

IKWEZI MUNICIPALITY 83rd ORDINARY COUNCIL MEETING 23/05/2013

ITEM F&A 6.2.2

MULTI YEAR BUDGET



**MULTI-YEAR 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 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 Project 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.

Council approved the Draft budget on 26 March 2013.

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 (excl electricity)	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	9 725 000	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
	31 420 001	27 315 832	34 937 082

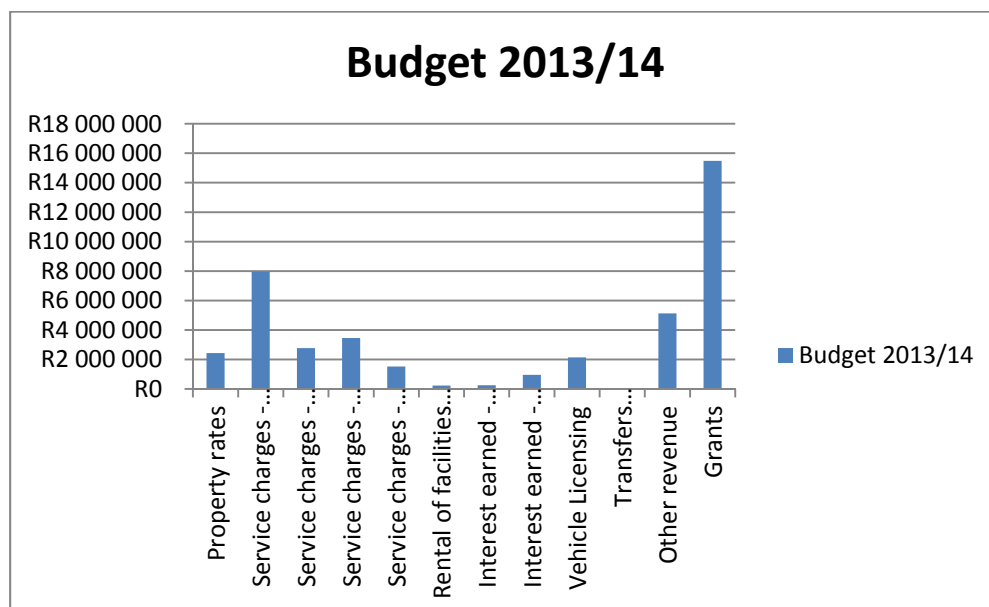
1. OPERATING BUDGET

1.1 INCOME BUDGET

1.1.1 Income Budget by Source

Income Budget by Source	Budget 2013/14	Budget 2014/15	Budget 2015/16	Act Inc %	Inc %	Inc %
Property rates	R 2 428 503	R 2 574 213	R 2 728 666	7%	6%	6%
Service charges - electricity revenue	R 7 956 381	R 8 402 075	R 8 872 881	7.5%	7.5%	7.5%
Service charges - water revenue	R 2 563 753	R 2 714 462	R 2 874 533	7%	6%	6%
Service charges - sewerage revenue	R 3 437 970	R 3 646 243	R 3 867 238	7%	6%	6%
Service charges - refuse revenue	R 1 517 570	R 1 600 703	R 1 689 137	7%	6%	6%
Rental of facilities and equipment	R 230 114	R 243 921	R 258 557	7%	6%	6%
Interest earned - external investments	R 250 745	R 265 790	R 281 737	7%	6%	6%
Interest earned - outstanding debtors	R 959 532	R 1 017 104	R 1 078 130	7%	6%	6%
Transfers recognised - operational	R 0	R 0	R 0			
Other revenue	R 6 587 212	R 7 101 740	R 7 656 805	7%	6%	6%
Grants	R 15 485 947	R 12 732 235	R 20 026 639			
Total Income Budget by Source (excl capital transfers and contributions)	R 41 417 728	R 40 298 486	R 49 334 323			
Capital Transfers	9 725 000	8 002 000	7 933 950			
Total Income	R 51 142 728	R 48 300 486	R 57 268 273			

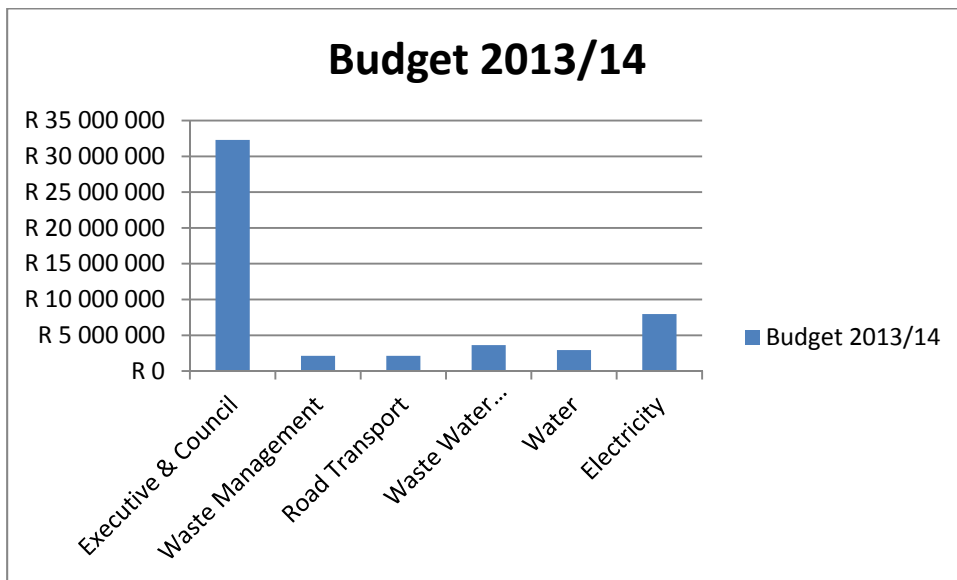
1.1.2 Income Budget by Source graph



1.1.3 Income Budget by Vote

Income Budget by Vote	Budget 2013/14	Budget 2014/15	Budget 2015/16	Act Inc %	Inc %	Inc %
Executive & Council	R 34 718 875	R 30 931 934	R 38 899 110	7%	6%	6%
Waste Management	R 2 126 225	R 2 245 877	R 2 373 022	7%	6%	6%
Waste Water Management	R 3 593 768	R 3 811 390	R 4 042 293	7%	6%	6%
Water	R 2 729 223	R 2 889 859	R 3 060 455	7%	6%	6%
Electricity	R 7 974 637	R 8 421 427	R 8 893 394	7.5%	7.5%	7.5%
Total Income Budget by Vote	R 51 142 728	R 48 300 487	R 57 268 274			

1.1.4 Income Budget by Vote graph

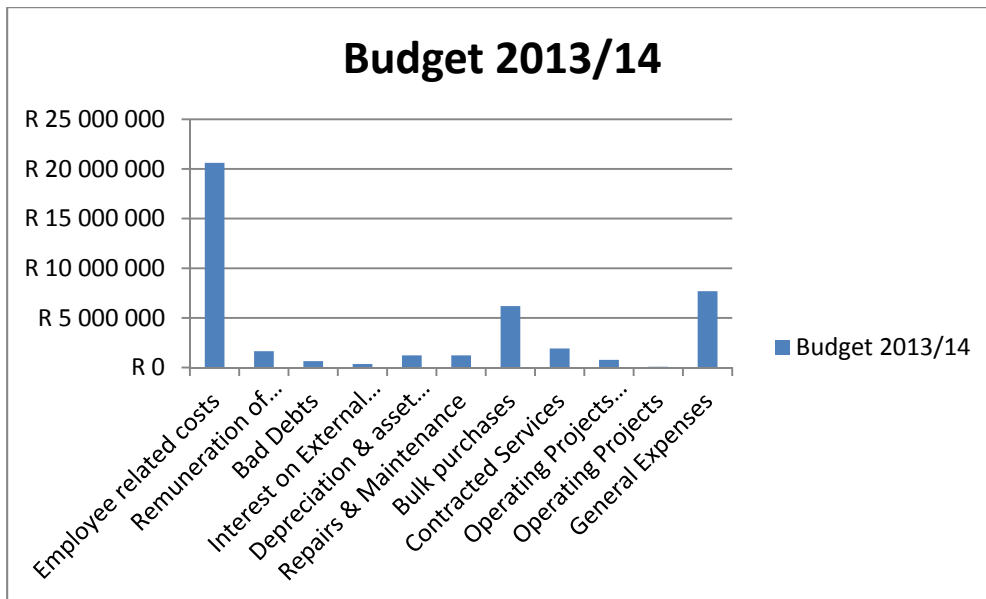


1.2 EXPENDITURE BUDGET

1.2.1 Expenditure Budget by Type

Operating Expenditure by Type	Budget 2013/14	Budget 2014/15	Budget 2015/16	Act Inc %	Inc %	Inc %
Employee related costs	R 20 618 776	R 21 958 997	R 23 386 331	6.95%	6.5%	6.5%
Remuneration of councillors	R 1 641 193	R 1 747 871	R 1 861 482	6.95%	6.5%	6.5%
Bad Debts	R 645 217	R 655 597	R 666 653	5.6%	5.4%	5.4%
Interest on External Borrowings	R 1 543 381	R 1 626 724	R 1 714 567	5.6%	5.4%	5.4%
Depreciation & asset impairment	R 1 218 255	R 1 284 041	R 1 353 379	5.6%	5.4%	5.4%
Repairs & Maintenance	R 1 220 617	R 1 286 531	R 1 356 003	5.6%	5.4%	5.4%
Bulk purchases	R 6 191 000	R 6 525 314	R 6 877 681	8.0%	5.4%	5.4%
Contracted Services	R 1 914 734	R 1 889 542	R 1 991 577	5.6%	5.4%	5.4%
Operating Projects Grants & Subs	R 768 000	R 809 472	R 853 183	5.6%	5.4%	5.4%
Operating Projects	R 70 000	R 73 780	R 77 764	5.6%	5.4%	5.4%
General Expenses	R 5 785 670	R 6 098 096	R 6 427 393	5.6%	5.4%	5.4%
Total Operating Expenditure by Type	R 41 616 843	R 43 955 964	R 46 566 014			

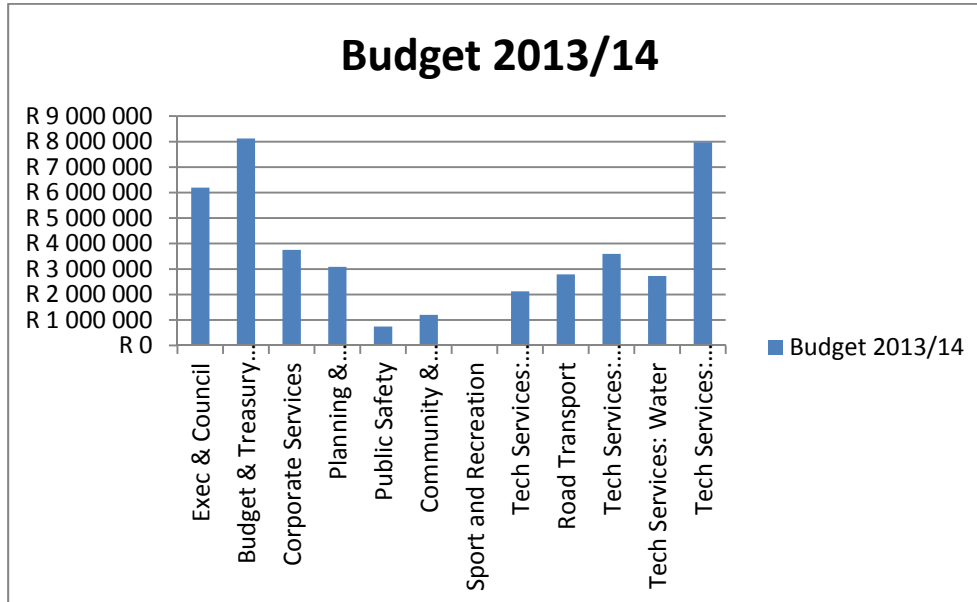
1.2.2 Expenditure Budget by Type graph



1.2.3 Expenditure Budget by Vote

Opex by Vote	Budget 2013/14	Budget 2014/15	Budget 2015/16	Ave %	Ave %	Ave %
Exec & Council	R 7 396 053	R 7 829 014	R 8 287 537	6.28%	5.95%	5.95%
Budget & Treasury Office	R 8 123 673	R 8 606 871	R 9 119 622	6.28%	5.95%	5.95%
Corporate Services	R 3 753 355	R 3 857 526	R 4 097 866	6.28%	5.95%	5.95%
Planning & Development	R 3 083 355	R 3 279 746	R 3 488 685	6.28%	5.95%	5.95%
Public Safety	R 746 487	R 794 027	R 844 605	6.28%	5.95%	5.95%
Community & Social Services	R 1 199 600	R 1 275 917	R 1 357 106	6.28%	5.95%	5.95%
Sport and Recreation	R 4 467	R 4 708	R 4 962	6.28%	5.95%	5.95%
Tech Services: Waste Management	R 2 126 224	R 2 245 877	R 2 373 022	6.28%	5.95%	5.95%
Road Transport	R 886 000	R 939 600	R 996 469	6.28%	5.95%	5.95%
Tech Services: Waste Water Management	R 3 593 768	R 3 811 389	R 4 042 293	6.28%	5.95%	5.95%
Tech Services: Water	R 2 729 223	R 2 889 859	R 3 060 455	6.28%	5.95%	5.95%
Tech Services: Electricity	R 7 974 637	R 8 421 427	R 8 893 393	6.70%	5.95%	5.95%
Total Operating Expenditure by Vote	R 41 616 843	R 43 955 963	R 46 566 015			

1.2.4 Expenditure Budget by Vote graph



1.3 CAPITAL BUDGET

1.3.1 Capital Budget by Project

Capex by Project	Budget 2013/14	Budget 2014/15	Budget 2015/16
LEASE AGREEMENTS VEHICLES	350 000	350 000	350 000
UPGRADE WW TREATMENT WORKS KLP	6 000 000		
RENOVATION OF JVL TOWN HALL	950 000		
MIG PROJECTS		3 652 000	2 584 000
CONSTRUCTION OF PHUMLANI ROADS		4 000 000	5 000 000
STORMWATER WONGALETHU	1 000 000		
STORMWATER DAN SANDI	802 500		
PMU CAPITAL MIG	486 250		
LED CAPITAL MIG	486 250		
MUNICIPAL FLEET	6 000 000		
EPWP Grant	1 000 000		
Total Capex by Project	R 17 075 000	R 8 002 000	R 7 934 000

RECOMMENDATION

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

	Budget 2013/14	Budget 2014/15	Budget 2015/16
OPERATING BUDGET - INCOME	R 51 142 728	R 50 629 654	R 59 631 191
OPERATING BUDGET EXPENDITURE	R 41 616 843	R 43 955 963	R 46 566 014
CAPITAL BUDGET	R 17 075 000	R 8 002 000	R 7 934 000

(NT "A" schedules to follow)

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

ELECTRICITY

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