

NTABANKULU LOCAL MUNICIPALITY



28 APRIL 2014

INDEX**Page No.**

1. TABLE OF CONTENTS	2
2. MUNICIPAL MANAGER'S QUALITY CERTIFICATE	3
3. PURPOSE OF THE REPORT	4
4. LEGAL AND OR LEGISLATIVE BACKGROUND	4
5. BACKGROUND FACTS AND PROPOSAL	4 - 9
6. FINANCIAL IMPLICATIONS	21
7. STAFF IMPLICATIONS	21
8. ANNEXURES	21
9. RECOMMENDATIONS	21

MUNICIPAL MANAGER'S QUALITY CERTIFICATION

I, M Sondaba, Acting Municipal Manager of the Ntabankulu Local Municipality hereby certify that the draft budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act 56 of 2003 and the regulations made under the Act, and that supporting documents are consistent with the Integrated Development Plan of the municipality.

Signature

Mr. M Sondaba
Acting Municipal Manager
Ntabankulu Local Municipality

Date

(a) PURPOSE

The purpose of this report is to present the MTREF 2014/2017 for deliberations and recommendations to the council for final approval.

(b) LEGAL AND OR STATUTORY REQUIREMENT

1. In terms of section of Chapter 4 of the MFMA, Section 16:-

(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 the municipality to comply with subsection (1), the mayor of the municipality must table the annual budget at a council meeting 90days before the start of the budget year.

2. National Treasury's Circular 70 issued on the 4th December 2013 and 72 issued on the 11th March 2014

3. Municipal Approved Budget Policy

(c) BACKGROUND EXPOSITION, FACTS AND OR PROPOSAL

Ntabankulu Local Municipality adopted its process plan for the year 2013/2014. This was implemented through its IDP and Budget Steering committee and public participation road shows through the local municipality's demarcation.

The municipality is expected to prepare a three year budgets that are sustainable in terms of being funded from realistically anticipated revenue to be collected. As a result of this budget has been prepared taking into account the current economic crisis and the economic outlook going forward.

The municipal grant funded income is as follows as per the Division of Revenue Act

EC444 Ntabankulu - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand	1										
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - COUNCIL		-	-	-	-	-	-	-	-	-	-
Vote 2 - MUNICIPAL MANAGER		-	-	-	-	-	-	-	-	-	-
Vote 3 - BUDGET & TREASURY		207	-	-	450	5 200	5 484	5 785	5 200	5 484	5 785
Vote 4 - STRATEGIC		-	-	-	-	-	-	-	-	-	-
Vote 5 - HUMAN RESOURCE		-	-	-	-	-	-	-	-	-	-
Vote 6 - INFRASTRUCTURE		-	25 018	28 213	58 357	11 600	46 757	28 137	55 660	53 571	53 560
Vote 7 - PUBLIC SAFETY		-	-	-	-	-	-	-	-	-	-
Vote 8 - TRAFFIC DEPARTMENT		-	-	-	-	-	-	-	-	-	-
Vote 9 - REFUSE DEPARTMENT		-	-	-	-	-	-	-	-	-	-
Vote 10 - COMMUNITY SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 11 - CORPORATE & ADMINISTRATION		624	1 698	1 952	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	830	26 717	30 165	58 807	16 800	52 241	33 923	60 860	59 055	59 345
Single-year expenditure to be appropriated	2										
Vote 1 - COUNCIL		-	-	-	-	-	-	-	-	-	-
Vote 2 - MUNICIPAL MANAGER		-	-	-	-	-	-	-	-	-	-
Vote 3 - BUDGET & TREASURY		-	-	-	-	-	-	-	-	-	-
Vote 4 - STRATEGIC		-	-	-	-	-	-	-	-	-	-
Vote 5 - HUMAN RESOURCE		-	-	-	-	-	-	-	-	-	-
Vote 6 - INFRASTRUCTURE		-	-	-	-	-	-	-	-	-	-
Vote 7 - PUBLIC SAFETY		-	-	-	-	-	-	-	-	-	-
Vote 8 - TRAFFIC DEPARTMENT		-	-	-	-	-	-	-	-	-	-
Vote 9 - REFUSE DEPARTMENT		-	-	-	-	-	-	-	-	-	-
Vote 10 - COMMUNITY SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 11 - CORPORATE & ADMINISTRATION		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		-	-	-	-	-	-	-	-	-	-

Total Capital Expenditure - Vote		830	26 717	30 165	58 807	16 800	52 241	33 923	60 860	59 055	59 345
Capital Expenditure - Standard											
<i>Governance and administration</i>		830	1 698	1 952	450	2 250	2 700	375	5 200	5 484	5 785
Executive and council											
Budget and treasury office		207			450	2 250	2 700	375	5 200	5 484	5 785
Corporate services		624	1 698	1 952							
<i>Community and public safety</i>		-	-	-	-	-	-	-	-	-	-
Community and social services											
Sport and recreation											
Public safety											
Housing											
Health											
<i>Economic and environmental services</i>		-	25 018	28 213	58 357	11 600	46 757	28 137	55 660	53 571	53 560
Planning and development											
Road transport			25 018	28 213	58 357	11 600	46 757	28 137	55 660	53 571	53 560
Environmental protection											
<i>Trading services</i>		-	-	-	-	-	-	-	-	-	-
Electricity											
Water											
Waste water management											
Waste management											
<i>Other</i>											
Total Capital Expenditure - Standard	3	830	26 717	30 165	58 807	13 850	49 457	28 513	60 860	59 055	59 345
Funded by:											
National Government											
Provincial Government											
District Municipality											
Other transfers and grants											
Transfers recognised - capital	4	-	-	-	-	-	-	-	-	-	-
Public contributions & donations	5										
Borrowing	6										
Internally generated funds											
Total Capital Funding	7	-	-	-	-	-	-	-	-	-	-

EC444 Ntabankulu - Table A6 Budgeted Financial Position

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
ASSETS											
Current assets											
Cash		378	10 143	7 976	138 991	7 045	131 946				
Call investment deposits	1	-	-	-	-	-	-	-	-	-	-
Consumer debtors	1	-	-	-	-	-	-	-	-	-	-
Other debtors		253	281	585	986	24	1 010	605	1 024	1 080	1 140
Current portion of long-term receivables											
Inventory	2	16 131	16 115	16 414							
Total current assets		16 762	26 539	24 975	139 977	7 069	132 957	605	1 024	1 080	1 140
Non current assets											
Long-term receivables											
Investments											
Investment property		9 026	9 026	8 120	8 120		8 120	8 120	8 120	8 120	8 120
Investment in Associate											
Property, plant and equipment	3	-	-	-	-	-	-	-	-	-	-
Agricultural											
Biological											
Intangible		413	238	147	147		147	147	147	147	147
Other non-current assets											
Total non current assets		9 439	9 264	8 267	8 267	-	8 267	8 267	8 267	8 267	8 267
TOTAL ASSETS		26 201	35 803	33 242	148 244	7 069	141 224	8 872	9 291	9 348	9 407
LIABILITIES											
Current liabilities											
Bank overdraft	- 1	453	336	-							
Borrowing	4	-	-	-	-	-	-	-	-	-	-
Consumer deposits											
Trade and other payables	4	-	-	-	-	-	-	-	-	-	-
Provisions			3 181	3 357	8 077	003	7 074	3 357	3 450	3 639	3 839
Total current liabilities		453	3 517	3 357	8 077	003	7 074	3 357	3 450	3 639	3 839
Non current liabilities											
Borrowing		-	-	-	-	-	-	-	-	-	-
Provisions		-	-	-	-	-	-	-	-	-	-

Total non current liabilities		-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES		453	3 517	3 357	8 077	003) ⁽¹	7 074	3 357	3 450	3 639	3 839
NET ASSETS	5	25 748	32 286	29 885	140 167	8 072	134 149	5 514	5 841	5 708	5 568
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)			140 205	168 728	168 728		168 728	168 728	168 728	168 728	168 728
Reserves	4	-	-	-	-	-	-	-	-	-	-
Minorities' interests											
TOTAL COMMUNITY WEALTH/EQUITY	5	-	140 205	168 728	168 728	-	168 728	168 728	168 728	168 728	168 728

EC444 Ntabankulu - Table A7 Budgeted Cash Flows

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Ratepayers and other		4 557	1 447	1 915	4 886	5 744	10 630	4 579	3 302	3 484	3 675
Government - operating	1	37 586	64 020	67 715	73 634	1 598	75 232	56 538	86 012	101 917	101 541
Government - capital	1	20 398	29 331	34 201	59 271	15 000	44 271	39 696	55 577	53 117	52 660
Interest		648	925	1 559	1 200		1 200	739	1 300	1 372	1 372
Dividends											
Payments											
Suppliers and employees		(52 440)	(58 726)	(72 930)	(78 556)	(3 409)	(81 964)	(55 612)	(82 727)	(79 981)	(82 250)
Finance charges		(210)	(544)	(97)	(200)	100	(100)	(4)	(50)	(53)	(56)
Transfers and Grants	1										
NET CASH FROM/(USED) OPERATING ACTIVITIES		¹⁰ 538	36 454	32 363	60 235	19 034	49 269	45 936	63 414	79 855	76 942
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											

Proceeds on disposal of PPE											
Decrease (Increase) in non-current debtors											
Decrease (increase) other non-current receivables											
Decrease (increase) in non-current investments											
Payments											
Capital assets		(18 094)	(26 717)	(30 164)	(58 807)	9 350	(49 457)	(28 137)	(60 860)	(59 055)	(59 345)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(18 094)	(26 717)	(30 164)	(58 807)	9 350	(49 457)	(28 137)	(60 860)	(59 055)	(59 345)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans											
Borrowing long term/refinancing											
Increase (decrease) in consumer deposits											
Payments											
Repayment of borrowing											
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	-	-	-	-	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD		(7 555)	9 737	2 199	1 428	28 384	(188)	17 799	2 555	20 801	17 597
Cash/cash equivalents at the year begin:	2	(7 555)	(7 555)	2 182				-		2 555	23 355
Cash/cash equivalents at the year end:	2	(7 555)	2 182	4 381	1 428	28 384	(188)	17 799	2 555	23 355	40 952

|

EC444 Ntabankulu - Table A7 Budgeted Cash Flows

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Ratepayers and other		4 557	1 447	1 915	4 886	5 744	10 630	4 579	3 302	3 484	3 675
Government - operating	1	37 586	64 020	67 715	73 634	1 598	75 232	56 538	86 012	101 917	101 541
Government - capital	1	20 398	29 331	34 201	59 271	15 000	44 271	39 696	55 577	53 117	52 660
Interest		648	925	1 559	1 200		1 200	739	1 300	1 372	1 372
Dividends											
Payments											
Suppliers and employees		(52 440)	(58 726)	(72 930)	(78 556)	(3 409)	(81 964)	(55 612)	(82 727)	(79 981)	(82 250)
Finance charges		(210)	(544)	(97)	(200)	100	(100)	(4)	(50)	(53)	(56)
Transfers and Grants	1										
NET CASH FROM/(USED) OPERATING ACTIVITIES		10 538	36 454	32 363	60 235	19 034	49 269	45 936	63 414	79 855	76 942
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											

Proceeds on disposal of PPE											
Decrease (Increase) in non-current debtors											
Decrease (increase) other non-current receivables											
Decrease (increase) in non-current investments											
Payments											
Capital assets		(18 094)	(26 717)	(30 164)	(58 807)	9 350	(49 457)	(28 137)	(60 860)	(59 055)	(59 345)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(18 094)	(26 717)	(30 164)	(58 807)	9 350	(49 457)	(28 137)	(60 860)	(59 055)	(59 345)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans											
Borrowing long term/refinancing											
Increase (decrease) in consumer deposits											
Payments											
Repayment of borrowing											
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	-	-	-	-	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD		(7 555)	9 737	2 199	1 428	28 384	(188)	17 799	2 555	20 801	17 597
Cash/cash equivalents at the year begin:	2	(7 555)	(7 555)	2 182				-		2 555	23 355
Cash/cash equivalents at the year end:	2	(7 555)	2 182	4 381	1 428	28 384	(188)	17 799	2 555	23 355	40 952

EC444 Ntabankulu - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Cash and investments available											
Cash/cash equivalents at the year end	1	(7 555)	2 182	4 381	1 428	28 384	(188)	17 799	2 555	23 355	40 952
Other current investments > 90 days		7 480	7 625	3 595	137 563	(21 339)	132 135	(17 799)	(2 555)	(23 355)	(40 952)
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
Cash and investments available:		(75)	9 807	7 976	138 991	7 045	131 946	-	-	-	-
Application of cash and investments											
Unspent conditional transfers		-	-	-	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	(500)	(98)	(270)	(816)	(185)	615	(112)	(826)	(871)	(919)
Other provisions											
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		(500)	(98)	(270)	(816)	(185)	615	(112)	(826)	(871)	(919)
Surplus(shortfall)		425	9 905	8 246	139 807	7 230	133 561	112	826	871	919

DRAFT MTREF 2014/2015 PER DIRECTORATE

As indicated on the legal background, the municipality compiled the draft budget according to circular 28 issued in 2009 for the uniformity of municipal budgeting.

In compiling the MTREF 2014/2017, the following are budget highlight and facts were considered:-

- Municipal poor collection which limits the municipal financial muscle in funding some of the necessary service delivery inputs.
- The municipal budget continues to rely heavily on the grants allocated from the National government of R141 589 000, R155 034 000, R154 201 000 respectively and the grant revenue represents 97%, in 2014/15.
- The capital budget for the medium term 2014/15 -2016/2017 will be R60 859 670, R59 054 752, R59 345 263 respectively mainly funded by the National allocation of Municipal Infrastructure Grant (MIG) and Department of Minerals and Energy.
- An amount of R2 798 000 has been allocated by National Treasury for employment of municipal community through Expanded Public Works Programmes

It should also be noted that the following assumptions were used in compiling the budget;

- Ensuring that expenditure is aligned to revenue and that the municipality has sufficient cash to finance the expenditure.
- Ensure that the municipality avoids borrowings due to the dependence on grant revenue
- Ensure that the budget respond to priorities enlisted in the IDP.
- Review of all programmes and cost centers to minimize wastage.
- Reprioritization of expenditure programmes to curb the growing personnel and operating expenditure.
- Ensure that services are cost affordable and sustainable.
- Ensure that realistic revenue targets are set based on trends.
- Follow the national guide on salary and CPI projections as indicated the current circular issued.

BUDGET SUMMARY

▪ The major expenditure items:-

1. Expenditure on employee related costs at 26%, The budget for related costs is within the norms indicated on National Treasury circular 71, whereby the expenditure on remuneration should be between 25% to 40%
2. Expenditure on general expenses at 20%.
3. Expenditure on capital expenditure at 46%
4. Expenditure on repairs and maintenance at 2%. National treasury requires budget for repairs and maintenance to be at least 8%,

An additional provision of R5 450 000 which is 3% of the total budget, has been set aside to cover possible bad debts from rates and charges not collected, leaves, depreciation and rehabilitation of landfill site.

BUDGET RELATED POLICIES

It is required by section 21(iii) of the Act that when the municipality tables its IDP and its annual budget it must include budget related policies.

Budget related policies were adopted by council on the 20th February 2014 as follows:

Policy Name	Approved Dates
Funding and Reserves Policy	Not yet Approved
Virement Policy	Not yet Approved
Petty Cash Policy	Not yet Approved
Supply Chain Management Policy	20 th February 2014
2.Asset Management Policy	20 th February 2014
3.Tariff Policy	20 th February 2014
4.Indigent Policy	20 th February 2014
5.Property Rates Policy	20 th February 2014
6.Credit Control & Debt Management Policy	20 th February 2014
7.Fleet Management Policy	20 th February 2014
8.Catering Policy	20 th February 2014
9.Budget Policy	20 th February 2014
10.Banking and Investment Policy	20 th February 2014

MUNICIPAL TARIFF STRUCTURE

The municipal tariff structure has been amended to suit economic changes and to improve municipal revenue (**Refer to the attached Municipal tariff structure**)

FINANCIAL IMPLICATION

None

STAFF IMPLICATIONS

None

ANNEXURES

1. Completed MFMA Circular 28 budget
2. Budget related policies
3. Municipal tariff structure

RECOMMENDATION

It is hereby recommended that the committee recommends this report to council for final approval of the following:-

1. The following tables be approved:-

- A. Table A1 Budget summary
- B. Table A2 : Budgeted financial performance (revenue and expenditure by standard classification)
- C. Table A3 : Budgeted financial performance (revenue and expenditure by municipal vote)
- D. Table A4 : Budget financial performance (revenue and expenditure)
- E. Table A5 : Budgeted capital expenditure by vote and funding
- F. Table A6 : Budgeted financial position
- G. Table A7 : Budgeted cash flows
- H. Table A8 : Cash backed reserves / accumulate surplus reconciliation
- I. Table A9 : Asset management
- J. Table SA 36 : Budgeted capital expenditure by programme name

2. The amended / reviewed tariff structure and charges be approved
3. Integrated Development Plan be approved for public review and scrutiny
4. Budget related policies be approved for implementation in the year 2014/2015