

ELUNDINI LOCAL MUNICIPALITY



2016/17 – 2018/19 MTREF PERIOD FINAL BUDGET

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PART 1 – ANNUAL BUDGET

1.1 Executive Mayor’s Report

The Municipality reaffirms its commitment to the achievement of the goals enshrined within the Integrated Development Plan, namely:

- Meeting basic service delivery needs of communities to improve their lives;
- Building a clean, efficient, responsive and accountable Municipality;
- Strengthening oversight over the Municipality’s service delivery and financial performance;
- Changing the socio- economic landscape by investing in Infrastructure, human resource development and promoting enterprise development;
- Strengthening partnerships between the Municipality, communities and civil society.

In the year ahead, the Municipality will further strengthen its capacity to implement the adopted Budget, so as to positively impact on the lives of residents.

**COUNCILLOR N.LENGS
JUNE 2016**

1.2 Budget Resolutions

- (a) The Mayor recommends that the Council resolves that:
1. That in terms of section 24 of the Municipal Finance Management Act, 56 of 2003, the annual budget of the Elundini Municipality for the financial year 2016/17, and indicative allocations for the two projected outer years 2017/2018 and 2018/2019, and the multi-year and single year capital appropriations be approved as set out in the following tables:
 - a. Budgeted Financial Performance(Revenue and Expenditure by Standard Classification);[Pg 37]
 - b. Budgeted Financial Performance(Revenue and Expenditure by Municipal Vote);[Pg39]
 - c. Budgeted Financial Performance(Revenue by Source and Expenditure by Type); and[Pg40]
 - d. Multi-year and single year capital appropriations by municipal vote and standard classification and associated funding by source.[Pg43]
 2. That the financial position, cashflow, cash backed reserves/accumulated surplus, asset management and basic service delivery targets be adopted as set out in the following tables:
 - a. Budgeted Financial Position;[Pg45]
 - b. Budgeted Cash Flows;[Pg47]
 - c. Cash Backed Reserves and accumulated surplus reconciliation;[Pg48]
 - d. Asset Management; and[Pg50]
 - e. Basic Service Delivery Measurement.[Pg53]
 3. That in terms of section 24(2)(c)(i) and (ii) of the Municipal Finance Management Act, Act 56 of 2003 and sections 74 and 75A of the Local Government Municipal Systems Act, Act 32 of 2000 as amended, the tariffs for the supply of electricity, waste services, sundry services and property rates as set out in the tariff book(Annexure “A”), that were used to prepare the estimates of revenue by source, are approved effective from 1 July 2013.
 4. That in terms of section 5 of the Municipal Property Rates Act, 6 of 2004, the rates policy as set out in (Annexure “B”) be approved.

5. That in terms of section 24(2)(c)(iii) of the Municipal Finance Management Act 56 of 2003, the 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 [pg84]
6. That in terms of section 24(2)(c)(iv) of the Municipal Finance Management Act, 56 of 2003, the amendments to the integrated development plan as set out elsewhere in the agenda be approved.

1.2 Executive Summary

The 2016/2017 to 2018/19 Budget preparation commenced in August 2015 after Council approved a timetable for the IDP and Budget preparation process.

The Budget comprises both Operating and Capital Budgets, which is a requirement of the Constitution and the Municipal Finance Management Act (MFMA). The capital budget generally contain new or replacement assets such as roads, vehicles, buildings, etc. The Operating Budget, which is by far the largest component of the Budget, includes the provision of services, such as electricity, refuse collection, road functioning etc.

One of the objectives of the budget timetable is to ensure integration between the development of the Integrated Development Plan (IDP) and the Budget. The IDP is the strategic plan of the Municipality and it is critical that the Budget enables the achievement of the IDP objectives. The Table in section 1.3.5 illustrates the link between the IDP and Budget.

The assumptions and principles applied in the development of this Budget are mainly based upon guidelines received from National Treasury (expenditure growth) and other external bodies such as the National Electricity Regulator of South Africa (NERSA), South African Local Government Bargaining Council, major service providers, etc. The IDP's strategic focus areas informed the development of the Budget, in addition to assessing the relative capacity to implement the Budget, taking affordability considerations into account. The aforementioned guidelines were considered appropriate to inform the development of the Budget.

The Operating Budget for the 2016/2017 financial year amounts to R 278.7 Million, funded from revenues amounting to R 332.0 Million.

The major expenditure items are employee costs (30%), Remuneration of Councillors (4%) bulk electricity purchases (9%), general expenses (51%), repairs and maintenance (6%)

Funding is obtained from various sources, the major sources being service charges such as electricity, refuse collection (13%), property rates (7%), sundry related income eg. Hire of plant, agency services, interest on investments (17%), grants and subsidies received from National and Provincial Governments (63.%).

In order to fund the 2016/17 Operating Budget, the following general inflationary linked increase in rates and service charges have been proposed, with effect from 1 July 2016:

Property rates	-	6.6 %
Electricity	-	9.4 %
Refuse	-	6.6 %
Sundry Income	-	6.6%

A provision of R 10.3 million has been set aside to cover potential bad debts arising from property rates and service charges not collected. This is based upon a level of payment of debtors' accounts averaging 80%.

It must also be noted that as per treasury guidelines the municipality has to set aside an amount equivalent to 8% of the total assets in order to address maintenance backlogs, in this current financial year the municipality is unable to provide that 8% due to limitation of funds.

The Assistance to the Poor Programme currently, provides the following monthly benefits to poor households in the municipality:

- Free 50 kwh Electricity
- Free basic refuse removal
- Property rates subsidy

The Elundini Local municipality has prioritized spending on the free services program and as such has prioritized allocations for the MTEF 2016/2017 in the sum of R5,7 million increasing to R6.0 Million in 2017/2018. The increased allocations are in alignment with the service delivery targets established aimed at accelerating access to alternative energy sources in Eskom subserviced areas, as well as Council's resolve to significantly enhance the level of households participating on the formal indigent support program.

The Capital Budget totals R53.4 million and this is funded primarily through revenue from operations (30%), Government grants (70%). Grants and subsidies are mainly earmarked road and electrical infrastructural projects.

Annexure "A" provides a summary of the capital projects included in the Capital Budget.

The Budget related policies as have been adhered to in the development of the Budget, whilst continuous monitoring of budget performance is possible through Key Performance Indicators as contained within the Service Delivery and Budget Implementation Plan.

3.1 TOTAL SERVICE DELIVERY PACKAGE OF THE MUNICIPALITY AND ASSOCIATED FINANCIAL IMPLICATIONS

The Municipality provides the following services:

Electricity
Refuse Removal

1.3.2 EFFECT OF THE ANNUAL BUDGET

In this section the operating and capital budget are discussed.

1.3.2.1 Operating Budget

The assumptions and principles applied in the development of this Budget are mainly based upon guidelines received from National Treasury (expenditure growth) and other external bodies such as the National Electricity Regulator of South Africa (NERSA), South African Local Government Bargaining Council, major service providers, etc.

The IDP's strategic focus areas informed the development of the Budget, in addition to assessing the relative capacity to implement the Budget, taking affordability considerations into account. The aforementioned guidelines were considered appropriate to inform the development of the Budget.

The Operating Budget totals R 278.7 Million, which funds the continued provision of services provided by the Municipality.

The table below reflects the MTREF allocations towards expenditures per type.

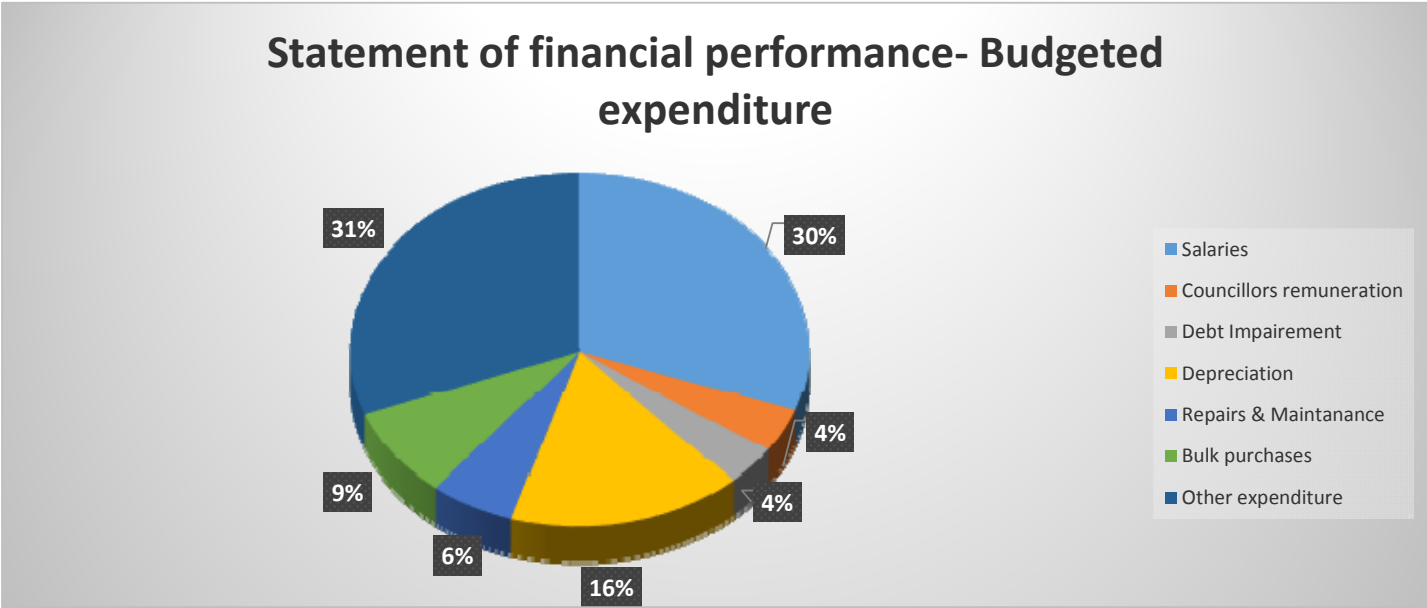
EC141 Elundini - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand	1									
Revenue - Standard										
<i>Governance and administration</i>		133 484	107 059	-	161 453	193 780	193 780	199 707	212 781	226 250
Executive and council		-	8	-	-	-	-	-	-	-
Budget and treasury office		133 481	107 039	-	161 453	193 780	193 780	199 707	212 781	226 250
Corporate services		3	12	-	-	-	-	-	-	-
<i>Community and public safety</i>		2 078	3 515	-	3 206	2 462	2 462	2 548	2 666	2 784
Community and social services		-	755	-	760	816	816	794	803	811
Sport and recreation		5	0	-	-	-	-	-	-	-
Public safety		2 073	2 760	-	2 446	1 646	1 646	1 754	1 863	1 973
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		1 314	34 660	-	80 505	83 223	83 223	85 961	89 913	95 026
Planning and development		-	4 121	-	-	109	109	116	123	130
Road transport		1 314	30 539	-	80 505	83 114	83 114	85 845	89 790	94 896
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		18 336	21 688	-	76 573	46 985	46 985	43 835	51 153	52 991
Electricity		14 641	17 699	-	72 119	42 531	42 531	39 086	46 111	47 651
Water		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		3 695	3 989	-	4 454	4 454	4 454	4 748	5 043	5 340
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Revenue - Standard	2	155 212	166 923	-	321 736	326 450	326 450	332 051	356 513	377 052
Expenditure - Standard										
<i>Governance and administration</i>	-	81 226	74 809	-	99 180	111 020	111 020	114 309	121 784	129 323
Executive and council		22 862	28 051	-	35 691	37 196	37 196	38 697	41 319	43 997
Budget and treasury office		41 687	28 943	-	37 526	47 185	47 185	46 100	48 990	51 848
Corporate services		16 677	17 815	-	25 962	26 639	26 639	29 513	31 475	33 479
<i>Community and public safety</i>		11 489	13 931	-	13 752	17 317	17 317	19 132	20 470	21 843
Community and social services		4 779	4 079	-	4 356	3 137	3 137	3 353	3 590	3 833
Sport and recreation		4 347	3 852	-	4 276	6 146	6 146	7 721	8 252	8 795
Public safety		3 323	4 268	-	4 516	7 245	7 245	7 218	7 728	8 252
Housing		(960)	1 732	-	604	789	789	839	900	962
Health		-	-	-	-	-	-	-	-	-

<i>Economic and environmental services</i>		45 775	50 228	-	57 716	68 832	68 832	72 865	75 813	80 488
Planning and development		6 253	8 389	-	10 102	11 792	11 792	10 743	11 372	12 118
Road transport		39 522	41 839	-	47 614	57 040	57 040	62 122	64 441	68 370
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		30 818	37 113	-	96 598	74 145	74 145	72 373	81 583	85 362
Electricity		20 000	24 918	-	83 962	57 535	57 535	54 605	62 628	65 188
Water		869	-	-	-	-	-	-	-	-
Waste water management		869	-	-	-	-	-	-	-	-
Waste management		9 080	12 195	-	12 636	16 610	16 610	17 768	18 954	20 175
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Expenditure - Standard	3	169 308	176 081	-	267 246	271 314	271 314	278 679	299 649	317 016
Surplus/(Deficit) for the year		(14 096)	(9 159)	-	54 491	55 135	55 135	53 372	56 864	60 036

The graph below reflects the componentization of the operating budget in the sum of R 218.6 Million as denoted within the budgeted statement of financial performance by expenditure type.

2016/2017 Statement of Financial Performance- Budget Expenditure



Below is a discussion of the main expenditure components:

Employee Costs

National Treasury prescribes a norm of 30-40% for salary expenditure, Municipalities are required to develop a personnel expenditure ratio that is based on the nature of its functions, organizational structure, labour intensity of intensity of its operations, extent to which labour intensive components of its operations are outsourced and the composition of non-personnel components of its operational expenditure. The 2016/2017 budget reflects that 30% of the operational budget is allocated to salary expenditure, way below the norm for Local Government.

Bulk Purchases

Eskom has increased bulk tariffs to Municipalities by 9.4% as relates to the 2015/2016 financial year. The 2016/17 budget accordingly allows for a concomitant increase for bulk power purchases from Eskom. It has been estimated, however, that energy consumption levels will reflect a negative growth of approximately 1.4%, attributable to the following:

- Significant increases in electricity prices;
- Consumer awareness of the need to conserve energy;
- The implementation of energy conservation measures; and
- The down turn in the economy and its consequential impact on industry.

Repairs and Maintenance

In terms of the analysis provided the organisation has committed in excess of 6% of the operating budget to finance maintenance related activities over the MTREF; importantly as per the benchmark indicators set for local government the ELM is expected to provide 8% of net asset value of assets towards repairs and maintenance related activities; this naturally would imply a fundamental shift in funding choices as the implications of this is that the existing allocation would have to be increased from the current allocation of R 16.6 million to R 24 million per annum; in response to the challenge the organisation has pledged to further enhance the reduction of consumption based spending in favour of ensuring appropriate levels of funding; the financing model is premised to realise this equilibrium by 2017/2018.

Operational Sources of Funding

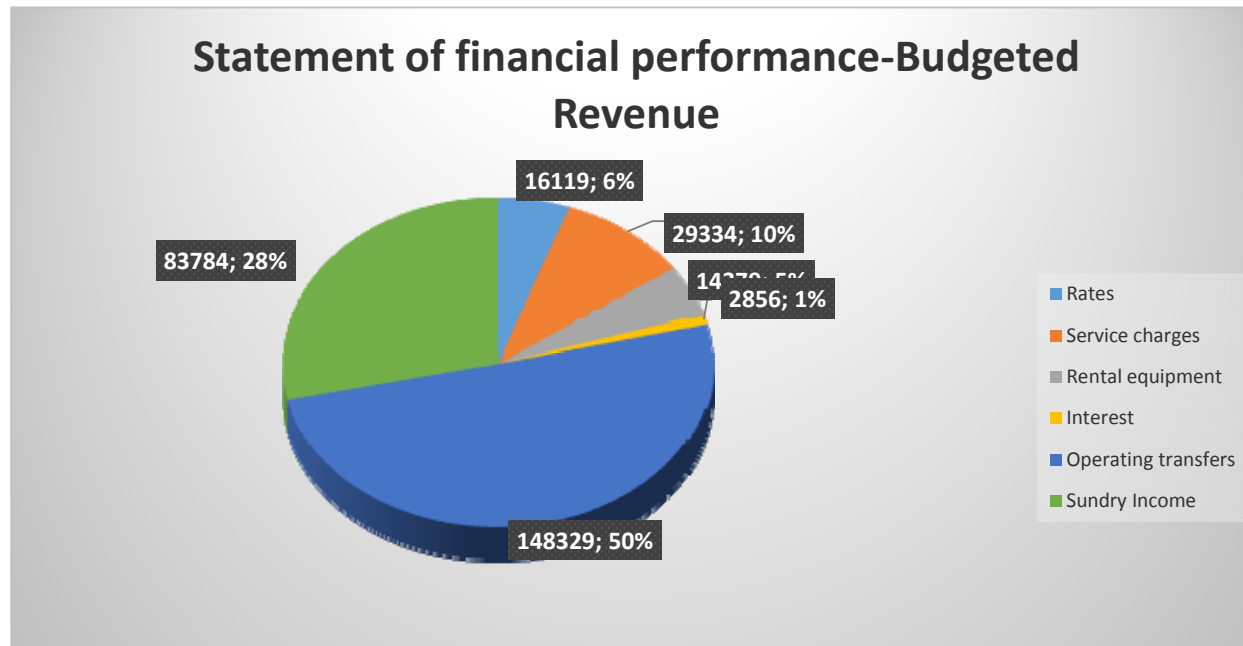
The Municipality receives its funding from many sources including property rates, services charges and government grants. The following table identifies the sources of funding for the current financial year 2016/2017 and the projected outer year budgets for 2017/18 to 2018/19.

Importantly the revenue streams have been linked to CPI as defined with the headline inflation forecasts as defined within the National Budget with Electricity being aligned to NERSA proposed IBT tariff increase parameters, :

Below is a graph reflecting the revenue components of the budgeted statement of financial performance

2016/2017 Statement of Financial Performance- Budget Revenue

The graph below reflects the componentization of the operating revenue in the sum of R 295 Million as denoted within the budgeted statement of financial performance revenue by source.



Below is a discussion of the main revenue components:

Operational Transfers

Growth within the Equitable Share of Nationally raised revenue as gazetted with the Division of Revenue Act has decreased by 2%, as compared with 2015/2016 fiscal year; with outer year adjustments increasing 6%, and 5% respectively; the above mentioned revenue correction is a second attempt by National Government to realign the funding formula to Local Government aimed at enhancing the resource base to Local Municipalities that are rural in nature and hence have limitation within their revenue raising capacity, and to counter the effect of the cost of Governance related costs in relation to revenue raising ability.

Service Charges

Electricity charges have been increased by 9.4%, 6.2% and 5.9 for two outer years respectively. Nersa has approved that percentage for electricity tariffs for 2017 financial year.

Solid waste tariffs have increased by 6.6%.

The Municipality renders all consumers a consolidated monthly account in line with Municipal Bylaws, which become due and payable within 30 days from date of invoice.

The Municipality likewise maintains a fully functional customer care centre that receives and deals with all service delivery related complaints, including billing related queries; the ELM manages all logged complaints in line with the service standards charter, which inter alia regulates communications protocols and stringent turnaround times.

Rental Income

The Elundini Local Municipality has undertaken significant investment as part of the revenue diversification strategy employed into revenue generation assets and activities, as such the ELM is anticipating in generating in excess of R 14.4 million per annum over the MTREF in direct revenue inflows premised on road construction related activities, and of housing rental.

Likewise direct investments into recapitalisation of all commercially owned properties will be undertaken to enhance overall rental income earned on investment properties.

Comparative Rates and Tariffs

In order to support the Operating Budget, the following increases in rates and service charges have been proposed, compared to the 2015/2016 financial year:

	2015/16	2016/17	2017/18	2018/19
	%	%	%	%
Property rates Increase	4.8	6.6	6.2	5.9
Electricity Increase	8.0	9.4	6.2	5.9
Refuse Increase	4.8	6.6	6.2	5.9

1.3.2.2 Capital Budget

The three year capital budget presented below has been prepared to give effect to the service delivery objectives as contained within the Integrated Development Plan.

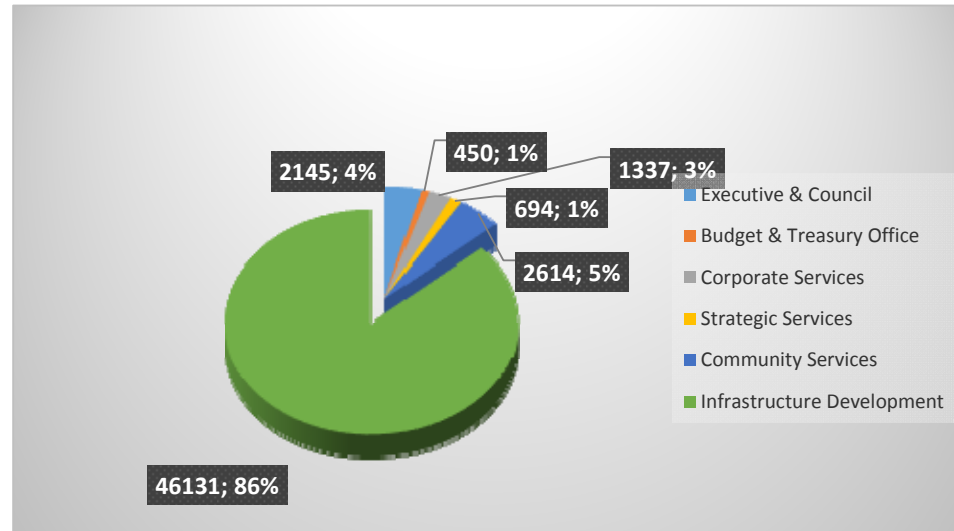
Importantly, R 170.3 million will be invested over the 2016/2017-2018/19 MTREF in capital expansion programmes, with R52.9 Million of opex being invested into repairs and maintenance initiatives aimed at maintaining all assets in good operational order to maximise ROI .(See Asset Management commentary elsewhere in this report for detailed analysis around % benchmark indicators)

The graph below reflects the 2016/17 Capital Budget by Vote.

CAPITAL EXPENDITURE BY VOTE R'000

EC141 Elundini - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Capital Expenditure - Standard											
<i>Governance and administration</i>		3 554	2 420	2 096	2 967	4 027	4 027	-	3 933	4 629	4 902
Executive and council		645	831	961	836	387	387		2 145	2 278	2 413
Budget and treasury office		2 214	684	559	1 262	2 572	2 572		450	478	506
Corporate services		695	905	575	868	1 068	1 068		1 337	1 873	1 984
<i>Community and public safety</i>		1 973	974	23	2 555	1 247	1 247	-	1 864	1 975	2 090
Community and social services		1 973	170	23	2 245	104	104		112	119	126
Sport and recreation			142	-	310	1 103	1 103		1 310	1 386	1 466
Public safety			592	-		40	40		443	470	498
Housing			70	-	-	-	-		-	-	-
Health											
<i>Economic and environmental services</i>		28 664	29 141	42 612	43 325	43 825	43 825	-	43 175	45 587	48 095
Planning and development		1 213	3 583	2 540	2 182	1 582	1 582		694	737	781
Road transport		27 451	25 558	40 072	41 142	42 243	42 243		42 481	44 850	47 314
Environmental protection											
<i>Trading services</i>		3 230	3 902	-	5 645	6 035	6 035	-	4 400	4 673	4 948
Electricity		3 230	3 271	-	3 595	4 985	4 985		3 650	3 876	4 105
Water											
Waste water management											
Waste management			631	-	2 050	1 050	1 050		750	797	843
<i>Other</i>											
Total Capital Expenditure - Standard	3	37 421	36 437	44 731	54 491	55 135	55 135	-	53 372	56 864	60 035
Funded by:											
National Government		-		-	37 992	37 992	37 992		37 250	39 826	41 984
Provincial Government											
District Municipality											
Other transfers and grants											
Transfers recognised - capital	4	-	-	-	37 992	37 992	37 992	-	37 250	39 826	41 984
Public contributions & donations	5	37 421	36 437	-							
Borrowing	6										
Internally generated funds					16 499	17 143	17 143		16 122	17 038	18 051
Total Capital Funding	7	37 421	36 437	-	54 491	55 135	55 135	-	53 372	56 864	60 035



Capital Source of Financing

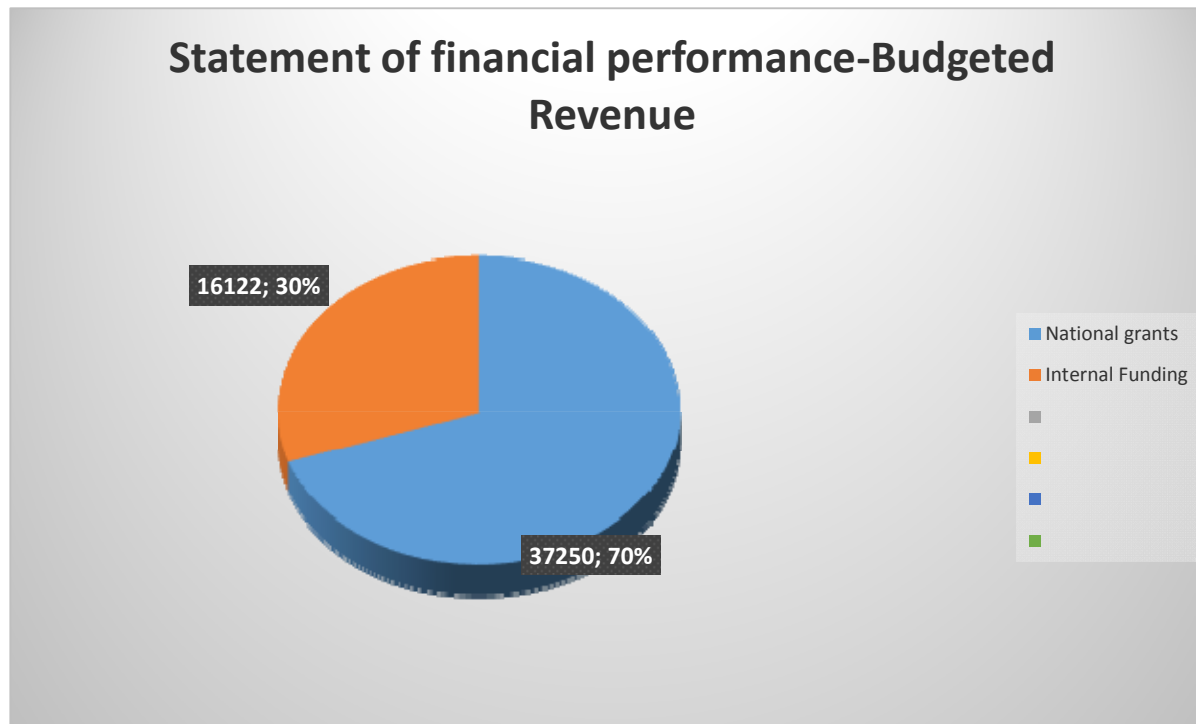
The table denoted below provides Council with an understanding as to the basis under which the Capital expansion programmes of Council are to be financed, importantly the funding is primarily driven through the Division of Revenue Act, as well as funding agreements concluded through the Donor funding policy,

Councils contribution of retained earnings towards Capital expansion programs have been curtailed within the MTREF to allow for reserves to be adequately resourced(cashback) based on the funding compliance assessment undertaken to ensure alignment with industry standards.

The Graph below denotes the capital sources of funding

Vote Description R thousand	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Funded by:											
National Government		-		-	37 992	37 992			37 250	39 826	41 984
Provincial Government											
District Municipality											
Other transfers and grants											
Transfers recognised - capital	4	-	-	-	37 992	37 992	-	-	35 875	37 835	39 885
Public contributions & donations	5	37 421	36 437	-							
Borrowing	6										
Internally generated funds		-			16 499	17 143			16 122	17 038	18 051
Total Capital Funding	7	37 421	36 437	-	54 491	55 135	-	-	53 372	56 864	60 035

2016/2017 Capital Sources of Financing



1.3.3 Funding of the Budget

Fiscal Overview

1.3.3.1 2016/17 Projected Financial Performance

The municipality's financial performance and position appears to be as evidenced by the following:

- Budgets are balanced, being funded from the current financial year's revenues.
- The municipality operates within its annual budget, as approved by Council.
- The municipality maintains a positive cash and investments position.
- Higher than expected/modelled collection rates are being achieved.

1.3.3.1.1 Operating Budget

A performance is projected for 2016/17 with R 332 million of expenditure being funded by revenue of R 295 million leaving a budgeted surplus of R53 million which is appropriated in the Statement of Changes in Net Assets. For both financial years, the current financial year's revenues were sufficient to cover the operating expenditures.

In February 2016 it was reported to the Budget and Treasury Standing Committee that the revenue collection rate was 100% of the current financial year's billings. The collection rate of 100% on which the 2016/17 Operating Budget is premised, is in line with the IDP target. It will assist the municipality in maintaining its financial position to support the mid-term plan in this Budget.

The Municipality has developed and implemented a Revenue enhancement strategy, with this strategy the municipality is anticipated to continue and result in the achievement of a consistent collection rate of 100% within the MTREF.

1.3.3.1.2 Capital Budget

The actual capital budget projected spend in 2016/2017 amounted to R53 Million, of which R37.2 million was funded from National and Provincial Government grants, and the remaining

R 16.1 million was funded from Council's internal sources.

The projected spending level over the 2016/17-2018/19 MTREF is in line with expectation, a concerted effort must be made over the MTREF to accelerate spending to promote spare capacity to undertake enhanced capital works through reprioritised funding the MIG and INEP. A capital budget allocation of R53 million being proposed for 2016/2017, financed through National Government in the sum of R 37.2 Million, and internal reserves of R16.1 Million.

In the two outer years of the MTEF 2017/18 and 2018/2019, the Capital budgets have been modelled primarily around gazette Municipal Infrastructure Grant allocations.

1.3.3.2 Mid Term Outlook – 2015/16 to 2017/2018

Operating Budget

The operating budget amounts to R 278 million for the 2016/17 financial year. It then increases to R 299 Million in 2016/2017, and finally to R 317 Million in 2017/18. This growth is mainly in the following areas:

- Increased spending attributable to addressing maintenance backlogs in infrastructure;
- Increased spending on employee related costs;
- Increased spending attributable to bulk purchasing costs for electricity;
- Increased spending on Loss Management;
- Increased spending on Job Creation;
- Provisioning of Free Basic Services;
- Increased spending on Solid Waste Functioning;
- Increased spending special programmes of Council- youth, women development and HIV/AIDS;
- Entrenchment of Public Consultation;
- Strengthening of Ward Based Committees;
- SMME Development and support

Capital Budget

Over the next three financial years, 2016/2017 to 2018/19, capital spending is projected at R53.3 million in 2016/17, R 56.8 million in 2017/18 and R 60.0 million in 2018/19

Councils contribution of retained earnings towards Capital expansion programs have been curtailed within the MTREF to allow for reserves to be adequately resourced (cashback) based on the funding compliance assessment undertaken to ensure alignment with industry standards.

This situation has been brought about by an accelerated drive over the last 4 years towards the eradication of backlogs that has seen a cumulative investment of over R 55 million of retained earnings being invested into Property Plant and Equipment.

Due to limitations imposed on the financing model, the provisions of the Donor Support policy will be invoked to ensure that all available funding streams outside of the DORA and internal reserves are explored and maximized to sustain the commitment to eradicate service delivery related backlogs; the focus on MTREF will be Road and Stormwater networks, considering that the Electricity Distribution networks within Elundini LM's service jurisdiction have been comprehensively upgraded and rehabilitated.

Financial Ratios

The table below provides Council with the assurance that the financial modelling, underpinning the IDP is aligned to Best Operating Practice insofar as financial sustainability is concerned; the information presented also provides Council with an understanding as to the fundamental modelling provisions used to ensure a credible and implementable IDP; the analysis also aligns the IDP and Budget to National IDP regulation on financial viability.

In terms of the Measurable performance objectives and indicators presented, careful consideration and oversight must be given to the management of liquidity and the cost cover ratio of Council monthly over the MTREF to ensure alignment to industry norms.

On the whole the financial positioning of Council is stable as reflective within the Performance indicators and benchmarks

Ongoing issues requiring monitoring and evaluation

The municipality is closely monitoring certain issues that could have a significant financial impact on future budgets. If one or more of them require substantial resources beyond what is included in the mid-term budget, the municipality will have to adjust its spending plans to maintain its financial position. Many of the items listed below could have major and permanent impacts on the operating budget, and would therefore require permanent increases in revenue, or commensurate reductions in other services. Consequently, they should be carefully monitored and evaluated:

- Maintenance backlogs in respect of Council's assets – adequacy of budgetary provisions alignment of benchmark indicator to 8% of net book value of asset base;
 - Staffing requirements and the impact on the personnel expenditure target;
- Improvement of current collection rates;
 - Electricity Distribution Losses;
 - Unpaid Water and Sanitation Operating Subsidies;
 - Liquidity Ratio within short term
 - Cost Cover Ratio within the short term

See table SA8

1.3.4 Medium Term Revenue and Expenditure

The Projected Financial Results over the MTREF are depicted within the table below:
See table A4

From the analysis presented above it would be clear that the surpluses generated are sufficient to cover investment into infrastructure over the MTREF, special caution is made that the Organisation has begun a formal process of limiting operational costs in favour of bolstering retained earnings aimed at enhancing liquidity ratio, cost cover ratios and mitigating the effects of potential cashflow problems.

1.3.5 Priorities and linkages to the IDP

The Integrated Development Plan (IDP) determines and prioritizes the needs of the community.

The 2016/17 to 2018/19 Operating and Capital Budgets were prepared in accordance with the IDP. The key strategic focus areas of the IDP are as follows:

- Municipal transformation and development
- Service delivery and infrastructure development
- Local economic development
- Financial sustainability and viability
- Good governance and public participation

The abovementioned strategic focus areas informed the preparation of the Budget.

After the tabling of the budget, a series of meetings was held throughout the municipal area to consult with the elected public representatives, Ward Committees, employees of the Municipality, Civil Society, business, labour, National and Provincial Governments on how the draft budget addresses the IDP priorities and objectives. The feedback flowing from these meetings were positive and no material amendments to the budget were undertaken.

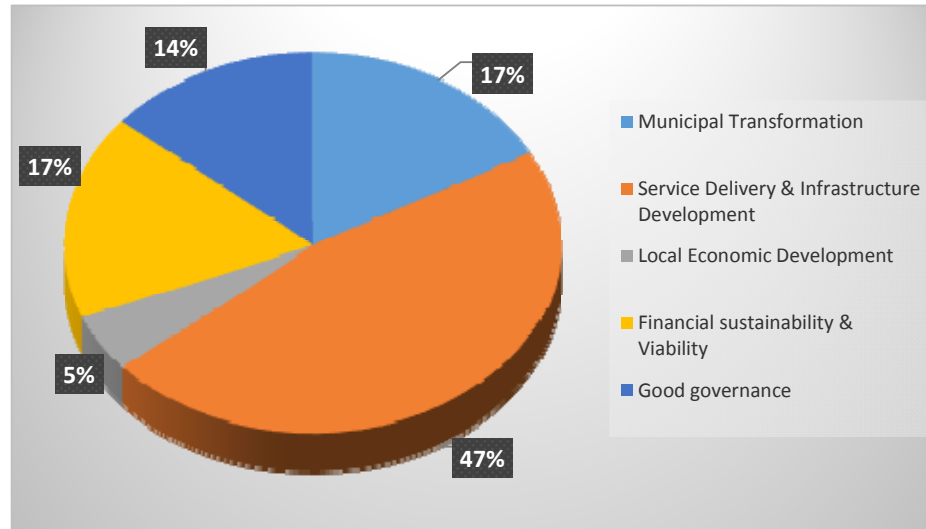
The linking of capital projects to the IDP priorities has been relatively simple, whilst the difficulty in the past has been to link the Operating budget to the IDP. This is now facilitated through the Service Delivery and Budget Implementation Plan (SDBIP).

Below is a table, which illustrates the link between the Budget and the IDP.

BUDGET ALLOCATION ACCORDING TO IDP PRIORITIES

	Municipal Transformation and Development	Service Delivery and Infrastructure Development	Local Economic Development	Financial Sustainability and Viability	Good Governance and Public Participation	Total
	R '000	R '000	R '000	R '000	R '000	R '000
2016/17Budget						
Capital Expenditure	2145	48745	694	450	1337	53372
Operating Expenditure	38697	153627	10743	46100	29513	278680
Total	40842	202372	11437	46550	30850	332052
2017/18Budget						
Capital Expenditure	2278	51498	737	478	1873	54864
Operating Expenditure	41319	166494	11372	48990	31475	299650
Total	43597	217992	12109	49468	33348	354514
2018/19 Budget						
Capital Expenditure	2413	54352	781	506	1984	60036
Operating Expenditure	43997	175575	12118	51848	33479	317017
Total	46410	229927	12899	52354	35463	377053

2016/2017 Expenditure by IDP Priority



The review of the Integrated Development Plan (IDP) in terms of the Municipal Systems Act has been guided and informed by the following principles:

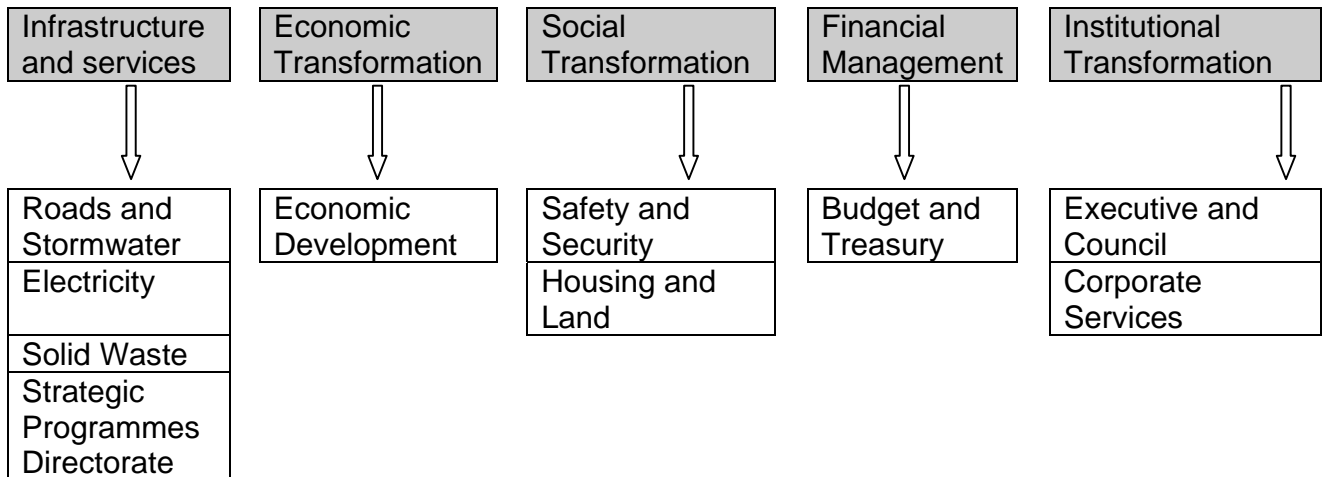
- It must support the achievement of the five strategic priorities of the Elundini LM.
- Focus on service delivery and the maintenance of infrastructure.
- Address community priorities (needs) as identified in the IDP.

The review of the IDP focused on establishing measurable performance indicators and targets. These targets informed the preparation of the multi-year budget, as well as the SDBIP.

Alignment with National and Provincial Priorities

The Municipality's priorities are aligned to those of the National and Provincial Governments.

The matrix below shows the alignment with National and Provincial Government priorities:



The above is an indication of Elundini Local Municipality alignment to the National and Provincial Key Performance Areas and how Directorates are aligned thereto. It should, however, be noted that in terms of implementation all Directorates are focusing on the five areas. In order to monitor and evaluate service delivery and financial performance, key performance indicators are included in all Directors' performance agreements.

1.3.8 Amendments to Budget Related Policies

The MFMA and the Budget and Reporting Regulations require budget related policies to be reviewed, and where applicable, be updated on an annual basis.

A review of the existing budget related policies indicated that no significant changes are necessary. The MFMA and the Budget and Reporting Regulations require budget related policies to be reviewed, and where applicable, be updated on an annual basis.

The Municipality has formally approved 22 budget related policies as denoted below, importantly in line with the requirements of the Municipal Systems Act Municipal bylaws have been promulgated to give effect to policy considerations.

The following budget related policies are in existence and inform the presentation of the financial plan

- Rates Policy
- Tariff Policy
- Credit control and Debt Management Policy
- Indigent Support Policy
- Supply Chain Management Policy
- Cash and Investment Policy
- Fleet Management Policy
- Borrowing Policy
- Funding and Reserves Policy
- Policy related to long term financial plan
- Policy relating to infrastructural investment and capital projects
- Budget Implementation Plan
- Policies related to Management of losses
- Policy on Pauper Burials
- Policy on Lease of Property
- Policy on Unauthorised/irregular and wasteful expenditure
- Policy on Contingent Liabilities
- Policy on Related Party Disclosures
- Policy on VAT
- Policy on GRAP Disclosures
- Policy on journal Entries
- Policy on Capital Commitments

All budget related policies have been reviewed and amended where necessary to address service delivery imperatives.

1.3.9 Budget Assumptions

The following key assumptions underpinned the preparation of the multi-year budget:

	2016/17	2017/2018	2018/2019
Income	%	%	%
Refuse Tariff Increase	6.6	6.2	5.9
Property Rates Increase	6.6	6.2	5.9
Electricity Tariff Increase	9.4	6.2	5.9
Revenue collection rates	6.6	6.2	5.9
Expenditure			
Total Expenditure Increase allowed (excluding repairs and maintenance)	6.6	6.2	5.9
Salary increase	7.6	7.2	6.9
Increase in repairs and maintenance	6.6	6.2	5.9
Increase in bulk purchase of power costs	9.4	6.2	5.9

1.4 Annual Budget Tables

The annual budget tables are included in this section.

1.4.1 Budget Summary

The aim of the Budget Summary is to 'provide a concise overview of the proposed budget from all of the major financial perspectives (operating expenditure, capital expenditure, financial position and cash flow, and MFMA funding compliance). The table provides a 'snapshot view' of the amounts to be approved by Council within the context of operating performance, resources utilised for capital expenditure, financial position, cash and funding compliance.

Taking the aforementioned budget strategy, assumptions and principles into consideration the 2016/17 to 2018/19 Budget was arrived at as follows:

Choose name from list - Table A1 Consolidated
Budget Summary

EC141 Elundini - Table A1 Budget Summary

Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousands										
Financial Performance										
Property rates	14 126	13 354	13 681	15 121	15 121	15 121	-	16 119	17 118	18 128
Service charges	18 336	19 074	18 981	28 139	26 985	26 985	-	29 335	31 153	32 991
Investment revenue	1 834	1 592	2 101	1 500	1 353	1 353	-	1 443	1 532	1 623
Transfers recognised - operational	81 475	96 148	118 378	184 464	156 564	156 564	-	148 329	161 097	168 008
Other own revenue	9 079	8 571	9 686	54 521	88 434	88 434	-	99 576	105 786	114 318
Total Revenue (excluding capital transfers and contributions)	124 850	138 738	162 827	283 744	288 458	288 458	-	294 801	316 687	335 068
Employee costs	48 673	57 617	61 505	62 850	71 464	71 464	-	84 771	90 876	97 146
Remuneration of councillors	8 430	9 483	9 814	12 400	10 887	10 887	-	11 541	12 372	13 225
Depreciation & asset impairment	29 863	31 093	30 834	33 787	42 904	42 904	-	45 736	48 572	51 437
Finance charges	798	621	814	93	21	21	-	22	24	25
Materials and bulk purchases	19 963	22 940	20 582	32 064	35 007	35 007	-	40 317	42 813	45 337
Transfers and grants	350	263	6 861	-	-	-	-	5 701	6 055	6 412
Other expenditure	61 231	54 063	46 974	126 051	111 031	111 031	-	90 590	98 939	103 432
Total Expenditure	169 308	176 079	177 384	267 245	271 315	271 315	-	278 679	299 649	317 016
Surplus/(Deficit)	(44 458)	(37 341)	(14 557)	16 499	17 143	17 143	-	16 122	17 038	18 053

Transfers recognised - capital	30 363	28 184	40 841	37 992	37 992	37 992	-	37 250	39 826	41 984
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	(14 095)	(9 156)	26 284	54 491	55 135	55 135	-	53 372	56 864	60 037
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	(14 095)	(9 156)	26 284	54 491	55 135	55 135	-	53 372	56 864	60 037
<u>Capital expenditure & funds sources</u>										
Capital expenditure	37 421	36 437	44 731	54 491	55 135	55 135	-	53 372	56 864	60 035
Transfers recognised - capital	-	-	-	37 992	37 992	37 992	-	37 250	39 826	41 984
Public contributions & donations	37 421	36 437	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	-	-	-	16 499	17 143	17 143	-	16 122	17 038	18 051
Total sources of capital funds	37 421	36 437	-	54 491	55 135	55 135	-	53 372	56 864	60 035
<u>Financial position</u>										
Total current assets	49 443	46 120	42 443	115 261	92 972	92 972	753	81 368	86 412	91 511
Total non current assets	324 153	336 233	359 397	353 658	343 033	343 033	-	354 506	376 485	398 698
Total current liabilities	38 616	48 440	38 746	33 140	37 761	37 761	-	45 065	47 859	50 683
Total non current liabilities	9 321	9 302	12 994	5 586	68 594	68 594	-	-	-	-
Community wealth/Equity	354 044	335 169	350 100	396 876	329 089	329 089	350 100	390 808	415 038	439 526
<u>Cash flows</u>										
Net cash from (used) operating	17 597	38 333	54 194	99 532	52 727	52 727	-	92 051	85 426	131 107
Net cash from (used) investing	(37 073)	(35 924)	(44 364)	(57 992)	(55 135)	(55 135)	-	(53 372)	(56 864)	(60 035)
Net cash from (used) financing	416	(137)	(257)	-	-	-	-	-	-	-
Cash/cash equivalents at the year end	21 961	24 233	33 806	87 952	73 830	73 830	-	38 679	67 241	138 312
<u>Cash backing/surplus reconciliation</u>										
Cash and investments available	21 961	24 233	33 806	87 952	73 830	73 830	753	71 434	75 863	80 338
Application of cash and investments	19 963	25 236	23 006	12 836	(21 958)	(21 958)	-	21 811	21 729	26 052
Balance - surplus (shortfall)	1 998	(1 003)	10 800	75 116	95 788	95 788	753	49 623	54 133	54 287
<u>Asset management</u>										
Asset register summary (WDV)	201 781	333 924	308 841	394 838	168 608	165 935	391 271	391 271	415 529	440 046
Depreciation & asset impairment	29 863	31 093	30 834	33 787	42 904	42 904	45 736	45 736	48 572	51 437
Renewal of Existing Assets	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	-	-	-	10 885	13 367	-	16 643	16 643	17 671	18 712
<u>Free services</u>										
Cost of Free Basic Services provided	-	-	-	-	-	-	-	-	-	-
Revenue cost of free services provided	-	-	-	-	-	-	-	-	-	-

<u>Households below minimum service level</u>										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-

1.4.2 Consolidated Financial Performance 2016/17 to 2018/19

The 'standard classification' refers to a modified Government Finance Statistics (GFS) reporting structure. The aim of the standard classification approach is to ensure that all municipalities approve a budget in one common format, to facilitate comparison across all municipalities.

See table A2

The purpose of the format in which the budget is presented below, is to enable the Council to enforce a vote in accordance with the municipality's organisational structure, so as to assign responsibility for the revenue and expenditure recorded against these votes to the Municipal Manager and Directors concerned.

Below is a classification of operating revenue and expenditure by 'vote'. A 'vote' is defined as one of the main segments into which a budget of a municipality is divided into, for the appropriation of funds.

See table A3

The Financial Performance Budget is required to be approved concurrently by revenue source and expenditure type, so as to ensure consistency with annual reporting format requirements. A key aim is to facilitate comparison between the annual results and the original budget, so as to assess performance.

The following table reflect the budgeted financial performance by expenditure and income categories: The Projected Financial Results over the MTREF are depicted within the table below:

See table A4

1.4.3 Capital Budget Summary

The three year capital budget presented below has been prepared to give effect to the service delivery objectives as contained within the Integrated Development Plan.

Importantly, R 170.3 million will be invested over the 2016/2017-2018/19 MTREF in capital expansion programmes, with R52.7 Million of opex being invested into repairs and maintenance initiatives aimed at maintaining all assets in good operational order to maximise ROI .(See Asset Management commentary elsewhere in this report for detailed analysis around % benchmark indicators)

Importantly in terms of the audited outcome for 2014/2015, the capital budget was 75% spent; the projected level of Capital spend for 2016/2017 is anticipated to be 100% of the previous financial year.

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

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

Table A5 seeks to meet three requirements, namely it shows:

- capital expenditure by municipal vote;
- capital expenditure by standard classification; and
- the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial governments that fund the capital budget.

See Table A5

1.4.4 Budgeted Financial Statements

The financial statements below identify the financial viability of the Municipality. It is evident from this statement that value of the Municipality is increasing and liquidity although appropriate at this point of time, will require monitoring.

1.4.4.1 Table A6 Budgeted Financial Position

The table below presents Assets less Liabilities as Community Wealth. The order of items within each group is also aligned to the convention of showing items in order of liquidity ie. Assets readily converted to cash or liabilities immediately required to be met from cash appears first.

The financial viability of the Organisation is deemed sound as evidenced by the Statement of Financial Performance, although the cost cover within the short term remains a relative challenge, it would be evident that the planned performance has been structured to ensure a progressive alignment of liquidity to international norms; please see further commentary on ratio's under section Financial Ratio's and benchmarking.

See Table A6

1.4.4.2 Table A7 Budgeted Cash Flows

The table below depicts the projected cash-flows emanating from operating activities, investing activities and financing activities and the extent to which these activities contribute to the overall increase in cash held within the organization over the 2016/2017- 2018/19 MTREF.

The budget statement presented is of particular interest to the Organization considering that the entire Organizational Service Delivery mandate is premised on ensuring that sufficient cash resources are maintained by the Organization at all times to meet obligations imposed.

The Cashflow Statement presented clearly defines that the Municipality's revenue inflows are stable, furthermore Division of Revenue Act allocations are transferred in 3 tranches per annum in advance, and as such contributes significantly in providing a stable revenue resource platform from which to settle obligations.

Analysis of the cash-flow clearly defines that the organisation's cash holdings are expected to improve significantly from the 2016/2017 financial year, underpinning sound and sustainable service delivery

See Table A7

1.4.4.3 Table A8 Cash backed reserves/accumulated surplus reconciliation

The underlying purpose of the table is to reflect the predicted cash and investments that are available at the end of a particular budget year and how those funds were used. A surplus would indicate that sufficient cash and investments is available to meet commitments, whilst a shortfall would indicate inadequate cash and investments was available to meet commitments.

See Table A8

1.4.5 Table A9 Asset Management

The below mentioned table is design to provide a clear guidance to the Organization of the extent to which the investment choice effected/planned, address backlog eradication, versus the replacement of existing assets within the organization, and the extent to which the organization is investing in maintenance programmes aimed at maximizing the useful of the asset.

Notably, the Organization has successfully rehabilitated/ and or replaced the entire Maclear and Ugie Electricity distribution networks over the last three financial years; the focus for the 2016/2017 MTREF is on Roads and Storm water Infrastructure to create the enabling environment to promote economic development within the region.

The Water Service Authority, Joe Gqabi DM is responsible for direct infrastructural investment within the water services infrastructure within the region, the Local Municipalities investment is critically linked to the Spatial Development Plan, that includes all sector investment nodals.

In terms of the analysis presented, it would be clearly defined that the level of funding provided to Repairs and Maintenance related activity is positioned at 3% of net book value of Property Plant and Equipment, as per National Treasury prescripts this level is required to be positioned at 8% of net book value to circumvent under investment in the maintenance of assets, the ELM has been systematically investing in the maintenance of income generating assets as a first order priority given that the majority composition of property plant and equipment constitute gravel access roads, cost of which are funded through external government grants.

Similarly given the legacy of backlogs within the Elundini Local Municipality all available funding has been prioritised towards eradication of backlogs, ie new services and no allocations have been made towards existing asset refurbishment; whilst National Treasury advocates for a 40% allocation of capex towards refurbishment of PPE the ELM has taken a decision to prioritise backlogs and intensify repairs and maintenance activities through increased allocations to ensure maximum economic lifespan of assets.

See Table A9

1.4.6 Table A10 Basic service delivery measurement

The table below denotes the Service delivery measurement as adopted by Council, the importance of this table signifies the impact that the Budget has on Service Delivery, considering the Organization's vested interest in gauging the effectiveness of the investment choices and the extent to which the investment choices have promote access to basic services, the migration of households on a progressive approach to enhanced service level offerings, as well as providing an understanding on what investments are being effected in the provision of alternative service delivery options eg. Solar Systems.

Similarly, the table also provides Council with an understanding as to how the policy choices made translate into the commitment of resources as part of the overall poverty alleviation programme of Council, from the analysis it would be evident that the Organization has committed R 18.1 Million over the 2016/2017- 2018/2019 towards this initiative to an estimated 7000 qualifying households within the Serviced Region.

The Elundini Local Municipality provides a basket of services to households based on the following thresholds:

- Rates R 15 000.00 rebate on rateable valuation imposed per households(all Households);
 - 100% Rebate on Rates to all Registered Indigent households;
- Electricity- a 50kwh allocation to all households earning less than R 2360.00 per month;
 - Eskom rebate structure to all indigents registered within Eskom supplied areas within region- 50 kwh;
 - Provision of a R 34 per month subsidy per household earning less than R 2360 per month(Non-Grid);
- Refuse 100% rebate to all Indigents registered as per the Indigent Support policy;

See Table A10

PART 2 – SUPPORTING DOCUMENTATION

2.1 Overview of annual budget process

The Budget process started in September 2015 after the approval of a timetable and strategy to guide the preparation of the 2016/17 to 2018/19 Operating and Capital Budgets.

The timetable provides broad timeframes for the IDP and Budget preparation process. It allows for consultation with stakeholders, such as the elected public representatives, Ward Committees, employees of the Municipality, Civil Society, State departments, other municipalities, business and labour, during March/April/May 2016. The main aims of the timetable are to ensure that a revised IDP and a balanced Budget are tabled in March 2016. The Budget was tabled by the Mayor at a Council meeting held on 31/03/2016, following which it was submitted to National Treasury as well as being subjected to a consultation process with stakeholders, such as the elected public representatives, employees of the Municipality, Civil Society, other municipalities, business, labour, National and Provincial Governments.

The consultation took place in the form of a series of public meetings in the various wards (clustering certain wards) under the direction and leadership of the Mayor and her Executive Committee. Taking the inputs of the aforementioned consultations into account, the Mayor will table the IDP and Budget for final approval at a Council meeting to be held on 31 May 2016.

The Service Delivery and Budget Implementation Plan is the mechanism that ensures that the IDP and the Budget is aligned.

The draft budget was also considered by the Budget Task Team. The Task Team consists of Councillors of the Budget and Treasury Committee, whilst being chaired by the Portfolio Councillor. The main objective of the Budget Task Team was to ensure that the budget is maintained within the affordability levels, taking the IDP deliverables into account.

The deliberations of the Budget Task Team were considered by the IDP and Budget Steering Committee under the direction of the Mayor. The purpose of the aforementioned Committee is to co-ordinate the review of the IDP and ensuring that the key service delivery priorities are addressed in the Budget.

2.1.1 IDP & Budget Timetable 2016/17 to 2018/19

The preparation of the 2016/17 to 2018/19 IDP and Budget was guided by following schedule of key deadlines as approved by Council on August 2015.

1. INTRODUCTION

Elundini Local Municipality is geographically the second largest Municipality, behind Senqu LM, within the Joe Gqabi District Municipality with an area of 5064 km² and has 17 wards. It is located in the East of the Joe Gqabi DM and shares the boundaries with the following LMs:

- Umzimvubu to the Northeast,
- Matatiele to the North,
- Mhlontlo to the southeast,
- Sakhisizwe to the southwest and,
- Senqu to the West.

According to the revised population estimates based on the Community Survey 2007 (Statistics SA, 2007), ELM has a population of approximately 138 141 (compared to the Census 2011 estimates. People residing in 35 553 households (compared to 33 248 households).

According to the 2011 Census 77% of households are rural in nature, this includes rural villages and farm households. This dynamic is shifting with the phenomenon of urban in-migration occurring in ELM. This is especially evident in the town of Ugie, where the town's population has increased from 8 344 in 2001 to approximately 16 355 in 2004.

LEGAL CONTEXT

An Integrated Development Plan (IDP), adopted by the Municipal Council, is a key strategic planning tool for the municipality. It is described in the Municipal Systems Act (MSA) 32 of 2000 as:

<p>35(1) (a) <i>"...the principal strategic planning instrument which guides and informs all planning and development, and all decisions with regard to planning, management and development, in the municipality";</i> (b) <i>"...binds the municipality in the exercise of its executive authority...";</i></p>

In accordance with legislation, Elundini Local Municipality's IDP sets out the long-term vision of the Municipality:

<p><i>"...a leading rural municipality that delivers better quality of life for all citizens" "a municipality that is phenomenally viable and highly successful & partionately people centered"</i></p>
--

Elundini Local Municipality's IDP also details the:

- development priorities and objectives, which contribute towards achieving this vision, over the Council's elected term;
- strategies, which are the means by which these objectives will be achieved;
- IDP programmes and projects which link to the strategies and contribute to the achievement of the objectives.

Elundini Local Municipality will review and further develop its IDP and Budget in accordance with the requirements as set out in the Local Government: Municipal Systems Act (MSA) 32 of 2000, the Local Government: Municipal Planning and Performance Management Regulations 2001 and the Municipal Finance Management Act 56 of 2003.

In terms of the MSA, a municipality is required to review its IDP annually. Annual reviews allow the municipality to expand upon or refine plan and strategies, to include additional issues and to ensure that these plans and strategies inform institutional and financial planning.

The review and amendment of the IDP thus, further develops the IDP and ensures that it remains the principal management tool and strategic instrument for the Municipality.

MSA 34 - A Municipal Council-

(a) must review its IDP-

(i) annually in accordance with an assessment of its performance measurements ... ; and

(ii) to the extent that changing circumstances so demand; and

(b) may amend its IDP in accordance with a prescribed process.

PROCESS PLAN

It is required by legislation that a municipal council prepares and adopts a process to guide the planning, drafting and adoption of its IDP.

MSA 28(1) each municipal council ... must adopt a process set out in writing to guide the planning, drafting, adoption and review of its IDP.

This Process Plan outlines the programme to be followed and provides details on issues specified in the Act. A Process Plan is required to include:

- a programme specifying time-frames for different steps;
- outline mechanisms, processes and procedures for consultation of the community, organs of state, traditional authorities and other role players;
- identify all plans and planning requirements binding on the municipality;
- be consistent with other matters prescribed by legislation.

MSA 29(1) the process followed by a municipality to draft its IDP, including its consideration and adoption of the draft plan, must –

(a) be in accordance with a predetermined programme specifying time-frames for the different steps;

(b) through appropriate mechanisms, processes and procedures establish in terms Chapter 4, allow for –

(i) the local community to be consulted on its development needs and priorities;

(ii) the local to participate in the drafting of the IDP; and

(iii) organs of state, including traditional authorities, and other role players to be identified and consulted on the drafting of the IDP;

(c) provide for the identification of all plans and planning requirements binding on the municipality in terms of national and provincial legislation;

*and
(d) be consistent with any other matters that may be prescribed by
regulation.*

IDP INFORMANTS

In reviewing the 2016/2017 IDP, consideration has been given to:

- an assessment of implementation performance and the achievement of IDP targets and strategic objectives, considering the impact of success and the corrective measures necessary to address problems;
- issues raised by communities;
- changing internal and external circumstances, that impact on the priority issues, objectives and strategies;
- comments received from the MEC;
- issues raised by the Auditor-General;
- the powers and functions of the municipality;
- recent research, surveys, studies and new information arising out of Elundini Local Municipality Sector Plans and from other institutions;
- National and Provincial studies, plans and policies.

BINDING PLANS & LEGISLATION

The Local Government: Municipal Structures Act 117 of 1998, Municipal Systems Act 32 of 2000 and Municipal Finance Management Act 56 of 2003 are specific to municipalities and are the key important legislations for the development of the IDP. Further, national sector legislations contain various kinds of requirements for municipalities to undertake planning.

A list National and Provincial legislation impacting on the development and review of the IDP and Budget is attached as an **Annexure**.

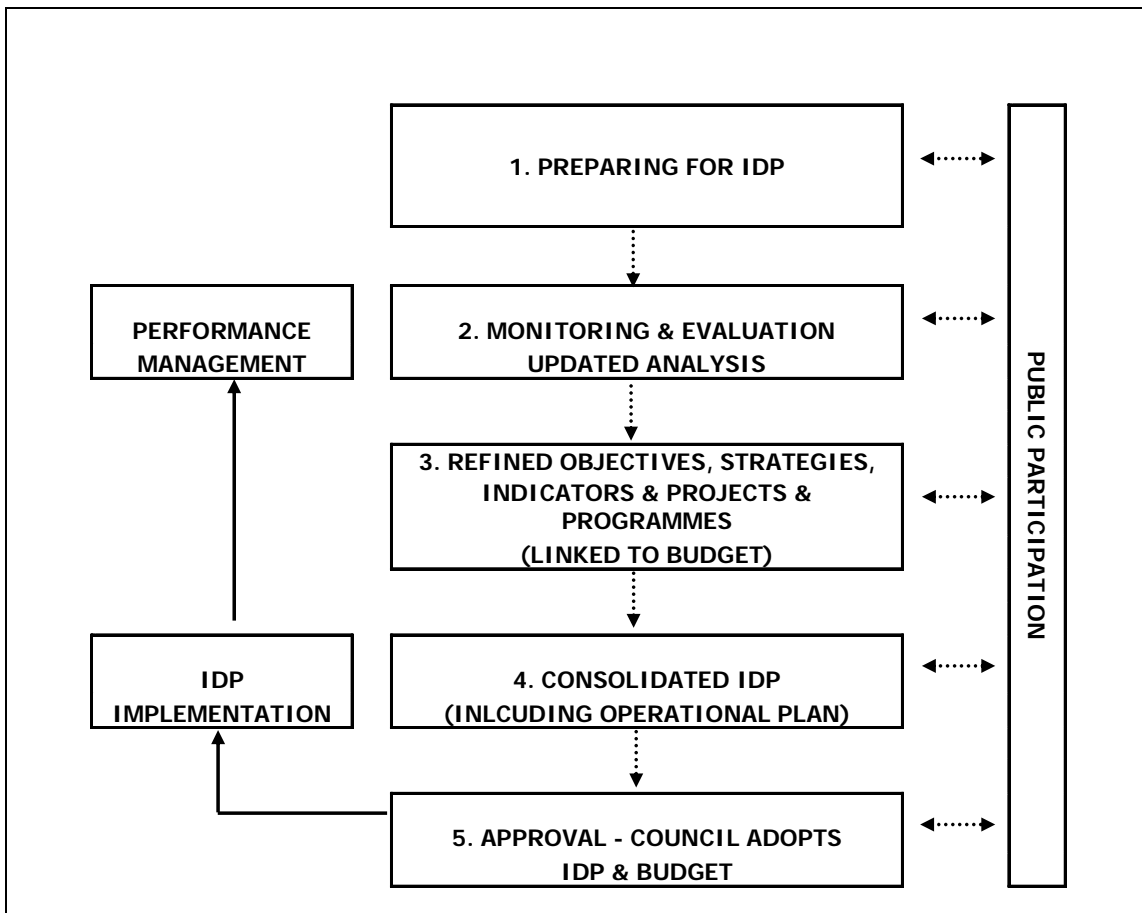
Some important National and Provincial guiding plans and policy documents for the IDP include the Medium-term Strategic Framework, the National Development Perspective (NSDP), the Eastern Cape Provincial Spatial Development Plan (ECPSDP), the Eastern Cape Provincial Growth and Development Plan (ECPGDP) and recently the Joe Gqabi District Growth and Development Summit (GDS).

ELUNDINI LOCAL MUNICIPALITY: KEY FOCUS FOR IDP 2016 – 2017

It is imperative that the IDP explicitly articulates the priorities and objectives of the Council and that the resources of the Council are effectively utilized to achieve these. To this end ELM's IDP and Budget are developed as part of a coherent integrated process. One of the key focuses this year will be to enhance the effective utilisation of Elundini's resources through the further development of a project prioritisation application and the Capital Expenditure Framework Plan.

2. IDP PROCESS

The IDP Process as depicted in the figure below is a continuous cycle of planning, implementation and evaluation.



All municipalities are required by law to prepare a Process Plan for their integrated development planning. The preparation of the planning process has been regulated in the Municipal Systems Act, 2000 (Chapter 4, Section 29). This document identifies the roles and responsibilities for everyone involved in the process; it also sets out mechanisms and procedures for community participation, timeframe and costs estimates. It is this Process Plan which will be a guide to the actual Integrated Development Planning Process.

2.1. PROGRAMME AND TIME FRAMES

Below is a table of the Programme that summarizes the overall time frames for various phases and highlights some of the key events and activities.

PHASES	PERIOD	KEY EVENTS/ACTIVITIES
Preparation	July 2016 – Aug 2016	<ul style="list-style-type: none"> • Submit SDBIP to the Mayor • Review of performance plans/agreements • Prepare Process Plan • Presentation and submission of draft Process Plan to the EXCO • Submit the Process Plan to for adoption • Attend District IDP Rep Forum
Monitoring, Evaluation & Updated Analysis	Aug 2016 – Nov 2016	<ul style="list-style-type: none"> • IDP & Budget Rep Forum • IDP & Budget Steering Committee • Ward Surveys • Public Consultation (Mayoral Outreach) • IDP & Budget Steering Committee • Attend District IDP Rep Forum
Objectives, Strategies, Projects & Programmes	Nov 2016 – Jan 2017	<ul style="list-style-type: none"> • Mayoral Strategic Planning Workshop: • IDP & Budget Steering Committee • Review of performance plans/agreements • Attend District IDP Rep Forum • 1st Mayoral Strategic Planning Workshop
Consolidate IDP	Jan 2017 – April 2017	<ul style="list-style-type: none"> • IDP & Budget Rep Forum • Attend District IDP Rep Forum • IDP & Budget Steering Committee • Council approve draft IDP & Budget • Advertise for comments & public participation • Submit the draft IDP & Budget to MEC for Local Government and to National & Provincial Treasury for commenting • Public Consultation (Mayoral Outreach) • Attend District IDP Rep Forum
Approval	April 2017 – Jun 2017	<ul style="list-style-type: none"> • Public Consultation on Draft IDP & Budget • 2nd Mayoral Strategic Planning Workshop • IDP & Budget Rep Forum • Final IDP & Budget submitted to Council for adoption • Submit the final IDP & Budget to MEC for Local Government and to National & Provincial Treasury for commenting • Develop draft SDBIP

2.2. PHASE 1: PREPARING FOR IDP REVIEW

During this phase all institutional preparations and arrangements are made to ensure that the process runs smoothly. This include among others:

- Designing an action plan/programme (**attached as an Annexure**) for the process indicating main activities and time framed;
- Assigning roles and responsibilities;
- Putting in place organizational arrangements and the procedures and mechanisms for public participation.

The key “output” of this phase is a Process Plan to be approved by Council.

2.3. PHASE 2: MONITRING, EVALUATION & UPDATED ANALYSIS

The purpose of this phase is to find out “what is happening” and to ensure that decisions will be based on:

- people’s priority needs and problems;
- knowledge of available and accessible resources;
- proper information and understanding of the dynamics influencing the development in the municipality.

The process will involve gathering and collecting relevant information, including:

- identification of what has been achieved and the gaps with respect to previous IDPs;
- progress with the internal and external sources, for example:
 - (i) new policy legislation;
 - (ii) budget information from other spheres of government and Senqu Municipality – identifying potential and available funding from all sources;
 - (iii) more or improve in-depth information about the existing situation and priority issue, information about new development and trends – including information arising out of sector plans;
 - (iv) input from stakeholder organizations and constituencies.

Since all Ward Committees are now in place and where they are not functioning, their revival will then have to be effected, a ward survey using Ward Plans, will be undertaken to clarify the key issues for each of the 17 wards. Consideration will need to be given as to how all of the information impacts on the priority issues, objectives and strategies.

The output of this phase will be a draft updated Analysis Report, wherein the prioritized/key issues for ELM, are identified, elaborated and discussed. This report will port will then be given to both the IDP & Budget Steering Committee and IDP & Budget Representative Forum Meetings.

2.4. PHASE 3: OBJECTIVES, STRATEGIES, PROJECTS & PROGRAMMES

The knowledge generated by the previous phase will inform this phase. The objectives, strategies, projects and programmes, within the existing IDP, will be evaluated in the light of the 'Analysis' and thereafter, appropriate changes and adjustments will be made.

It will therefore be proposed that the prioritisation undertaken during this phase be informed by both geographical areas and critical issues.

The Mayoral Strategic Workshop/Meeting will have to be held with the Executive Committee, Ward Councillors and the IDP & Budget Technical Committee to discuss among other, the following:

- the draft analysis report, including the ward survey;
- key issues will be presented for discussion and debate;
- the proposed broad areas of geographic focus will be presented for discussion and debate;
- IDP objectives and strategies;
- consideration will be given to the draft operational budget, in the light of the key issues;
- discussions will be held on broad budget allocations and the project evaluation application.

2.5. PHASE 4: CONSOLIDATE

It is anticipated that during this phase:

- the IDP programmes and projects will be further refined through the work of both the IDP & Budget Steering and IDP & Budget Technical Committees;
- the draft IDP & Budget will be presented to the IDP & Budget Rep Forum; and
- the IDP & Budget Report will be consolidated, ready for submission to the Council for approval.

Once the draft IDP and Budget 2016/17 have been approved by the Council, they will be advertised for public comments and reviewed.

2.6. PHASE 5: APPROVAL

During this phase consideration will be given to the comments arising out of the public participation process and the draft IDP will be submitted, together with the budget, to the Council for adoption.

3. INSTITUTIONAL ARRANGEMENTS AND ROLES & RESPONSIBILITIES

The development of the IDP and Budget involves Municipal Officials, Councillors as well as stakeholders/actors outside the Municipality.

The proposed distribution of roles and responsibilities of structures is described overleaf:

ROLE PLAYERS	ROLES AND RESPONSIBILITIES
Local Municipality	<ul style="list-style-type: none"> • Prepare, decide and adopt a Process Plan • Overall management and co-ordination of plan • Co-ordinate public participation • Review sector plans • Adopt and approve the IDP • Adjust IDP in accordance with MEC's proposals • Align IDP with key performance indicators developed by DPLG.
Executive Committee	<p>As the Senior Governing Body of the municipality, it has to:</p> <ul style="list-style-type: none"> • Decide on the Process Plan. • Manage, co-ordinate and monitor the process and draft the IDP (or delegate to the MM) • Approve nominated persons to be in charge of the different roles, activities and responsibilities
Municipal Council	<ul style="list-style-type: none"> • Political decision making body • Consider, adopt and approve process plan and IDP • Ensure the annual business plans and budget are linked to and based on the IDP. • Adjust IDP in accordance with the MEC's proposals
Ward Councillors/Ward Committees (assisted by CDWs)	<ul style="list-style-type: none"> • Major link between municipality and residents • Link the planning process to their wards or constituencies • Organize public consultation and participation • Represent the ward at the IDP & Budget representative forum • Analyze ward-based issues, determine priorities, negotiate and reach consensus.
Municipal Manager/ IDP Manager (Mr. K. Gashi)	<p>The Municipal Manager or IDP Manager has to manage and co-ordinate the IDP process. This includes:</p> <ul style="list-style-type: none"> • Preparing the Process Plan • Undertake the overall management and co-ordination of the planning process • Ensure that all relevant actors are appropriately involved • Nominate persons in charge of different roles • Responsible for day-to-day management of the drafting process • Responds to comments on the draft IDP from public and other spheres of government to the satisfaction of the municipal council

	<ul style="list-style-type: none"> • Ensure that the planning process is participatory, strategic and implementation oriented and is aligned with and satisfies sector planning process. • Ensure proper documentation of the results of the planning of the IDP document • Adjust IDP in accordance with MEC's proposals <p>The Municipal Manager can and may delegate a some of his/her functions to the Municipality's top management or any other municipal official in terms of Section 79 (1) (b) (i) and (ii) of the MFMA but the ultimate responsibility and accountability still rests with him.</p>
Heads of Department and Officials	<p>As people in charge for the implementation of IDP, they have to be fully involved in the planning process to:</p> <ul style="list-style-type: none"> • Provide relevant technical, sector and financial information for analyzing and determining priority issues, • Contribute technical expertise in the consideration and finalization of strategies and identification of projects, • Provide departmental operational and capital budgetary information, • Be responsible for the preparation of project proposal, the integration of projects and sector programmes, • Review sector plans • Attend IDP & Budget Steering Committee and all other IDP & Budget related engagements, and • Be responsible for preparing amendments to the draft IDP for submission to the Municipal Council for approval and the MEC for Local Government for alignment.
Community at Large	<ul style="list-style-type: none"> • Represents interests, contribute knowledge and ideas to the Representative Forum • Inform interest groups, communities and organizations • Analyze issues, determine priorities, negotiate and reach consensus • Participate in designing project proposals • Discuss and comment on the draft IDP • Monitor performance in implementation • Conduct meetings with groups, communities, etc to prepare for and follow-up on relevant planning activities.

The proposed institutional arrangement for the IDP & Budget is described as follows:

STRUCTURE	MEMBERS	TERMS OF REFERENCE
IDP & Budget Steering Committee	Chair: Mr. K. Gashi (Municipal Manager) Secretariat: IDP Unit All HODs and Assistant Managers	<ul style="list-style-type: none"> • Provide ToR for various planning activities • Commissions research studies • Considers and comments on: <ul style="list-style-type: none"> - inputs from sub-committee study teams and Service Providers - inputs from national and provincial sector departments and support providers • Processes, summaries and documents inputs. • Makes content recommendations • Prepares, facilitates and documents meetings
Finance Sub-committee	Chair: (CFO)	Considers budget proposals
IDP & Budget Rep Forum	Chair: Mayor: Cllr Lengs Secretariat: IDP Unit Composition: <ul style="list-style-type: none"> • All councillors • HODs and Assistant Managers • 2 Reps from Ward Committees • All CDWs • 2 Reps from Traditional Leaders • 1 Rep from Stakeholder representatives of organized groups • 2 Reps from Community representatives • Reps from Sector Depts. • 2 Reps from Advocates for unorganized groups 	<ul style="list-style-type: none"> • Represents interests of their constituencies in the IDP processes • Provide an organizational mechanism for discussion, negotiation and decision making between stakeholders including the municipal government. • Monitor performance of the planning and implementation processes • Participates in the process of setting up and monitoring KPIs
Assistant Manager: IDP/PMS	IDP Unit	<ul style="list-style-type: none"> • Responsible for preparing the Process Plan • Responsible for the day-to-day management of the planning process
IDP & Budget Technical	Chair: Mr. K. Gashi	<ul style="list-style-type: none"> • Must provide relevant

Committee	Composition: All HODs; Assistant Managers and officials reporting directly to the HODs	<p>technical, sector and financial information for analysis for determining priority issues</p> <ul style="list-style-type: none"> • Must contribute technical expertise in the consideration and finalization of strategies and identification of projects • Must provide departmental operational and capital budgetary information • Must be responsible for the preparation of project proposals, the integration of projects and sector programmes • Must be responsible for preparing amendments to the draft IDP for submission to Municipal Council for approval
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4. MECHANISMS AND PROCEDURES FOR COMMUNITY AND STAKEHOLDER PARTICIPATION

One of the main features about IDP and Budget Processes is the involvement of community and stakeholder organizations in the process. This ensures that the IDP addresses the real issues that are being experienced by the citizens. Both the Constitution of the Republic of South Africa, 1996 and the Municipal Systems Act of 2000 stipulate that one of the objectives of municipalities is “To encourage the involvement of communities and community organizations in the matters of local government”. The White Paper on Local Government also put emphasis on public participation.

Through the Municipal Systems Act, participation in the decision-making processes of the municipality, participation of communities, residents and ratepayers is determined to be a right. IDP is, therefore, also emphasized as a special field of public participation.

4.1. Participation Mechanism

Provisions of MSA Chapter 4 Section 17 provide for mechanisms for participation:

- IDP Rep Forum to verify and add data
- District Municipality's Rep Forum to ensure that local priorities are adequately reflected on the District's IDP
- Use Ward Councillors to call meetings to keep communities informed on IDP progress (including Ward Committees and CDWs)
- Publish annual reports on municipal progress
- Advertise on local news papers and community radios on the progress
- Develop pamphlets and booklets on IDP where necessary
- Making the IDP document available to all units and public places for public comments
- Making use of municipal website.

4.2. Appropriate Language Use

English will be used as a medium language; however, in community meetings languages that are spoken in that community will also be used.

4.3. Appropriate Venues and Transport

- Officials will be responsible for arranging venues and transport for all wards;
- Transport will be arranged for Traditional Leaders, Designated Groups and Ward Committees;
- ELM will be responsible for the costs of these meetings
- ELM will prepare a budget outline for IDP & Budget meetings
- Refreshments will be provided at the discretion of the Municipal Manager.

4.4. Mechanisms and Procedures for Alignment

The IDP Manager (Municipal Manager) and the Assistant Manager IDP/PMS of ELM will be responsible for ensuring smooth co-ordination of the IDP process and its alignment with the District's IDP through bilateral discussions with affected sector departments and neighbouring Municipalities. Inter-Governmental Forums will also be used to ensure that beneficial alignment of programmes and projects do occur.

5. ANNEXURES

5.1. Binding Legislation

5.2. Action Plan

ANNEXURE 5.1

BINDING LEGISLATION

The Elundini Local Municipality's IDP & Budget formulation and implementation processes will be bound by the following set of legislations (the inventory in the table below is not exclusive of other applicable legislation that may be omitted for lack of information or other reasons):

NATIONAL LEGISLATION	SUMMARY/SCOPE OF LEGISLATION
GENERAL MANAGEMENT	
Constitution of the Republic of South Africa, 1996	<ul style="list-style-type: none"> To introduce the constitution and to provide for matters incidental thereto
Local Government: Municipal Systems Act, 2000	<ul style="list-style-type: none"> To give effect to "developmental local government" To set principles, mechanisms and processes to promote social and economic upliftment of communities and to ensure access to affordable services for all To set a framework for planning, performance management, resource mobilization and organizational change and community participation
Local Government: Municipal Structures Act, 1998 as amended	<ul style="list-style-type: none"> To provide for the establishment of municipalities in accordance with the requirements relating to the categories and types of municipalities, the division of functions and powers between municipalities and appropriate electoral systems To regulate internal systems, structures and office-bearers
Local Government: Municipal Demarcation Act, 1998	<ul style="list-style-type: none"> To provide for the demarcation of boundaries of municipalities for the establishment of new municipalities
Local Government: Cross-Boundary Municipalities Act, 2000	<ul style="list-style-type: none"> To authorize the establishment of cross-boundary municipalities To provide for the re-demarcation of the boundaries of such municipalities under certain circumstances and to provide for matters connected therewith.
Consumer Affairs (Unfair Business Practices) Act, 1996	<ul style="list-style-type: none"> To provide for the investigation, prohibition and control of unfair business practices in the interest of consumers.
Municipal Electoral Act, 2000	<ul style="list-style-type: none"> To regulate municipal elections To amend certain laws and to provide for

	matters connected therewith
Organized Local Government Act, 1997	<ul style="list-style-type: none"> To provide for the recognition of national and provincial organizations representing the different categories of municipalities and the designation of representatives to participate in the National Council of Provinces
Promotion of Local Government Affairs Act, 1983	<ul style="list-style-type: none"> To provide for the co-ordination of functions of general interest to local authorities and of those functions of local authorities which should in the national interest be co-ordinated.
Local Government Transition Act, 1983	<ul style="list-style-type: none"> To provide for matters relating to municipalities in the interim phase, powers and functions of municipalities and actions of officials and councillors
Occupational Health and Safety Act, 1993	<ul style="list-style-type: none"> To provide for occupational health and safety in the work place and the protection of persons outside the work place against hazards to health and safety arising from activities of persons at the work place
Promotion of Access to Information Act, 2000	<ul style="list-style-type: none"> To control and regulate the right of all persons to access to information
Promotion of Fair Administrative Justice Act, 2000	<ul style="list-style-type: none"> To give effect to the right to administrative action that is lawful, reasonable and procedurally fair in terms of the Constitution of the Republic of South Africa
Promotion of Equality and Prevention of Unfair Discrimination Act, 2000	<ul style="list-style-type: none"> To give effect to Section 9 read with Item 23(1) of Schedule 6 to the Constitution of the Republic of South Africa, 1996, to prevent and prohibit unfair discrimination and harassment. To promote equality and to eliminate unfair discrimination and to prevent and prohibit hate speech and to provide for matters connected therewith
FINANCE	
Appropriation of Revenue Act, 2000	<ul style="list-style-type: none"> To provide for a fair division of revenue to be collected nationally between national, provincial and local government spheres
Business Act, 1991	<ul style="list-style-type: none"> To repeal certain laws regarding the licensing of businesses. To provide for the licensing and operation of certain businesses, shop hours and related matters
Debt Collection Act, 1998	<ul style="list-style-type: none"> To provide for controlled debt collecting
Income Tax Act, 1962	<ul style="list-style-type: none"> To provide for the payment of taxes on incomes of persons and taxes on donations
Insolvency Act, 1936	<ul style="list-style-type: none"> To consolidate and amend the law relating to insolvent persons and their estates
Local Authorities Capital Development Fund Ordinance, 1978	<ul style="list-style-type: none"> To provide for the establishment and management of a Capital Development Fund

READ WITH Local Government Affairs Second Amendment Act, 1993	and for matters incidental thereto
Municipal Accountants' Act, 1988	<ul style="list-style-type: none"> To provide for the establishment of a Board for Municipal Accountants and for the registration of Municipal Accountants and the control of their profession
Local Government: Municipal Finance Management Act, 2003	<ul style="list-style-type: none"> To regulate financial management in the local sphere of government to require that all revenue, expenditure, assets and liabilities of municipalities and municipal entities are managed efficiently and effectively. To determine responsibilities of persons entrusted with local sphere financial management and to determine certain conditions and to provide for matters connected therewith
Public Finance Management Act, 1999	<ul style="list-style-type: none"> To regulate financial management in the national and provincial government and, inter alia, provincial public entities
Local Government: Municipal Property Rates Act, 2004	<ul style="list-style-type: none"> To regulate the power of a municipality to impose rates on property To make provision for fair and equitable valuation methods on properties.
Pension Benefits for Councillors of Local Authorities Act, 1987	<ul style="list-style-type: none"> To provide pension benefits for councillors
Reporting by Public Entities Act, 1992	<ul style="list-style-type: none"> To provide for the reporting to Parliament by public entities
Prescribed Rate of Interest Act, 1975	<ul style="list-style-type: none"> To prescribe and regulate the levying of interest from debtors
Value-Added Tax Act, 1991	<ul style="list-style-type: none"> To provide for the taxation in respect of the supply of goods and services.
ADMINISTRATION/CORPORATE AND LEGAL SERVICES	
Electoral Act, 1998	<ul style="list-style-type: none"> To manage and regulate elections on national, provincial and local government level
Expropriation Act, 1975	<ul style="list-style-type: none"> To provide for the expropriation of land and other property for public and certain other purposes and matters connected thereto
Rental Housing Act, 1999	<ul style="list-style-type: none"> To define the regulation of Government in respect of rental housing
Residential Landlord and Tenant Act, 1997	<ul style="list-style-type: none"> To provide for the regulation of landlord-tenant relations in order to promote stability in the residential rental sector in the province.
TOWN PLANNING AND SPATIAL DEVELOPMENT	
Development Facilitation Act, 1995	<ul style="list-style-type: none"> To provide for IDPs, reflecting current planning and to institutionalise development tribunals for evaluation applications
Land Use Management Bill, 2002	<ul style="list-style-type: none"> To establish a uniform land use management system.
Physical Planning Act, 1991	<ul style="list-style-type: none"> To provide guidelines for the drafting of urban

	development plans.
Planning Professions Act, 1998	<ul style="list-style-type: none"> To provide for the training and registration of professional planners.
ENVIRONMENT	
Environmental Conservation Act, 1989	<ul style="list-style-type: none"> To provide for environmental impact assessments and exemptions, noise control areas etc. To provide for the effective protection and controlled utilisation of the environment and for matters incidental therewith
National Environmental Management Act, 1998	<ul style="list-style-type: none"> To provide for co-operative environmental governance by establishing principles for decision making on matters affecting the environment and to provide for matters connected therewith.
ENGINEERING/TECHNICAL SERVICES	
National Water Act, 1998	<ul style="list-style-type: none"> To provide for fundamental reform of the laws relating to water resources
Water Services Act, 1997	<ul style="list-style-type: none"> To provide for the rights of access to basic water supply and sanitation, national standards and norms for tariffs and services development plans.
Regulations on Advertisements on or Visible from National Roads, 1998	<ul style="list-style-type: none"> To control all advertising on national and regional roads
SAFETY AND SECURITY	
South African Police Service Act, 1995	<ul style="list-style-type: none"> To provide, inter alia, for a municipal police
Criminal Procedure Act, 1977	<ul style="list-style-type: none"> To consolidate and regulate procedure and evidence in criminal proceedings
Road Traffic Management Corporation Act, 1999	<ul style="list-style-type: none"> To provide, in the public interest, for co-operative and co-ordinated strategic planning, regulation, facilitation and law enforcement in respect of road traffic matters and to provide for matters connected therewith
Prevention of Illegal Eviction from and Unlawful Occupation of Land Act, 1998	<ul style="list-style-type: none"> To provide for the eviction of unlawful occupants of land the protection of the rights of such occupants under certain conditions
National Road Traffic Act, 1996	<ul style="list-style-type: none"> To regulate traffic on public roads, the registration and licensing of motor vehicles and drivers, including fitness requirements and incidental matters
National Land Transport Interim Arrangements Act, 1998	<ul style="list-style-type: none"> To make arrangements relevant to transport planning and public road transport services.
Disaster Management Act, 2002	<ul style="list-style-type: none"> To provide for an integrated, co-ordinated and common approach to disaster management by all spheres of government and related matters
Fire Brigade Services Act, 1987	<ul style="list-style-type: none"> To provide for the rendering of fire brigade services and certain conditions to the rendering of the service
HEALTH AND WELFARE	

Hazardous Substance Act, 1973	<ul style="list-style-type: none"> To control matters relating to gas, petrol and liquids
Health Act, 1977	<ul style="list-style-type: none"> To provide for the promotion of health of the inhabitants of the Republic of South Africa, for the rendering of health service To define the duties, powers and responsibilities of certain authorities which render such services and for the co-ordination of the services
National Policy for Health Act, 1990	<ul style="list-style-type: none"> To provide for control measures to promote the health of the inhabitants of the Republic of South Africa and for matters connected thereto
HUMAN RESOURCES	
Employment Equity Act, 1998	<ul style="list-style-type: none"> To promote the constitutional right of equality and the exercise of true democracy To eliminate unfair discrimination in employment To redress the effect of unfair discrimination in the work place to achieve a workforce representative of the population
Basic Conditions of Employment Act, 1997	<ul style="list-style-type: none"> To give effect to the right to fair labour practices To provide for the regulation of basic conditions of employment.
Labour Relations Act, 1995	<ul style="list-style-type: none"> To regulate the organizational rights to trade unions, the right to strike and lock-outs To promote and facilitate collective bargaining and employee participation in decision making To provide simple procedures for labour disputes
Skills Development Act, 1998	<ul style="list-style-type: none"> To provide for the implementation of strategies to develop and improve the skills of South African workforce To provide for Learnerships To regulate the employment services and the financing of skills development
Compensation of Occupational Injuries and Diseases Act, 1993	<ul style="list-style-type: none"> To regulate the categories of persons entitled to compensation for occupational injuries and diseases, and to determine the degree of disabled employees
Skills Development Levies Act, 1999	<ul style="list-style-type: none"> To provide for the imposition of a skills development levy and for matters connected therewith
South African Qualifications Authority Act, 1995	<ul style="list-style-type: none"> To provide for the establishment of a National Qualifications Framework and the registration of National Standards Bodies and Standard Generating Bodies and the financing thereof
Unemployment Insurance Act, 1966	<ul style="list-style-type: none"> To provide for the payment of benefits to certain persons and the dependants of certain deceased persons and to provide for the

	combating of unemployment
ELECTRICITY	
Electricity Act, 1987	<ul style="list-style-type: none">• To provide for and regulate the supply of electricity and matters connected thereto.

ANNEXURE 5.2

ACTION PLAN

ANALYSIS PHASE		JULY '16 TO NOVEMBER '16		
	PURPOSE	ACTIVITIES	OUTCOME	DATE
IDP & Budget Steering Committee (Internal)	To outline the IDP Process Plan	<ol style="list-style-type: none"> Deal with Powers & Functions Deal with current IDP projects & Budget Discuss the Process Plan 	<ul style="list-style-type: none"> Clarified LM's powers & functions Clarified IDP projects, expenditure & progress Finalized IDP Process Plan & budget. 	September 2016
IDP Information for Analysis	To capture community priorities & projects	<ol style="list-style-type: none"> Conduct ward visits. Collection of facts and figures. 	<ul style="list-style-type: none"> Understanding ward priorities and projects 	September 2016 – October 2016
IDP & Budget Steering Committee (Sector Dept's)		<ol style="list-style-type: none"> Presentation of the IDP Process Plan. Presentation of priorities & projects 		October 2016
IDP & Budget Rep Forum	To convene IDP Forum and set out the process to be followed on the formulation of IDP	<ol style="list-style-type: none"> Presentation of 3 Priorities & 3 Projects per Ward. Presentation of IDP Process Plan 	<ul style="list-style-type: none"> Finalized Process Plan 	November 2016
IDP & Budget Steering Committee Meeting		Presentation of draft budget & projects	<ul style="list-style-type: none"> Draft budget & projects 	November 2016
STRATEGIES PHASE		DECEMBER '16 TO FEBRUARY '17		
IDP & Budget Steering Committee	To discuss activities indicated	<ol style="list-style-type: none"> Vision & Mission Strategies (Linked to KPA's) Projects Budget/MTEF 		December 2016
IDP & Budget Rep Forum		<ol style="list-style-type: none"> Vision & Mission Strategies 		December 2016

		(Linked to KPA's) 3. Projects 4. Budget/MTEF		
Municipal Workshop on IDP	Projects & Budget Workshop	Projects & Budget	• To finalise IDP Projects & Budgets	January 2017
IDP & Budget Rep Forum		Projects & Budget		February 2017
INTEGRATION & APPROVAL		MARCH '17 TO MAY '17		
IDP & Budget Steering Committee		1. First Draft IDP & Budget 2. Publicise draft IDP & Budget for comments	• (allow 21 days for the public to comment on the document)	March 2017
IDP & Budget Rep Forum		Presentation of draft IDP & Budget		March 2017
Council	To Adopt & approve of draft IDP & Budget	Council approves the draft IDP & Budget document.	Approved draft IDP & Budget Document	March 2017
Municipal Manager	To submit draft IDP & Budget to MEC for comments	The MEC to comment on the draft IDP & Budget document	Confirmed receipt of the draft IDP & Budget document	30 March 2017
IDP & Budget Steering Committee	To discuss comments from the MEC	Prepare final IDP & Budget	Comments from the MEC incorporated	16 April 2017
IDP & Budget Rep Forum	To prepare & present final IDP & Budget documents	Presentation of the final IDP & Budget IDP	Prepared and final IDP & Budget documents	30 April 2017
Council	To adopt & approve the final IDP & Budget documents	Approve & adopt the final IDP & Budget Document	Adoption & approve of the final IDP & Budget Document	31 May 2017
Municipal Manager	To submit to the Mayor a draft SDBIP & annual performance agreements (not later than 14 days) for approval	Submission of draft SDBIP & annual performance agreements	Submitted draft SDBIP & annual performance agreements.	14 June 2017
Mayor	To approve SDBIP	Approval of the SDBIP	Approved SDBIP	28 June 2017

2.2 Alignment of Annual Budget with Integrated Development Plan

The Integrated Development Plan (IDP) determines and prioritises the needs of the community.

The review of the Integrated Development Plan (IDP) in terms of the Municipal Systems Act was guided and informed by the following principles:

- Achievement of the five strategic priorities of Elunidini Local Municipality.
- Focus on service delivery of backlogs and the maintenance of infrastructure.
- Address community priorities (needs) as identified in the IDP.

The 2016/17 to 2018/19 Operating and Capital Budgets were prepared in accordance with the IDP. The key strategic focus areas of the IDP are as follows:

- Municipal transformation and development
- Service delivery and infrastructure development
- Local economic development
- Financial sustainability and viability
- Good governance and public participation

The abovementioned strategic focus areas informed the preparation of the Budget.

After the tabling of the budget, a series of meetings will be held throughout the municipal area to consult with the elected public representatives, Ward Committees, employees of the Municipality, Civil Society, business, labour, National and Provincial Governments on how the draft budget addresses the IDP priorities and objectives. The feedback flowing from these meetings will be referred to the relevant Directorates for their attention.

The linking of capital projects to the IDP priorities has been relatively simple, whilst the difficulty in the past has been to link the Operating budget to the IDP. This is now facilitated through the Service Delivery and Budget Implementation Plan (SDBIP).

Below is a table, which illustrates the link between the Budget and the IDP.

2.3 Measurable performance objectives and indicators

This section contains the key performance indicators.

See Table SA4, SA5 and SA6

verview of Budget Funding

2.6.1 Funding the Budget

2.6.1.1 Funding of operating expenditure

The Municipality's operating expenditure is mainly funded from sources such as property rates, service charges and government grants. The table below reflects the funding sources:

See Table A4

2.6.2 Reconciliation showing that Operating and Capital Expenditure remain funded in accordance with Section 18 of the MFMA

See table SA10

2.6.3 Particulars of Property Valuations, Tariffs and other Charges

EC141 Elundini -
Supporting Table SA13
Property rates by
category (budget year)

See Table SA13

2.6.4 Estimated Collection Levels

The collection rate has been modeled around 80 for the 2013/2014 financial year, increasing to 85% for 2014/15 and 90% for the 2015/2016 financial year respectively..

2.6.5 Particulars of Monetary Investments held

See Table SA15

2.7 Expenditure on allocations and grant programmes

GRANTS RECEIVED

See Table SA18

EXPENDITURE INCURRED AGAINST GRANTS

EC141 Elundini - Supporting Table SA19 Expenditure on transfers and grant programme

See Table SA19

2.8 Allocations or Grants made by the Municipality

No grant allocations are made by the municipality

2.9 Councillors and board members allowances and employee benefits provide the following information

EC141 Elundini - Supporting Table SA22 Summary councillor and staff benefits

See Table SA22

2.9.1 Composition of Municipal Personnel Employed

Supporting Table SA24 Summary of personnel numbers

2.10 Monthly Targets for revenue, expenditure and Cashflow

Choose name from list - Supporting Table SA25 Consolidated budgeted monthly revenue and expenditure

See Table SA25

EC141 Elundini - Supporting Table SA26 Budgeted monthly revenue and expenditure (municipal vote)

Choose name from list - Supporting Table SA26 Consolidated budgeted monthly revenue and expenditure (municipal vote)

See Table SA26

2.11 Contracts having Future Budgetary Implications

Council has no long term contracts entered into beyond three years.

2.12 Municipal Manager’s Quality Certification

Quality Certificate

I, Khaya Gashi, Municipal Manager of Elundini Local Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the Municipality

Print Name _____

Municipal Manager of Elundini Local Municipality Municipality (EC41)

Signature _____

Date _____