

ITEM C 09/01/2013

DRAFT BUDGET 2013/2014, 2014/2015, AND 2015/2016 FINANCIAL YEARS
4/1/2 – 2012/2013

REPORT OF THE MUNICIPAL MANAGER

INTRODUCTION

The purpose of this report is to table the Draft Budget for the 2013/2014, 2014/2015, and 2015/2016 financial years. Further, to inform Council of key aspects that has influenced the compilation of the above-mentioned budget and to consider recommendations on the financing and approval of this budget. Further in compliance with the New Format Reform Initiatives Promulgated in terms of the Gazette No. 32141 Municipal Budget and Reporting Regulations (MBRR).

BACKGROUND

In addition to complying with the new format in terms of Gazette no 3214, the budget has been prepared in terms of the MFMA Circular no 66 issued on the 14th December 2011 per Annexure A-1 to A-27.

Further, the MFMA requires that the Draft Budget be tabled before 1st April 2013 to comply with the Regulations and the final budget is to be adopted by Council before 30th June 2013.

A Draft Budget for the 2013/2014 and the ensuing Financial Years is tabled and the details of the Budget will be deliberated upon extensively at the respective Budget Consultation Workshops / Imbizo's to be held with Communities and other Key Stakeholders. During the ensuing months after January 2013 it is anticipated that the following Budget Workshops / Imbizo's will be held which will ensure that the due process of consultation will be conducted with the respective communities within the GSDM area of jurisdiction and addressing the respective budgeting requests that are likely to be received from communities within the following Municipalities:

LOCAL MUNICIPALITY
Mkhondo
Dipaleseng
Dr Pixley Ka Isaka Seme
Lekwa
Msukaligwa
Chief Albert Luthuli
Govan Mbeki

OVERVIEW OF THE BUDGET PROCESS AND THE ALIGNMENT OF THE ANNUAL BUDGET WITH THE IDP

It must be noted that the Integrated Development Plan (IDP) is also being reviewed and this process will permit the District to re-examine plans and strategies to include strategic matters reflected in the IDP. Also, to ensure that these plans contain strategies that informs Institutional and Financial Planning through the entire budget process.

Further, the final annual budget will be fully aligned to the IDP process and will be linked to 12 outcomes of Government illustrated per the MFMA Circular no. 54 and the role of Local Government which include the following:

- Improve the quality of basic education
- Improve health and life expectancy
- All people in South Africa protected and feel safe
- Decent employment through inclusive economic growth
- A skilled and capable workforce to support inclusive growth
- An efficient, competitive and responsive economic infrastructure network
- Vibrant, equitable and sustainable rural communities and food security
- Sustainable human settlements and improved quality of household life
- A response and , accountable, effective and efficient local government system
- Protection and enhancement of environmental assets and natural resources
- A better South Africa, a better and safer Africa and world
- A development-orientated public service and inclusive citizenship

TAKING THE 2011 LOCAL GOVERNMENT BUDGETS AND EXPENDITURE REVIEW FORWARD

The review highlights the following areas as requiring particular attention by Municipalities:

- Revenue Management – Billing systems to be accurate
- Collecting outstanding debts
- Pricing services correctly
- Under spending on repairs and maintenance
- Spending on non-priorities

- National Priority – Creating decent employment opportunities
- Additional allocations to Local Government – Grant allocations in terms of 2012 DORA to be reflected in budgets
- Procurement reforms and fighting corruption

LOCAL GOVERNMENT EQUITABLE SHARE FORMULA REVIEW AND 2011 CENSUS

The formula is being reviewed by National Treasury, the Department of Co-operative Governance and SALGA with assistance from the Financial and Fiscal Commission and Statistics South Africa. The final formula will be presented as part of the Division of Revenue Bill and be tabled with the National Budget on the 27th February 2013. The new formula will impact significantly on Municipal Budgets. The detail structure of the formula as well as the phase-in process for the new allocations will be agreed to at a meeting of the Budget Forum in January 2013.

BUDGET FOR FINANCIAL YEARS ENDING 2013/2014, 2014/2015 AND 2015/2016

Factors influencing the budget

The inflation forecast recommended in terms of the guidelines when preparing the 2013/2014 budgets and MTREF are as follows:

<u>Year</u>		<u>Percentage</u>
2013/2014	-	5.5%
2014/2015	-	5.1%
2015/2016	-	4.9%

FUNDING CHOICES AND MANAGEMENT ISSUES IN TERMS OF CIRCULAR

Priority of expenditure need to take into consideration the following:

- Ensuring that drinking water and waste water management meets the required quality standards at all times;
- Protecting the poor;
- Supporting meaningful local economic development (LED) initiatives that foster micro and small business opportunities and job creation;
- Securing the health of their asset base (especially the municipality's revenue generating assets) by increasing spending on repairs and maintenance; and
- Expediting spending on capital projects that are funded by conditional grants.

OTHER FUNDING CHOICES IN TERMS OF CIRCULAR

Other choices that need to be considered are as follows:

- Eliminating non-priority spending
- Three-year and One-year Capital Appropriations
- Revaluations in terms of GRAP 17 and treatment of depreciation in the budget
- Cash backing provided in Capital replacement reserves
- Budget and Accounting treatment of vat related to conditional Grant expenditure

- Accounting treatment of retention fees and conditional Grant funded projects
- Districts transferring funds to Local Municipalities
- Benefits to Mayors and Councillors – otherwise than provided for in the framework of the public office bearers Act 20 of 1998 is regarded as irregular expenditure and Municipality must recover that remuneration from the Political office bearer or member
- Budget Management issues dealt with in previous MFMA circulars

INCOME PROJECTIONS OVER THE ENSUING YEARS

As illustrated per the table below is the Revenue Earning Projections in terms of the DORA Allocations, as well as other funding options being contemplated.

Detail	Budget 2013/2014 R	Budget 2014/2015	Budget 2015/2016
Revenue			
Grants	-264 030 000	-279 686 800	-296 336 010
Interest on investments	-2 900 000	-3 074 000	-3 258 440
Income from tariffs	-1 500 000	-1 590 000	-1 685 400
Other income	-840 480	-890 890	-944 350
DWA funding - RBIG	-54 000 000	-87 000 000	
Loan - Capital Projects	-30 000 000		
Contribution Accumulated Surplus	-21 305 520	-39 837 290	-15 551 920
Central PMU for LM's MIG Allocation	-11 573 780	-12 323 040	-12 323 040
Total Income	-386 149 780	-424 402 020	-330 099 160

Grant Income

The Revenue Replacement Grant and the Equitable Share, increases are 6% per annum on a year-on-year basis. These funds are utilised to fund material infrastructural project expenditure on behalf of the seven local municipalities, within the GSDM area of jurisdiction. In addition, the unconditional grants are utilized to fund expenditure allocations in terms of the administration of the act.

The Department of Water Affairs (DWA) have agreed to allocate funding regarding the RBIG Projects are for the following Local Municipalities:

- Chief Albert Luthuli
- Msukaligwa
- Dipaleseng

Income from Tariffs

The tariff income earnings for the MTREF period is pertinent to the functionality of the laboratory operations. In this regard tariff income is likely to be earned from local municipalities and other stakeholders that will be utilising the services of the laboratory.

Interest & Other Income

Interest earnings are likely to be received from the major financial institutions where GSDM Investments are held. Other income comprises the sale of tenders sundry and telephone recouplement's etc.

Other material income earnings that are to be taken into consideration in funding the overall expenditure commitments, relating to the budget, is the utilization of the accumulated surplus funds which is cash backed.

CENTRALISED PMU FOR LMs – MIG ALLOCATION

The income referred to within this category would be the payment by Local Municipalities of the administrative fee component of 3% to 3.5% of the MIG allocation which is specifically set aside for the administration of the MIG funds.

EXPENDITURE PROJECTIONS OVER THE ENSUING YEARS

Outlined below are the overall expenditure projections for the ensuing years:-

Detail	Budget 2013/2014	Budget 2014/2015	Budget 2015/2016
<u>Expenditure</u>			
Allocations to Local Municipalities	107 780 110	110 345 170	93 000 000
RBIG Projects	54 000 000	87 000 000	0
Departmental Allocations	43 150 000	43 400 000	43 400 000
Administration of the Act	146 445 890	155 133 810	164 176 120
Donations	200 000	200 000	200 000
Capital Expenditure	23 000 000	16 000 000	17 000 000
Central PMU for LM's MIG Allocation	11 573 780	12 323 040	12 323 040
Total Expenditure	386 149 780	424 402 020	330 099 160

Further, expenditure is applied with a view to addressing backlogs in mainly service delivery type of projects. The project expenditure referred to above mainly relate to Road, Water, Sanitation and Electricity Infrastructural Projects.

ALLOCATIONS TO LOCAL MUNICIPALITIES

Outlined on the next pages is the Direct Allocations earmarked for Local Municipalities over the three year MTREF period. With regard to the Direct Allocations these amounts relate to project expenditure financed on behalf of the seven local municipalities, which predominantly relate to infrastructural projects.

With regard to the Departmental Allocations, funds were mainly applied towards bursaries, people with disabilities, municipal health, co-operatives, LED and Tourism etc. ensuring that other subsidiary activities are performed adequately.

Further, the detailed votes for allocations to Local municipalities are reflected per Annexure B-1 to B-8.

DEPARTMENTAL ALLOCATIONS

PROJECTS: MULTI YEAR BUDGETS COMPARISONS

DETAIL	Budget 2013/2014	Budget 2014/2015	Budget 2015/2016
DEPARTMENT - OFFICE - EXE MAYOR			
DONATIONS	200 000	200 000	200 000
CO-ORDINATION HIV AND AIDS	300 000	300 000	300 000
YOUTH DEVELOPMENT	250 000	300 000	300 000
WOMEN'S DEVELOPMENT CAPACITY	250 000	300 000	300 000
RELIGIOUS AFFAIRS(MORAL REGENA	150 000	150 000	150 000
OFFICE - RIGHTS OF THE CHILD	100 000	100 000	100 000
PEOPLE WITH DISABILITY	300 000	200 000	200 000
	1 550 000	1 550 000	1 550 000
DEPARTMENT - PLANNING & ECO DEV			
LED, TOURISM AND AGRICULTURE	2 000 000	2 000 000	2 000 000
IDP - NEW AND UPDATE	550 000	550 000	550 000
PLANNING GERT SIBANDE VILLAGE	3 000 000	3 000 000	3 000 000
REGIONAL PLANNING SUPPORT	1 000 000	1 000 000	1 000 000
REGIONAL AIRPORT PLANNING	500 000	500 000	500 000
REG SPORT FACILITIES PLANNING	500 000	500 000	500 000
CO - OPERATIVES	1 000 000	1 000 000	1 000 000
MUNICIPAL PLANNING SECTOR PLAN	300 000	300 000	300 000
RURAL AND AGRI DEVELOPMENT	1 200 000	1 500 000	1 500 000
JOB CREATION - ALBERT LUTHULI	1 000 000	1 150 000	1 150 000
JOB CREATION - MSUKALIGWA	975 000	1 100 000	1 100 000
JOB CREATION - GOVAN MBEKI	650 000	800 000	800 000
JOB CREATION - MKHONDO	1 000 000	1 150 000	1 150 000
JOB CREATION - LEKWA	850 000	1 000 000	1 000 000
JOB CREATION - DIPALESENG	650 000	800 000	800 000
JOB CREATION - PIXLEY KA SEME	875 000	1 000 000	1 000 000
	16 050 000	17 350 000	17 350 000
DEPARTMENT - INFRA & TECH SERVICES			
UPDATE BULK WATER/SEWER REPORT	500 000	500 000	500 000
BULK WATER METERS	500 000	500 000	500 000
MANAGEMENT INFORMAT SYSTEMS	2 500 000	2 500 000	2 500 000
CENTRALISED PMU FOR LM'S MIG A	11 573 780	12 323 040	12 323 040
COMPREHENSIVE INFRASTRUCTURE PLAN	2 000 000	0	0
ALLOCATION TO MUNICIPALITIES	107 780 110	110 345 170	93 000 000
RBIG PROJECTS	54 000 000	87 000 000	0
	178 853 890	213 168 210	108 823 040
DEPARTMENT - CORPORATE SEVICES			
BURSARIES	1 500 000	1 500 000	1 500 000
REVENUE COLLECTION/DATA CLEANS	1 100 000	1 200 000	1 200 000
IT FOR THE REGION	300 000	300 000	300 000
CAPACITY BUILDING/COMM PARTICI	2 000 000	2 000 000	2 000 000
	4 900 000	5 000 000	5 000 000
DEPARTMENT - COM & SOCIAL SEVICES			
MAYORAL EXCELLANCE AWARDS	1 100 000	1 200 000	1 200 000
SPORT,ART AND CULTURE	1 100 000	1 200 000	1 200 000
MUNICIPAL HEALTH & ENVIROMENT	950 000	1 000 000	1 000 000
PUBLIC AWARENESS WATER CONSERV	250 000	250 000	250 000
GSCM MARATHON - ANNUAL EVENT	1 000 000	1 100 000	1 100 000
REG LIBRARY & INFORMATION SERV	650 000	750 000	750 000
	5 050 000	5 500 000	5 500 000
DEPARTMENT - FINANCIAL SERVICES			
EMERGENCY/CONTINGENCIES	500 000	500 000	500 000
OPERATION CLEAN AUDIT	5 000 000	5 000 000	5 000 000
	5 500 000	5 500 000	5 500 000
OFFICE OF THE MUNICIPAL MANAGER			
TRADITIONAL AFFAIRS/ PROJECTS	2 250 000	2 500 000	2 500 000
PROMOTION OF THE DISTRICT/COMM	1 800 000	1 800 000	1 800 000
	4 050 000	4 300 000	4 300 000
DEPARTEMENTAL ALLOCATION - HUMAN SETT			
DISASTER MANAGEMENT	750 000	900 000	900 000
	750 000	900 000	900 000
TOTAL	216 703 890	253 268 210	148 923 040

ADMINISTRATION OF THE ACT

Illustrated below is the Administration of the Act expenditure over the three year MTREF period.

Detail	Budget 2013/2014	Budget 2014/2015	Budget 2015/2016
<u>COUNCIL</u>			
Mayor & Exec Committee	7 443 250	7 889 840	8 363 240
Speaker, Chief Whip & Councillors	6 855 780	7 267 130	7 703 160
Council Support	4 200 130	4 452 140	4 719 290
TOTAL: Council	18 499 160	19 609 110	20 785 690
<u>MUNICIPAL MANAGER</u>			
Municipal Manager	4 119 260	4 366 420	4 628 400
Internal Audit	5 369 540	5 691 720	6 033 220
Communication, Marketing & Tourism	2 926 110	3 101 670	3 287 780
TOTAL: Municipal Manager	12 414 910	13 159 810	13 949 400
<u>PLANNING & ECONOMIC DEVELOPMENT</u>			
Planning Services	5 003 050	5 303 210	5 621 420
IDP	1 161 170	1 230 840	1 304 700
TOTAL: Planning & Economic Develo	6 164 220	6 534 050	6 926 120
<u>CORPORATE SERVICES</u>			
New Building	5 028 200	5 329 890	5 649 690
Building	17 633 520	18 691 550	19 813 050
IT	5 944 570	6 312 380	6 482 260
Legal	3 212 390	3 405 120	3 609 440
Human Resources	2 871 450	3 043 740	3 226 360
Administration	10 773 800	11 420 250	12 105 470
TOTAL: Corporate Services	45 463 930	48 202 930	50 886 270
<u>FINANCE</u>			
Finance	7 781 920	8 248 850	8 743 770
Supply Chain Management	4 676 870	4 957 480	5 254 950
Municipal Management & Support	4 783 990	5 071 020	5 375 280
Carwash	732 010	775 930	822 500
MSIG	1 000 000	950 000	950 000
TOTAL: Finance	18 974 790	20 003 280	21 146 500
<u>MUNICIPAL INFRASTRUCTURE & SERVICES</u>			
Planning, Implementation & Support	7 710 210	8 172 820	8 663 180
Infrastructure Maintenance	5 576 750	5 911 370	6 266 100
Water & Sanitation	7 400 170	7 844 210	8 314 850
TOTAL: Municipal Infrastructure and Services	20 687 130	21 928 400	23 244 130
<u>COMMUNITY & SOCIAL SERVICES</u>			
Community & Social Services	6 055 810	6 419 150	6 804 280
Municipal Health Services	9 121 350	9 668 630	10 248 770
TOTAL: Intergovernmental Relations and Development	15 177 160	16 087 780	17 053 050
<u>HUMAN SETTLEMENT & PUBLIC SAFETY</u>			
Human settlement	1 464 160	1 552 000	1 645 120
Disaster Management	7 600 430	8 056 450	8 539 840
TOTAL: Intergovernmental Relations and Development	9 064 590	9 608 450	10 184 960
GRAND TOTAL	146 445 890	155 133 810	164 176 120

EXPENDITURE BREAKDOWN – With reference to the Administration of the Act Allocations

As referred to below are the expenditure categories relating to the Administration of the Act Financial figures.

Detail	Budget	Budget	Budget
	2013/2014	2014/2015	2015/2016
	R	R	R
Salaries and wages	77 328 890	81 979 740	86 689 630
Social Contributions	14 862 060	15 753 790	16 699 090
Councillor Allowances	11 080 390	11 745 200	12 449 910
Depreciation	14 870 080	15 762 280	16 708 020
Repair and Maintenance	1 897 200	2 011 050	2 131 740
Finance Cost	2 000 000	2 120 000	2 247 200
Contracted Services	2 346 400	2 487 180	2 636 410
General Expenditure	22 060 870	23 274 570	24 614 120
Total	146 445 890	155 133 810	164 176 120

DONATIONS

During the course of the ensuing financial years applications are normally received for Council to consider whether assistance may be rendered toward community related projects in dire need of financial support.

During the course of the ensuing years the following amounts are recommended.

Year	Amount (R)
2013/2014	200,000
2014/2015	200,000
2015/2016	200,000

FINANCING OF THE BUDGET

Outlined below is a summary of the Revenue and Expenditure for the three year MTREF Financial Years.

Detail	Budget 2013/2014 R	Budget 2014/2015	Budget 2015/2016
<u>Revenue</u>			
Grants	-264 030 000	-279 686 800	-296 336 010
Interest on investments	-2 900 000	-3 074 000	-3 258 440
Income from tariffs	-1 500 000	-1 590 000	-1 685 400
Other income	-840 480	-890 890	-944 350
DWA funding - RBIG	-54 000 000	-87 000 000	
Loan - Capital Projects	-30 000 000		
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Central PMU for LM's MIG Allocation	-11 573 780	-12 323 040	-12 323 040
Total Income	-386 149 780	-424 402 020	-330 099 160
<u>Expenditure</u>			
Allocations to Local Municipalities	107 780 110	110 345 170	93 000 000
RBIG Projects	54 000 000	87 000 000	0
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Donations	200 000	200 000	200 000
Capital Expenditure	23 000 000	16 000 000	17 000 000
Central PMU for LM's MIG Allocation	11 573 780	12 323 040	12 323 040
Total Expenditure	386 149 780	424 402 020	330 099 160

CAPITAL BUDGET

The Capital Budget for the ensuing years are summarized as follows:

Detail	Budget 2013/2014 R	Budget 2014/2015 R	Budget 2015/2016 R
Office Complex & Alterations	3 000 000	3 000 000	5 000 000
Mayoral Guest House	2 000 000		
Regional Convention Centre	5 000 000	5 000 000	5 000 000
Lab equipment	1 000 000	1 000 000	1 000 000
Disaster Centres - Mkhondo, Dipaleseng,	5 000 000		
Vehicles	4 000 000	4 000 000	2 000 000
Office furniture and equipment	3 000 000	3 000 000	4 000 000
Sub-Total	23 000 000	16 000 000	17 000 000

RECOMMENDATIONS OF THE EXECUTIVE MAYOR

1. That the Draft Budget for 2013/2014, 2014/2015, and 2015/2016 be noted.
2. That the draft multi-year Annual Budget of Capital and Operating Expenditure as illustrated per the table below for 2013/2014, 2014/2015 and 2015/2016, be noted.

FINANCING: MULTI-YEAR BUDGET COMPARISONS

Detail	Budget 2013/2014 R	Budget 2014/2015	Budget 2015/2016
Revenue			
Grants	-264 030 000	-279 686 800	-296 336 010
Interest on investments	-2 900 000	-3 074 000	-3 258 440
Income from tariffs	-1 500 000	-1 590 000	-1 685 400
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Expenditure			
Allocations to Local Municipalities	107 780 110	110 345 170	93 000 000
RBIG Projects	54 000 000	87 000 000	0
Departmental Allocations	43 150 000	43 400 000	43 400 000
Administration of the Act	146 445 890	155 133 810	164 176 120
Donations	200 000	200 000	200 000
Capital Expenditure	23 000 000	16 000 000	17 000 000
Central PMU for LM's MIG Allocation	11 573 780	12 323 040	12 323 040
Total Expenditure	386 149 780	424 402 020	330 099 160

3. That the capital budget tabled below be noted.

YEAR	AMOUNT R
2013/2014	23,000,000
2014/2015	16,000,000
2015/2016	17,000,000

4. That the Imbizo which will be advertised appropriately and the consultative meetings with the community will be held at the following Local Municipalities, be noted

MUNICIPALITY
Mkhondo
Dipaleseng
Dr Pixley Ka Isaka Seme
Lekwa
Msukaligwa
Chief Albert Luthuli
Govan Mbeki

5. That the projects for the Local Municipalities for the 2013/2014 financial years, will be allocated during the Imbizo's.
6. That, the tables referred to in annexure C-1 to C-64 and attached to this report in terms of the New Budget Format and reporting regulations, be noted

6.1	Table A1	-	Budget Summary
6.2	Table A2	-	Budgeted financial performance by Standard Classification
6.3	Table A3	-	Budgeted financial performance by vote
6.4	Table A4	-	Budgeted financial performance by revenue source & expen.type
6.5	Chart A1	-	Revenue by Municipal Vote Classification
6.6	Chart A2a Chart A2b	-	Expenditure by Municipal Vote
6.7	Chart A3	-	Revenue by Standard Classification
6.8	Chart A4	-	Expenditure by Standard Classification
6.9	Chart A5/A	-	Revenue by source - major
6.10	Table A5	-	Budgeted Capital Expenditure by vote, Std Class and funds
6.11	Chart A6	-	Revenue by source - minor
6.12	Chart A7	-	Expenditure by type
6.13	Table A6	-	Budgeted financial position
6.14	Chart A10	-	Capital Expenditure by Municipal vote- minor
6.15	Table A7	-	Budgeted cash flow
6.16	Table A8	-	Cash back reserves/ accumulated surplus reconciliation
6.17	Table A9	-	Asset Management
6.18	Table A10	-	Basic service delivery measurement

7. That, the following budget related policies approved by Council, be noted:-

- 7.1 Supply Chain Management Policy
- 7.2 Cash Management and Investment Policy
- 7.3 Budget Policy
- 7.4 Virement Policy

8. That, the Municipal Manager be delegated to authorize the Quality Certificate relating to the Annual Budget and supporting documentation attached per **Annexure D**, be approved.