018/19 outer years. These allocations are not final and are subject to amendments by National Treasury.

GRANT FUNDING AS PER 2016/17 DORA	2017/18	2018/19	2019/20
	R'000	R'000	R'000
Sport & Recreation	15 938	16 882	17 881
Sanitation	34 771	36 830	39 010
Roads	20 772	22 002	23 305
Water	34 771	36 830	39 010
Electricity	10 000	11 000	11 000
Grand Total - Grant funding	116 253	123 544	130 207



Please note that although fleet and IT services are support functions that are responsible for the **replacement** of vehicles and IT equipment, it is the **responsibility** of each department when they require additional assets to provide funding from their own allocation.

b. Operating Funding

The Operating Budget Expenditure is limited to **realized (Not Estimated)** local economic growth plus the National Treasury's inflation targets. This implies that the increases below have no economic growth included, however as the respective budget years unfold and economic growth in service revenue is realized, such will be included in the ensuing years Budget Guide. The maximum increases per service are as follows: -

- 2017/ 18 5.5%
- 2018/ 19 5.0%
- 2019/20 5.0%

5. Ntambanana Growth

The additional operating grant revenue anticipated for Ntambanana for administration and repairs and maintenance projects has been absorbed by salaries, **hence no additional revenues for the 2017/18 MTREF are expected to finance other expenses. This implies that Departments must within their current budget envelope accommodate additional expenditures required.**

Financial Services will endeavor to keep Management informed of the progress of the 2017/18 Budget. If there is any uncertainty on any matter mentioned in the Budget Policy document (**DMS 1145282**) regarding the Budget process, the Financial Champions are more than welcome to contact the Budget Office for clarity.

Enclosed for your convenience and in order to assist each department, please find a copy of the 2017/18 MTREF Budget policy document (**DMS 1145282**).

It is requested that this document be circulated to all staff members involved in the budget process.

Your co-operation in achieving the deadlines as set out in the guidelines will be appreciated.

Yours faithfully

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DCCI/
Doc. 1149405

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