

**AMATHOLE DISTRICT MUNICIPALITY'S DRAFT REVIEWED 2015/2016
INTEGRATED DEVELOPMENT PLAN (IDP) AND 2015/16 DRAFT BUDGET**

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[Executive Management Committee]
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[Council]

PURPOSE

In terms of Section 24 of the Municipal Finance Management Act, (Act 56 of 2003), on 27 March 2015, the Council of Amathole District Municipality will meet in a nominated venue, which will constitute the Council Chambers of Amathole District Municipality, to consider and approve the draft reviewed IDP and draft Annual Budget of the municipality for the financial year 2015/16.

- [i] To present to Council the draft reviewed 2015/2016 Integrated Development Plan (IDP) for adoption;
- [ii] To obtain Council's approval of the newly developed, comprehensive reviewed draft Sector Plans reflected below, as well as the minor reviewed Sector Plans and Strategies reflected in Chapter 5 of the IDP:

Newly developed draft Sector Plans

- Draft Fleet Management Strategy
- Draft HIV/AIDS/STI/TB and Cancer
- Disaster Management Plan

Comprehensive Reviewed draft Sector Plans

- 2013-2016 Employment Equity Plan

- [iii] To table before Council the draft 2015/2016 Service Delivery and Budget Implementation Plan (SDBIP) for noting;
- [iv] To obtain Council's Approval of the Annual Budget of the Amathole District Municipality for the financial year 2015/16 and the multi and single year capital appropriations as set out in the following schedules:
 - Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Annexure R1 to R3

- Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Annexure S1 to S3
 - Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Annexure C1 to C3 and graphically in D1 to D3 and E1 to E3
 - Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Annexure F1 to F3 and graphically in G1 to G3, H1 to H3 and graphically in I1 to I3 and Annexure K1-K3 detailing the three year MIG, RBIG and MWIG capital programme
- [v] The Council of Amathole District Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) consider for approval and adoption with effect from 1 July 2015:
- The tariffs for the supply of water – as set out in Annexure T1 to T4
 - The tariffs for sanitation services – as set out in Annexure U
 - The tariffs for Building Plan Fees and Solid Waste Services – as set out in Annexure V
 - The tariffs for Calgary Museum & Conference Centre as set out in Annexure W
 - The tariffs for ADM Fire Services – as set out in Annexure X1 to X3
 - The tariffs for Fines & Offences: Air Pollution Control, Waste Management & Municipal Health as set out in Annexure Y1 to Y 3
- [vi] That ASPIRE’s budget and the 9 budget related policies listed below be approved:

ASPIRE Budget Annexure

- (1) Asset Management Policy
- (2) Banking and Cash Management Policy
- (3) Budget Policy
- (4) Credit Control and Debt Collection policy
- (5) Indigent Policy
- (6) Investment Policy
- (7) Revenue Management By Law
- (8) Supply Chain Management Policy
- (9) Tariff Policy

AUTHORITY

- The Constitution of the Republic of South Africa Act 108 of 1996
- The Local Government Municipal Systems Act 32 of 2000
- The Municipal Finance Management Act 56 of 2003

LEGAL/STATUTORY REQUIREMENTS

Section 25 of the Municipal Systems Act 32 of 2000 states that:

“Each municipal council must adopt a single, inclusive and strategic plan for the development of the municipality which –

- links, integrates and co-ordinates plans and takes into account proposals for the development of the municipality;
- aligns the resources and capacity of the municipality with the implementation of the plan;
- forms the policy framework and general basis on which annual budget must be based.”

Section 34 of the Municipal Systems Act 32 of 2000 also states that –

“A municipal council – (a) must review its integrated development plan

- (i) annually in accordance with the assessment of its performance measurements in terms of section 41; and
- (ii) to the extent that changing circumstances so demand; and (b) may amend its integrated development plan in accordance with a prescribed process.

Section 40 of the Municipal Systems Act 32 of 2000 further states that –

“A municipal municipality must in terms of its performance management system and in accordance with any regulations and guidelines that may be prescribed

- (c)(ii) Measure and review performance at least once per year.

Chapter 4 of The Municipal Finance Management Act indicates that:

- (1) The council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year.
- (2) In order for a municipality to comply with subsection (1), the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.
- (3) Subsection (1) does not preclude the appropriation of money for capital expenditure for a period not exceeding three financial years, provided a separate appropriation is made for each of those financial years.

BACKGROUND

On 22 August 2014, Amathole District Municipality adopted an IDP Framework Plan together with the IDP/Budget Process Plan. These plans were adopted in accordance with the relevant legal prescripts and have dictated the process to be followed for the development of the IDP and the Budget.

Organizational arrangements were put in place as per the IDP/Budget Process Plan and all legislative prescripts were adhered to. Of particular note, have been the operations of structures, such as IDP/PMS/Budget Representative Forum, IDP Steering Committee, Budget Steering Committee, IGR Forum, District Mayors' Forum, Sector Plan Coordination Forum and District Planning Coordination Forum. These have executed their mandates in terms of the adopted IDP/Budget Process Plan and ensured the achievements of key milestones and deliverables.

In the process of developing the IDP and the Budget, a strategic planning session was held on 14 - 16 January 2015. The session was intended to review and facilitate provision of a framework that will guide the municipality's strategic direction as reflected in the 5 year strategic document. The strategic framework encompasses the strategic objectives and strategies aimed at realising the mandate of ADM.

Furthermore, as part of the IDP review process; an analysis was conducted in respect of various sector plans attached to the ADM's IDP. Some were found to be still relevant and required minor update done in-house, others required a major review, whilst new sector plans were developed.

IDP OUTLINE

The reviewed draft 2015 - 2016 IDP is structured as follows:

- The Mayor's Foreword, Municipal Manager's Message and the Executive Summary provide an overview of the planning and budgeting process, the year challenges and improvements made towards achieving a credible and realistic IDP and Budget.
- Chapter one (1) of the IDP provides a concise summary of the municipal vision, mission and values.
- Chapter two (2) provides a detailed profile of the District.
- Chapter three (3) provides the situational analysis of the district in relation to the 5 Key Performance Areas of Local Government, together with the district-wide community priorities and needs.
- Chapter four (4) provides a detailed breakdown of objectives that indicate what the district municipality can reasonably achieve within the 5 year period and within the available resources, as well as strategies and programmes that provide the concrete interventions that the district municipality will implement to attain its objectives.

- Chapter five (5) provides a list of all ADM sector plans and their status, with executive summaries of the newly developed sector plans. The sector plans contain strategic interventions that respond to the status quo assessment.
- Chapter six (6) provides the District Municipality's financial strategies, medium term expenditure, proposed budget for the 2012/13 financial year as well as the 3 year Capital Plan.
- Chapter seven (7) provides an overview of the monitoring and evaluation process, a background to the ADM Performance Management Framework as adopted by the District Municipality, as well as the Municipal Service Delivery and Budget Implementation Plan.

The draft reviewed 2015/16 IDP is attached as **Annexure "A"**.

IDP SECTOR PLANS

In view of the fact that the development and review of ADM sector plans formed part of the 2015/16 IDP review process, it is necessary to consider them for approval with the IDP and Budget, so that they are ready for implementation as they will be reflected in the 2015/16 Service Delivery and Budget Implementation Plan.

A list containing IDP developed and reviewed sector plans is reflected in Chapter 5 of the draft reviewed 2015-16 IDP.

Draft 2015/16 Service Delivery & Budget Implementation Plan (SDBIP)

The SDBIP serves as a "contract" between the administration, council and community expressing the goals and objectives set by the council as quantifiable outcomes that can be implemented by the administration over the next twelve months. This provides the basis for measuring performance in service delivery against end-of-year targets and implementing the budget.

The SDBIP forms part of Chapter 7 of the draft IDP. Being a management and implementation plan, the SDBIP is not required to be approved by the council – it is however tabled before council for noting before it is made public for information and for purposes of monitoring.

The draft 2015/2016 SDBIP is attached as **Annexure "B"**.

2015/16 ADM BUDGET

MAYOR'S REPORT

This will be complete in the final budget in May 2015

EXECUTIVE SUMMARY

The development of the budget is informed by the key service delivery priorities as reflected in the IDP to ensure that services are provided sustainably, economically and equitably to all communities and at the same time ensure the Municipality remains financial sustainable.

The Municipality is facing the dilemma of very poor payment patterns from consumers, resulting in very limited own revenue being collected and causing cash flow challenges.

The collection rate as at the end of February 2015 was 49.94% of current billing, but only 2.15 % of overall debt, with the majority of the debt lying in 90 days (R 522 222 260), with the in the consumer debt category being the biggest contributor to this debt. Year to Date collection rate is 46.51%.

The contract with the previous debt collecting agent expired and a new debt collector was appointed, however, the results to date have not been as fruitful. A letter regarding breach of contract was sent to the service provider and an item requesting termination of contract has been submitted to the Bid Adjudication Committee for approval due to the set targets not being achieved. The possibility of appointing a debt collector per area is being investigated as a means of exploring more effective ways of collection.

The challenge of high levels of unemployment and reluctance on the part of consumers to register as indigent is further playing havoc with the size of the debt book and the collection initiatives. The number of registered indigents is 2 513 for the 2014/15 financial year, however according to STATS SA analysis of the Eastern Cape poverty levels are very high in comparison to the ADM's registered indigents.

The large number of RDP houses is also a contributing factor as they have not been transferred to the beneficiaries and ADM is still billing the local municipalities who are not meeting their obligations.

The service coverage project started in April 2014 with two sub-contractors being appointed. The contractors go simultaneously to sites to verify the services in each of the properties. The service coverage commenced in Amahlathi, then part of Mnquma and Mbhashe and Great Kei, Ngqushwa and Nxuba being the last ones. Nkonkobe area has not yet been fully verified and will be done at a later stage. The data provided by the service provider is compared to the ADM existing database and the next phase will be to update with all existing information.

The benefits that could be achieved from the service coverage project would be the overall increase of consumers being billed which would ultimately lead to a cash inflow. Another benefit could be a reduction of the debt book which would have been the result of incorrect billing.

Medium Term Budget Policy Statement (MTBPS) tabled by Minister of Finance on 22 October 2014 and Circular No. 74 was used to guide the compilation of the 2015/16 Budget and MTREF.

The Municipality faced the following significant challenges during the compilation of the 2015/16

Budget and MTREF:

- ADM continues to be a grant dependant institution with 62% of revenue being grant revenue, which is largely conditional in nature
- Internal revenue collection remains at exceedingly low levels and the debt book is rising
- Tariffs for the 2015/16 financial year have been capped at the maximum 6% guideline and although this is not a cost reflective tariff, affordability was considered to be key, but this has an effect on the sustainability of the municipality
- Salary increases for municipal staff exceeding consumer inflation, and the requirement to fill critical positions in accordance with the Salary and Wage Collective Agreement
- No specific funding allocated for non-core mandates such as building & services planning land & housing, transport, disaster management as well as no funding for the core mandate of municipal health with entire equitable share being allocated to water and sanitation provision.
- MIG is still focused on new infrastructure – 88% of allocation to new
- VAT on external funds being treated as own revenue taken on MIG, WSOG, MSIG, FMG, MWIG, RBIG and BEP amounting to R60 023 318 has been allocated as own revenue to fund operations.
- Equitable share and levy replacement grant together only grown by 5% - below inflation target of 6%.

An overall budget allocation for the 2015/2016 financial year amounts to R1 954 316 333, representing only a 4.47% growth on the overall 2014/15 budget.

Total operating expenditure for the 2015/2016 financial year amounts to R1 513 676 591. The balanced budget was only achieved by major reductions in operating expenditure requirements, non-filling of vacant posts, slight reduction in allocation for internally funded projects and a huge target of increasing our debt collection level to 60%.

The capital budget of R440 639 743 for 2015/16 reflects a 14% decrease from the 2014/15 level. Internally funded capital requirements have been restricted to R23 million contributing to this reduction. This amount of R440 639 743 represents the institutions expenditure on software for new financial system and replacement computers as well as MIG, MWIG, RBIG and bucket eradication program grants.

Although the MIG allocation according to DORA has been gazetted at R438 589 000, only R179 536 307 will be implemented in 2015/16 as R259 052 693 will be utilised to pay back the DBSA Frontloading loan.

In view of the aforementioned, the following table is a consolidated overview of the proposed 2015/16 Expenditure Framework:

Table 1 Consolidated Overview of the 2015/16

Budget Year 2015/16	Amount
Total Revenue (Excluding capital transfers and contributions)	1 513 676 591
Total Expenditure	1 954 316 333
Surplus/Deficit	440 639 742
Total Capital Expenditure	440 639 742

PROCESSES FOLLOWED IN DEVELOPING THE BUDGET

Heads of Departments (HODS) nominated a budget champion for their respective department, to co-ordinate the overall process of developing the 2015/16 budget. All Heads of Departments, General Managers, Senior Managers, Managers as well as Project Managers were invited to attend and participate in the departmental Budget meetings. The prior year's Budget Process Plan was revisited, amended and updated to meet the current year requirements, and approved by Council

The scheduled Budget Steering Committee sessions were held where departments were given the budget parameters and budget templates and specific information was requested from the various departments.

PROJECTS

A decision was made to top-slice the equitable share and levy replacement grant of R699 595 000 by R85 million, all departments were required to work according to this allocation. The projects were allocated in the same ratio as the 2014/2015 financial year. Each department had their total project allocation reflecting under their own cost center, but the process of only releasing monies from the departmental pool once the project has a business plan, terms of reference and all the required documentation. Funds will only be allocated when the project is ready to be implemented, to avoid the situation of unspent funds and roll overs at year end.

The Mayor has given direction to focus on service delivery which will be of benefit to communities.

TARIFFS

BUILDING PLAN FEES

Building plan fees set to increase by 6%. Fees will be based on 0.5% of project value, with the minimum charge being R565.05, except for the R138.74 fee applicable to low cost, RDP housing, with the owner being liable for this fee. The rates are per m2. To illustrate, if you submit plans for a dwelling of 100m2, you will pay: $(100\text{m}^2 \times \text{R}2\,043.28) \times 0.5\% = \text{R}1\,021.64$

TARIFFS: BUILDING PLAN FEES 2015/16

Description	Rates 14/15	Rates 15/16
Dwellings & outbuildings	R 1,927.62 per m2	R 2, 043.28 per m2
Shops, Offices, Factories & Warehouses	R 2,441.65 per m2	R 2, 588.15 per m2
Additions & Alterations	R 2,441.65 per m2	R 2, 588.15 per m2
Minimum Charge	R 533.07	R 565.05
Low Cost Housing	R 130.89	R 138.74

CALGARY MUSEUM AND CONFERENCE CENTRE

A decision was made to do away with internal tariffs and only continue with external tariffs. These tariffs for 2015/16, also represent a 6% increase, are as follows:

External Rate: R419.24 for 1st 15 people then R48.43 a head with a R534.77 refundable deposit.

Museum entrance fee of R10 an adult and R5 a child.

EASTERN REGION SOLID WASTE SITE

The proposed tariffs remain constant for 2015/16, being a service charge of R56 180 for Mnquma for a maximum of 3194 tons and R15 321.41 for Mbhashe for a maximum of 224 tons. Should their tonnage exceed these levels, a rate of R387.64 per ton will be charged.

FIRE SERVICES TARIFFS

Tariffs for fire services have increased with 6%, with varying rates for different class of vehicles ranging from the most expensive of R882.90 per hour for a major pumper to R252.26 per hour for a service vehicle. For incidents outside ADM's municipal jurisdiction, an additional rate per km is to be levied equivalent to the ruling AA rate.

The Fire levy of R18.91 for domestics and R25.23 for non-domestics, in Dutywa, Butterworth, Komga, Cintsa and Peddie, where the fire service is readily available.

In Centane, Ngqamakwe, Elliotdale, Willowvale, Kei Mouth, Morgan's Bay, Haga Haga, Mooiplaas, Bluewaters, Kwelera, Hamburg and Wesley where the service is not readily available due to the vast distance, a fire availability levy of R12.61 for domestic and R18.91 for non-domestic will be charged. The abovementioned levies will be amended as and when fire satellite stations are established. This will also be proposed if the Fire Services function of Amahlathi, Nxuba and Nkonkobe is moved to ADM.

AIR POLLUTION CONTROL – OFFENCES AND FINES

By-law published in extraordinary Provincial Gazette number 2378 dated 9 June 2010 details fines applicable for failure to produce records for inspection for installing, altering any fuel burning equipment without written approval.

WASTE MANAGEMENT – OFFENCES AND FINES

By-law published in extraordinary Provincial Gazette number 2378 dated 9 June 2010 details fines for failing to provide receptacles for the reception of waste that accumulate on the property during a period of seven days for failing to ensure that receptacle, vehicle or conveyance has a body of adequate size and construction for the type of waste being transported.

VIOLATION OF MUNICIPAL HEALTH BY LAWS

By-law published in extraordinary Provincial Gazette number 2378 dated 9 June 2010 for allowing an erf to be overgrown with bush, weeds, grass or other vegetation for failing to prevent the occurrence of a health nuisance by failing to observe standard health practices/regulations.

BUDGET POLICY STATEMENTS

EXTERNAL FUNDS

The Division of Revenue Bill B5 of 2015 (DORB) includes the following funding for 2015/2016:

GRANT	2015/2016	2016/2017	2017/2018
	MUNICIPAL	MUNICIPAL	MUNICIPAL
Municipal Infrastructure Grant	179 536 307	457 300 000	485 347 000
Rural Roads Assets Management Systems Grant	2 734 000	2 806 000	2 980 000
Water Services Operating Subsidy Grant	10 500 000	10 000 000	12 500 000
Municipal Systems Improvement Grant	940 000	960 000	1 033 000
Local Government Financial Management Grant	1 250 000	1 250 000	1 250 000
Equitable Share Formula	409 057 000	425 529 000	454 860 000
RSC Levies Replacement	290 538 000	315 116 000	339 917 000
Expanded Public Works Programme Incentive Grant for Municipalities	2 667 000	-	-
Municipal Water Infrastructure Grant	80 850 000	40 190 000	50 737 000
Rural Households Infrastructure Grant	-	9 000 000	9 000 000
Neighbourhood Development Partnership Grant (Capital)	20 000 000		
<i>Regional Bulk Infrastructure Grant*</i>	<i>95 000 000</i>	<i>153 386 000</i>	<i>104 386 000</i>
<i>Bucket Eradication Programme Grant *</i>	<i>120 685 000</i>	<i>-</i>	<i>-</i>
TOTALS:	1 213 757 307	1 415 537 000	1 462 010 000
<i>Allocations in kind*</i>	<i>215 685 000</i>	<i>153 386 000</i>	<i>104 386 000</i>
<i>BREAKDOWN OF RBIG</i>			
<i>Mncwasa Bulk Water Supply (Mbhashe LM)</i>	<i>41 000 000</i>	<i>71 746 000</i>	<i>42 746 000</i>
<i>Xhora East Water Supply (Mbhashe LM)</i>	<i>45 000 000</i>	<i>81 640 000</i>	<i>61 640 000</i>
<i>Ibika Water Supply (Mnquma LM)</i>	<i>9 000 000</i>	<i>-</i>	<i>-</i>
	<i>95 000 000</i>	<i>153 386 000</i>	<i>104 6 000</i>

A decision was made to top slice equitable share and levy replacement grant of R699 595 000 by R85 million for internally funded projects, by R10 million for vacancies and R2.8 million for movable capital requirements.

Of the MIG, WSOG, MSIG, FMG, MWIG, RBIG and BEP allocations VAT portion totalling R60 023 318 has been allocated as own revenue to fund operations.

The MIG infrastructure grant for 15/16 amounts to R438 589 000. However, project implementation for 15/16 will only be R179 536 307. This reduced amount is due to R259 052 693 worth of the allocation being used to implement DBSA Frontloading projects in 14/15.

Rural Roads Asset Management Grant (RAMS) will be utilised solely for local municipalities. The Water Services Operating Subsidy Grant (WSOG) will be used for infrastructure refurbishments.

MSIG and FMG are specific purpose grants which require approved business plan for implementation of specified initiatives.

MWIG is for water infrastructure projects as detailed in the MWIG Annexure.

The NDPG grant of R20 million will be paid over to Aspire on receipt of invoice for implementation by the entity.

The Regional Bulk Infrastructure Grant (RBIG) and the Bucket Eradication Programme Grant (BEP) are allocation in kind. RBIG will be implemented only in Mbhashe and Mnquma.

The prioritisation for BEP will be communicated by the Department of Water Affairs and Sanitation (DWS).

BUDGET MOVES (VIREMENTS)

In terms of re-allocating funds from line item to line item and from cost center to cost center within the same vote, the Head of Department is entitled to authorize such budget moves, provided it is merely a move of budget and not an overall increase or decrease in the budget and the move facilitates sound risk and financial management.

Movements cannot take place from the capital budget to the operating budget, and neither can moves add to the capital budget. No movement which adds to the personnel expenditure items is allowed.

No movement adding or subtracting from grants to individuals, revenue foregone, entertainment and VAT are permitted.

No movements can take place with regards to revenue items. The Municipal Manager has to approve budget moves between Internally Funded Projects. The Budget Policy has been amended to include this clause.

Movement of funds on conditional grant funds to purposes outside of that specified in the relevant conditional grant framework are not to be permitted, unless with the written approval of the funder.

The Executive Mayor's written approval is required if the budget is to be increased or decreased overall, or if there are proposed moves from one vote to another, example, from Budget & Treasury Office to Engineering Services. Any such moves to be ratified by Council thereafter by inclusion in the annual adjustments budget process. Further

details contained in the Budget Policy which was adopted by Council in 2014/15 budget cycle and remains unchanged.

MUNICIPAL HEALTH SERVICES (MHS)

For the 2015/16 financial year, a specific budget of R616 784 has been set aside for Devolution of Municipal Health. Community Services per area are to be reflective of the respective costs.

UTILISATION OF VAT PORTION OF ALL EXTERNAL FUNDS

This year, the amount of VAT on external grants totaling R60 023 318, will be utilized as own revenue, as specified in Circular 48 to partially fund the requirements of the 2015/16 budget. This includes R22 048 318 on MIG, R115 439 on MSIG, R153 509 on FMG, R11 666 667 on RBIG, R9 928 947 on MWIG and R1 289 474 on WSOG and R14 820 965 on BEP. As the other grants are specifically for local municipalities, no other VAT portion will be taken as own income.

An amount of R259 052 693 on MIG allocation for 2015/16 financial year will be utilized to pay off a portion of the DBSA Frontloading loan. The MIG allocation will therefore be reduced significantly during 2015/16 to pay off the DBSA loan incurred. The VAT input reclaimed from SARS on all DBSA projects will be ring-fenced and an amount of R78 628 000 will be utilized to fund operation in 2015/16 including payment of interest due.

PENSIONERS & POST RETIREMENT BENEFITS

Included in this budget is R3 539 619 worth of liability for pensioner's medical aid costs. An amount of R40 960 000 has also been provided for post-retirement benefits, which includes the interest portion of R20 131 840. However these are non-cash flow items in the 2015/16 period and therefore had no impact on the budget, with them being funded by prior year reserves.

BUDGET PRINCIPLES AND GROWTH PARAMETERS ADOPTED FOR THE 2015/2016 BUDGET

- 7.5% salary increases and 2.5% notch increase with salary related benefits also increasing by 7.5%
- Medical Aid 12% increase and other benefits 8%
- General expenses & repairs and maintenance 6.19%
- Electricity 13%
- Bulk Water 9% estimate
- Performance Bonuses: between 0 and 14% of overall package
- Top slice equitable share and LRG by R85 million for internally funded projects
Allocated available budget in the same ratio as the prior year

- R10 million for vacancies – critical posts
- R2.8 million for movable capital requirements
- Funding envelopes initially based on prior year expenditure patterns but due to significant deficit changed basis to current year expenditure and cut further
- The draft tariffs for 2015/16 will only be increased by 6%, in line with the average inflation and the maximum growth set by National Treasury

In order to achieve a balanced budget, all high-value items were analysed and reduced between 2% and 100% as detailed in the table below.

SUMMARY PER ACCOUNT NUMBER		% CUT	REDUCED FIGURE
1-75-179	PIT LATRINE CLEARANCE	-100%	-
1-45-003	ACCESS ROADS	-100%	-
1-45-009	BUILDINGS	-100%	-
1-45-025	FENCING	-100%	-
1-45-045	DAM REPAIRS & MAINTENANCE	-100%	-
1-75-044	CLEARING OF GRASS SITES	-100%	-
1-75-393	QUANTITY SURVEY TOOL	-100%	-
1-75-206	PROMOTIONAL MATERIAL	-100%	-
1-75-026	BURSARY FOR RARE SKILLS	-100%	-
1-75-394	TELEMETRY	-100%	-
1-45-060	ROADS AND STREETS	-100%	-
1-75-027	BOOKS & PUBLICATIONS	-100%	-
1-75-397	BLACKBERRY ENT SYST	-100%	-
1-75-287	TEAM BUILDING	-100%	-
1-75-211	RENTALS TOILETS	-100%	-
1-45-065	TOOLS AND EQUIPMENT	-100%	-
1-75-079	GIFTS	-100%	-
1-75-183	PHOTOGRAPHS	-100%	-
1-47-040	OFFICE FURNITURE AND EQUIPMENT	-100%	-
1-47-031	EQUIPMENT	-100%	-
1-75-001	ANTI LITTER AND HELATH PROMOTION	-100%	-
1-75-175	PAUPER BURIALS	-100%	-
1-35-005	COLLECTION COSTS	-80%	100 000
1-46-032	MECHANICAL ELECTRICAL	-78%	1 360 000
1-45-067	VEHICLE MAINTENANCE	-76%	1 000 000
1-45-066	TREATMENT FACILITIES	-75%	1 000 000
1-75-378	DOCUMENTUM	-73%	150 000
1-75-285	STAFF RELOCATION	-72%	500 000
1-75-195	PROTECTIVE CLOTHING	-70%	2 000 000
1-75-315	TRAINING : GENERAL	-70%	2 000 000
1-75-013	AUDIT COMMITTEE MEETINGS	-69%	200 000
1-75-370	NETWORK & CABLING	-67%	300 000

SUMMARY PER ACCOUNT NUMBER		% CUT	REDUCED FIGURE
1-75-059	EMERGENCY TANKED WATER	-66%	7 900 206
1-75-035	CONFERENCE ATTENDANCE FEE	-64%	1 000 000
1-75-076	EMPLOYEE STUDY ASSISTANCE SCHEME	-63%	2 000 000
1-75-039	CONSULTANTS : GENERAL	-63%	2 000 000
1-46-035	NETWORK	-62%	1 406 500
1-05-081	EXPERENTIAL TRAINEES	-60%	1 000 000
1-75-124	CORPORATE COMMUNICATIONS & MARKETING	-60%	800 000
1-47-009	GENERAL	-59%	1 000 000
1-75-190	PRINTING STATIONERY	-59%	2 000 000
1-75-207	STRATEGIC SESSIONS	-57%	2 600 000
1-47-030	MACHINERY AND EQUIPMENT	-57%	100 000
1-45-032	MECHANICAL ELECTRICAL	-57%	6 065 000
1-75-073	ESSENTAL CAR USER	-56%	7 055 648
4-03-002	COMPUTERS	-52%	2 800 000
1-75-274	SOLID WASTE SITE EASTERN REGION COST	-50%	2 000 000
1-75-082	FORTHARE TREATMENT AND DELIGATED MAN	-50%	1 000 000
1-75-385	TREND	-50%	650 000
1-75-392	MUN HEALTH INFO SYST	-50%	75 000
1-75-236	RENTALS : VPN LINES	-49%	1 800 000
1-75-090	HIRING COSTS	-49%	2 000 000
1-75-122	FOOD AND BEVERAGES	-48%	2 093 292
1-46-067	VEHICLE MAINTENANCE	-47%	1 000 000
1-75-047	CONSUMABLES	-46%	500 000
1-75-384	SERVICE DESK	-45%	300 000
1-75-196	PUBLIC PARTICIPATION	-44%	1 900 000
1-75-128	DISTRICT COMMUNICATIONS & STAKEHOLDER RELATIONS	-42%	280 000
1-65-045	RENTALS VEHICLES	-42%	500 000
1-75-165	MEMBERSHIP FEES	-40%	4 000 000
1-75-360	3G USAGE	-40%	2 000 000
1-75-129	CUSTOMER CARE & PRESIDENTIAL HOTLINE	-40%	1 500 000
1-75-008	ANNUAL EVENT	-40%	900 000
1-75-396	BACKUP TOOLS	-40%	300 000
1-46-066	TREATMENT FACILITIES	-40%	1 765 519
1-75-330	TRANSPORT: FUEL COSTS	-39%	15 343 633
1-45-030	MACHINERY AND EQUIPMENT	-39%	500 000
1-75-033	COMMUNITY BASED ORGANISATION	-37%	3 000 000
1-75-310	TELEPHONE EXPENSES	-37%	2 000 000
1-75-118	GIS SHARED SERVICES	-37%	400 000
1-45-035	NETWORK	-36%	5 000 000
1-47-067	VEHICLE MAINTENANCE	-35%	378 750

SUMMARY PER ACCOUNT NUMBER		% CUT	REDUCED FIGURE
1-75-306	PLANT & EQUIPMENT HIRING (TLB ETC)	-34%	2 800 000
1-75-305	S&T FLY HOTEL CAR HIRE	-33%	8 000 000
1-75-029	CHEMICALS	-30%	7 000 000
1-75-005	ADVERTISING	-30%	1 000 000
1-75-184	MORAL GENERATION MOVEMENT	-30%	700 000
1-75-171	INTERNATIONAL PROGRAMMES	-30%	714 580
1-75-006	AMATHOLE ECONOMIC DEV AGENCY CONTR	-29%	12 521 350
1-75-255	SECURITY SERVICES	-27%	18 606 704
1-75-057	EMPLOYMENT ASSISTANCE PROGRAMME	-27%	1 200 000
1-75-313	TOOLS & EQUIPMENT	-27%	500 000
1-05-015	SALARIES : TEMPORARY	-26%	650 000
1-75-111	INVENTORY : ITEMS < R500	-26%	573 100
1-75-058	EMERGENCY PROVISSIONS (DM)	-25%	750 000
1-75-381	GIS	-25%	300 000
1-75-123	LEGAL FEES LITIGATION	-22%	1 500 000
1-05-010	SALARIES : OVERTIME	-22%	15 000 000
1-75-177	OVERSIGHT	-17%	500 000
1-75-371	INTERNET	-11%	800 000
1-75-293	STIPEND: VOLUNTEERS	-8%	1 400 000
1-75-055	ELECTRICITY	-3%	33 466 033
1-60-005	BULK PURCHASES: WATER	-2%	75 000 000
			280 505 316

OVERVIEW OF THE 2015/2016 BUDGET

Council requires an overall budget of R1 954 316 333 to perform its functions during the 2015/2016 financial year, representing a 4.47% growth on the overall 2014/15 budget, detailed as follows:

2015/16 INCOME ANALYSIS

SERVICE CHARGES

These have been increased by 6% across the board in line with the inflation target and are by no means cost-reflective. The water service charges account for R171 129 499 and are made up of flat rate, consumptive water, availability fee and basic water charges.

Water tariffs are split into the following categories: indigent, domestic, churches, sports clubs, non-governmental organizations, non-profit organizations, commercial and business, industrial and agriculture, institutions and mixed use. Registered indigents receive 10 free kilolitres a month while domestic consumers receive 6 free kilolitres a month. Even occupants can register for indigent status. Step tariff principle has been applied as detailed in the Proposed Water Consumption Tariff Annexure T1-T4, however

the step tariff does not apply to commercial and business, industrial and agriculture, institutions and mixed use consumers as they are charged a flat rate per kilolitre.

A water availability fee of R45.59 a month is applicable to all vacant plots and a rate ranging from R45.59 to R143 43 will be applied per debtor type for water availability.

Unmetered consumers will be subject to a monthly flat rate charge ranging from R80.64 to R1 163.50 per month.

ADM has a retrofit tariff which means that in the event of a leakage inside the household, which is the responsibility of the occupant to fix, ADM will attend to it for a flat rate of R143.92.

Sanitation tariffs have also been increased by 6%, they account for R71 303 178. They are made up of availability fees for vacant erven and a flat rate for all consumers. Sanitation tariffs are split into various categories as detailed in the sanitation tariff annexure.

Fire tariffs have been increased by 6% and account for only R9 093 of the total service charges due to a culture of non-payment. These are made up of fire levies for domestic and non-domestic where fire services are readily available and a fire availability fee for domestic and non-domestic where fire services are not readily available.

Solid waste tariffs applicable to Mbhashe and Mnquma have also increased by 6% contributing R286 519 to service charge income. A standard monthly rate is applicable up to a maximum tonnage where after a rate per excess ton will be levied.

INTEREST EARNED OUTSTANDING DEBT

An amount of R6, 6 million has been included in this year's budget, which is 79% less than the 14/15 budget amount. This amount has been estimated at this level as in the previous year the interest earned on outstanding debt was based on the amounts billed and was not actually collected. This reduced level should be more reflective of the realistically collectible cash inflow amount.

RENT OF FACILITIES & EQUIPMENT

A decision was made to do away with internal tariffs for the Calgary Museum and only continue with external tariffs. An attempt must be made to generate external revenue.

An amount of R1 963 500 per month is also anticipated for rental income from ADM property situated in 40 Cambridge Street, contributing to the overall rental income of R2 205 997.

INTEREST EARNED ON EXTERNAL INVESTMENTS

The average interest earned on investment will be R3 211 903 while the interest earned on current account will be R7 662 977. This was calculated on average interest rate earned in current year and on the reduced investment level.

The interest on Investments account has declined from previous years due to withdrawals to cover the shortfall from the Municipality's operations. The period of re-investments has also been reduced from 6 to 12 months periods to 3 months intervals in an attempt to grow the level of the capital investment.

GRANTS & SUBSIDIES

Of the below listed grants and subsidies, R60 023 318 has been allocated as own revenue being the VAT portion of the below highlighted grants. This constitutes 62% of overall income with only the equitable share and levy replacement grant being non-conditional.

EXTERNAL FUNDS	2015/16	2016/17	2017/18
MIG	179 536 307	457 300 000	485 347 000
Rural Roads Assets Management Grant	2 734 000	2 806 000	2 980 000
Water Services Operating Subsidy Grant	10 500 000	10 000 000	12 500 000
MSIG	940 000	960 000	1 033 000
FMG	1 250 000	1 250 000	1 250 000
Equitable Share	409 057 000	425 529 000	454 860 000
Levy Replacement Grant	290 538 000	315 116 000	339 917 000
EPWP	2 667 000	-	-
NDPG	20 000 000	-	-
MWIG	80 850 000	40 190 000	50 737 000
RHIG	-	9 000 000	9 000 000
<i>Bucket Eradication Programme*</i>	<i>120 685 000</i>	<i>-</i>	<i>-</i>
<i>Regional Bulk Infrastructure Grant In kind*</i>	<i>95 000 000</i>	<i>153 386 000</i>	<i>104 386 000</i>
TOTAL:	1 213 757 307	1 415 537 000	1 462 010 000
VAT INCLUSIVE FIGURES			
<i>*allocations in kind</i>			

OTHER INCOME - R538 171 885

This consists of prior year income, commission on garnishee orders and sundry income as detailed below.

PRIOR YEAR INCOME

This includes prior year income to fund the following:

Depreciation	176 382 615
Post-Retirement Benefits (including interest)	43 392 000
Provision for Bad Debts	162 127 101
Redemption of Leave	17 047 465
VAT on MIG DBSA	78 628 000
TOTAL	477 577 181

BALANCE OF OTHER INCOME

	AMOUNT
Commission on Garnishee orders	571 386
Sundry Income (being VAT on external funds allocation for 2015/16)	60 023 318
TOTAL	60 594 704

2015/16 EXPENDITURE ANALYSIS

SALARIES, SOCIAL CONTRIBUTIONS AND REMUNERATION OF COUNCILLORS

The total Salaries budget, including social contributions and remuneration of Councillors, constitutes an amount of R635 142 445 being 32.5% of the overall budgeted for 2015/16. No individual vacant posts were accommodated however a R10 million pool has been created to accommodate critical posts.

From the initial stages of the budgeting process, an overall 7.5% increase was applied to salaries, to accommodate possible wage increases which have not yet been finalized in terms of the bargaining council agreement. The CPI average for 2014 is 6.05%.

Other increases applied to Salary related costs based on current trends are as follows:

- 12% increase for Medical Aid up to the maximum contribution of R3 889 by Council
- 7.5% increase for Salary linked benefits and 8% for other allowances.

The 7.5% budget increase was applied to all employees, including Councillors and Section 57 employees. The 7.5% is also applied to the minimum wage of R6 418 per month.

A management decision was taken to restrict monetary compensation for overtime to the two service delivery departments being Engineering and Community Services with the exception of the Council drivers.

The Essential user subsidy and reimbursive scheme needs to be carefully managed with uniform control measures to be implemented across the departments.

Experiential trainees will be centralized under Corporate Services department with an overall allocation of R1 million.

Performance Bonuses

Performance bonuses were budgeted for between 0 and 14% of total remuneration of the Section 57 employees; bearing in mind that the actual performance bonus payouts depends on performance appraisal outcomes.

Redemption of Leave

A budget equivalent to 8 days leave was provided for leave days which can be redeemed during the 2015/16 financial year, based on the increased salary levels of all posts budgeted for, as well as an estimation of the value of long service leave and forfeit leave. The total estimated value to increase the provision by amounted to R17 047 465.

Workmans Compensation

1% of the salary cost of each department is provided for this liability, which is paid over on an annual basis after the declaration of remunerations figures have been submitted and the invoice issued.

Pensioner Costs

ADM continues to provide for pensioner's ex gratia grant in an amount of R38 825 and medical aid of R3 539 619

Other Employee Costs

An amount of R23 260 160 has been budgeted for post-retirement costs, the actual amount will be calculated and provided for actuaries at year end.

PROVISION FOR BAD DEBTS

The value of the debtor's book was assessed and the tool provided by NT and by the AG was used to estimate the required Provision for Bad debts for 2015/16, taking into account the top up that was required as part of the 2014/15 adjustment budget process. The additional provision required for 2015/16 has been estimated to be R162 127 101 which equates to an 80% provision.

COLLECTION COSTS

These costs totaling R150 000 relate to the estimated costs to be paid to the debt collector as well as to lawyers who collect on the ADM's behalf.

DEPRECIATION

Depreciation budget for 2015/16 is set at R176 382 615. As this is a non cash item, this has no overall budget impact, as it is financed by prior year income.

REPAIRS AND MAINTENANCE

An amount of R29 611 668 makes up repairs and maintenance. This amount only represents 1.52% of overall expenditure, however this relates to material costs of repairs executed by ADM staff and not the labour costs which are fully reflected under salaries.

INTEREST EXPENSE

The total amount of interest expense is R53 864 739. R20 131 840 makes up the interest portion of the post retirement benefit costs and R33 628 000 relates to interest due to DBSA for the Frontloading loan, the balance R104 899 being budgeted for interest on lease agreements.

GENERAL EXPENSES

Included in these general expenses are R85 000 000 worth of internally funded projects identified during the budgeting process, linked to the Strategies & Objectives formulated at the Strategic Session. Other significant amounts in excess of R2 million included under General Expenses detailed below:

Expense Category	Amount
Electricity	R33 466 033
Indigent Support	R20 748 740
Security Services	R18 606 704
Transport Costs	R15 343 633
ASPIRE	R12 521 350
Subsistence & Travel	R8 000 000
Emergency Tanked Water	R7 900 206
Essential Car User Reimbursive Costs	R7 107 128
Insurance Costs	R7 012 804
Chemicals	R7 000 000
Audit Fees for Auditor General	R5 042 262
Membership Fees	R4 000 000
Microsoft Enterprise Agreement	R3 500 000
Community Based Organisation	R3 000 000
Plant & Equipment Hiring	R2 800 000

Strategic Sessions	R2 600 000
Postage	R2 558 100
Food & Beverages	R2 093 292
Telephone Expenses	R2 000 000
3G Usage	R2 000 000
Consultants: General	R2 000 000
Employee Study Assistance	R2 000 000
Hiring Costs	R2 000 000
Printing & Stationery	R2 000 000
Protective Clothing	R2 000 000
Solid Waste Site	R2 000 000
Training: General	R2 000 000

Employee Study Assistance Scheme

Only staff that is already in the study assistance programme will be accommodated to further their studies in the 2014/15 financial year. No new applications will be catered for and no funding for post-graduate degrees. Each department has been restricted to a fixed amount for studies.

BULK PURCHASES: WATER

An amount of R75 million has been set aside for purchasing of water from DWA and Amatola Water.

CONTRACTED SERVICES

These consist of rentals of equipment, office space, parking and vehicles.

TOTAL CAPITAL

This amounts to R440 639 743 and represents the institutions expenditure on software, a R2, 8 million allocation for other capital items as well as the MIG, MWIG, Regional Bulk and Bucket Eradication as per below table.

	Amount
MIG	157 487 988
MWIG	70 921 053
RBIG	83 333 333
BEP	105 864 035
Internally Funded Assets	23 033 333
TOTAL	440 639 743

STAFF IMPLICATIONS

Of the staff listing, all vacant posts were isolated and removed. Only R10 million has put set aside for the critical posts. Only warm bodies as contained in the January pay run and posts approved for filling in the 2014/15 budget adjustment were catered for.

FINANCIAL IMPLICATIONS

The full financial effect of the 2015/16 budget is summarized in the attached budget summaries, reflecting an overall budget of R1 954 316 333

An amount of R1 250 000 was set aside for the IDP review process under account number 15 60 175 095 00.

OTHER PARTIES CONSULTED

- Municipal Manager
- Heads of Departments
- IDP Steering Committee
- Departmental Budget Teams
- Budget Steering Committee
- Portfolio Councillors
- All 7 ADM Local Municipalities

ANNEXURES

Annexure "A"	Draft reviewed 2015/2016 Integrated Development Plan
Annexure "B"	Draft 2015/16 Service Delivery and Budget Implementation Plan
Annexure "C1-3"	Budgeted Financial Performance (revenue by source and expenditure by type)
Annexure "D1-3"	Graphical Representation of Budgeted Financial Performance – expenditure by type
Annexure "E1-3"	Graphical Representation of Budgeted Financial Performance – revenue by source
Annexure "F1-3"	Capital Budget Source of Funding Summary
Annexure "G1-3"	Graphical Representation of Capital budget Source of Funding
Annexure "H1-3"	Capital per Department
Annexure "I1-3"	Graphical Representation of Capital per Department
Annexure "J"	External Funds
Annexure "K1"	MIG Three Year Capital Plan
Annexure "K2"	RBIG Three Year Capital Plan
Annexure "K3"	MWIG Three Year Capital Plan
Annexure "L1"	Division of Revenue Bill 2015
Annexure "L2"	Division of Revenue Bill 2015 - Comparison

Annexure “M”	Final Split of Total Revenue
Annexure “N1-3”	Detailed Breakdown per Department and Cost Centre of Total Expenditure and Income
Annexure “O1-3”	Cost Centre Summary reflecting overall Percentages
Annexure “P”	2015/16 Budget versus Prior Year Comparison
Annexure “Q1-3	Capital Budget per Cost Centre – New & Replacement
Annexure “R1-R3”	High Level Summary by Government Financial Statistics – Capital & Operating
Annexure “S1-3”	Revenue and Expenditure per Municipal Vote
Annexure “T1”	Proposed Sundry Water Charges 2015/16
Annexure “T2”	Proposed Water Consumption Tariffs 2015/16
Annexure “T3”	Proposed Water Consumption Tariffs 2015/16 (continued)
Annexure “T4”	Proposed Water Consumption Tariffs 2015/16 (continued)
Annexure “U”	Proposed Sanitation Tariffs 2015/16
Annexure “V”	Proposed Building Plan Fees and Eastern Region Solid Waste Site Tariffs 2015/16
Annexure “W”	Proposed Calgary Museum & Conference Facility Tariffs 2014/15
Annexure “X1-3”	Proposed Fire Services Tariffs 2015/16
Annexure “Y1-3”	Proposed Offences & Fines Air Pollution, Waste Management and Municipal Health 2015/16
Annexure “Z”	9 Budget Related Policies 2015/16
Annexure “AA1-3”	Detailed Income per Cost Centre
Annexure “AB1-3”	Detailed Expenditure per Cost Centre
Annexure “AC”	Municipal Manager’s Quality Certificate
Annexure “AD”	Aspire 2015/16 budget
Annexure “AE1-9”	Internally Funded Projects

RECOMMENDATIONS

- [a] That the Council adopts the Draft reviewed 2015 – 2016 Integrated Development Plan Annexure “A”;
- [b] That the below newly developed Sector Plans, comprehensive reviews as well as the minor reviewed Sector Plans and Strategies reflected in Chapter 5 of the IDP be approved:

Newly developed draft Sector Plans

- Draft Fleet Management Strategy
- Draft HIV/AIDS/STI/TB and Cancer Strategy
- Draft Disaster Management Plan

Comprehensive reviewed draft Sector Plans

- 2013-2016 Employment Equity Plan
- [c] That the 2015/2016 SDBIP be noted Annexure “B”
- [d] The Draft Annual Budget of the Amathole District Municipality for the financial year 2015/16 and the multi and single year capital appropriations as set out in the following schedules are approved:
 - Budgeted Financial Performance - Revenue and expenditure by standard classification as contained in Annexure R1 to R3
 - Budgeted Financial Performance - Revenue and expenditure by municipal vote as contained in Annexure S1 to S3
 - Budgeted Financial Performance - Revenue by source and expenditure by type as contained in Annexure C1 to C3 and graphically in D1 to D3 and E1 to E3
 - Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Annexure F1 to F3 and graphically in G1 to G3, H1 to H3 and graphically in I1 to I3 and Annexure K detailing the three year MIG capital programme
- [e] The Council of Amathole District Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2015:
 - The tariffs for the supply of water – as set out in Annexure T1 to T4
 - The tariffs for sanitation services – as set out in Annexure U1
 - The tariffs for Building Plan Fees and Solid Waste Services – as set out in Annexure V
 - The tariffs for Calgary Museum & Conference Centre as set out in Annexure W
 - The tariffs for ADM Fire Services – as set out in Annexure X1 to X3
 - The tariffs for Fines & Offences: Air Pollution Control, Waste Management & Municipal Health as set out in Annexure Y1 to Y28
- [f] That ASPIRE’s budget and the 9 budget related policies listed below be approved:
 - Asset Management Policy
 - Banking and Cash Management Policy
 - Budget Policy

- Credit Control and Debt Collection policy
- Indigent Policy
- Investment Policy
- Revenue Management By Law
- Supply Chain Management Policy
- Tariff Policy

[g] That the Council notes the inclusion of the below mentioned information as contained in Annexure AI Municipal Annual Budget and MTREF & Supporting Tables (Schedule A format)

- Measureable Performance objectives
- Cash flow projection
- Investments
- Allocation to the entity ASPIRE
- Proposed cost to the municipality for the budget year of the salary allowance and benefits

[h] That Council approves the 2015/16 overall budget of R1 954 316 333.