

10018

TABLED 2015/2016 MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF)

The report served before the Financial Services Portfolio Committee on 26 March 2015 and as the meeting did not constitute a quorum the report is referred to the Executive Committee for consideration.

All Annexures are circulated under separate cover.

PURPOSE

To submit to Council for approval, the Tabled 2015/2016 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 1011315**) **Annexure L1** issued on 12 December 2014) and 75 (**DMS 948372**) 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 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 created a template called “Batho Pele City” as a guide for municipal officials to produce their 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.

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

- **Annexure A (DMS 1026536)** - Budget report that has been prepared using the “Batho Pele City” template;
- **Annexure B1 – B54 (DMS 1015126)** – Municipal Annual Budget and MTREF Supporting Tables;
- **Annexure C (DMS 1022498)** - Tariffs of Charges;
- **Annexure D1 (DMS 10128461)** – Rates Policy;
- **Annexure D2 (DMS 1023837)** – Tariff Policy;
- **Annexure E (DMS 1029011)** – 2015/16 Capital Budget;
- **Annexure F (DMS 1029011)** Component 1: Monthly projections of revenue to be collected for each source;
- **Annexure G (DMS 1029011)** Component 2: Monthly projections of expenditure (operating and capital) and revenue for each vote;
- **Annexure H1 – H7 (DMS 1029011)** Component 3: Draft annual projections of service delivery targets and performance indicators for each vote;
- **Annexure I (DMS 1029011)** Component 4: Ward information for Capital expenditure;
- **Annexure J (DMS 1029011)** Component 4: Ward information for operating expenditure;
- **Annexure K (DMS 1029011)** 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; and
- **Annexure L2 (DMS 1028581)** – MFMA Budget circular number 75 dated 9 March 2015.

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's comments have been provided under the Executive Summary contained in **Annexure "A" (DMS 1026536)**.

RECOMMENDED THAT:

1. the Tabled 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 1026536)** and in the Budget tables A1 - A10 **(Annexure B1 - B13) (DMS 1015126)**;
2. the 2012 - 2017 Integrated Development Plan (IDP) (Final) **(DMS 820202)** be incorporated into the Tabled 2015/2016 Multi-year Medium Term Revenue and Expenditure Framework (MTREF);
3. the Tabled 2015/2016 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	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Total Operating Revenue	2 288 540	2 519 526	2 699 952	2 913 728
Total Operating Expenditure	2 327 940	2 514 588	2 694 084	2 908 004
Surplus/ (Deficit) for the year	(39 399)	4 938	5 868	5 724
Total Capital Expenditure	498 307	315 878	290 531	300 384

4. in terms of Section 2(3) of the Local Government: Municipal Property Rates Act the following property rates for the 2015/2016 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-
- a) Vacant Land to become a Category – New tariff ratio 1:1.5;
 - b) Business and Industrial properties are now split and a new tariff ratio can be applied to Industrial properties - 1:2.2; and
 - c) Mining is also a new Category with a tariff ratio of 1:2.3;
7. the Rates Policy as contained in **Annexure D1 (DMS 1018461)** be approved;
8. in addition to the reductions in recommendation (5) above and subject to the criteria set out in the Property Rates Policy a Sporting Body will be rated on the value of the improvements excluding change rooms and store rooms necessary for the sport;
9. 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 R 400 000 and below be made;
10. in addition to the reductions in recommendation (7) 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;

11. 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:
 - a) Properties valued between R110 001 and R170 000 will receive a rebate of 25% in respect of the sewer and refuse charges.
 - b) Properties valued at R170 001 and higher will pay the normal tariff.
12. the amendment of the Tariff of Charges as per **Annexure C (DMS 1022498)** be approved;
13. the Tariff policy as per **Annexure D2 (DMS 1023837)**;
14. the prepaid electricity tariffs for excess purchases over the individual consumer's average monthly electricity prepaid purchases for the 2015/2016 financial year be increased by 15%;
15. any work function or tariff not accommodated in the Tariff of Charges be dealt with as cost plus 20%;
16. 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;
17. 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);
18. 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;

19. 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

20. 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 2014/2015 financial year to the next financial year, namely the 2015/2016 financial year;
21. only upon the point where there is reasonable spending of most of the 2014/2015 roll-overs and the cash flow indicators indicate accordingly, should the Chief Financial Officer proceed with the 2015/2016 capital loan application; and
22. the following meetings are proposed prepared by the Community Facilitation Section for the 2015/2016 budget public participation meetings:

CLUSTER	WARDS	VENUE	PROPOSED DATES	TIME
12	All Stakeholders	Civic Centre (Auditorium)	8 April 2015 (Wednesday)	10:00
	Amakhosi	Richards Bay Civic Centre (Council Chambers)	9 April 2015 (Thursday)	10:00
1	Ward Committees	Richards Bay Civic Centre (Auditorium)	10 April 2015 (Friday)	17:00
10 and 11	24, 25, 27, 28 and 29	Ngwelezane Community Hall (Tent)	12 April 2015 (Sunday)	14:00
6	9, 23 and Portion 24	Dumisani Makhaye Village (Tent)	15 April 2015 (Wednesday)	17:00
5	1, 2, 3, 4 and 26	Mzingazi Community Hall	16 April 2015 (Thursday)	17:00

CLUSTER	WARDS	VENUE	PROPOSED DATES	TIME
7	12, 13 and 14	Gobandlovu Community Hall	18 April 2015 (Saturday)	14:00
4	10, 11 and 30	Vulindlela Community Hall	19 April 2015 (Sunday)	14:00
8	15, 16, 17, 21 and 22	eSikhaleni College	25 April 2015 (Saturday)	14:00
9	18, 19 and 20	Port Dunford Community Hall	26 April 2015 (Sunday)	14:00
2 and 3	5, 6, 7 and 8	KwaBhejane Community Hall	3 May 2015 (Sunday)	14:00