

IKWEZI MUNICIPALITY 82ND ORDINARY COUNCIL MEETING 26/03/2013

ITEM F&A 6.2.2

MULTI YEAR DRAFT BUDGET



**MULTI-YEAR DRAFT BUDGET
2013/2014, 2014/2015, 2015/2016
REPORT**

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MULTI-YEAR DRAFT BUDGET – 2013/14, 2014/15 and 2015/16

PURPOSE

The purpose of this report is to present the multi-year, 2013/2014 to 2015/2016 draft budget for consideration and for recommendation for approval by Council.

BACKGROUND

The Municipal Finance Management Act (MFMA) directs that a municipality may only incur expenditure in terms of an approved budget which must be approved annually before the start of the budget year. In order to comply with this requirement (s16(1)), the Act requires the mayor of the municipality to table the draft annual budget at a Council meeting at least 90 days before the start of the budget year (31 March 2013).

After tabling, the draft budget must be taken for consultation with all relevant stakeholders, and the final budget must be tabled and approved by Council no later than 31 May 2013.

In preparing the budget, the MFMA, the Municipal Budget and Reporting Regulations and the MFMA Circulars prescribe the content of the annual budget, the supporting documents, the structure and format of the budget.

The draft MTREF budget for 2013 - 2014 has been prepared in accordance with the compliance documents stated above.

The operating budget is divided into Revenue and Expenditure sections. Revenue and Expenditure are further disclosed by Revenue:- Vote and Source, and Expenditure:- by Vote and Type.

The Capital budget is also disclosed by vote and by funding source.

BUDGET PROCESS

Council approved the budget and IDP process plan in August 2012 in line with the provisions of the MFMA.

The Budget office prepared budgets for payroll, interest, provision for bad debts and depreciation.

DISCUSSION

This draft budget was compiled under the context of tough operating economic conditions. As a result, the budget was prepared using the actual expenditure for 8 months (July 2012 to February 2013), and converted to 12 months as a baseline.

National Treasury has issued Circulars No. 66/67 that should be used as a guideline for the new budget cycle, which I attach for your ease of reference.

I would like to highlight the following that emanate from Circulars 66/67

- Municipalities must adopt a conservative approach when projection their expected revenues and cash receipts
- National priorities should be taken into account (e.g. EPWP - job creation)
- Image of Local Government
- Procurement reforms and fighting corruption

- Management accounting and tariff setting
- Non- priority spending should be eliminated (sponsorships, catering, foreign travel etc).

Summary of increases:-

	2013/2014	2014/2015	2015/2016
Headline Inflation forecast	5.60%	5.40%	5.40%
Tariff increase Electricity	7.50%	7.50%	7.50%
Tariff increases (exclelectricity)	7%	6%	6%
Eskom Bulk tariff increase amounts	8%		
Salary increase cost of living adjustment	6.95%	6.50%	6.50%

The municipality's performance against its budget is a very important tool when determining the status of service delivery. It is therefore crucial to properly budget for the coming year in order to ensure viable and sustainable service delivery.

When budgeting for the 2013/2014 – 2015/2016, the following should also be taken into account:

- The current economic state of the country
- Outcomes of Public Participation Meetings
- Municipality's IDP
- Internal operational needs
- Budget Basis

As mentioned in Circulars 66/67, the budget for the renewal and operational repairs and maintenance of existing asset infrastructure is still not receiving adequate priority.

It should also be highlighted that an affordability exercise will be done to determine what the municipality can afford on this year's budget. We will have to do away with nice to haves and focus more on necessities.

GOVERNMENT GRANTS AND SUBSIDIES

The following Government Grants have been allocated for the next three financial years.

Government Grants & Subsidies	2013/2014	2014/2015	2015/2016
Library Subsidy EC Prov Govt	266 000	266 000	266 000
Equitable Share	16 860 001	15 856 832	18 290 082
Financial Management Grant	1 650 000	1 800 000	1 950 000
Municipal System Improvement Grant	890 000	934 000	967 000
Integrated National Electrification Grant (Escom)	0	0	5 000 000
Municipal Infrastructure Grant	8 752 500	8 002 000	7 934 000
Integrated National Electrification (Municipal) Grant	561 000	0	0
EC Prov Govt - Local Govt Grant	468 000	457 000	530 000
Expanded Public Works Programme Incentive	1 000 000	0	0
	30 447 501	27 315 832	34 937 082

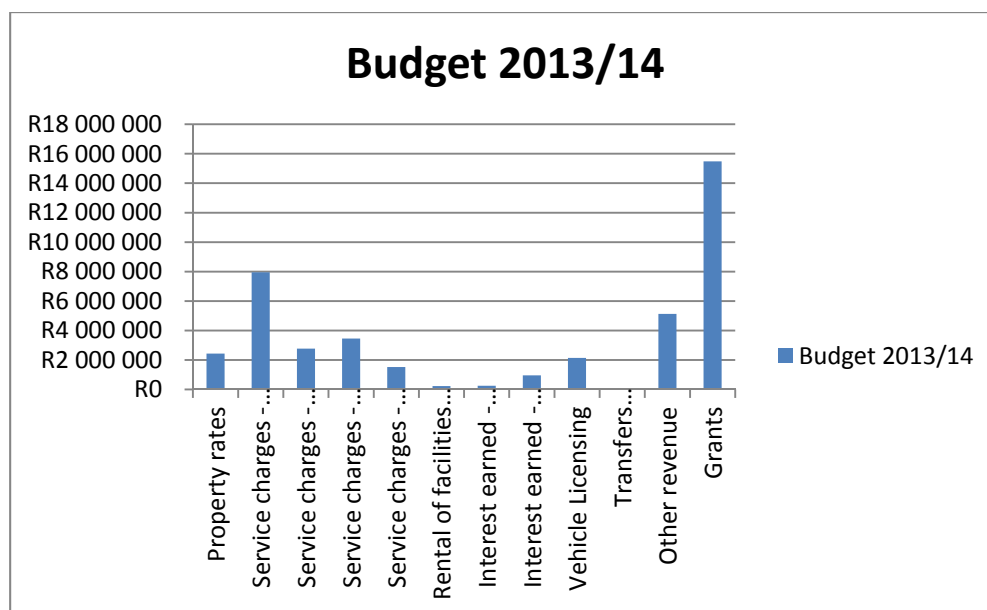
1. OPERATING BUDGET

1.1 INCOME BUDGET

1.1.1 Income Budget by Source

Income Budget by Source	Budget 2013/14
Property rates	R 2 428 503
Service charges - electricity revenue	R 7 955 497
Service charges - water revenue	R 2 766 818
Service charges - sewerage revenue	R 3 458 044
Service charges - refuse revenue	R 1 520 878
Rental of facilities and equipment	R 230 114
Interest earned - external investments	R 250 745
Interest earned - outstanding debtors	R 959 532
Vehicle Licensing	R 2 135 711
Transfers recognised - operational	R 0
Other revenue	R 5 131 938
Grants	R 15 485 947
Total Income Budget by Source (excl capital transfers and contributions)	R 42 323 729

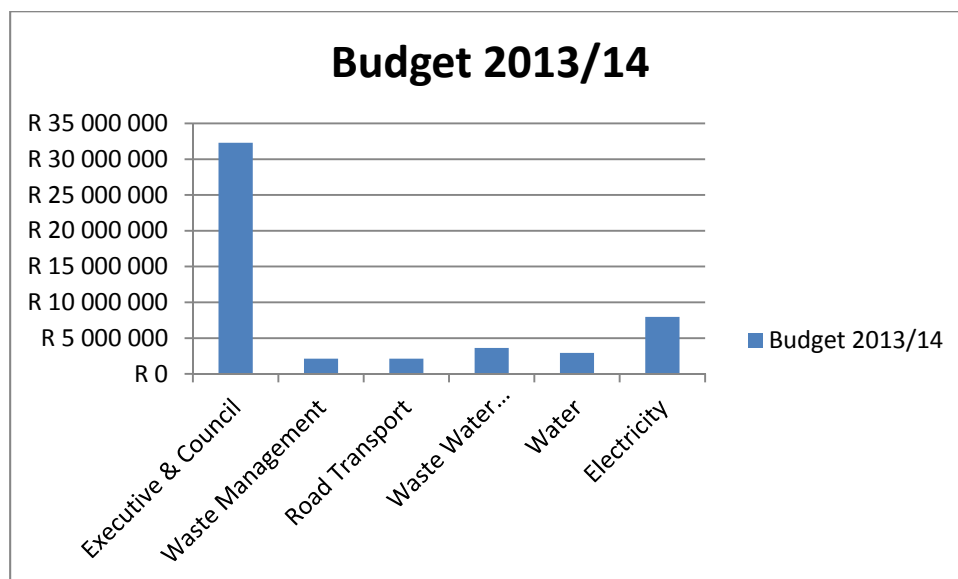
1.1.2 Income Budget by Source graph



1.1.3 Income Budget by Vote

Income Budget by Vote	Budget 2013/14
Executive & Council	R 32 291 102
Waste Management	R 2 129 533
Road Transport	R 2 135 711
Waste Water Management	R 3 613 842
Water	R 2 932 288
Electricity	R 7 973 753
Total Income Budget by Vote	R 51 076 229

1.1.4 Income Budget by Vote graph

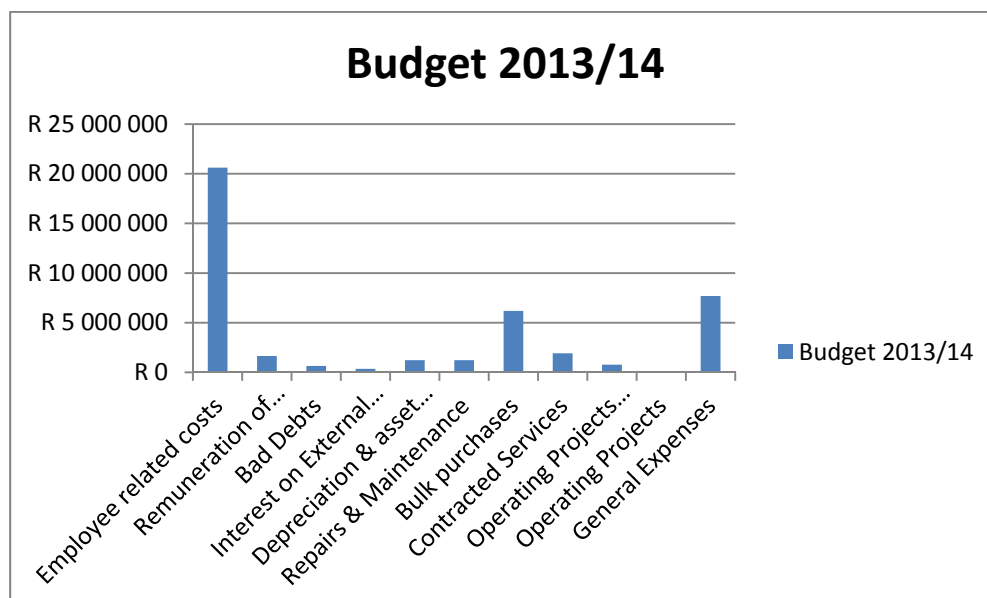


1.2 EXPENDITURE BUDGET

1.2.1 Expenditure Budget by Type

Operating Expenditure by Type	Budget 2013/14
Employee related costs	R 20 618 776
Remuneration of councillors	R 1 641 193
Bad Debts	R 645 217
Interest on External Borrowings	R 343 381
Depreciation & asset impairment	R 1 218 255
Repairs & Maintenance	R 1 220 617
Bulk purchases	R 6 191 000
Contracted Services	R 1 914 734
Operating Projects Grants & Subs	R 768 000
Operating Projects	R 70 000
General Expenses	R 7 692 555
Total Operating Expenditure by Type	R 42 323 728

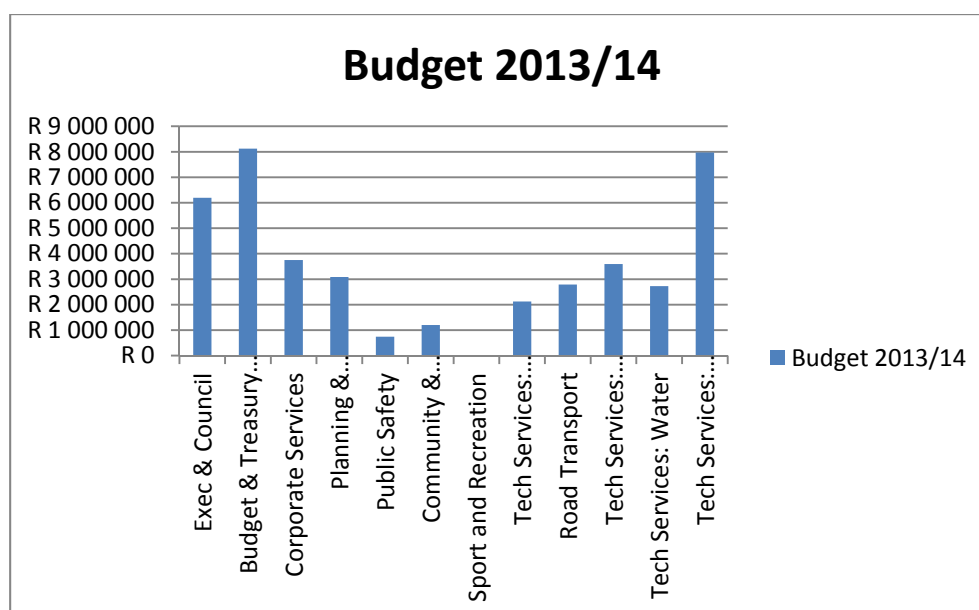
1.2.2 Expenditure Budget by Type graph



1.2.3 Expenditure Budget by Vote

Opex by Vote	Budget 2013/14
Exec & Council	R 6 196 053
Budget & Treasury Office	R 8 123 673
Corporate Services	R 3 753 355
Planning & Development	R 3 083 355
Public Safety	R 746 487
Community & Social Services	R 1 199 600
Sport and Recreation	R 4 467
Tech Services: Waste Management	R 2 126 224
Road Transport	R 2 792 885
Tech Services: Waste Water Management	R 3 593 768
Tech Services: Water	R 2 729 223
Tech Services: Electricity	R 7 974 637
Total Operating Expenditure by Vote	R 42 323 728

1.2.4 Expenditure Budget by Vote graph



1.3 CAPITAL BUDGET

1.3.1 Capital Budget by Vote

Capex by Vote	Budget 2013/14
Tech Services:- MIG allocation 2013/2014	R 8 752 500
Total Capex by Vote	R 8 752 500

RECOMMENDATION

1. That Council approves the 2013/2014 Budget as following:-

OPERATING BUDGET - INCOME	R 51 076 229
OPERATING BUDGET EXPENDITURE	R 42 323 728
CAPITAL BUDGET	R 8 752 500

2. That Council approves the Rates and Tariffs as per **item 1.4.** attached.

1.4 RATES AND TARIFFS

Council's tariffs have been increased as following:

RATES AND TARIFFS: 2013/14, 2014/15 & 2015/16

<u>ASSESSMENT RATES</u>	<u>2012/13</u> <u>Tariff</u>	<u>2013/14</u> <u>Increase</u>	<u>2013/14</u> <u>Tariff</u>	<u>2014/15</u> <u>Increase</u>	<u>2014/15</u> <u>Tariff</u>	<u>2015/16</u> <u>Increase</u>	<u>2015/16</u> <u>tariff</u>
Residential - per R1 Valuation per annum	R 0.01975	7.00%	R 0.0211	6.00%	R 0.02240	6.00%	R 0.02375
Businesses - per R1 valuation per annum	R 0.02371	7.00%	R 0.0254	6.00%	R 0.02689	6.00%	R 0.02850
Government - per R1 valuation per annum	R 0.02844	7.00%	R 0.0304	6.00%	R 0.03225	6.00%	R 0.03419
Agriculture - per R1 valuation per annum	R 0.00099	7.00%	R 0.0011	6.00%	R 0.00112	6.00%	R 0.00119
<u>ELECTRICITY</u>							
A: PREPAYMENT							
Domestic: Indigent							
Block 1 (0 - 50kwh)	R 0.91	7.50%	R 0.98	7.50%	R 1.05	7.50%	R 1.13
Block 2 (51 - 350kwh)	R 1.07	7.50%	R 1.15	7.50%	R 1.24	7.50%	R 1.33
Block 3 (351 - 600kwh)	R 1.56	7.50%	R 1.68	7.50%	R 1.81	7.50%	R 1.94
Block 4 (>600kwh)	R 1.68	7.50%	R 1.80	7.50%	R 1.94	7.50%	R 2.09
Basic Charge(per month)	R 75.00		R 80.00		R 85.00		R 90.00
Domestic: Standard							

Block 1 (0 - 50kwh)	R 1.01	7.50%	R 1.08	7.50%	R 1.16	7.50%	R 1.25
Block 2 (51 - 350kwh)	R 1.15	7.50%	R 1.24	7.50%	R 1.33	7.50%	R 1.43
Block 3 (351 - 600kwh)	R 1.66	7.50%	R 1.79	7.50%	R 1.92	7.50%	R 2.07
Block 4 (>600kwh)	R 1.81	7.50%	R 1.95	7.50%	R 2.09	7.50%	R 2.25
Basic charge	R 175.00	7.50%	R 188.13	7.50%	R 202.23	7.50%	R 217.40
Commercial	R 1.68	7.50%	R 1.81	7.50%	R 1.95	7.50%	R 2.09
B: CONVENTIONAL							
Basic charge	R 367.00	7.50%	R 394.53	7.50%	R 424.11	7.50%	R 455.92
Energy charge per kwh	R 1.48	7.50%	R 1.59	7.50%	R 1.71	7.50%	R 1.84
PRE-PAID ELECTRICITY							
<u>WATER</u>							
Water Deposits: for new agreements only							
Residential	R 130.00	0.00%	R 130.00	0.00%	R 130.00	0.00%	R 130.00
Bulk users (Schools, hostels, other)	R 380.00	0.00%	R 380.00	0.00%	R 380.00	0.00%	R 380.00
Not metered							
Basic charge: Residential (equal to 10kl) - per month	R 51.12	7.00%	R 54.70	6.00%	R 57.98	6.00%	R 61.46
Basic charge: Schools, hostels and other bulk users) - per month	R 204.50	7.00%	R 218.81	6.00%	R 231.94	6.00%	R 245.85
Metered							
Basic charge: Residential & Bussinesses - per month	R 51.12	7.00%	R 54.70	6.00%	R 57.98	6.00%	R 61.46
More than 10kl: per kl	R 5.11	7.00%	R 5.47	6.00%	R 5.80	6.00%	R 6.15
<u>REFUSE REMOVAL</u>							
Residential - per month	R 53.42	7.00%	R 57.16	6.00%	R 60.59	6.00%	R 64.23

Bussinesses - per month	R 62.96	7.00%	R 67.37	6.00%	R 71.41	6.00%	R 75.70
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SEWERAGE

Jansenville - Basic charge (Buckets) - per month	R 43.25	7.00%	R 46.28	6.00%	R 49.05	6.00%	R 51.99
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Klipplaat - Basic charge (Buckets) - per month	R 78.86	7.00%	R 84.38	6.00%	R 89.45	6.00%	R 94.81
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Septic Tank	R 78.86	7.00%	R 84.38	6.00%	R 89.45	6.00%	R 94.81
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Sewerage fees - Residential (Jansenville & Klipplaat) - p/pan - p/m	R 78.86	7.00%	R 84.38	6.00%	R 89.45	6.00%	R 94.81
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- Jansenville Schools (If connected) - per month	R 520.25	7.00%	R 556.67	6.00%	R 590.07	6.00%	R 625.47
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- Jansenville Hostels (If connected) - per month	R 471.91	7.00%	R 504.95	6.00%	R 535.24	6.00%	R 567.36
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- Angora Lodge Hotel - per month	R 594.02	7.00%	R 635.61	6.00%	R 673.74	6.00%	R 714.17
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- Dept of Correctional Services - per month	R 964.18	7.00%	R 1 031.67	6.00%	R 1 093.57	6.00%	R 1 159.18
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- Huis Welverdiend - per month	R 506.26	7.00%	R 541.69	6.00%	R 574.20	6.00%	R 608.65
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- SAWAS Hospital - per month	R 667.80	7.00%	R 714.55	6.00%	R 757.42	6.00%	R 802.86
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TOWN HALLS

Deposits

Jansenville Town Hall	R 500.00	0.00%	R 500.00	0.00%	R 500.00	0.00%	R 500.00
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Popoyi Majane Hall	R 200.00	0.00%	R 200.00	0.00%	R 200.00	0.00%	R 200.00
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Prince Vale Community Hall	R 200.00	0.00%	R 200.00	0.00%	R 200.00	0.00%	R 200.00
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Rentals

Jansenville Town Hall -

Church services and other church related events	R 53.00	7.00%	R 56.71	6.00%	R 60.11	6.00%	R 63.72
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Other functions ended before 18:00	R 286.20	7.00%	R 306.23	6.00%	R 324.61	6.00%	R 344.08
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All functions started after 18:00	R 180.20	7.00%	R 192.81	6.00%	R 204.38	6.00%	R 216.65
All functions for day and night	R 450.50	7.00%	R 482.04	6.00%	R 510.96	6.00%	R 541.61

Popoyi Majane Hall

Church services and funerals/meetings	R 45.05	7.00%	R 48.20	6.00%	R 51.10	6.00%	R 54.16
Other functions before 18:00	R 190.80	7.00%	R 204.16	6.00%	R 216.41	6.00%	R 229.39
All functions after 18:00	R 146.28	7.00%	R 156.52	6.00%	R 165.91	6.00%	R 175.87
All functions for day and night	R 349.80	7.00%	R 374.29	6.00%	R 396.74	6.00%	R 420.55

All Klipplaat Community Halls

Church services and funerals/meetings	R 45.05	7.00%	R 48.20	6.00%	R 51.10	6.00%	R 54.16
Other functions before 18:00	R 190.80	7.00%	R 204.16	6.00%	R 216.41	6.00%	R 229.39
All functions after 18:00	R 146.28	7.00%	R 156.52	6.00%	R 165.91	6.00%	R 175.87
All functions for day and night	R 349.80	7.00%	R 374.29	6.00%	R 396.74	6.00%	R 420.55

Waterford Community Hall

Church services and funerals/meetings	R 45.05	7.00%	R 48.20	6.00%	R 51.10	6.00%	R 54.16
Other functions before 18:00	R 190.80	7.00%	R 204.16	6.00%	R 216.41	6.00%	R 229.39
All functions after 18:00	R 146.28	7.00%	R 156.52	6.00%	R 165.91	6.00%	R 175.87
All functions for day and night	R 349.80	7.00%	R 374.29	6.00%	R 396.74	6.00%	R 420.55

SUNDRY TARIFFS

Photocopies/Printing - excluding scholars	R 1.20	7.00%	R 1.28	6.00%	R 1.36	6.00%	R 1.44
Photocopies/Printing - scholars only at library	R 0.60	7.00%	R 0.64	6.00%	R 0.68	6.00%	R 0.72
Fax service - sending/receiving	R 5.83	7.00%	R 6.24	6.00%	R 6.61	6.00%	R 7.01
Garden refuse - per load removed	R 65.72	7.00%	R 70.32	6.00%	R 74.54	6.00%	R 79.01

Tampering of electricity meters : First offence	R 1 828.50	7.00%	R 1 956.50	6.00%	R 2 073.88	6.00%	R 2 198.32
Second offence	R 2 681.80	7.00%	R 2 869.53	6.00%	R 3 041.70	6.00%	R 3 224.20
Third offence	Disconnect		Disconnect		Disconnect		Disconnect
Moving an existing electricity meter	R 904.50	7.00%	R 967.81	6.00%	R 1 025.88	6.00%	R 1 087.43
Electricity connection fee	R 1 162.93	7.00%	R 1 244.33	6.00%	R 1 318.99	6.00%	R 1 398.13
Call out fee for electricity - not Municipality fault	R 206.74	7.00%	R 221.21	6.00%	R 234.49	6.00%	R 248.56
Clearance certificate	R 90.10	7.00%	R 96.41	6.00%	R 102.19	6.00%	R 108.32
Valuation certificate	R 90.10	7.00%	R 96.41	6.00%	R 102.19	6.00%	R 108.32
Searching fees	R 41.87	7.00%	R 44.80	6.00%	R 47.49	6.00%	R 50.34
Cemetery fees - per grave	R 50.03	7.00%	R 53.53	6.00%	R 56.75	6.00%	R 60.15
Building Plan Fees (Alterations)	R 90.10	7.00%	R 96.41	6.00%	R 102.19	6.00%	R 108.32
Building Plan Fees (New Buildings)	R 265.00	7.00%	R 283.55	6.00%	R 300.56	6.00%	R 318.60
Motor Licences & Registration Fees (Ikwezi portion)							
Tender deposits (Not refundable)							
Tender value < R500 000.00	R 159.00	7.00%	R 170.13	6.00%	R 180.34	6.00%	R 191.16
Tender value > R500 000.00	R 318.00	7.00%	R 340.26	6.00%	R 360.68	6.00%	R 382.32

All tariffs are VAT inclusive