

**UMKHANDLU WASEKHAYA
IMPENDLE
LOCAL MUNICIPALITY**



2014/15 ADJUSTED BUDGET

26 FEBRUARY 2015

TABLE OF CONTENTS

Item Number	Item	Pages
1	Mayoral speech	3
2	Vision and Mission statements	7
3	Executive Council Committee	7
4	Management Committee	7
5	Process Followed	7
6	Budget approach	8
7	Focus areas	8
8	Executive summary	8
9	DORA allocations	9
10	Council resolutions	9
11	Tariffs of charges	10
12	Functional budget and SDBIP	10
13	Analysis supporting the budget	10
14	Fiscal overview	11
15	Investments	11
16	Budget and revenue related policies and procedures	11
17	Councillor salaries and allowances	12
18	Section 57 employee packages	12
19	Circular 70 and 72 Budget Submitting Forms	12
20	Way forward	13
21	Closure	13
22	Supporting Schedules	14

1. MAYORAL SPEECH

Introduction

Since our election into office in May 2011 our municipality has gone through major challenges both at a political and administrative level. It is history now that the challenges escalated to the level where the Provincial Executive resolved to intervene in our affairs in terms of s139 of the constitution pre March 2006. It is also history now that the intervention in terms s139 has been lifted. It is commonly acknowledged that the intervention assisted the municipality to move towards the attainment of the objects of local government as enshrined in the constitution.

I am delighted that through hard work and dedication on the part of council members, management, staff and provincial authorities Impendle Local municipality is able to table a surplus adjustments budget and on time. Notwithstanding, it has to be acknowledged that this 2014/15 budget is tight. It is vulnerable to slight market changes such as fuel increases, salary and other increases.

Public Participation

We have visited all stakeholders even those in remote areas as promised in the previous budget and IDP process. Already we've had consultative meetings with all property owners on property rates as well as the IDP. The budget and tariffs will be advertised widely in the press, the website and on our notice boards. The active involvement of our ward committees in the public participation process last year and during the course of mid-year 2014/2015 was commendable. We have to further intensify the involvement of ward committees in the budget and IDP processes as this would continue to entrench participatory democracy in our communities.

Operating Revenue and Expenditure

Revenue Property rates

- The municipality has not adjusted property rates.
- The municipality is mostly funded by grants revenue that comprise 76 % of total capital and operational revenue.
- There is also a slight increase in the operational budget due to grant dependency of the municipality and the resultant was due to roll-over funding being reflected as own revenue on the adjustments budget.

Investment Revenue

- At 0.60% the municipality envisages that conditional grants will be utilised and only a small portion will be unspent in 2014/2015.
- This is in line with the amended performance agreements for Section 56 managers accountable to the Accounting Officer.

- Due to the amended performance agreements, there is a buy in from management and officials to perform as service delivery has been delayed to the community. Stakeholders such as Eskom, contractors and others will be engaged to fast track all backlogs thus reducing conditional grant revenue being utilised for investment revenue generation. During the mid-year review, it was evident that expenditure patterns had changed as only R11,6m was invested on call accounts.

Service Charges

- There is a sharp decline from what had originally been budgeted for due to actual count being taken of refuse debtors.

Own Revenue

- VAT to be collected has been budgeted for representing 3% of total revenue. The municipality is engaged in the process of investigating different forms of revenue generation but investments from the state and private sector is vital to achieve this objective.
- Land transfer also needs to be conducted and completed urgently to achieve the above objective.

Employee Cost

- Inflationary increments of 6.79% for officials has been implemented as per circular no. 72 mandate from National Treasury.
- Councillor allowances are have not yet been approved and remain budgeted at 6,79% with change in plenary Mayors allowance to being of a full time nature.
- Another important factor is the filling of critical vacant posts, per the municipal organogram, in relation to daily operations and for achieving effective service delivery to the community.

Finance Changes

- These relate to bank charges and are reasonably budgeted for.

Capital Budget

- Decreased as unspent conditional asset grant funding not estimated and any estimates will be adjusted for in the adjustments budget once they have been identified and approved by National Treasury.

- Municipality has adjusted for a capital budget of R4,6m to be funded internally in relation to completion of Mafahleni Street, Impendle Mill, Sivannnda Creche and Training Skill Centre and Electrification of Impendle community as mandated by National Government.

The bulk of the operating revenue of the municipality is derived from the equitable share allocation as well as conditional grants from both national and provincial governments. The total annual operating expenditure proposed for Impendle Local Municipality for the 2014/2015 as adjusted is R 39 867 195 which is 67% of the total adjusted budget of the municipality. **It should be borne in mind that the municipality has compiled a surplus adjusted budget as recommended by National Treasury per Circular 70.**

The following are the main operating expenditure areas:

- Staff Related Costs - R 16 696 112
- General Expenses – R 20 420 533
- Repairs and Maintenance – R 670 000
- Councillors remuneration – R 2 080 550

Apart from staff costs our annual operating budget focuses on the implementation of the Municipal Property Rates, Provision for depreciation, Loan Repayment, Free Basic Electricity, Electrification project, Local Economic Development, Sport, Programs for the elderly, children, youth, the disabled as well as those infected or affected by HIV & AIDS.

Repairs and maintenance is at 2% against total operational expenditure due to municipal infrastructure being fairly new and budgets towards these assets will increase in future budgets.

Capital Revenue and Expenditure

The bulk of the capital revenue of the municipality is derived from the following Grants:

Municipal Infrastructure Grant allocation 2014/15 Financial year	- R 11 736 000
Electrification Grant Allocation for 2014/15 Financial year	- R 3 000 000
MIG includes 5% allocated to Project Management Unit (PMU)	
COGTA funded projects	- R Nil
Internally funded capital items for 2014/15 financial year	- R 4 658 781

The following is a split of budget into GFS/votes as follows:

	TOTAL REVENUE BUDGET	GFS % over total budget	R 62 291 326
1	Executive and Council	10	R 4 624 443
2	Budget and Treasury	14	R 17 932 727
3	Corporate, Community and Social Services	11	R 12 438 575
4	Housing	1	R 856 000
5	Sports and recreation	1	R 570 000
6	Planning and development	63	R 25 869 581

	TOTAL EXPENDITURE BUDGET	GFS % over total budget	R 59 781 975
1	Executive and Council	10	R 4 586 288
2	Budget and Treasury	14	R 14 591 216
3	Corporate, Community and Social Services	11	R 11 439 826
4	Housing	1	R 856 000
5	Sports and recreation	1	R 570 000
6	Planning and development	63	R 27 738 645

Conclusion

In conclusion I wish to state that this Adjusted Budget Speech represents as an Executive Summary of our municipality's 2014/15 to 2016/2017 Financial Years Adjusted Budget and captures only key factors. Details are distributed with the Adjusted Budget Report and it is presumed that all members of this Council have acquainted themselves with details thereof.

On behalf of the people of Impendle, I move that the Adjusted Budget of Impendle Local Municipality for the year 2014/2015 Financial Year and the indicative adjusted budget for 2014/2015 to 2016/2017 Financial Years be accepted as tabled.

I thank you

2. VISION AND MISSION STATEMENT

2.1 Vision

By the year 2017, the Impendle Municipality would have provided the majority of the people and households in Impendle with sustainable access to their social and economical development needs and basic services in a fully integrated manner and within a safe and healthy environment.

2.2 Mission

Through the integrated development plan and the Batho Pele principles Impendle Municipality will strive for the realisation of the Council vision.

3. COUNCIL MEMBERS

3.1 The municipality is of the type that does not have an Executive Committee. The Council consists of 7 members

- HW Cllr SG Ndlela Speaker/Mayor
- Cllr CD Gwala
- Cllr SL Mlaba
- Cllr NG Mvelase
- Cllr PP Mtolo
- Cllr KM Dlamini
- Cllr HT Zuma

4. MANAGEMENT COMMITTEE

- Mr SI Mabaso - Municipal Manager
- Ms GS Ngcobo – Manager: Corporate and Community Services
- Mr ZC Tshabalala – Manager: Infrastructure and Planning Services
- Mr OV Kunene – Manager: Budget and Treasury (Chief Financial Officer)

5. PROCESS FOLLOWED

- Council adopted budget process plan in August 2013
- The Mayor established a Budget Steering Committee in terms of section 4 chapter 2 of Government Gazette No. 31804
- Management and Mayor met to compile this adjusted budget on the 13th March 2014 and again on the 18th March 2014.
- DORA allocations from both National and Provincial Treasuries were used to determine the 2014/15 adjusted allocations to Impendle LM for the adjusted budget.
- Council approved the annual budget on the 29th May 2014 after conducting IDP/Budget roadshows in all four wards of the municipality in April and May 2014 and after considering all stakeholder inputs.
- The Mid-Year Budget Assessment and Performance was compiled, reviewed and submitted to the Mayor on the 23rd January 2015.
- From the submission, it was evident that an adjusted budget needs to be compiled. Management was then engaged to submit adjusted inputs by the Chief Financial Officer.

- All inputs were considered and the adjusted was tabled before Council on the 26th February 2015 for approval.

6. ANNUAL BUDGET APPROACH

- The anticipated 2014/15 Surplus of R2,5m is made available as contribution to internally funded capital expenditure for the 2014/15 adjusted budget.
- GFS/Standard Classification was acknowledged in the process.
- Powers and functions were used as a guiding tool
- Tariff of charges were not escalated but a tariff for business trading license was observed.
- Company contribution on medical aid was calculated on SALGA's collective agreement where 60% of employee's monthly premium for medical aid is cost to employer. There has been a slight change in medical aid as there is an increase of membership as a result of the December annual change and new applications that were processed.
- Annual operating expenditure budget for 2014/15 was drawn up based on the zero budget and budget incremental approach. The capital adjusted budget was drawn up on the gazetted allocations by both National and Provincial Treasuries and the zero based budget approach. Section 57 salaries were increased by the cost of living inflationary increment applicable to permanent staff employees with effect from 01 July 2014. This is a pattern following the directive from Bargaining Council.

7. FOCUS AREAS

The adjusted budget focuses on the following priorities as identified in the IDP:

- Implementation of Municipal Property Rates Act
- Upgrading or construction of Access Roads
- Improvement of Public participation
- Support for Local Economic Development initiatives
- Provision of Free Basic Services
- Development of Human Capital (internally within the municipality and externally in partnership with the Dept of Education and other relevant Stakeholders)
- Upgrading of information and communication systems (internally in the municipality and externally through service providers)
- Electrification Programme
- Construction of Impendle Mill
- Small Town Rehabilitation
- Sivananda Creche and Skills Training Centre

8. EXECUTIVE SUMMARY OF A BALANCED ANNUAL BUDGET FOR THREE CONSECUTIVE YEARS

	2014/2015	2015/2016	2016/2017
REVENUE			
Equitable Share Grant	28 057 000	32 796 000	32 722 000
Conditional Grants	19 425 000	25 753 000	26 555 000
Property Rates and other income	11 809 326	7 653 536	8 110 748
Contribution from surplus of preceding year	3 000 000	1 060 000	1 123 600
Total Revenue	62 291 326	67 262 536	68 511 348

EXPENDITURE			
Salaries and Allowances	16 696 112	17 697 879	18 759 752
General Expenses	20 420 533	23 844 275	23 472 211
Councillors Remuneration	2 080 549	2 205 382	2 337 705
Repairs and Maintenance	670 000	1 378 000	1 460 680
Capital Expenditure	19 914 781	22 137 000	22 481 000
Total Expenditure	59 781 975	67 262 536	68 511 348
Surplus/(Deficit)	2 509 351	0	0

NB: The annual budgeted Operating Expenditure (OPEX) for 2014/15 financial year amounts to R 40 967 419, 00.

9. DoRA ALLOCATIONS FOR 2014/15 FINANCIAL YEAR

Finance Management Act grant-FMG	1 800 000
Municipal System Improvement Grant-MSIG	934 000
Equitable Share-ES (after adjusting for R5m withdrawn)	28 057 000
Municipal Infrastructure Grant-MIG	11 736 000
Library Grant	535 000
Library Services-Cybercadet	126 000
EPWP	1 294 000
National Electrification	3 000 000
Total	47 482 000

10. ADJUSTED BUDGET RESOLUTIONS

To be attached as an extract from Council Minutes of a meeting to be held on 26th February 2015.

11. TARIFF OF CHARGES

	Unit(s)	2014/15	2013/14	2012/13
Rates Certificate	Each	R110.00	R100.00	R95.00
Graveyards	Grave Site	R77.70	R77.70	R74.00
Hall Hire	Hour	R114.95	R104.50	R95.00
Refuse	Government	R1835.68	R1639.00	R1485pa
	Residential	R469.41	R438.70	R410pa
	Business	R1829.52	R1633.50	R1490pa
Business Trading Licences		R200.00	R200.00	RNil
Thusong Conference Hall Hire	Hour	R174.62	R134.2	R122.00
Library copies	Per a4 page	R1.00	R1.00	R1.00
Library-Printing	Per Copy	R2.50	R2.50	R2.50
Library-Faxing to local	Per Page	R5.00	R5.00	R4.50
Library-Faxing to outside 033 code	Per Page	R6.50	R6.50	R6.50
Rates-Residential	Cents	R0.009555	R0.012	R0.011
Rates-Farmland		R0.002389	R0.003	R0.002
Rates-Small Holdings		R0.002389	R0.003	R0.002
Rates-Industrial		R0.009555	R0.012	R0.011
Rates-Commercial		R0.009555	R0.012	R0.011
Rates-Multipurpose		R0.009555	R0.012	R0.011
Rates-State Owned		R0.009555	R0.005	R0.004
Rates-PSI Properties		R0.002389	R0.005	R0.004
Rates-Communal Land (ITB)		R0.000096		
Tenders Fees	Per Document	R402.50	R350.00	R250.00
Billboards	Per Quarter	RNil	RNil	RNIL
Lot 52 Room Rental	Per Month	R726.00	R660.00	R600.00
Market stalls	Small monthly	R117.70	R110.00	R100.00
	Medium monthly	R129.47	R121.00	R110.00
	Large monthly	R164.78	R154.00	R140.00
Taxi Permits	Per taxi per annum	R492.80	R440.00	R400.00
TLB Hire	Hour	R629.64	R629.64	R594.00
Tractor Hire	Hour	R157.30	R148.40	R140.00
Thusong Services Centre rental	Square Meter	R96.80	R88.00	R80.00

12. FUNCTIONAL ADJUSTED BUDGETS & SDBIP'S

The Adjusted Service Delivery and Budget Implementation Plan (SDBIP) will be tabled to the Mayor 14 days after the adjusted budget approval.

13. ANALYSIS SUPPORTING THE ADJUSTED BUDGET

Departments-Votes	Adjusted Revenue Budget	Adjusted Expenditure Budget
Executive and Council Services	R 4 624 442	R 4 586 288
Planning and Infrastructure Services	R 26 725 581	R 28 594 645
Corporate and Community Services	R 13 008 575	R12 009 825
Financial Services	R 17 932 727	R 14 591 216
TOTAL	R 62 291 326	R59 781 976

14. FISCAL OVERVIEW

In order to counter the ever rising inflation rate we have either decreased or increased the municipal revenue and expenditure accordingly. Property rates and tariffs have increased using the legislated formulae incorporating the necessary MPRA Section 17 rebates and the municipal policy deductions as reviewed. The municipality does anticipate conditional grants that would not be spent by the end of June 2015. These can be the National electrification and MIG funds. The necessary roll-over applications will be done should the municipality be in a position not to spend all its conditional grants before 31 August 2015. The necessary adjustments will be catered for in the adjustments budget once the outcome is known from National Treasury in relation to the anticipated rollovers for 2015/16 financial year. Stringent measures need to be undertaken by the municipality to curb any possible withdrawals as well as expedite service delivery to the community of Impendle.

15. INVESTMENTS

Conditional grant funds are invested on call accounts and utilised when required. Currently Call accounts have been opened with ABSA, Standard Bank and NED Bank to keep each and every conditional grant separately from the municipal primary account. All receipts and payments are made to and from the municipal primary account. These will be closed off on the 30th June 2015 and should there be unspent conditional grants by the 1st July 2015, new call accounts will be opened with the financial institutions offering a better rate of interest.

No	Bank	Account Number
1	NedBank	037881012463000021
2	Standard Bank	636864901
3	Standard Bank	636863484
4	Standard Bank	636863476
5	Standard Bank	258541326-004
6	ABSA	9280671957
7	ABSA	9286205518
8	ABSA	9287282125
9	ABSA	9287813716
10	ABSA	9286914797
11	NedBank	037881012463000023
12	NedBank	037881012463000024
13	NedBank	037881012463000025
14	NedBank	037881012463000026
15	NedBank	037881012463000027
16	NedBank	037881012463000028

16. ADJUSTED BUDGET & REVENUE RELATED POLICIES AND PROCEDURES

The following policies were presented to council for review on 27th March 2014 where council took a resolution and approved the financial policies which are as follows:

- Assets Management Policy
- Credit Control and Debt Collection Policy
- Indigent Policy
- Banking and Investment Policy
- Supply Chain Management Policy
- Tariff Policy
- Subsistence and Travelling

- Budget Policy
- Anti- Corruption Policy
- Petty Cash Policy
- IT Policy
- Accounting Policy
- Rates Policy
- Rates By-Laws
- Write-Off's Policy
- Virement Policy
- Travel Allowance

17. COUNCILLOR SALARIES

Councillor	Annual Package	Cell Phone Allowance	Mobile Data Card	Total Remuneration
Mayor (Ndelela SG)	660 162	22 297	3 600	686 046
Dlamini KM	197 171	22 297	3 600	223 055
Gwala CD	197 171	22 297	3 600	223 055
Mlaba SL	253 340	22 297	3 600	279 224
Mvelase NG	197 171	22 297	3 600	223 055
Mtolo PP	197 171	22 297	3 600	223 055
Zuma HT	197 171	22 297	3 600	221 055
TOTAL	1 899 355	154 453	25 200	2 080 549

Councillor's salaries were calculated by utilising packages obtainable from latest Notice issued by the Minister of Provincial and Local Government in January 2014. These allowances have taken into effect the 6,79% inflationary increase.

18. SECTION 57 EMPLOYEES PACKAGES

Position	S55 & S56 Annual Packages
Municipal Manager	804 725
Manager Financial Services (CFO)	748 197
Manager Infrastructure & Planning	641 714
Manager Corporate & Community	641 714
Total	2 836 353

Sec54 and Sec56 employee salaries were budgeted at inflationary increment of 6,79% and should be subsequently approved by Council in December 2014.

19. NATIONAL REPORTING FORMS TO SUPPORT THE BUDGET

Circular 70 and 72 forms are all attached herewith.

20. WAY FORWARD

The municipality has to intensively embark on a program to improve its revenue. At present the municipality is largely funded by grants received from Provincial & National transfers. The implementation of the Municipal Property Rates Act is costing the Municipality more money than what the municipality can collect.

21. CLOSURE

Impendle Local Municipality has critical resource constraints which if not addressed may strain the administration of the municipality in the short term.

I thank you

22. ANNEXURES

Item Number	Item
1	Adjusted Budget Analysis with Mayoral Speech
2	Circular 70 and 72 budget templates (N/A)
3	Adjusted Budget related Council Resolutions
4	Adjusted Budget Quality Certificate
5	Adjusted Budget Schedules
6	Adjusted Annual Service Delivery and Budget Implementation Plans (to be tabled to Mayor after Council approval)
7	Adjusted 2014/2015 Integrated Development Plan
8	Municipal Budget Related Policies
9	Electronic and hardcopy versions of above schedules and annexure's