

MNQUMA LOCAL MUNICIPALITY

BUDGET AND TREASURY OFFICE




DRAFT MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF)
BUDGET 2013-2016 TO COUNCIL

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1. DRAFT MEDIUM TERM REVENUE AND EXPENDITURE FRAME WORK BUDGET (MTREF) 2013-2016

(i) Purpose

Purpose of this document is to present the Draft MTREF budget for 2013-2016 for both operating and Capital; proposed Tariff Structure and policies to council for approval.

(ii) Legal or statutory requirement

- (1) Section of 215 of the constitution of the South Africa that defines the underpinning principles for National, Provincial and Municipal Budgets
- (2) Section 16(1) of the MFMA states that, the council of a municipality must for each of the financial year approve an annual budget for the Municipality before the start of that financial year.
- (3) Section 16(2) of the MFMA states that, In order for a municipality to comply with subsection (1), the Mayor of a Municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.
- (4) Section 21(2) of the MFMA states that, When preparing the annual budget, the mayor of a municipality must:-
 - (b) Taking into account realistic revenue and expenditure projections for future years;
 - (c) take into account the national budget, the relevant provincial budget, the national government's fiscal and macro-economic policy, the annual Division of Revenue Act and any agreements reached in the Budget Forum;
5. It is a statutory obligation, which finds its expression in Chapter 4 of the MFMA No. 56 of 2003 Section 24(1), the municipal council must at least 30 days before the start of the budget year consider approval of annual budget.
6. Our draft budget for the year 2013-2016 is prepared using circular 66 issued on the 11 December 2012 by National Treasury.

iii) Background exposition, facts and proposals

The municipality is required by Municipal Finance Management Act to adopt a budget process plan with clear time frames to be followed when compiling annual budget, the process plan was compiled and adopted by council on the 29th August 2012

This is to present the Draft MTREF budget for 2013-2016 of R **315 MIL** for both capital, operating projects and operating budget, the proposed Tariff Structure for 2013-2014 and proposed policies.

Draft MTREF Budget has been developed taking into account all the priorities of the institution as contained in the Five year strategic plan (IDP). Furthermore taking into account the priorities as set by the President of the country in the state of the nation address as indicated on the circular.

The personnel budget, projects from the capital budget and operating projects are flowing from the proposed objectives and strategies and funds have been allocated to ensure that there is an alignment with IDP.

The table below indicates sources of funding that funds our draft MTREF 2013-2016

(a) Government grants as per Division of Revenue Act are as follows:

GRANT	ALLOCATIONS 2012-2015		
	2013-2014	2014-2015	2015-2016
Equitable Share	168 933 000	191 570 000	236 239 000
Finance Management Grant	1 550 000	1 600 000	1 650 000
Municipal System's Improvement Grant	890 000	934 000	967 000
Expanded Public Works Programme Grant	1 000 000	0	0
Electricity Demand Side Management Grant	0	0	5 000 000
Municipal Infrastructure Grant	56 046 000	60 055 000	64 219 000
Integrated National Electrification Programme	20 000 000	25 000 000	30 000 000
Grand Total	248 419 000	279 159 000	338 075 000

(b) Funds from the own sources

ANTICIPATED			
<u>EXECUTIVE I&E SUMMARY</u>	2013/2014 PROPOSED BUDGET	2014/2015 Indicative Budget	2015/2016 Indicative Budget
PROPERTY RATES	(13,566,246)	(14,366,655)	(15,214,287)
SERVICE CHARGES-REFUSE	(4,099,866)	(4,321,259)	(4,554,607)
RENTAL OF FACILITIES AND EQUIPMENT	(2,321,988)	(2,447,376)	(2,579,534)
INTEREST EARNED-EXT INVESTMENTS	(2,500,000)	(2,635,000)	(2,777,290)
INTEREST EARNED-OUTSTANDING DEBTORS	(1,573,407)	(1,658,371)	(1,747,923)
FINES	(1,645,940)	(1,734,821)	(1,828,501)
AGENCY SERVICES	(2,937,003)	(3,095,601)	(3,262,763)
TRAFFIC SERVICES	(1,026,497)	(1,081,928)	(1,140,352)
OTHER REVENUE			(547,601)

	(492,927)	(519,545)	
GAINS ON DISPOSAL OF PPE	(560,000)	(590,240)	(622,113)
TOTAL DIRECT REVENUE	(30,723,874)	(32,450,795)	(34,274,972)

The draft budget is based on the following:

1. Growth on salaries and wages bill has been provided for in the budget at 6.85% based on salary and wage collective agreement and general expenses 5.6% based on the current and projected CPI (Refer to **Annexure A**)
2. Personnel expenditure increase for Section 57 Manager's is 5.3% based on the CPI extracted in Circular 67 (**Annexure A**)
3. Personnel expenditure increase for Councilors is based on 5,5% increases for 2012/2013 as per gazette no 35962 (**Annexure B**)
4. Included in the budget are depreciation expenses, provisions for leave and provisions for write off of bad debts

1. BELOW IS THE MTREF 2013-2016 OPERATING BUDGET AS PER SECTION 17(3) a (i)

EXECUTIVE I&E SUMMARY	2010/2011 AUDITED OUTCOMES	2011/2012 AUDITED OUTCOMES	2012/2013 APPROVED BUDGET	2012/2013 FORECAST	2013/2014 PROPOSED BUDGET	2014/2015 Indicative Budget	2015/2016 Indicative Budget
OPERATING REVENUE							
PROPERTY RATES	(10, 419, 471)	(10, 711, 797)	(13, 566, 246)	(10, 943, 446)	(13, 566, 246)	(14, 366, 655)	(15, 214, 287)
PROPERTY RATES	(11, 805, 911)	(12, 919, 019)	(15, 773, 468)	(15, 316, 395)	(15, 773, 468)	(16, 625, 235)	(17, 522, 998)
REVENUE FOREGONE	1, 386, 441	2, 207, 222	2, 207, 222	4, 372, 949	2, 207, 222	2, 207, 222	2, 207, 222
SERVICE CHARGES	(6, 573, 005)	(3, 404, 162)	(3, 893, 510)	(3, 425, 983)	(4, 099, 866)	(4, 321, 259)	(4, 554, 607)
SERVICE CHARGES-REFUSE	(6, 573, 005)	(3, 404, 162)	(3, 893, 510)	(3, 425, 983)	(4, 099, 866)	(4, 321, 259)	(4, 554, 607)
RENTAL OF FACILITIES AND EQUIPM	(2, 291, 300)	(2, 180, 122)	(2, 205, 117)	(2, 178, 444)	(2, 321, 988)	(2, 447, 376)	(2, 579, 534)
INTEREST EARNED-EXT INVESTMENTS	(2, 061, 428)	(4, 055, 587)	(2, 258, 000)	(3, 316, 116)	(2, 500, 000)	(2, 635, 000)	(2, 777, 290)
INTEREST EARNED-OUTSTANDING DEB	(968, 163)	(1, 049, 353)	(945, 933)	(2, 332, 409)	(1, 573, 407)	(1, 658, 371)	(1, 747, 923)
FINES	(891, 258)	(1, 753, 778)	(1, 563, 096)	(1, 271, 066)	(1, 645, 940)	(1, 734, 821)	(1, 828, 501)
AGENCY SERVICES	(3, 207, 331)	(3, 259, 055)	(2, 789, 176)	(2, 986, 185)	(2, 937, 003)	(3, 095, 601)	(3, 262, 763)
TRAFFIC SERVICES	(1, 239, 516)	(1, 239, 516)	(1, 326, 980)	(809, 909)	(1, 026, 497)	(1, 081, 928)	(1, 140, 352)
TRANSFERS RECOGNISED-OPERATIONA	(117, 253, 133)	(115, 310, 853)	(153, 903, 071)	(164, 009, 245)	(167, 913, 538)	(197, 635, 787)	(242, 584, 359)
OTHER REVENUE	(420, 724)	(407, 792)	(4, 146, 965)	(3, 949, 483)	(492, 927)	(519, 545)	(547, 601)
GAINS ON DISPOSAL OF PPE	-	(56, 929)	(666, 292)	(666, 292)	(560, 000)	(590, 240)	(622, 113)
TOTAL DIRECT REVENUE	(145, 325, 329)	(143, 428, 944)	(187, 264, 387)	(195, 888, 577)	(198, 637, 412)	(230, 086, 582)	(276, 859, 331)
OPERATING EXPENDITURE							
EMPLOYEE RELATED COSTS	83, 932, 744	78, 797, 613	94, 940, 754	89, 286, 832	113, 714, 596	117, 909, 675	124, 276, 797
EMPLOYEE RELATED COST-REMUNERAT	70, 649, 059	66, 352, 890	78, 409, 728	73, 669, 197	93, 541, 633	96, 992, 505	102, 230, 100
EMPLOYEE RELATED COST-SOCIAL CO	13, 283, 685	12, 444, 724	16, 531, 026	15, 617, 635	20, 172, 963	20, 917, 170	22, 046, 697
REMUNERATION OF COUNCILLORS	13, 651, 068	15, 810, 658	20, 088, 686	19, 079, 189	21, 091, 173	22, 230, 096	23, 430, 522
DEBT IMPAIRMENT	9, 780, 251	4, 833, 185	3, 500, 000	3, 500, 000	4, 833, 185	5, 094, 177	5, 369, 263
DEPRECIATION & ASSET IMPAIRMENT	20, 646, 217	33, 898, 322	3, 536, 649	2, 987, 285	31, 544, 564	33, 247, 970	35, 043, 361
FINANCE CHARGES	2, 280, 115	2, 467, 159	4, 371, 705	3, 178, 555	3, 167, 889	3, 338, 955	3, 519, 259
BULK PURCHASES	3, 372, 475	1, 351, 059	4, 000, 000	727, 011	4, 000, 000	4, 216, 000	4, 443, 664
OTHER MATERIALS	20, 873, 057	3, 163, 366	6, 677, 292	4, 479, 552	6, 068, 537	6, 396, 238	6, 741, 635
CONTRACTED SERVICES	5, 853, 768	7, 535, 631	10, 386, 073	8, 679, 548	8, 322, 483	8, 771, 897	9, 245, 579
TRANSFERS AND GRANTS	-	-	15, 905, 000	22, 750, 903	17, 998, 000	16, 234, 212	17, 062, 879
OTHER EXPENDITURE	12, 319, 081	15, 597, 672	23, 858, 228	20, 393, 566	24, 128, 492	25, 389, 271	26, 760, 291
LOSS ON DISPOSAL OF PPE	-	-	-	-	-	-	-
CONTRIBUTION TO CAPEX	-	-	-	-	-	-	-
TOTAL: DIRECT EXPENDITURE	172, 708, 776	163, 454, 665	187, 264, 387	175, 062, 441	234, 868, 919	242, 828, 491	255, 893, 250
(SURPLUS)/DEFICIT	27, 383, 447	20, 025, 721	0	(20, 826, 136)	36, 231, 507	12, 741, 910	(20, 966, 081)
OTHER TRANSFERS AFTER SURPLUS/DEFICIT							
TRANSFERS RECOGNISED-CAPITAL (R	(36, 264, 028)	(28, 388, 162)	(71, 757, 929)	(74, 353, 356)	(72, 638, 462)	(81, 460, 293)	(98, 007, 821)
CONTRIBUTIONS RECOGNISED-CAPITA	(14, 092, 515)	(11, 467, 453)	(6, 655, 000)	(35, 267, 762)	(7, 870, 000)	(8, 294, 980)	(8, 742, 909)
CONTRIBUTED ASSETS	-	-	-	-	-	-	-
TRANSFER TO RESERVES	-	-	-	-	-	-	-
SURPLUS/(DEFICIT) AFTER CAPITAL	(50, 356, 543)	(39, 855, 615)	(78, 412, 929)	(130, 447, 254)	(80, 508, 462)	(89, 755, 273)	(106, 750, 730)

Below are the explanatory notes of the Expenditure budget:

1. Personnel Budget

- a) Expenditure on Personnel has been aligned with municipal staff keys book to avoid virements and adjustment that occurs during the year. Budget for personnel has been increased from R95m to R113m. This is mainly due to the revised organogram that was approved that saw an addition in the staffing of the municipality. The following new positions were introduced in the new organogram: Chief Operation Officer, Additional Middle Management Positions.
- b) The increase is also as a result of proposed salary increase of 6.85% for employees below section 56 and 5.3% for section 57 managers.
- c) Councilors' Allowances increase is as a result of proposed increment of 5.5%, in Gazette 35962. *Allowances for councilors increased from R20m to R21m.*

2. Budgeted non cash items

These are non-cash items that are regulated by Generally Recognised Accounting Practise (**GRAP**) standards and include depreciation and provision for bad debts.

a) Finance Charges

Interest on overdue accounts and repayment of loan (vehicle finance lease) are budgeted under finance lease.

b) Bulk Purchases

Indigent subsidies are budgeted under this vote

c) Other Materials and Maintenance

R2.4m has been budgeted for computer repairs, road maintenance, street lights etc.

d) Contracted Services

Audit Committees' remunerations, Audit Fees, insurance premiums, legal fees, registration and licensing and also contemplated outsourcing of the security function are budgeted under this section.

Operating projects are funded by Equitable Share, FMG, MSIG, EPWP and MIG.

Attachment in **Annexure C**.

Table below summarizes the operating projects for the next three years

MTREF OPERATING PROJECTS PER DIRECTORATE 2013-2016

OPERATING PROJECTS PER DIRECTORATE			
DIRECTORATE	2013/2014	2014/2015	2015/2016
Office Of The Municipal Manager	500 000	526 500	552 825
Local Economic Development	1 350 000	1 421 550	1 492 628
Chief Operations Officer	3 650 000	3 843 450	4 035 623
Infrastructural Planning And Development	6 310 538	5 590 571	10 863 943
Community Services	3 270 000	3 443 310	3 615 476
Budget And Treasury	2 910 000	3 030 335	3 144 309
Corporate Services	3 418 000	3 599 154	3 779 112
TOTAL	21 408 538	21 454 870	27 483 913

SUMMARY OF MTREF OPERATING PROJECTS PER FUNDING SOURCE 2013-2016

OPERATING PROJECTS PER FUNDING SOURCE			
FUNDING	2013/2014	2014/2015	2015/2016
Municipal Systems Improvement Grant	890 000	934 000	967 000
Equitable Share	14 558 000	15 329 574	16 096 053
Finance Management Grant	1 550 000	1 600 000	1 650 000
Municipal Infrastructure Grant	3 410 538	3 591 296	3 770 861
Expanded Public Works Programme	1 000 000	-	-
Electricity Demandside Management Grant	-	-	5 000 000
TOTAL	21 408 538	21 454 870	27 483 913

SUMMARY OF MTREF OPERATING PROJECTS PER CLUSTER

OPERATING PROJECTS PER CLUSTER

CLUSTER	2013/2014	2014/2015	2015/2016
Basic Service Delivery and Infrastructure Development	6 110 538	5 381 396	10 650 44
Financial Viability and Management	1 400 000	1 472 775	1 540 25
Good Governance and Public Participation	5 510 000	5 789 914	6 062 18
Local Economic Development (Socio-economic Development)	3 420 000	2 601 260	3 781 32
Municipal Transformation & Institutional Development	4 968 000	5 209 525	5 449 67
TOTAL	21 408 538	21 454 870	27 483 91

SUMMARY OF MTREF OPERATING PROJECTS PER IDP OBJECTIVE

OPERATING PROJECTS PER IDP OBJECTIVE			
IDP OBJECTIVE	2013/2014	2014/2015	2015/2016
Improve internal controls for clean administration purposes by continuous implementation of policies and legislation by June 2017	1 490 000	1 556 874	1 617 476
Improve law enforcement mechanisms through partnerships with other law enforcement agencies and enhancing the Implementation of municipal by-laws, regulations and legislation by June 2017	100 000	105 300	110 565
Improve the participation of communities and stakeholders in the affairs of the municipality by developing and implementing mechanisms and systems for community participation by June 2017	1 700 000	1 790 100	1 879 605
To create a learning organization through building capacity of human capital internally and externally thereby improving the skills base of the municipality by June 2017	3 818 000	3 998 575	4 178 181
To ensure adequate transportation system for the efficient movement of goods and people by 2017	4 410 538	3 591 296	3 770 861
To establish and maintain a fully functional, responsive and accountable administration by adhering to the prescripts of Municipal legislation by 2017	1 150 000	1 210 950	1 271 498
To facilitate the Development of Land in a sustainable manner by June 2017	500 000	526 500	552 825
To have an Integrated plan for the development, maintenance and management of public amenities by June 2017	1 200 000	1 263 600	1 326 780
To improve municipal planning processes with the aim of sustaining credibility of the IDP and Budget by adhering to legislative prescripts and policies by June 2017	1 270 000	1 337 310	1 404 176
To improve Solid waste and Environmental Management in line with	1 970 000	2 074 410	2 178 131

the applicable legislation by June 2017			
To improve the economic development within Mngquma Municipality by 2017	1 350 000	1 421 550	1 492 628
To increase institutions revenue by 20% by ensuring full implementation of revenue strategy by June 2017	1 400 000	1 427 775	1 540 257
To manage institutional performance through implementation of PMS Regulations, Framework, Policy and Procedures by June 2017	1 050 000	1 105 650	1 160 933
To facilitate access to households with energy to 100% by 2012			5 000 000
TOTAL	21 408 538	21 454 870	27 483 914

OTHER EXPENDITURE

Administration Cost has increased from R 23 858 288 to 24 128 492.

General items such as advertising, telephone, fuel, subsistence and travel, sundries etc. are budgeted under this category.

BELOW IS THE MTREF 2013-2016 CAPITAL BUDGET AS PER SECTION 17(3) a (i)

Capital budget has been allocated such that service delivery directorates receives better share than support Directorates. Capital budget has increased from R 78 412 929 to R80 508 462. More detail is Annexure D

BELOW IS THE SUMMARY OF MTREF CAPITAL BUDGET 2013-2016 AS PER SECTION 17(2)

CAPITAL PROJECTS PER DIRECTORATE

DIRECTORATE	2013/2014	2014/2015	2015/2016
OFFICE OF THE MUNICIPAL MANAGER	-	-	-
LOCAL ECONOMIC DEVELOPMENT	550,000	579,150	608,108
CHIEF OPERATIONS OFFICER INFRASTRUCTURAL PLANNING AND DEVELOPMENT	-	-	-
	76,778,462	85,763,139	94,891,943
COMMUNITY SERVICES	1,500,000	1,579,500	1,658,475
BUDGET AND TREASURY	480,000	505,440	530,712
CORPORATE SERVICES	1,200,000	1,263,600	1,326,780
TOTAL PER DIRECTORATE	80,508,462	89,690,829	99,016,018

CAPITAL BUDGET BY FUNDING SOURCES

FUNDING SOURCE	2013/2014	2014/2015	2015/2016
Equitable Share	7 870 000	8 287 110	8 701 466
Integrated National Electrification Programme	20 000 000	25 000 000	30 000 000
Municipal Infrastructure Grant	52 638 462	56 403 719	60 314 552
TOTAL	80 508 462	89 690 829	99 016 018

CAPITAL BUDGET PER CLUSTER

CLUSTER	2013/2014	2014/2015	2015/2016
Basic Service Delivery and Infrastructure Development	76 188 462	85 141 869	94 239 610
Financial Viability and Management			
Good Governance and Public Participation			
Local Economic Development (Socio-economic Development)	1 000 000	1 579 500	1 658 475
Municipal Transformation & Institutional Development	2 820 000	2 969 460	3 117 933
TOTAL	80 508 462	89 690 829	99 016 018

TARIFF STRUCTURE as per Section 17(3) a(ii)

Tariffs have not been increased or decreased due to low collection of rates and services. A new tariff has been introduced for the exclusive use of parks. The tariff has been set at R210 per day.

REVIEWED POLICIES

There are no changes in the budget related policies in the year under review

(iv) Staff implications

None

(v) Financial implications

1. Operating income budget has decreased from **R 187 264 387 to R 198 637 412**
2. Operating Expenditure budget has been increased from **R 187 264 387 to R 234 868 919**
3. Capital Budget has increased from **R 78 412 929 to R 80 508 462**
4. Operating budget has a deficit of **R 36 231 507**

(vi) Annexures

- A Extract from Circular 67 (Salary and Wage Collective Agreement)
- B SALGA Gazzette 35962
- C Draft Operating MTREF Budget 2013-2016 as per S17 (3) a (i) of the MFMA 56 of 2003
- D Draft Capital MTREF Budget 2013-2016 as per S17 (3) a (i) of the MFMA 56 of 2003
- E Draft Operating Projects MTREF budget 2013-2016
- F Draft Tariff Structure 2013-2014 as per S17 (3) a (ii) of the MFMA 56 of 2003

(vii) Recommendations

It is hereby recommended that Council approves Draft MTREF Budget 2013-2016