

2016/17 BUDGET SYNOPSIS



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MEDIUM TERM BUDGET CONTEXT

KEY FOCUS AREAS OF BUDGET DRIVERS

- 2016 Budget Review notes that the global economic crises has deepened, exposing SA's external vulnerabilities and internal constraints that limit potential for growth;
- As a result of this municipality used a conservative approach when projecting revenue;
- Job creation remains most pressing concern for the economy as unemployment rate rises;
- Municipality needs to ensure that it conducts its business to ensure value for money is obtained in all its social , economic and environmental activities;
- Needs to improve and develop credible investment programmes that can support growth, based on solid creditworthiness parameters;
- Limit increases to be within inflationary figures;

KEY FOCUS AREAS OF BUDGET DRIVERS *(Contd.)*

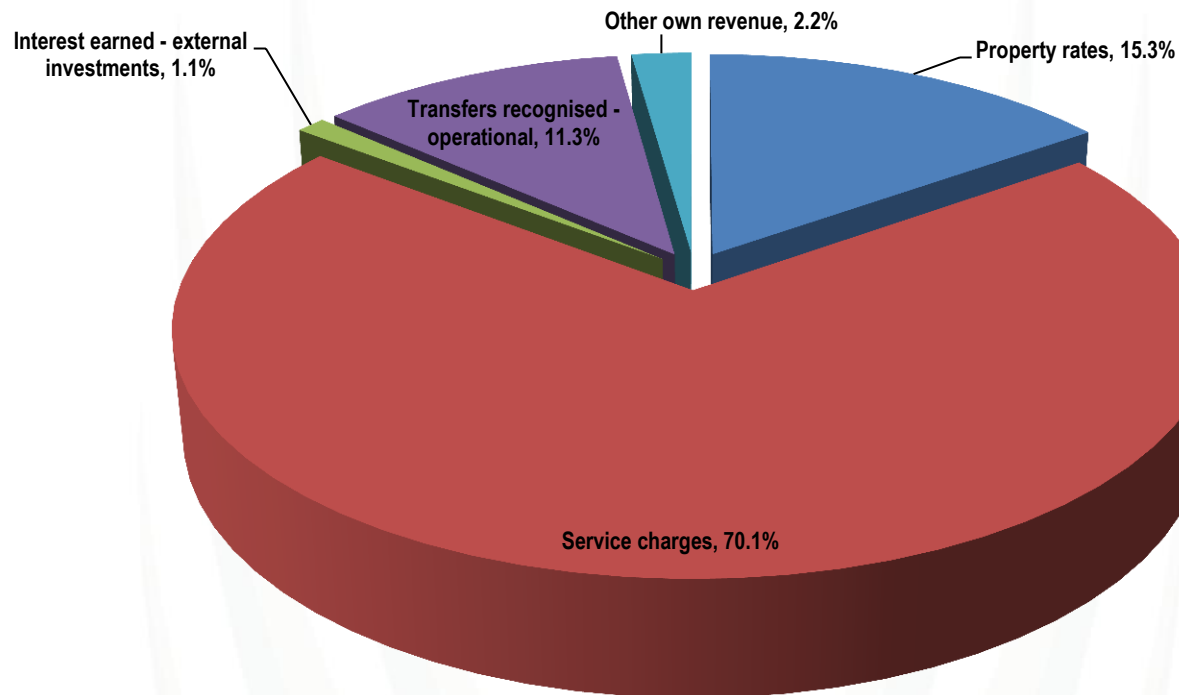
- Defining the purpose of local government conditional grants to ensure delivery on national government priorities;
- Revenue management – Adopts a tariff setting methodology that achieves an appropriate balance between the interests of poor households while ensuring financial sustainability; and
- Cost containment measures as addressed by the President in the 2016 State of the Nation Address.

REVENUE FRAMEWORK

REVENUE FRAMEWORK – GROWTH

Description	Current Year 2015/16		2015/16 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2016/17	%	Budget Year +1 2017/18	%	Budget Year +2 2018/19	%
R thousand								
Revenue By Source								
Property rates	374 178	15.2%	402 140	15.3%	428 181	15.3%	449 879	15.2%
Service charges - electricity revenue	1 336 170	54.3%	1 424 840	54.1%	1 505 505	53.7%	1 581 210	53.6%
Service charges - water revenue	268 270	10.9%	265 520	10.1%	284 520	10.2%	299 100	10.1%
Service charges - sanitation revenue	81 200	3.3%	86 820	3.3%	95 330	3.4%	98 650	3.3%
Service charges - refuse revenue	67 137	2.7%	71 020	2.7%	78 640	2.8%	81 000	2.7%
Rental of facilities and equipment	11 524	0.5%	12 099	0.5%	12 865	0.5%	13 656	0.5%
Interest earned - external investments	21 982	0.9%	29 000	1.1%	30 740	1.1%	32 584	1.1%
Interest earned - outstanding debtors	90	0.0%	100	0.0%	110	0.0%	120	0.0%
Fines	3 732	0.2%	3 732	0.1%	3 953	0.1%	4 133	0.1%
Licences and permits	3 607	0.1%	3 631	0.1%	3 847	0.1%	3 986	0.1%
Agency services	7 000	0.3%	7 000	0.3%	7 100	0.3%	7 200	0.2%
Transfers recognised - operational	258 723	10.5%	298 237	11.3%	318 355	11.4%	343 274	11.6%
Other revenue	28 965	1.2%	31 698	1.2%	33 672	1.2%	35 928	1.2%
Total Revenue (excluding capital transfers and contributions)	2 462 577	100%	2 635 837	100%	2 802 820	100%	2 950 721	100%
Total revenue from rates and service charges	2 126 955	86.4%	2 250 340	85.4%	2 392 177	85.3%	2 509 839	85.1%

OPERATIONAL REVENUE PER MAIN CATEGORY



OPERATIONAL TRANSFERS AND GRANTS

Description	Current Year 2015/16	2016/17 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand				
RECEIPTS:				
<u>Operating Transfers and Grants</u>				
National Government:	249 431	289 862	309 631	334 185
Local Government Equitable Share	229 925	263 487	291 465	319 112
Finance Management	1 600	2 537	2 650	2 650
Municipal Systems Improvement	930	–	–	–
EPWP Incentive	2 961	5 061	–	–
Project Management Unit	4 658	4 991	5 592	5 923
Infrastructure Skills Development Grant	7 500	6 500	6 500	6 500
Municipal Demarcation Transitional Grant	1 857	7 286	3 424	–
Provincial Government:	9 292	8 375	8 724	9 089
Museums	166	175	184	193
Provincialisation of Libraries	6 289	6 947	7 224	7 514
Libraries	1 520	1 253	1 316	1 382
Housing	1 317	–	–	–
Total Operating Transfers and Grants	258 723	298 237	318 355	343 274

CAPITAL TRANSFERS AND GRANTS

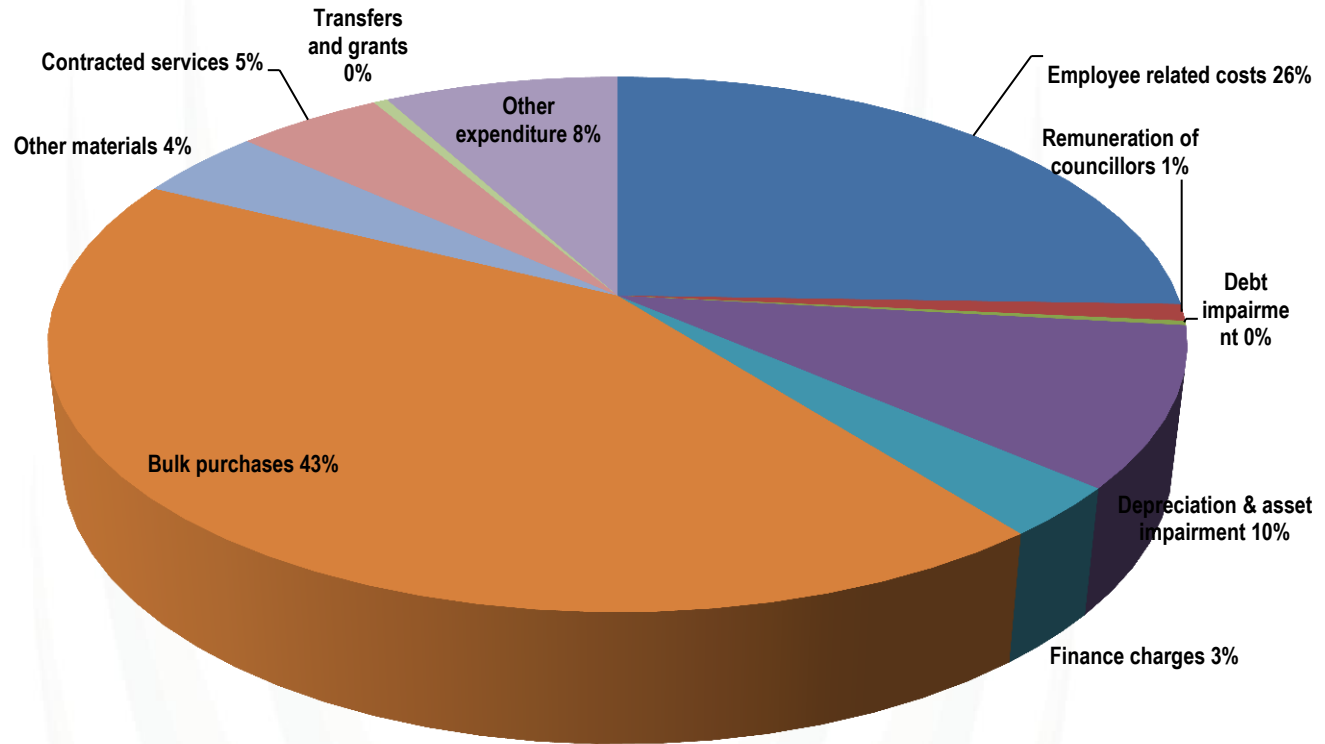
Description	Current Year 2015/16	2016/17 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand				
RECEIPTS:				
<u>Capital Transfers and Grants</u>				
National Government:	168 978	145 747	180 790	210 544
Municipal Infrastructure Grant (MIG)	88 496	94 826	106 253	112 544
Municipal Infrastructure Grant (Roll-Over)	9 100	–	–	–
Electrification Projects	9 000	–	10 000	12 000
Infrastructure Water Projects	50 882	50 921	64 537	86 000
Rural Households Infrastructure	4 500	–	–	–
Department of Water Affairs	7 000	–	–	–
Provincial Government:	100 312	–	–	–
Hostels (Roll-over)	17 812	–	–	–
Human Settlement - Waterstone Estates	82 500	–	–	–
Other grant providers:	1 115	–	–	–
Lotto Funding Sigisi Field	1 115	–	–	–
Total Capital Transfers and Grants	270 405	145 747	180 790	210 544

EXPENDITURE FRAMEWORK

EXPENDITURE BY TYPE

Description	Current Year 2015/16	2016/17 Medium Term Revenue & Expenditure Framework			
	R thousand	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<u>Expenditure By Type</u>					
Employee related costs	629 901	670 969	725 607	787 155	
Remuneration of councillors	24 729	26 462	26 584	28 711	
Debt impairment	3 064	6 950	7 339	7 745	
Depreciation & asset impairment	205 014	252 373	298 616	325 244	
Finance charges	79 806	80 335	80 611	73 634	
Bulk purchases	1 063 124	1 128 615	1 173 760	1 220 711	
Other materials	136 898	113 192	117 720	122 428	
Contracted services	104 254	129 310	130 669	132 546	
Transfers and grants	14 018	12 681	13 188	13 716	
Other expenditure	214 064	208 451	222 228	236 182	
Loss on disposal of PPE	–	–	–	–	
Total Expenditure	2 474 871	2 629 337	2 796 321	2 948 073	

EXPENDITURE BY TYPE



ADEQUATE OPERATING ALLOCATIONS TO REPAIRS AND MAINTENANCE

Description	Current Year 2015/16	2016/17 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand				
Repairs and Maintenance by Expenditure Item				
Employee related costs	273 418	298 377	317 683	338 327
Other materials	51 451	53 844	55 998	58 237
Contracted Services	85 447	59 348	61 722	64 191
Total Repairs and Maintenance Expenditure	410 315	411 569	435 403	460 755

SYNOPSIS OF R & M FOR INFRASTRUCTURE

- R & M Prioritised to ensure sustainability of the City's infrastructure;
- 13 per cent increase for materials costs in the Repairs and Maintenance votes for 2016/17;
- Marginal increase by 0.31 per cent in the 2016/17 financial year, from R 410 million to R 411 million (although it appears that R & M has reduced, this is as a result of removable of R36,75m worth of road resealing from Operating Budget, now been placed on the Capital Budget);
- As a percentage of total operating expenditure comprises the following **15.7; 15.6 and 15.6** of the respective financial years MTREF; and
- As a percentage of PPE comprises of **7.7; 8 and 8.3 per cent** of the respective financial years MTREF.
- All the above of Best Practice allocations in Local Government environment

CAPITAL EXPENDITURE

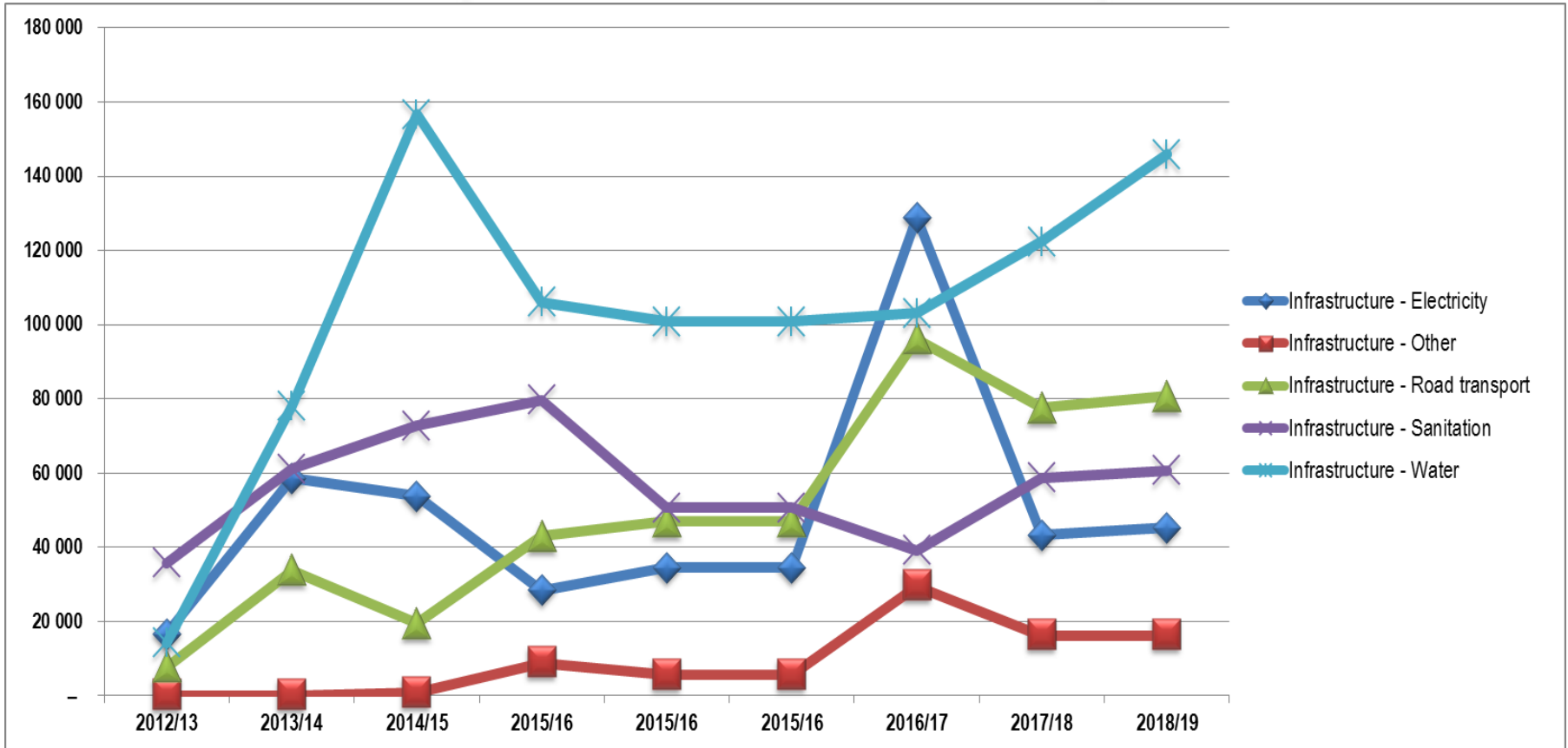
CAPITAL EXPENDITURE

Vote Description R thousand	Current Year 2015/16	2016/17 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Capital Expenditure - Standard				
<i>Governance and administration</i>	65 674	43 000	25 820	25 820
Executive and council	–	–	100	100
Budget and treasury office	422	–	–	–
Corporate services	65 252	43 000	25 720	25 720
<i>Community and public safety</i>	188 950	39 724	72 018	72 962
Community and social services	25 039	13 000	24 480	24 480
Sport and recreation	38 173	25 724	30 538	31 482
Public safety	18 359	–	16 800	16 800
Housing	104 212	1 000	200	200
Health	3 167	–	–	–
<i>Economic and environmental services</i>	48 762	117 108	78 360	81 519
Planning and development	476	7 000	600	600
Road transport	46 997	110 108	77 660	80 819
Environmental protection	1 290	–	100	100
<i>Trading services</i>	197 774	279 566	240 079	267 660
Electricity	28 465	128 900	43 200	45 200
Water	117 204	103 043	122 308	145 830
Waste water management	50 576	44 122	58 671	60 730
Waste management	1 530	3 500	15 900	15 900
<i>Other</i>	–	–	–	–
Total Capital Expenditure - Standard	501 161	479 397	416 277	447 961

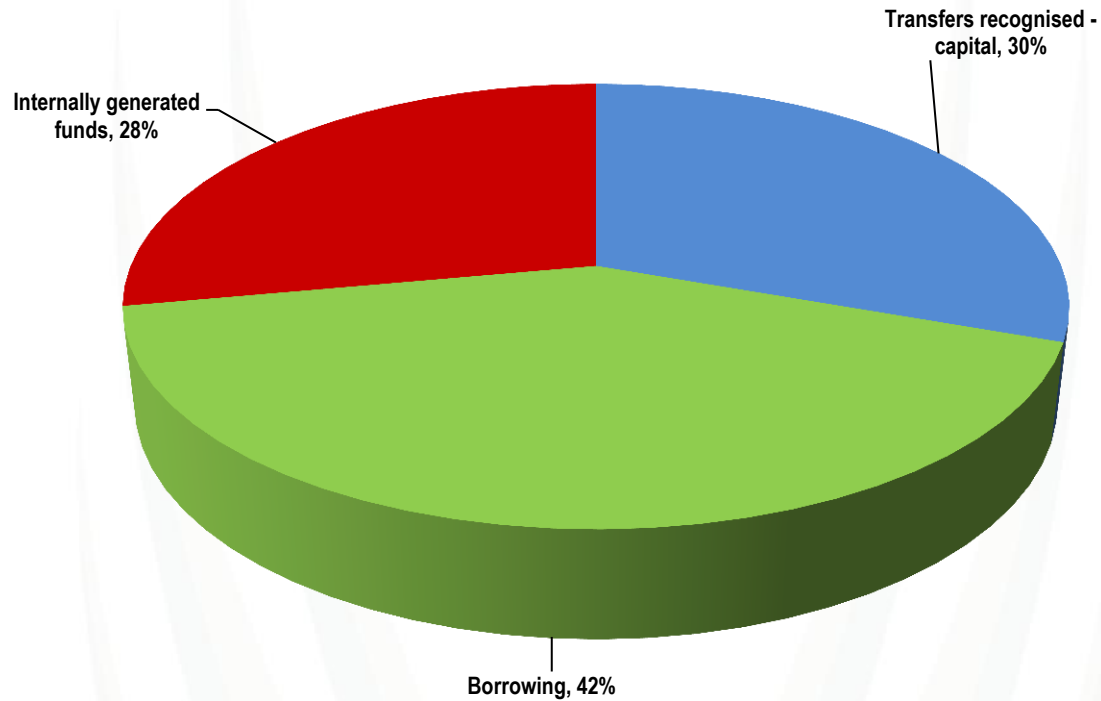
CAPITAL EXPENDITURE - FUNDING

Vote Description R thousand	Current Year 2015/16	2016/17 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Funded by:				
National Government	159 878	145 747	180 790	210 544
Provincial Government	100 312	–	–	–
Transfers recognised - capital	260 190	145 747	180 790	210 544
Public contributions & donations	1 115	–	–	–
Borrowing	137 236	200 000	100 000	100 000
Internally generated funds	102 619	133 650	135 488	137 417
Total Capital Funding	501 161	479 397	416 277	447 961

CAPITAL BUDGET - INFRASTRUCTURE



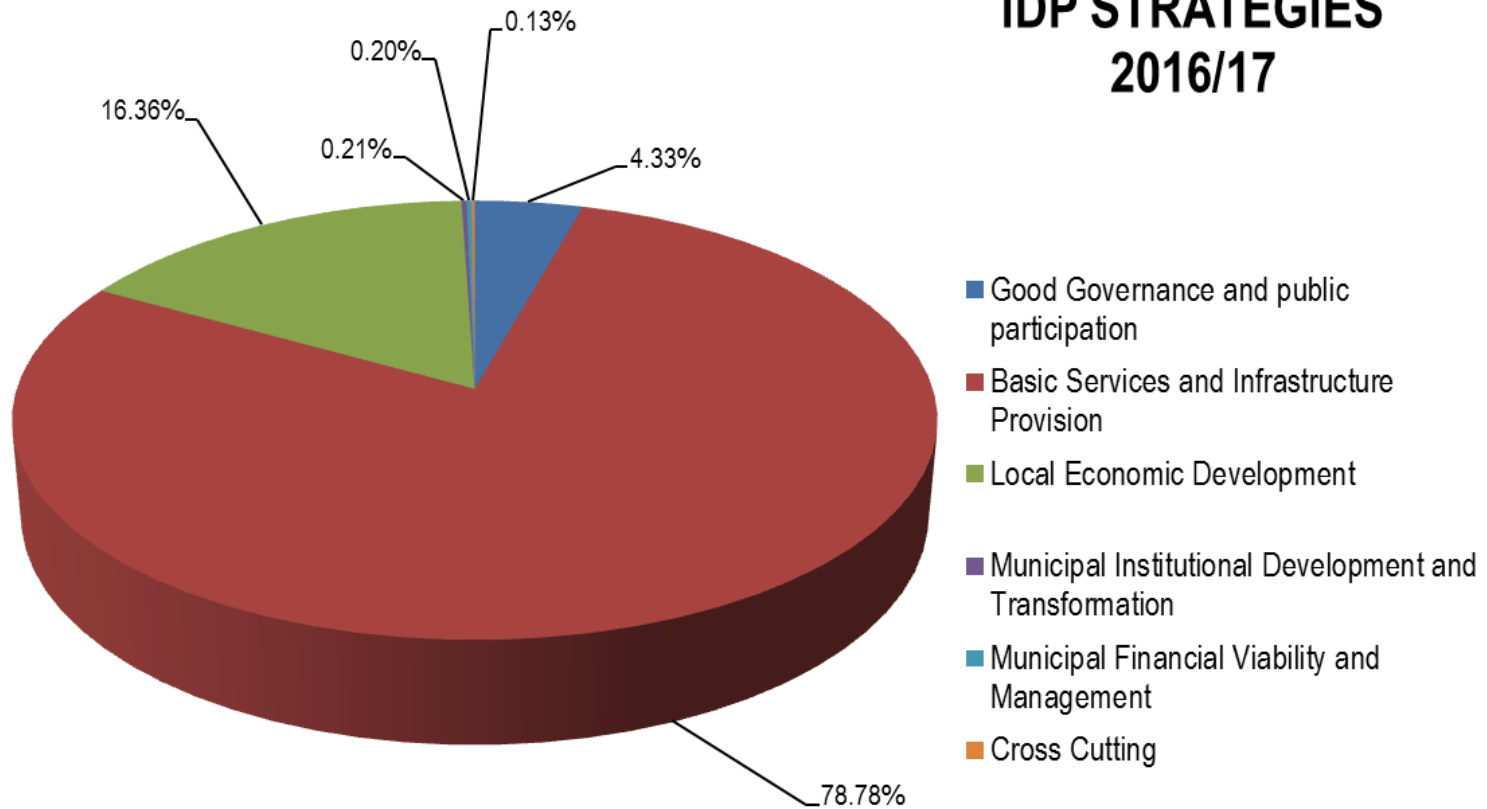
CAPITAL BUDGET – SOURCE FUNDING



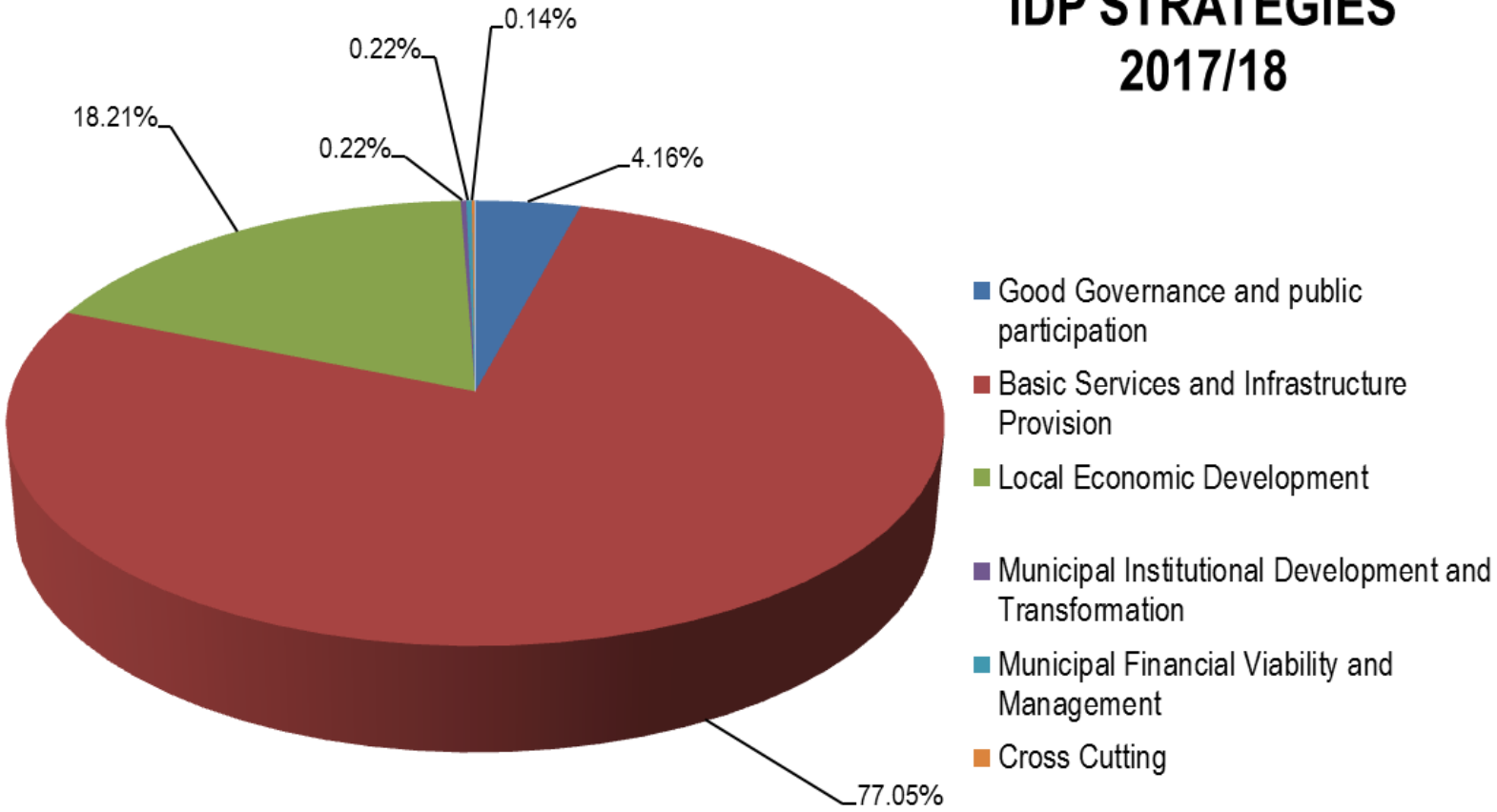
TOTAL 2016/17 MTREF BY IDP STRATEGY

IDP STRATEGIES			
	2016/2017	2017/2018	2018/2019
	R	R	R
Good Governance and public participation	134 661 100	133 648 800	141 339 400
Basic Services and Infrastructure Provision	2 449 057 800	2 475 464 200	2 607 235 900
Local Economic Development	508 523 700	585 120 400	627 842 500
Municipal Institutional Development and Transformation	6 387 900	7 018 800	7 510 100
Municipal Financial Viability and Management	6 188 600	6 977 000	7 232 800
Cross Cutting	3 914 500	4 369 300	4 872 800
	3 108 733 600	3 212 598 500	3 396 033 500

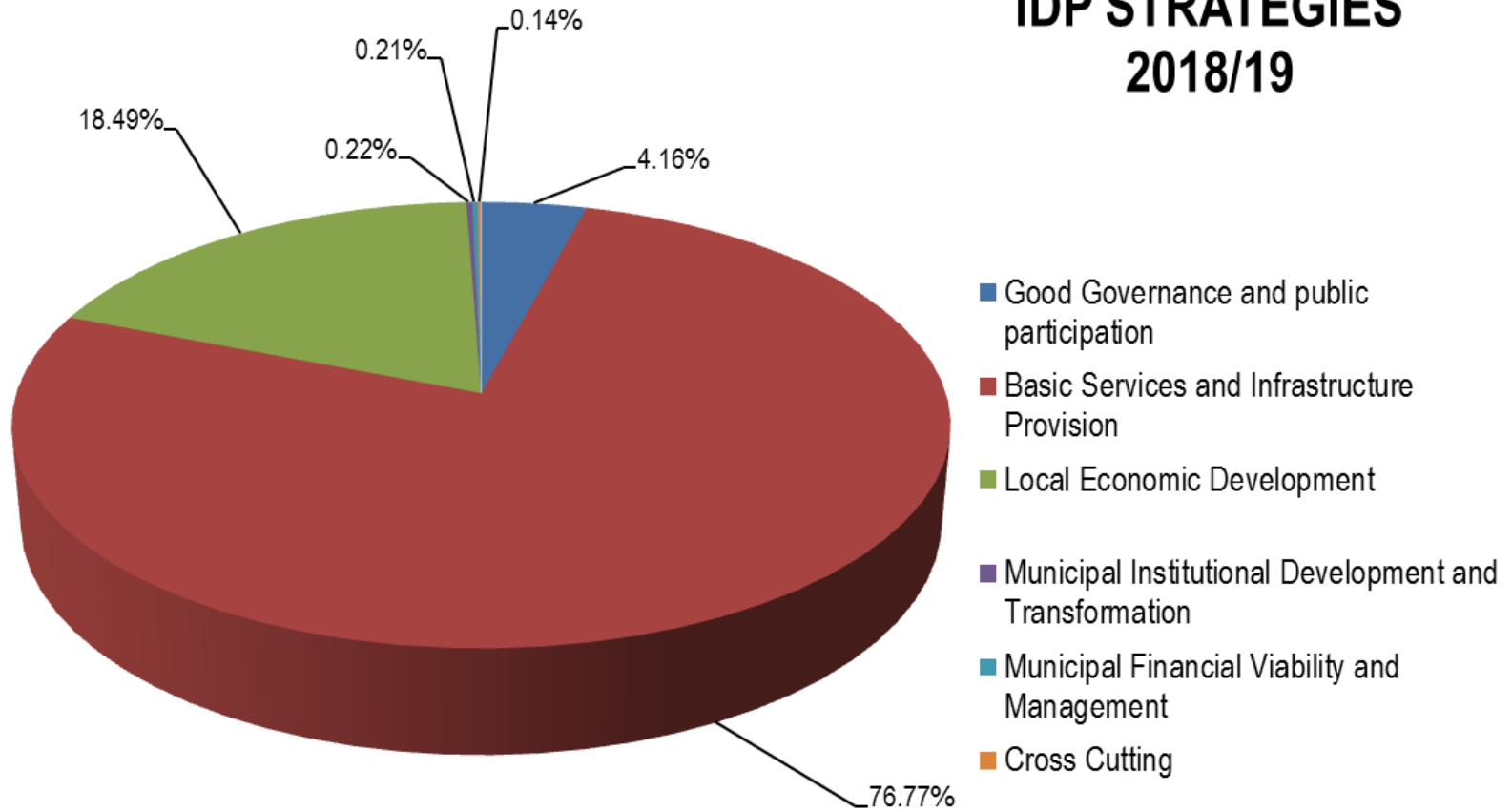
IDP STRATEGIES 2016/17



IDP STRATEGIES 2017/18



IDP STRATEGIES 2018/19



SUPPLY CHAIN MANAGEMENT

SCM POLICY

PREAMBLE

- ❖ Refers to S111 of the MFMA and PPPFA

OBJECTIVES

- stimulate and promote LED in a targeted and focused manner;
- promote resource efficiency and greening;
- facilitate creation of employment and business opportunities for the people of uMhlatuze with particular reference to HDI's;
- promote the competitiveness of local businesses;
- increase the small business sector access, in general, to procurement business opportunities created by Council;
- increase participation by (SMME's); and
- promote sub-contracting and JV partnerships.
- spend a **minimum of 40% (forty percent) of its annual procurement budget with Historically Disadvantaged Individuals, through the application of Preferential Procurement Policy**



SCM POLICY AMENDMENTS

- *Foreign company with a partnership with the local company where the local company holds not less than 40% share on the project.*
- To spend a minimum of 40% (forty percent) of its annual procurement budget with Historically Disadvantaged Individuals (HDIs) - **youth, women, people living with disabilities within the jurisdiction of the City of uMhlathuze**, through the application of Preferential Procurement Policy *and relevant policies.*
 - *40% Youth*
 - *40% Women*
 - *20% People living with disabilities*

SPLIT EXAMPLE

Total Capex for 2016/17 (40%)

R 416,397,000 x 40% = R166,558,800

40% Youth = R 66,623,520

40% Women = R 66,623,520

20% People living with Disabilities = R 33,311,760

NB: All the above sectors are also illegible for bidding on the 60%.

SCM POLICY AMENDMENTS – CLAUSE 34...

Subcontracting

*34 (5) (a) If a tender is awarded to a big contractor, **25%** would be allocated to local black emerging contractor(s) or local youth emerging contractor(s) inclusive of women and contractors of people living with disabilities and co-operatives.*

*(b) If a tender of **R10 million** and above was awarded to a well-established black contractor, **25%** would be sub- contracted as 34(5)(a).*

*©Where a contract is of **R10 million and above**, **25%** must be sub-divided into valuable sizes of two or more sub-contractors.*

MUNICIPAL FINANCE MANAGEMENT ACT, ACT 56 OF 2003

CHAPTERS IN THE MFMA

“To secure sound and sustainable management of the financial affairs of municipalities and other institutions in the local sphere of government; to establish treasury norms and standards for local sphere of government; and to provide for matters connected therewith”.

Chapter 1- Interpretation, Object, Application

Chapter 2- Supervision over LG Finance Management

Chapter 3- Municipal Revenue(Bank accounts etc.)

Chapter 4- Municipal Budgets (Process for budgeting)

-Contents, funding of expenditure & capex, consultation, contracts with future implications



CHAPTERS IN THE MFMA

Chapter 5- Co-operative Government(re: budget process)

Chapter 6- Debt

Chapter 7- Responsibilities of Mayor

- Political guidance, co-ordinate revision of IDP, identify financial problems.

Chapter 8- Responsibilities of Municipal Officials (financial duties)

- MM, CFO, Senior Managers



CHAPTERS IN THE MFMA

Chapter 9- Municipal Budget and treasury Offices

– Responsibilities of CFO's office

Chapter 10- Municipal Entities

CHAPTERS IN THE MFMA

Chapter 11-Goods and Services (SCM)

-Bids, contract management, councillors barred from serving in bid com.

Chapter 12-Financial Reporting and Auditing

Chapter 13-Resolution of Financial Problems

Chapter 14-General Treasury Matters

Chapter 15-Financial Misconduct

Chapter 16-Miscellaneous



MUNICIPAL SYSTEMS ACT, ACT 32 OF 2000



MUNICIPAL SYSTEMS ACT

Chapter 2-Rights & duties (Muni, Admin & Community)

Chapter 3-Municipal Functions & Powers (legislative authority)

Chapter 4- Community Participation(mechanism of community involvement)

Chapter 5- Adoption of an IDP

Chapter 7- Administration & code of conduct for councillors

Chapter 8- Municipal Services

- Tariff Policy, By-laws & mechanisms to provide municipal service, competitive bidding



MUNICIPAL SYSTEMS ACT

Chapter 9-Credit Control & Debt Collection
- Customer care, debt collection policy,



THANK YOU