

ITEM: 03/03
MUNICIPAL DRAFT ANNUAL BUDGETS, DRAFT INTEGRATED DEVELOPMENT PLAN
(IDP) AND DRAFT SERVICE DELIVERY & BUDGET IMPLEMENTATION PLAN (SDBIP):
2013/14 FINANCIAL YEAR
DATE: MARCH 2013
Ref: 5/15/1/3/2
FINANCIAL SERVICES COMMITTEE: MARCH 2013
COUNCIL AGENDA: MARCH 2013

1. Purpose

The purpose of this item is to enable council to take note of the 2013/14 Draft Integrated Development Plan (IDP), Draft Service Delivery & Budget Implementation Plan (SDBIP) as well as the draft annual budget for the period starting from 01 July 2013 to 30 June 2014 and subsequent outer period up to 2015/16.

2. Background

The Municipal Finance Management Act 56, of 2003 section 16 requires 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.

Municipal Finance Management Act (MFMA) circular 58 and 59 provides further guidance on preparation of the 2013/14 budgets and Medium Term Revenue and Expenditure Framework (MTREF). Section 17 of the MFMA prescribes the format for submission of the budget and section 18 outlines the budget funding requirements.

Section 25 of the Municipal Systems Act, Act 32 of 2000, prescribes that “

Each Municipal Council must, within a prescribed period after the start of its elected term, adopt a single, inclusive and strategic plan for the Development of the Municipality which:

- (a) links, integrates and co-ordinates plans and takes into account proposals for the development of the municipality;
- (b) aligns the resources and capacity of the municipality with the implementation of the plan;
- (c) forms the policy framework and general basis on which annual budgets must be based;
- (d) is compatible with national and provincial development plans and planning requirements binding on the municipality in terms of the legislation

Section 26 of the same Act, prescribes *inter alia* that the IDP must reflect:

- (a) the municipal's vision for the long term development of the municipality with special emphasis on the municipality's most critical development and internal transformation needs;
- (b) an assessment of the existing level of development in the municipality, which must include an identification of communities which do not have access to basic municipal services;
- (c) the council's development priorities and objectives for its elected term, including its local economic development aims and its internal transformation needs.

Section 30 of the same Act, provides that the Mayor, must in accordance with section 29:

- (a) manage the drafting of the municipality's integrated development plan;
 - (a) assign responsibilities in this regard to the municipal manager ; and
 - (b) submit the draft plan to the municipal council for adoption by the council.

3. Deliberation

The guidance provided by the sections of the act mentioned above read together with circular 58-59 was adopted in the preparation of this draft budget. The budget is made up and summarized as follows:

Operating Budget

As required by the guiding act, request were submitted by all departments as well as the communities during outreaches consultations and their requirements have been captured, to form the budget, which will be submitted to council.

The 2013/14 budgeted expenditure amounts to **R 128 646 773**. It must also be taken into account that the budget in respect of the expenditure may not exceed the anticipated revenue. At the present moment the anticipated revenue (excluding revenue from recognised from capital grants of **R13 437 956**) amounts to **R 128 646 773 which is** the same as the budgeted expenditure.

EXPENDITURE BY VOTE	2013/14	2014/15	2015/16
COUNCIL & EXECUTIVE	R 13 285 349	R 14 126 963	R 15 025 164
CORPORATE SERVICES	R 6 833 252	R 9 326 836	R 9 859 814
BUDGET AND TREASURY	R 14 172 810	R 15 515 720	R 17 218 822
ASSESSMENT RATES	R 677 205	R 715 129	R 755 176
ADMIN & LAND AFFAIRS	R 2 330 041	R 2 465 186	R 2 626 405
IDP	R 462 655	R 486 769	R 518 884
SPU	R 670 290	R 710 026	R 758 972
LED	R 562 089	R 598 020	R 636 259
COMMUNITY SERVICES	R 1 739 839	R 1 825 787	R 1 945 087
CEMTERY	R 62 224	R 65 696	R 69 363
LIBRARY	R 1 444 715	R 1 521 586	R 1 625 117
CONFERENCE CENTRE	R 237 954	R 256 452	R 276 401
MUSEUM	R 18 229	R 19 423	R 20 698
HOUSING	R 1 294 076	R 1 350 074	R 1 437 389
TRAFFIC	R 4 024 946	R 4 226 515	R 4 505 459
SAUER PARK	R 40 603	R 42 837	R 45 193
DUKATHOLE	R 4 541	R 4 791	R 5 054
ALIWAL SPA	R 3 085 463	R 3 214 055	R 3 414 440
SEWERAGE	R 0	R 0	R 0
REFUSE REMOVAL	R 11 553 050	R 12 260 493	R 10 421 606
PARKS & PUBLIC PLACES	R 3 279 060	R 3 429 328	R 3 653 392
CLEANSING	R 0	R 0	R 0
TECHNICAL SERVICES	R 1 815 151	R 1 932 742	R 2 057 973
PUBLIC WORKS	R 9 590 893	R 10 086 420	R 10 768 750
WATER	R 0	R 0	R 0
ELECTRICITY TRADING ACCOUNT	R 51 336 916	R 54 135 158	R 57 169 173
AERODROME	R 68 593	R 72 366	R 76 346
COMMONAGE	R 20 248	R 21 362	R 22 537
NATURE RESERVE	R 36 579	R 38 591	R 40 713
TOTAL	R 128 646 773	R 138 448 323	R 144 954 187

Eskom will increase the municipal tariff rates for bulk electricity by 8.00% on 01 July 2013 while the increase allowed for the municipality will be determined on approval of the application justifying an increase in excess of NERSA regulations of 8%.

Assumptions used in the budget

Each year, National Treasury issues a circular to municipalities advising them of the budget parameters within which municipalities should work when preparing their budgets. The headline CPIX forecast for 2013/14, 2014/15 and 2015/16, are 5.5%, 5.1% and 4.9% respectively. However these figures can change very fast due to external factors as recently experienced. The current estimate for 2013/14 in the MFMA Circular is 5.5%.

These growth parameters apply to tariff increases for property rates, user and other charges raised by municipalities and municipal entities, to ensure that all spheres of government support the national macroeconomic policies, unless it can be shown that external factors impact otherwise. Unfortunately, as explained earlier on, the effect of the ESKOM tariff adjustments *inter alia* forces the municipality to increase tariffs by much more than the CPIX forecasts.

The budget fully complies with the requirements of the municipality's Funding and Reserves Policy.

The major data and assumptions used in the preparation of the budget are as follows:

Increase in Employee related costs	6.85%
Increase in Councillors' Remuneration	7.00%
Increase in inflation parameters	5.50%
Average payment rate	85.00%

REVENUE BY VOTE	2013/14	2014/15	2015/16
COUNCIL & EXECUTIVE	-2 148 000	-2 493 000	-2 493 000
CORPORATE SERVICES	-324 000	-349 920	-377 914
BUDGET AND TREASURY	-33 773 090	-37 480 540	-37 522 997
ASSESSMENT RATES	-14 352 597	-15 141 989	-15 974 799
ADMIN & LAND AFFAIRS	-1 459 671	-2 197 451	-3 356 933
IDP	-81 000	-87 480	-94 478
SPU	0	0	0
LED	-64 800	-69 984	-75 583
COMMUNITY SERVICES	0	0	0
CEMTERY	-154 543	-166 407	-179 192
LIBRARY	-673 161	-726 956	-785 051
CONFERENCE CENTRE	-138 641	-149 732	-161 711
MUSEUM	0	0	0
HOUSING	0	0	0
TRAFFIC	-4 234 108	-4 572 837	-4 938 664

SAUER PARK	-2 751	-2 903	-3 062
DUKATHOLE	-9 685	-10 217	-10 779
ALIWAL SPA	-300 734	-317 274	-334 724
SEWERAGE	0	0	0
REFUSE REMOVAL	-7 155 565	-7 549 121	-7 964 322
PARKS & PUBLIC PLACES	0	0	0
CLEANSING	0	0	0
TECHNICAL SERVICES	0	0	0
PUBLIC WORKS	-836 206	-884 884	-886 221
WATER	0	0	0
ELECTRICITY TRADING ACCOUNT	-62 709 342	-66 006 161	-69 540 008
AERODROME	-6 800	-7 174	-7 569
COMMONAGE	-150 781	-159 074	-167 823
NATURE RESERVE	-71 298	-75 219	-79 356
TOTAL	-R 128 646 773	-R 138 448 323	-R 144 954 187

The Operating Budget has a surplus of **R13 437 956** which will be utilized to finance capital ex revenue and capital ex grants.

Provision was made for the following;

- Salary adjustment for councilors of 7.00% and officials 6.85% and the annual notch increment for those who qualify

#	Description	Amount 2012/13	Amount 2013/14
1.	Audit fees	1 700,000	1 793 000
2.	Special projects	200,000	211 000
3.	Cleaning Campaign	0.00	0.00
4.	Out of pocket expenses ward committee members	752 000	794 116
5.	Internal Audit Function	150,000	162 000
6.	Youth	91 000	99 000
7.	HIV/Aids	73,000	79 000

8.	Women	52,000	57 000
9.	Disabled	64 000	68 000
10.	Working Capital	0.00	0.00
11.	Bad Debts	324 000	342 000

Provision was made for the following;

- Free Basic Electricity Jamestown R2,300,000

This subsidy of IGG is deducted from the revenue votes of electricity sales, prepaid electricity, refuse, water and sewerage/sanitation due to the new GRAP format of accounting and are not reflecting as expenditure or revenue.

- Electricity Bulk Purchase R 42 132 576.6

Provision was made for the following;

#	Description	Funding	Amount 2013/14
1.	Maintenance of Buildings	Ex Revenue	831 601
2.	Management Systems	Ex FMG Grants	445 632
3.	Paving of Roads	Ex Revenue	13 437 956

Public Works

REPAIRS AND MAINTENANCE	2013/14	2014/15
Extended Public Works Program Labour	R 1 000 000	R 1 000 000
Stormwater (Labour from EPWP)	R 320 115	R 345 725
Streets (Labour from EPWP)	R 2 250 739	R 2 430 798
Streets Resealing from Capital (Labour from EPWP)	R 633 600	R 668 448
Tools and Equipment	R 6 336	R 6 684
Traffic Signs,Paint,Number Plates	R 13 400	R 14 137
Vehicle and Implements	R 101 230	R 106 797
TOTAL: REPAIRS AND MAINTENANCE	R 4 325 420	R 4 572 589

Provision was made for the following positions from the dates indicated;

There was no provision made for the filling in of any positions in the financial year.

TARIFF INCREASES AS FROM 1 JULY 2013

	2012/13	2013/14	2014/15
Rates	10.00%	10.00%	10.00%
Refuse	10.00%	10.00%	10.00%
Electricity(Subject to NERSA approval)	8.00%	8.00%	8.00%

The other tariffs will be increased by a percentage that is in line with the established unit costs of providing the service as well as the consumer price index (CPIX) as recommended by Treasury.

CAPITAL BUDGET

The capital budget currently amounts to **R13 437 956** and is financed as follows;

#	Description	Amount
1	External Financing	0.00
2	From revenue	0.00
3	From Grants	13 437 956

BUDGET RELATED POLICIES

The following budget related policies were reviewed in the current financial year and no amendments were made:

- Revised Preferential Procurement Policy Framework Act (PPPFA) (December 2011); Virement Policy; Irregular Expenditure; Unauthorised Expenditure and Fruitless and Wasteful Expenditure

The following policies will be amended to meet the requirements of Generally Recognised Accounting Principles (GRAP):

1. Assets Management Policy; Funding and Reserves Policy; Accounting Policy; Cash Management Policy; Borrowing Policy; Budget Policy; Financial and Budgeting; Framework Policy; Tariff Policy and Investment Policy.

The policies will be work shopped with officials and councilors.

4. Implications

Debt collection measures and strict expenditure management must be enforced during the budget year to avoid cash flow problems that could hinder the daily liquidity requirements of the municipality. As already noted provisions were made for additional personnel where relevant and capital expenditure will be incurred to enable council to realize its constitutional mandate of prompt service delivery.

5. Consultations

- 5.1.1. Legislative prescripts were obtained and interpretations of the legislation were sought in areas of ambiguity. A rigorous consultations and contribution process was undertaken between departments and eventually led to the birth of the draft budget. Consistent with section 28 of the Municipal Systems Act, in August 25, 2012, the council adopted a process plan for the development of this IDP.
- 5.1.2. This was followed by IDP Ward Imbizos/Public Participation Programmes which were held on October 08-15, 2012.
- 5.1.3. The IDP Representative Forum was held on December 3, 2012.
- 5.1.4. This draft IDP also takes into consideration the Community Based Planning that was conducted in all wards on November 2012.
- 5.1.5. In view of the foregoing, a Joint Ward Committee meetings – whereby all Ward Committee Members presented their priorities and the plight of their communities. The Joint Ward Committee meeting was held in October 07, 2012.

6. Attachment

- 6.1. Municipal draft budget supporting schedules and summaries
- 6.2. Draft Integrated Development Plan (IDP)

7. Recommendations:

[a]. That the draft annual budget of Maletswai Municipality for the financial year 2013/2014.; and indicative for the two projected years 2014/15 and 2015/16, as set-out in the schedules contained in Section 4, be approved:

- 1.1 Table A2: Budgeted Financial Performance (expenditure by standard classification)

1.2 Table A3: Budgeted Financial Performance (expenditure by municipal vote)

1.3 Table A4: Budgeted Financial Performance (revenue by source)

1.4 Table A5: Budgeted Capital Expenditure for both multi-year and single year by vote, standard classification and funding

- [b]. **Draft** property rates reflected in Annexure 1 and any other municipal tax reflected in Annexure 1 are imposed for the budget year 2013/2014.
- [c]. Draft tariffs and charges reflected in Annexure 1 are approved for the budget year 2013/2014.
- [d]. the draft measurable performance objectives for revenue from each source reflected in Section 7 are approved for the budget year 2013/2014.
- [e]. the draft measurable performance objectives for each vote reflected in S are approved for the budget year 2013/2014.
- [f]. **Council adopts the draft Integrated Development Plan adopted for 2013/14 as noted in the Annexure (IDP attachment).**
- [g]. Council notes the draft performance indicators tabled with the draft budget for subsequent approval by the Executive Mayor reflected in Section 7.
- [h]. the reviewed policies for revised PPPFA, as reflected in Section 8 are approved for the draft budget 2013/2014.
- [i]. the policies reviewed to meet the requirements of GRAP principles reflected in Section 8 are approved for the budget year 2013/2014.
- [j]. **That in terms of section 24(2) (c) (iii) of the Municipal Finance Management Act, 56 of 2003, the draft measurable performance objectives for capital and operating expenditure by vote for each year of the medium term revenue and expenditure framework as set out in Supporting Table SA7 are approved.**
- [k]. That in terms of section 24(2) (c) (iv) of the Municipal Finance Management Act, 56 of 2003, the amendments to the draft integrated development plan as set out in Budget Chapter 17 are approved.
- [l]. That in terms of section 24(2) (c) (v) of the Municipal Finance Management Act, 56 of 2003, the budget-related policies, including any amendments as set out in Budget Chapter 19 are approved for the budget year 2013/2014.
- [m]. That the Basic Services Package as set out in Budget Chapter 20 is approved for the budget year 2013/2014.