

10148

ADOPTED 2015/16 MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF)

This report is submitted simultaneously to the Special Financial Services Portfolio Committee, the Executive Committee and Council with the concurrence of the Mayor, Councillor M G Mhlongo and the Speaker, Councillor M W Mthenjana.

* All annexures pertaining to this report will be circulated under separate cover.

PURPOSE

To submit to Council for approval, the Adopted 2015/16 Budget and Medium Term Revenue and Expenditure Framework (MTREF).

IDP STRATEGY AND OBJECTIVES

GOAL 5: SOUND FINANCIAL MANAGEMENT	
OBJECTIVES	STRATEGIES
1. Compliance with financial legislation and policies	<ul style="list-style-type: none"> • Ensure GRAP compliance • Ongoing review of SCM policies and procedures • Ongoing internal and external capacity building in Supply Chain Management and Budgeting Models
2. Sustainable Financial Management	<ul style="list-style-type: none"> • Improve internal communication on budget matters • Maintenance of fixed asset register • Credit control and debt collection • Compliant internal controls • Compliant grant reporting • Obtain targeted cash-backed statutory reserves • Development and appropriate training and assistance to employees • Identify and redress water and electricity tampering

BACKGROUND

The Municipal Finance Management Act (MFMA), 2003 (No 56 of 2003) issues clear guidelines on the contents of the Budget Framework Plan. The Budget Framework Plan for the City of uMhlathuze has been adapted to incorporate these guidelines.

Section 17 of the Act highlights the following issues relating to the contents of the annual budget.

- "1) The annual budget must be a schedule in the **prescribed format** which should include the following:
- a) realistically anticipated revenue for the budget year from each revenue source;
 - b) appropriating expenditure for the budget year under the different votes of the municipality;
 - c) setting out indicative revenue per revenue source and projected expenditure by vote for the two financial years following the budget year;

- d) *setting out-*
 - (i) *both estimated revenue and expenditure by vote for the current year; and*
 - (ii) *actual revenue and expenditure by vote for the financial year preceding the current year; and*
 - e) *A statement containing any other information required by Section 215(3) of the Constitution or as may be prescribed.*
- 2) *The annual budget must generally be divided into a capital and an operating budget in accordance with international best practice, as may be prescribed;*
- 3) *When an annual budget is tabled in terms of Section 16(2), it must be accompanied by the following documents:*
- a) *Draft resolutions-*
 - (i) *Approving the budget of the municipality;*
 - (ii) *Imposing any municipal tax and setting any municipal tariffs as may be required for the budget year; and*
 - (iii) *Approving any other matter that may be prescribed;*
 - b) *measurable performance objectives for revenue from each source and for each vote in the budget, taking into account the municipality's integrated development plan;*
 - c) *a projection of cash flow for the budget year by revenue source, broken down per month;*
 - d) *any proposed amendments to the municipality's integrated development plan following the annual review of the integrated development plan in terms of Section 34 of the Municipal Systems Act;*
 - e) *any proposed amendments to the budget-related policies of the municipality;*
 - f) *particulars of the municipality's investments;*
 - g) *any prescribed budget information on municipal entities under the sole or shared control of the municipality;*
 - h) *particulars of all proposed new municipal entities which the municipality intends to establish or in which the municipality intends to participate;*
 - i) *particulars of any proposed service delivery agreements, including material amendments to existing service delivery agreements;*
 - j) *particulars of any proposed allocations or grants by the municipality to-*
 - (i) *other municipalities;*
 - (ii) *any municipal entities and other external mechanisms assisting the municipality in the exercise of its functions or powers;*

- (iii) *any other organs of state; and*
- (iv) *any organisations or bodies referred to in section 67(1);*
- k) *the proposed cost to the municipality for the budget year of the salary, allowances and benefits of -*
 - (i) *Each political office-bearer of the municipality;*
 - (ii) *councillors of the municipality; and*
 - (iii) *the municipal manager, the chief financial officer, each senior manager of the municipality and any other official of the municipality having a remuneration package greater than or equal to that of a senior manager;*
- l) *the proposed cost for the budget year to a municipal entity under the sole or shared control of the municipality of the salary, allowances and benefits of -*
 - (i) *each member of the entity's board of directors; and*
 - (ii) *the chief executive officer and each senior manager of the entity; and*
- m) *any other supporting documentation as may be prescribed."*

National Treasury has issued Municipal Budget and Reporting Regulations in terms of Government Gazette Number 32141 dated 17 April 2009.

The objectives of the budget formats reforms in terms of these regulations are:

- ❖ To ensure that the municipal budget and financial reporting formats support the other financial management reforms introduced by the Municipal Finance Management Act (MFMA).
- ❖ To formalise the norms and standards governing municipal budget and financial reporting formats, so as to improve the credibility, sustainability, transparency, accuracy and reliability of budgets and in-year reports of municipalities.
- ❖ To improve Council's ability to deliver basic services to all by addressing issues of financial sustainability.
- ❖ To facilitate informed policy choices by Council and medium term planning of service delivery by aligning targets to achieve backlog elimination.

Specifically for the 2015/16 Budget, Circulars No 74 (**DMS 1011312**) **Annexure L1** issued on 12 December 2014 and 75 (**DMS 1028581**) issued on 9 March 2015 **Annexure L2** are included as part of this report. **These circulars need to be read thoroughly by both the Council and the Administration.**

DISCUSSION

In light of the endeavour by National Treasury endeavours to ensure that municipalities prepare a budget document that provides concise and understandable financial and non-financial information which will ensure that informed decisions are made to promote effective financial management and service delivery. By ensuring that the allocation of financial resources is aligned to service delivery targets it will be clear what services are being promised when budgets are approved.

National Treasury decided to create a template called “Batho Pele City” as a guide for municipal officials responsible to produce their real municipal budget documents.

The aim of the Dummy Budget Guide is to provide more detailed guidance on the format and content of a municipal budget so as to ensure full compliance with both the letter and the spirit of Schedule A of the Municipal Budget and Reporting Regulations. The Dummy Budget is intended to be a template that municipal officials can use as a basis and guide for producing their own municipality’s budget documents. Therefore National Treasury fully intends that officials copy the format and be guided by the explanations, the tables, graphs and figures of the Dummy Budget.

Council approved the 2015/16 Tabled Medium Term Revenue Expenditure Framework (MTREF) on 31 March 2015.

However, it is important to note that the only changes made to the Operating Tabled Medium Term Revenue Expenditure Framework (MTREF) were the inclusion of the Provincial Grants that were received after the finalisation of the Tabled Budget and therefore were excluded.

CONSOLIDATED OVERVIEW:

Table 1 Consolidated Overview of the 2015/2016 MTREF:

Description	Current Year 2014/15	2015/16 Medium Term Revenue & Expenditure Framework			
	Adjusted Budget	Tabled 2015/16	Adopted 2015/16	Adopted 2016/17	Adopted 2017/18
R thousands					
Total Operating Revenue	2 288 540	2 519 526	2 524 301	2 699 952	2 913 728
Total Operating Expenditure	2 327 940	2 514 588	2 519 364	2 694 084	2 908 004
Surplus/ (Deficit) for the year	(39 399)	4 938	4 937	5 868	5 724
Total Capital Expenditure	498 307	315 878	448 778	290 572	300 384

As explained above an amount of **R8 522 000** was received from Provincial Government in terms of Provincial Budget Statements. The detail of these grants has been included in Table 5 (Operating Transfers and Grants) in Annexure B (**DMS 1052822**).

Subsequent to the adopting of the Tabled MTREF, the Departments were requested to submit 2014/15 Capital projects that would not be completed in the 2014/15 financial year and thus requiring to be rolled over to the 2015/16 Adopted MTREF.

The table below indicates the proposed capital funding.

Table 2 Proposed Capital Funding:

Vote Description R thousand	Current Year 2014/15	2015/16 Medium Term Revenue & Expenditure Framework				
	Adjusted Budget	Tabled 2015/16	Rolled over projects	Adopted 2015/16	Adopted 2016/17	Adopted 2017/18
Funded by:						
National Government	189 588	159 878	–	159 878	117 531	127 384
Provincial Government	34 702	–	18 000	18 000	–	–
Transfers recognised - capital	224 290	159 878	18 000	177 878	117 531	127 384
Public contributions & donations	8 523	–	1 115	1 115	–	–
Borrowing	142 572	100 000	59 702	159 702	100 000	100 000
Internally generated funds	122 922	56 000	54 082	110 082	73 000	73 000
Total Capital Funding	498 307	315 878	132 900	448 778	290 531	300 384

Unspent conditional grants that are subject to National Treasury retraction at year end have not been rolled over to the 2014/2015 financial year but will be incorporated into the 2015/2016 Adjustments Budget once approval from National Treasury has been received.

Table 3 2015/16 Medium-term capital budget per Vote:

Vote Description R thousand	2015/16 Medium Term Revenue & Expenditure Framework				
	Tabled 2015/16	Rolled over projects	Adopted 2015/16	Adopted 2016/17	Adopted 2017/18
Capital Expenditure - Standard					
<i>Governance and administration</i>	20 428	24 178	44 606	34 398	34 398
Executive and council	94	(1)	93	–	–
Budget and treasury office	794	(779)	15	–	–
Corporate services	19 540	24 958	44 498	34 398	34 398
<i>Community and public safety</i>	58 528	67 449	125 977	56 300	56 300
Community and social services	16 470	24 056	40 526	29 158	29 158
Sport and recreation	27 502	13 737	41 239	21 654	21 654
Public safety	14 364	6 981	21 345	5 488	5 488
Housing	–	18 000	18 000	–	–
Health	192	4 675	4 867	–	–
<i>Economic and environmental services</i>	31 064	11 919	42 983	38 330	38 289
Planning and development	296	(296)	–	–	–
Road transport	30 694	12 289	42 983	38 330	38 289
Environmental protection	74	(74)	–	–	–
<i>Trading services</i>	205 858	29 055	234 914	161 544	171 397
Electricity	29 748	(4 917)	24 831	9 500	6 000
Water	111 314	17 184	128 499	70 265	80 910
Waste water management	49 730	30 076	79 807	81 779	84 488
Waste management	15 066	(13 288)	1 778	–	–
<i>Other</i>	–	300	300	–	–
Total Capital Expenditure - Standard	315 878	132 900	448 778	290 572	300 384

Table 4 List of major capital projects:

Vote Description R thousand	2015/16 Medium Term Revenue & Expenditure Framework		
	Tabled 2015/16	Rolled over/ additional projects	Adopted 2015/16
<u>DMM: City Development</u>			
Construction of Taxi Ranks	7 000	–	7 000
eSikhaleni Refurbishment Hostels	–	18 000	18 000
Construction of SMME retail Parks	4 800	–	4 800
Mayoral Residence	3 000	–	3 000
Aquadene Bulk Services (Water & Sanitation)	42 000	–	42 000
IT Equipment - City Development	–	28	28
Total	56 800	18 028	74 828
<u>DMM: Community Services (Health & Public Safety)</u>			
eSikhaleni Fire Station	–	11 014	11 014
Richards Bay Fire station - structural upgrades	–	392	392
Machinery & Equipment - Fire Services	–	186	186
Office Furniture - Fire Services	–	9	9
Machinery & Equipment - Air	–	1 428	1 428
Park Home Richards Bay TB Clinic	–	455	455
Machinery & Equipment - Clinics	–	604	604
Occupational Health Clinic	–	2 334	2 334
Land & Buildings - Upgrade security alarms	–	46	46
Security Bicycle Project	2 000	–	2 000
Office Furniture - Licensing offices	–	30	30
Land & Buildings - Extension of Truck Washer Area (Empangeni & Land & Buildings - Waste Management	–	100	100
	–	181	181
Airconditioners - Traffic Empangeni	–	11	11
Land & Buildings - Transfer stations	–	1 670	1 670
Machinery & Equipment - Waste Management (Skips)	–	80	80
Office Furniture - Waste Management	–	29	29
Vehicles - Traffic	–	367	367
Vehicles - Refuse trucks	–	3 448	3 448
Vehicles - Double Cab 4x4	–	759	759
IT Equipment - Community Services	–	53	53
Total	2 000	23 193	25 193

Vote Description R thousand	2015/16 Medium Term Revenue & Expenditure Framework		
	Tabled 2015/16	Rolled over/ additional projects	Adopted 2015/16
DMM: Community Services (Recreation & Environmental Services)			
Richards Cemetery Extension	–	2 000	2 000
eSikhaleni Cemetery Development	–	17	17
Aquadene Library	–	2 920	2 920
Office Furniture - Libraries	–	125	125
eSikhaleni Library - Extension	–	929	929
Land & Buildings - Upgrades & Refurbishments to Halls	3 000	4 710	7 710
Land & Buildings - Airconditioners Replacements	–	59	59
Land & Buildings - Parks	–	523	523
Land & Buildings - Parks Depots	–	326	326
Land & Buildings - Playground equipment	–	15	15
eSikhaleni Pool Area - Upgrade	1 000	–	1 000
Beautification - All Areas	5 000	–	5 000
Land & Buildings - Upgrades at sports fields	–	5 053	5 053
Floodlights - various sportsfields	–	5 654	5 654
Machinery & Equipment - Sports facilities	–	697	697
Land & Buildings - Beach development (Restaurant)	–	40	40
Beach Erosion	–	6 594	6 594
Machinery & Equipment - Beach facilities	–	33	33
Office Furniture - Beach facilities	–	6	6
Land & Buildings - Swimming pools upgrades/renovations	–	600	600
Machinery & Equipment - Swimming pools	–	40	40
Office Furniture - Swimming pools	–	5	5
Land & Buildings - Arts & Culture	–	5	5
Double Cabs x 2 (Sports)	–	773	773
Machinery & Equipment - Parks Maintenance	–	653	653
IT Equipment - Recreation & Environmental Services	–	2	2
Total	9 000	31 779	40 779
Total: Community Services	11 000	54 971	65 971

Vote Description R thousand	2015/16 Medium Term Revenue & Expenditure Framework		
	Tabled 2015/16	Rolled over/ additional projects	Adopted 2015/16
DMM: Corporate Services (Administration)			
Land & Buildings - Alterations to Central Registry	–	17	17
Land & Buildings - Renovations Civic Centre	–	2 389	2 389
Land & Buildings - Depots	–	150	150
Renovations Satellite Offices	3 000	–	3 000
Machinery & Equipment - Fencing- Airport	–	93	93
	–	300	300
Land & Buildings - ICT Research	–	70	70
IT Equipment	2 000	128	2 128
Total	5 000	3 147	8 147
DMM: Corporate Services (Human Resources)			
Machinery & Equipment - HR	–	18	18
Total	–	18	18
Total: Corporate Services	5 000	3 165	8 165
Chief Financial Officer			
Land & Buildings - Satellite Offices	–	194	194
Land & Buildings - Renovations	–	260	260
Work Stations - Revenue	–	15	15
Financial ERP system	2 000	–	2 000
IT Equipment	–	192	192
Total	2 000	661	2 661
DMM: Infrastructure & Technical Services (Electrical Supply)			
High mast Lighting installation - (Traditional Areas)	3 000	–	3 000
Street lighting	–	4 745	4 745
Standby quarters	–	1 500	1 500
Process Control systems incl telemetry	–	1 612	1 612
Office Furniture - Electrical services	–	5	5
Parking - Electricity Supply	–	10	10
Electrification - A1275 Ngwelezane	–	2 280	2 280
Electrification - Cygnus MV Switchgear	–	268	268
Electrification - eSikhaleni - Replace XLPE Medium voltage cable	–	8 903	8 903
Energy losses project	–	2 111	2 111
Network Master Plan	–	1 500	1 500
Electrification eSikhaleni J2710	–	719	719
Electrification of Mandlazini Area	4 300	–	4 300
Electrification of Mzingazi Area	3 100	–	3 100
Electrification of Ngwelezane	1 600	–	1 600
Machinery & Equipment - Electrical	–	40	40
IT Equipment - Electrical services	–	117	117
Total	12 000	23 810	35 810

Vote Description R thousand	2015/16 Medium Term Revenue & Expenditure Framework		
	Tabled 2015/16	Rolled over/ additional projects	Adopted 2015/16
DMM: Infrastructure & Technical Services (Engineering Services)			
Rural Sanitation	29 248	–	29 248
Rural Water	29 248	–	29 248
Rural Households infrastructure	4 500	–	4 500
Madlanzini Road (Tarring)	15 000	–	15 000
Sports Facilities	15 000	–	15 000
Land & Buildings - Structural Inspection Municipal Buildings	2 300	4	2 304
Land & Buildings - Ablution facilities at Naval Island	1 500	686	2 186
Land & Buildings - Airconditioners	–	980	980
Land & Buildings - Civic Centre Roofing	–	435	435
Machinery & Equipment - Engineering support	–	111	111
Machinery & Equipment - Mechanical Workshop	–	35	35
Replacement Vehicles & Plant	31 026	508	31 534
Total	127 822	2 759	130 581
DMM: Infrastructure & Technical Services (Transport, Road and Stormwater Ser			
Land & Buildings - Road marking storeroom	–	144	144
Structural upgrades depots	–	89	89
Office Furniture - Roads section	–	44	44
eSikhaleni Mall Parking	–	2 231	2 231
Civic Services - J2 & H2	–	1 090	1 090
Upgrade of intersections & signalisation	–	746	746
Street Rehabilitation - Tanner Road	–	428	428
eSikhaleni Mall Road Safety	–	1 748	1 748
Walkways, Traffic calming, pedestrian bridges and bus shelters	3 000	577	3 577
eSikhaleni Intersection	18 000	–	18 000
Plant & Equipment - replacements	–	305	305
Vehicles - Replacements (Tipper Truck	–	747	747
Total	21 000	8 148	29 148

Vote Description R thousand	2015/16 Medium Term Revenue & Expenditure Framework		
	Tabled 2015/16	Rolled over/ additional projects	Adopted 2015/16
DMM: Infrastructure & Technical Services (Water and Sanitation Services)			
Building alterations Scientific Services	–	262	262
Electricity connection W & S Offices (A1227 Ngwelezane)	–	50	50
Rural Sanitation - Counter funding	–	188	188
Office Furniture - Water services	–	51	51
Replacement Sewer A Ngwelezane	–	324	324
Upgrades Sewer reticulation	–	3 906	3 906
Veldenvlei Pumpstation	22 374	–	22 374
Machinery & Equipment - Standby	–	10	10
New water meters (Rural)	–	463	463
Rural Water - Counter funding	–	133	133
Bulk Master Plan	–	816	816
Leak Detector	–	1 400	1 400
20ml Reservoir Hilltop	–	9 809	9 809
Water Improvements	–	3 169	3 169
Machinery & Equipment - Jojo tanks	–	11	11
Pipe Replacement - MWIG	43 882	–	43 882
Reduction of non-revenue	7 000	–	7 000
eSikhaleni Waste Water Treatment plant	7 000	–	7 000
Land & Buildings - Pumpstations		449	449
Machinery & Equipment - Water services	–	41	41
IT Equipment - Water Section	–	278	278
Total	80 256	21 358	101 614
Total: Infrastructure & Technical Services	241 078	56 074	297 153
Total Capital Budget	315 878	132 899	448 778

The following annexures are included under separate cover and form part of this report:

- **Annexure A (DMS 1058249)** - Budget report that has been prepared using the “Batho Pele City” template;
- **Annexure B1 - B54 (DMS 1052822)** - Municipal Annual Budget and MTREF Supporting Tables;

- **Annexure C (DMS 1059240)** - Tariffs of Charges;
- **Annexure D1 (DMS 1059156)** - Rates Policy;
- **Annexure D2 (DMS 1059179)** - Tariff Policy;
- **Annexure E (DMS 1034543)** - 2015/16 Adopted Capital Budget;
- **Annexure F (DMS 1034543)** Component 1: Monthly projections of revenue to be collected for each source;
- **Annexure G (DMS 1034543)** Component 2: Monthly projections of expenditure (operating and capital) and revenue for each Vote;
- **Annexure H1 - H6 (DMS 1034543)** Component 3: Draft annual projections of service delivery targets and performance indicators for each Vote;
- **Annexure I (DMS 1034543)** Component 4: Ward information for Capital expenditure;
- **Annexure J (DMS 1034543)** Component 4: Ward information for operating expenditure;
- **Annexure K (DMS 1034543)** Component 5: Detailed capital works plan broken down by ward over three years;
- **Annexure L1 (DMS 1011315)** - MFMA Budget circular number 74 dated 12 December 2014;
- **Annexure L2 (DMS 1028581)** - MFMA Budget circular number 75 dated 9 March 2015; and
- **Annexure M (DMS 1059356)** - Minutes of Public Participation meetings.

The following pertinent issues were raised during the community consultation process. Minutes of the various meetings have been prepared and have been included as **Annexure M (DMS 1059356)**.

- Maintenance of Mandlazini Road
- Pedestrian bridges
- Pensioner gym equipment
- Water losses - community reporting issues - delays in resolving issues
- Bursaries provision for children from uMhlathuze
- Delays in issuing Title Deeds
- Richards Bay SPCA Service Level Agreement
- Rural sports facilities
- Streetlights in high crime areas
- Improved communication with regards to water interruption, etc.
- High water tariff increases for high end users are a concern

- Sponsorship for agricultural projects
- Taxi ranks requisition
- Rebates for churches
- Multi-purpose centres to be fully utilised
- Electricity supply in Eskom supply areas
- Pensioner rebates
- Provision of halls and clinics.
- Provision of community sportfields

NATIONAL TREASURY BENCHMARK ENGAGEMENT

In terms of the requirements of the Municipal Finance Management Act and as part of its oversight role over Local Government finances, the National Treasury is responsible for reviewing and commenting on the tabled budgets of all non-delegated municipalities prior to their adoption by the respective Municipal Councils.

The tabled budgets of these municipalities are rigorously assessed in terms of quality and compliance with the prescriptions of the MFMA and the Municipal Budget and Reporting Regulations.

From a quality perspective, the budget is assessed in accordance with three criteria, namely:

- **Credibility:** to determine if the budget is funded in terms of Section 18 of the MFMA and whether the municipality adopted a budget process with evidence of sufficient political oversight and public participation. Political oversight and guidance is crucial for the budget process as the approval of the budget is the responsibility of Council and not that of the Budget and Treasury Office. The budget brings effect to Council priorities and hence these priorities should be financially sustainable and Council must ensure that its priorities are affordable from a budgeting perspective. In assessing the credibility of the budget, the revenue planning framework and associated assumptions are interrogated to determine if they are realistic and indicative of multi-year budgeting.
- **Relevance:** to test if the budget is aligned to the reviewed Integrated Development Plan (IDP) of the municipality and the extent to which national and provincial priorities, including MFMA Circulars 74 and 75, were considered.
- **Sustainability:** to determine whether the budget gives effect to the long-term financial and operational sustainability of the municipality. This is crucial as the budget is analysed over the MTREF.

The 2015/16 Budget Engagement and Municipal Benchmark exercise was held at the National Treasury's Budget Council Room in Pretoria on 20 May 2015.

The following are the **draft** key observations and conclusions extracted from National Treasury's presentation:

1. The budget was found to be financially sustainable in the long term, showing surpluses over the medium term;
2. The municipality compiled the budget based on the guidelines and Circular 75;

3. The Municipality did not apply periodic budgetting, the figures in table SA25 and SA26 have been divided by 12;
4. A notable decrease in the capital budget by 58 % from the 2014/2015 financial year to 2015/16 financial year;
5. Very detailed narratives provided in the budget document;
6. Alignment of table SA4, SA5 and SA6 with the IDP priorities; and
7. Municipality submitted budget related policies with the budget.

Draft Conclusions:

- *Credibility:*
 - Budget assumptions are realistic
 - Evidence of political oversight and public participation in budget process
 - Budget is multi-year
 - Budget funded as per Section 18 of MFMA
- *Relevance:*
 - Budget is aligned to IDP
- *Sustainability:*
 - Cash flow sustainable over MTREF
 - Adequate cash coverage
 - The budget is sustainable over the MTREF

Apart from the key observation 3 mentioned above, which will be corrected for the Adopted Budget Tables, the Municipality was complimented on its performance.

ENVIRONMENTAL IMPLICATIONS

No environmental implications.

FINANCIAL IMPLICATIONS

This is dealt with in detail throughout the detail Budget Report.

LEGAL IMPLICATIONS

This is dealt throughout the report with references to various Acts and Regulations.

COMMENTS OF THE CHIEF FINANCIAL OFFICER

The Chief Financial Officer has been provided under the Executive Summary contained in **Annexure A (DMS 1058249)**.

The Chief Financial Officer needs to comment on the progress of the SCOA (Standard Chart of Accounts) project as Council is a pilot site and will be implementing a new financial system that is SCOA compliant from 1 July 2015. This implementation will require that the Tables prepared in terms of Budget and Reporting Regulations and adopted by Council as **Annexure B (DMS 1052822)** will need to be amended. The Chief Financial Officer is therefore proposing an additional recommendation in where an Adjusted Budget will be taken to Council before the end of the first quarter (30 September 2015) in which the Budget Reporting and Tables are amended and replaced by SCOA aligned tables.

Furthermore, a further recommendation has been included to request Council to provisionally approve a further R100 million loan that will be utilised for a capital project that will be a dedicated supply of Electricity to Richards Bay Coal Terminal for the replacement of the oil filled cables.

AMENDED PAGES 25 AND 27 OF VOLUME 7 OF EXCO AGENDA

DISCUSSION BY THE SPECIAL FINANCIAL SERVICES PORTFOLIO COMMITTEE ON 25 MAY 2015

The Ward Committee members were commended for their good work as well as the support that they provide to Ward Councillors. It was pointed out that the stipend that they receive is somewhat low. It was also suggested that as their term of office is 5 years, it would be advisable to register with the Unemployment Insurance Fund in order to receive some financial assistance after their Term of Office. The Chairperson in response, indicated that it would not be feasible to register for UIF as they are not employed. He concurred with the view to revisit the amount of the current stipend. Nevertheless, it was indicated that as the budget had already been captured, the matter could only be accommodated for review in the Adjustment Budget in September 2015.

The Chief Financial Officer in his Budget Presentation stated that a report will be submitted to the Finance Portfolio as well as to the Executive Committee and Council regarding changes that will be emanating from the implementation of the Standard Chart of Accounts. Of significance also was the fact that Government Gazette in terms of the Standard Chart of Account Regulation encourages uniformity in all the Municipalities when dealing with line items.

It bears noting that the Resolution regarding the borrowing of R100 million is sufficient to be carried out at this point. Tabled Budget is R315 878 million and when all inclusive (R100 million loan, Internal Generated Funds, Transfers Recognised Budget and Public Donations and Contribution), the Capital Budget is R488 778 million.

It was agreed that an additional R100 million loan will be utilised for a capital projects that will ensure supply of electricity to Richards Bay Coal Terminal for the replacement of the oil filled cables, the affected customers must be liable for the repayment of the loan not ratepayers. Resolution 23 was therefore added as reflected below.

RECOMMENDED THAT:

1. the Adopted Multi-year Medium Term Revenue and Expenditure Framework (MTREF) of the municipality for the Financial Year 2015/16 and indicative for the projected outer years 2016/17 and 2017/18 be approved as set out in the Budget Report **(DMS 1058249)** and in the Budget tables A1 - A10 **(Annexure B1 - B13)** **(DMS 1052822)**;
2. the 2012 - 2017 Integrated Development Plan (IDP) (Final) **(DMS 820202)** be incorporated into the Tabled 2015/16 Multi-year Medium Term Revenue and Expenditure Framework (MTREF);
3. the Adopted 2015/16 Medium Term Revenue and Expenditure Framework aligned with the IDP's Developmental Objectives and Goals for the City of uMhlathuze be approved as follows:

Description R thousands	Current Year 2014/15	2015/16 Medium Term Revenue & Expenditure Framework			
	Adjusted Budget	Tabled 2015/16	Adopted 2015/16	Adopted 2016/17	Adopted 2017/18
Total Operating Revenue	2 288 540	2 519 526	2 524 301	2 699 952	2 913 728
Total Operating Expenditure	2 327 940	2 514 588	2 519 364	2 694 084	2 908 004
Surplus/ (Deficit) for the year	(39 399)	4 938	4 937	5 868	5 724
Total Capital Expenditure	498 307	315 878	448 778	290 572	300 384

4. in terms of Section 2(3) of the Local Government: Municipal Property Rates Act the following property rates for the 2015/16 financial year be approved:

Category	Proposed tariff (from 1 July 2015)	Ratio to Residential Tariff
	c	
Residential Properties	0,0078	1:1
Business / Commercial	0,0164	1:2,1
Industrial	0,0171	1:2,2
Agricultural Properties	0,0019	1:0,25
Public Service Purposes (State Owned)	0,0090	1:1,1
Public Service Infrastructure	0,0019	1:0,25
Public Benefit Organisation properties	0,0019	1:0,25
Mining Properties	0,0179	1:2,3
Vacant Land	0,0117	1:1,5

5. on application by the relevant rate payers the following rebates be applied subject to the provisions contained in the Rates Policy:
- Agricultural Properties - 5%
 - Non Profit Organisations - 20%
6. The following in terms of the 2015/16 Property Rates Policy be approved:
- 6.1 Vacant Land to become a Category - New tariff ratio 1:1.5;
- 6.2 Business and Industrial properties are now split;
- 6.3 New tariff ratio is applied to Industrial properties - 1:2.2;
- 6.4 Mining is also a new Category with a tariff ratio of 1:2.3;
- 6.5 New category for Multiple Use Properties where properties are rated and charged according to the use of portions of the property together with the appropriate tariffs;
- 6.6 The implementation of charging property rates on commercial accommodation;
7. the Rates Policy as contained in **Annexure D1 (DMS 1059156)** be approved;
8. in addition to the statutory R15 000 reduction in the valuation on residential properties a further reduction of R95 000 of the valuation on all developed residential properties valued at R400 000 and below be made;
9. in addition to the reductions in recommendation (8) above and subject to the criteria set out in the Property Rates Policy an additional R150 000 reduction in the value of the primary residential property belonging to a pensioner or a social grantee be made;

10. in accordance with the implementation of the universal approach of the indigent policy improved residential property valued at R110 000 or less will be exempted from refuse and sewer charges. The following sliding scale will be applied for charges on improved residential properties higher than R110 000 on the following basis:
 - 10.1 Properties valued between R110 001 and R170 000 will receive a rebate of 25% in respect of the sewer and refuse charges.
 - 10.2 Properties valued at R170 001 and higher will pay the normal tariff.
11. the amendment of the Tariff of Charges as per **Annexure C (DMS 1059240)** be approved;
12. the Tariff policy as per **Annexure D2 (DMS 1059179)**;
13. the prepaid electricity tariffs for excess purchases over the individual consumer's average monthly electricity prepaid purchases for the 2015/16 financial year be increased by 15%;
14. any work function or tariff not accommodated in the Tariff of Charges be dealt with as cost plus 20%;
15. the property rates and tariff adjustments as set out above be dealt in terms of Section 14 of the Local Government: Property Rates Act and Section 24 of the Municipal Finance Management Act 2003;
16. the contribution of 10,5% from Electricity Trading Service to Rates and General Service be calculated on total electricity operating expenditure and will be appropriated at the end of the financial year. It be noted that electricity tariffs on average include a Local Government Levy of 10,5%, revenue of which is used to finance the Rates and General services (all municipal services other than trading services);
17. the profit on sale of all erven be allocated 100% to the Rates and General Capital Replacement Reserve account as applicable from 1 July 2013;
18. in terms of various policies the following increases in allowances are submitted to Council for approval:

	Approved 2014/15 Tariffs	Proposed Tariffs - 2015/16
	R	R
Standby - Travel allowance	85	91
Standby - Subsistence allowance	55	59
Subsistence allowances		
• Daily allowance	120	128
• Overnight allowance	160	171
• Own accommodation	220	235
Accommodation		
• All employees	1 000	1 070
• All councillors and Section 56 employees	1 675	1 792
• Municipal Manager, Mayor / Deputy Mayor, Speaker and Municipal Chief Whip	2 795	2 991
Ward Committee Members	1 070	1 145

19. in terms of various unspent conditional grants received from the National Fiscus Council hereby requests that the Municipal Manager via letters to the respective transferring officers apply for a roll-over of funds received in 2014/15 financial year to the next financial year, namely the 2015/16 financial year;
20. Council approve the external funded portion of the capital budget through the borrowing of R 100 million, only upon the point where there is reasonable spending of most of the 2014/15 roll-overs and the cash flow indicators indicate accordingly, should the Chief Financial Officer proceed with the 2015/16 capital loan application;
21. before the end of the first quarter (namely 30 September 2015), the Chief Financial Officer will bring a report to Council in which the Budget Reporting and Tables as adopted in **Annexure B (DMS 1052822)** are amended and replaced by SCOA (Standard Chart of Accounts) aligned tables;
22. Council is requested to provisionally approve a further R100 million loan that will be utilised for a capital project that will ensure a dedicated supply of Electricity to Richards Bay Coal Terminal for the replacement of the oil filled cables; and
23. **the Municipal Manager be empowered to negotiate that the R100 million loan be repaid by the affected customers, not the residents of the City.**