ANNUAL BUDGET OF

KAI !GARIB MUNICPALITY

2013/14 TO 2015/16

MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

March 2013

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PART I

1. Mayor's Report

Kai !Garib Municipality's development planning and budgetary process of the past has been critically reviewed through a frank process of introspection. Weaknesses of the previous era are currently being identified and new plans and implementation strategies are developed to improve the situation of the disadvantaged communities. Herewith, inroads is been made in the sense that budget express views of communities in the round of the public participation process, which took place during May 2013. Myself, the Speaker and the rest of the Councillors have envisaged that successful achievement of local government can improve the living conditions of communities of Kai !Garib who dearly love and support the government's approach towards service delivery. We will note that the Annual Budget 2013/2014 give effect to sound financial management systems and procedures, good intergovernmental and interdepartmental relations to achieve the integrated approach as suggested by the Government. Henceforth, the legal framework empowers the Mayor to give political leadership by being responsible for policy outcomes, and holds the municipal manager and other senior managers responsible for implementation and outputs. Councillors are empowered to play a key role policy setting and oversight role in the municipality.

The role for local government includes provision of basic services, creation of jobs, promoting democracy and accountability and the eradication of poverty. It is clear that to achieve the objectives of a developmental local state as outlined in Section 152 of the Municipal Systems Act, a greater demand for effective decision-making was necessary before budget approval. The municipality being classified as a low capacity municipality is therefore forced to make use of all extensions and exemptions granted to low capacity municipalities. It is however this municipality's mission to comply with all these requirements in the long run.

Vir die 2013-14 finansiële jaar beloop die begroting vir bedryfsbesteding R152.667 miljoen. Vergeleke met die huidige aangepaste begroting van 2012-13 verteenwoordig dit 'n verhoging van 4%.

Om ‘n gebalanseerde begroting daar te stel was dit onvermydelik om tariewe vanaf 1 Julie 2013 te verhoog. Hierdie verhogings is as volg:

Elektrisiteit:	7% blok tariewe
Water:	Glyskaal vanaf 12% tot 20%(blok tariewe)
Sanitasie en riool:	15%

Die kapitale begroting vir 2013-14 beloop R35,6 miljoen wat gefinansier word as volg:

MIG toekennings	R19.5 mijoen
Bydrae uit eie fondse	R 9.1 miljoen
Huurkoop	R 7 miljoen

Die kapitale begroting vir die volgende 3 jare is gebaseer op die volgende:

Geprioritiseerde infrastruktuur soos vervat in die GOP

Prioriteite is gegee aan kapitale projekte wat basiese dienslewering sal verbeter, die inkomste basis sal vergroot of nakoming van wetlike verpligtinge.

Ter afsluiting met bogenoemde in gedagte is dit van kardinale belang dat ons almal moet saamwerk gegewe die huidige uitdagings. Die voertuig wat gebruik moet word om die uitdagings aan te spreek is die GOP en begroting vir 2013-16.

My dank gaan ook uit aan die Raadslede en amptenare wat betrokke was by die begrotingsvergaderings waar daar interaksie was met die gemeenskap aangaande die konsep begroting van 2013-16. Verder moet die gemeenskap bedank word vir hul aktiewe deelname en waardevolle insette.

J.J.J Olyn
Mayor/Burgemeester

2. Resolutions

EXTRACT FROM THE MINUTES OF THE COUNCIL MEETING HELD ON WEDNESDAY 27 JUNE 2013 AT 08H00 IN THE CITY HALL, KEIMOES

ITEM 19

BUDGET 2013-2014

1. The Council of Kai Garib Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:

1.1 The annual budget of the municipality for the financial year 2013/14 and the multi-year and single-year capital appropriations as set out in the following tables:

1.2 Budgeted Financial Performance (revenue and expenditure by standard classification);

1.3 Budgeted Financial Performance (revenue and expenditure by municipal vote);

1.4 Budgeted Financial Performance (revenue by source and expenditure by type); and

1.5 Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source.

2 The Council of Kai Garib Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2013:

2.1. the tariffs for property rates – as set out in Annexure A,

2.2 the tariffs for electricity – as set out in Annexure B

2.3. the tariffs for the supply of water – as set out in Annexure C

2.4. the tariffs for sanitation services – as set out in Annexure D

2.5. the tariffs for solid waste services – as set out in Annexure E

2.6 the tariffs for other services – as set out in Annexure F

....	8/7/2013
COUNCILLOR S. JACOB	DATE
SPEAKER	

3. Executive Summary

National Treasury's MFMA Circular No. 66 and 67 were used to guide the compilation of the 2012/13 MTREF.

The main challenges experienced during the compilation of the 2013/14 MTREF can be summarised as follows:

- The general level of poverty and the communities ability to pay for services;
- Severe infrastructure challenges
- Relative low levels of MIG funding
- Availability of affordable borrowing
- The need to fill critical vacancies
- Availability of affordable capital/borrowing.

The following budget principles and guidelines directly informed the compilation of the 2013/14 MTREF:

- The 2012/13 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget
- Although tariffs must be affordable, we need to strife towards cost reflective trading services
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2013/14 Medium-term Revenue and Expenditure Framework:

Consolidated Overview of the 2013/14 MTREF

R Thousand	**Adjustment Budget 2012/13**	**2013/14**	**2014/15**	**2015/16**
Total Operating Revenue	151 699	172 373	176 299	190 203
Total Operating Expenditure	146 818	152 667	162 821	173 764
Surplus for the year	4 881	19 706	13 478	16 439
Capital Expenditure	34 478	35 654	30 691	30 757

Total operating revenue has grown by 13% per cent or R20.6million for the 2013/14 financial year when compared to the 2012/13 Adjustment Budget. For the two outer years, operational revenue will increase by 2.3 and 7.8% respectively, equating to a total revenue growth of R38.5million over the MTREF when compared to the 2012/13 financial year.

Total operating expenditure for the 2013/14 financial year has been appropriated at R152.67 million and translates into a budgeted surplus of R19.7million. The deficit that would have accumulated for the GRAP17 implementation for assets has been dealt with in terms of National treasury circular 58.

The capital budget of R35.6million for 2013/14 is 1% per cent more when compared to the 2012/13 Adjustment Budget. MIG funding to the value of R19.9m will form the bulk of the capital expenditure for the year. The municipality intends to go into the market to the value of R7 million to fund the upgrade of the existing fleet. Another R9.1m will be funded from internal sources.

4. Annual Budget Tables

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- The annual collection rate for the 2013/14 financial year is set at 85% for property rates and key service charges.;
- Progress towards achieving full cost recovery for trading services;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Council.

The following table is a summary of the 2013/14 MTREF (classified by main revenue source):

Summary of revenue classified by main revenue source

R thousand	**Adjusted Budget**		**2013/14**	**2014/15**	**2015/16**
Property rates	10 960	12441	13 687	14 782	15 965
Property rates - penalties & collection charges	2 348	2489	2 583	2 842	3 126
Service charges - electricity revenue	54 867	54071	59 293	64 330	69 795
Service charges - water revenue	10 402	10641	12 489	14 362	16 517
Service charges - sanitation revenue	6 135	4544	5 226	6 010	6 911
Service charges - refuse revenue	4 219	4153	4 776	5 492	6 316
Service charges - other	9	6	10	11	12
Rental of facilities and equipment	247	123	265	282	300
Interest earned - external investments	175	100	187	200	213
Interest earned - outstanding debtors	7 276	6675	8 404	9 203	10 077
Fines	132	145	141	150	160
Licences and permits	453	494	485	516	550
Agency services	2 193	1060	2 346	2 498	2 661
Transfers recognised - operational	51 824	49337	53 851	55 100	57 046
Other revenue	457	366	8 630	521	555
Total Revenue	**151 699**	**146 645**	**172 373**	**176 299**	**190 203**

Percentage growth in revenue by main revenue source

R thousand	**Adjusted Budget**		**2013/14**		**2014/15**		**2015/16**
Property rates	10 960	24.9%	13 687	8.0%	14 782	8.0%	15 965
Property rates - penalties & collection charges	2 348	10.0%	2 583	10.0%	2 842	10.0%	3 126
Service charges - electricity revenue	54 867	8.1%	59 293	8.5%	64 330	8.5%	69 795
Service charges - water revenue	10 402	20.1%	12 489	15.0%	14 362	15.0%	16 517
Service charges - sanitation revenue	6 135	-14.8%	5 226	15.0%	6 010	15.0%	6 911
Service charges - refuse revenue	4 219	13.2%	4 776	15.0%	5 492	15.0%	6 316
Service charges - other	9	11.1%	10	10.0%	11	9.1%	12
Rental of facilities and equipment	247	7.3%	265	6.4%	282	6.4%	300
Interest earned - external investments	175	6.9%	187	7.0%	200	6.5%	213
Interest earned - outstanding debtors	7 276	15.5%	8 404	9.5%	9 203	9.5%	10 077
Fines	132	6.8%	141	6.4%	150	6.7%	160
Licences and permits	453	7.1%	485	6.4%	516	6.6%	550
Agency services	2 193	7.0%	2 346	6.5%	2 498	6.5%	2 661
Transfers recognised - operational	51 824	3.9%	53 851	2.3%	55 100	3.5%	57 046
Other revenue	457	1788.4%	8 630	-94.0%	521	6.5%	555
Total Revenue	**151 699**		**172 373**		**176 299**		**190 203**

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

The distortion in the other revenue is due to a VAT refund to the value of R8.1m that will be realized during the 2013/14 financial year.

Revenue generated from rates and services charges forms about 58% on average over the MTREF period. The contribution form the equitable share however is also significant at around 32%.

The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality.

Operating grants and transfers totals R53,075 million in the 2013/14 financial year and increases to R56,187million by 2015/16, representing a growth of 5.8%.

4.1 Operating Transfers and Grant Receipts

The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

	2013/14 R thousands	2014/15 R thousands	2015/16 R thousands
Direct Transfers National Departments			
Equitable Share	48 286	50 278	51 971
Municipal Infrastructure Grant (MIG)	20 570	21 190	22 386
Municipal Systems Improvement Grant (MSIG)	890	934	967
Financial Management Grant	1 650	1 800	1 950
Expanded public works programme integrated grant for Municipalities	1 000		
Transfers from Provincial Departments			
Health	776	819	859
Library Development	630	630	630
Infrastructure Development			
Library Current Awareness Services			
Promotion and Outreach Programmes			
Capacity Increase			
TOTAL	**73 802**	**75 651**	**78 763**

Source: Northern Cape Provincial Treasury – Local Government MTREF allocations

4.2 Tariffs

Property Rates

The following stipulations in the Property Rates Policy are highlighted:

- The first R20 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA
- 100 % rebate will be granted to registered indigents in terms of the Indigent Policy, child headed households and disabled persons
-

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2013/14 financial year based on a 10% increase from 1 July 2013 is contained below:

Comparison of proposed rates to levied for the 2013/14 financial year

Category	Current Tariff (1 July 2012)	Proposed tariff (from 1 July 2013)
	c/R	**c/R**
Residential properties	0.007986	0.008785
State owned properties	0.015972	0.017569
Agricultural	0.001997	0.002196

Water Tariff Increases

The Kai Garib Local Municipality is both the water service authority as well as the water service provider. In a recent study the department of Water Affairs (DWA) rate the municipality as follows:

Blue Drop Score: 68.99

Green Drop Score: This indicator was measured for the first time this year and the results will be available during July 2013

A complete report was made available to the municipality which will be address during the MTREF.

The DWA attached a score of 77% to the current status of the municipality's Water Safety Plan. The main concern from DWA was that the plan is too generic and does not address particular areas. This will also be addressed during this financial year.

The problems experienced with the management of water can be summarized as follows:

1. Our process controllers do not comply with regulation 17 and requires additional training. This resulted in insufficient number of compliant staff.
2. The treatment works and the water network infrastructure is at an advanced age and need to be replaced/upgraded.
3. Metering is a challenge which leads to major water losses that will manifests itself in higher than inflation increases.

In order to address the challenges we propose the following:

1. We need to appoint suitable service providers to conduct the relevant training for the process controllers. This will be funded from the training budget.
2. The funding for the upgrading of our treatment works is a major challenge and it will not be in the ability of the municipality to fund it. Representations were made to the relevant sector departments to assist.
3. The municipality appropriated an amount of R900 000 in its CAPEX budget for the procurement of water meters to address the metering challenge we experience.

Below is an indication of the water losses experienced:

2009/2010	1 046 379 kl	28%
2010/2011	1 220 496 kl	30%
2011/2012	1 336 514 kl	29%
2012/2013	742 366 kl	33%

A summary of the proposed tariffs are as follows:

Proposed Water Tariffs

CATEGORY	CURRENT TARIFFS 2012/13	PROPOSED TARIFFS 2013/14
	Rand per kℓ	Rand per kℓ
(i) 0 to 10 kℓ per month	3.30	3.70
(ii) 11 to 20 kℓ per month	2.64	3.01
(iii) 21 to 30 kℓ per month	3.21	3.73
(iv) 31 to 50 kℓ per month	3.27	3.86
(v) over 50 kℓ per month	3.82	4.59

The following table shows the increases in basic charges which is set at 15%:

CATEGORY	CURRENT TARIFFS 2012/13	PROPOSED TARIFFS 2013/14
	Rand	Rand
(i) Domestic(20-25mm connection)	38.65	44.45
(ii) Commercial(50mm connection)	205.91	236.79
(iii) Commercial(75mm connection)	1308.71	1505.02
(iv) Commercial(100mm connection)	3413.45	3925.47
(v) Untreated	169.29	194.68
(vi) Availability(domestic)	38.65	44.45
(vii) Availability(commercial)	38.65	44.45

The Council provides indigents with an amount of 10kl per month free.

Electricity Tariffs

NERSA has announced the revised bulk electricity pricing structure of 8% increase.

Council proposed a tariff increase to all electricity users of 7%.

	TARIFFS 2012/13			TARIFFS 2013/14		
	EENHEID	BASIES	PER KVA	EENHEID	BASIES	PER KVA
Prepaid						
Indigent: Block 1 (0-350kwh)	107.81c			115.36c		
Indigent: Block 2 (>350kwh)	109.61c			117.28c		
Domestic: 1x60 amp: Block 1 (0-350kwh)	126.86c			135.74c		
Domestic: 1x60 amp: Block 2 (>350kwh)	127.46c			136.38c		
Commercial: 1x60 amp	135.00c			144.45c		
Commercial: 3x60 amp	135.00c			144.45c		
Conventional						
Domestic: 1x5 amp - 1x60 amp: Block 1 (0-350kwh)	109.07c	R 160.41		116.70c	R 171.63	
Domestic: 1x5 amp - 1x60 amp: Block 2 (351-700kwh)	109.35c	R 160.41		117.01c	R 171.63	
Domestic: 3x5 amp - 3x60 amp: Block 1 (0-350kwh)	109.07c	R 267.36		116.70c	R 286.08	
Domestic 3x5 amp - 3x60 amp: Block 2 (351-700kwh)	109.35c	R 267.36		117.01c	R 286.08	
Commercial: 1x5 amp - 1x60 amp	109.35c	R 534.74		117.01c	R 572.17	
Commercial: 3x5 amp - 3x60 amp	109.35c	R 834.53		117.01c	R 892.95	
Commercial: 3x70 amp - 3x100 amp	109.35c	R 1 122.95		117.01c	R 1 201.56	
Industrial						
Low voltage metering : - 110 amp - 150 amp	57.30c	R 1 122.95	R 157.73	66.78c	R 1 201.56	R 168.77
High voltage metering : - > 150 amp	57.30c	R 1 122.95	R 157.73	66.78c	R 1 201.56	R 168.77

Sanitation Tariff

The under recovery on sanitation currently runs at 26%. In order for the service to become cost reflective, the increase for the ensuing years will be above the inflation rate. Council henceforth proposed a tariff increase of 15%.

All indigents are excluded from paying for sanitation.

Waste Removal Tariff

Similarly, the under recovery for this service runs at 50%. Once again, to become cost reflective, Council will have to increase above the inflation rate for the foreseeable future. Hence, Council proposed an increase of 15% with the indigents being excluded. This is based on refuse being removed once per week.

4.3 Operating Expenditure Framework

The following table is a high level summary of the 2013/14 budget and MTREF (classified per main type of operating expenditure):

Summary of operating expenditure by standard classification item

R thousand	**Adjusted Budget**	**2013/14**	**2014/15**	**2015/16**
Employee related costs	49 125	53 527	56 452	59 981
Remuneration of councillors	4 603	4 917	5 232	5 567
Debt impairment	10 067	5 919	2 149	1 988
Depreciation & asset impairment	5 007	711	7 861	9 593
Finance charges	2 846	2 900	3 056	3 221
Bulk purchases	30 071	37 310	39 958	42 794
Other materials	5 827	8 663	9 131	9 658
Contracted services	7 937	8 912	9 339	9 790
Transfers and grants	12 094	12 407	12 044	12 695
Other expenditure	29 718	17 401	17 599	18 477
Total Expenditure	**157 294**	**152 667**	**162 821**	**173 764**

Employee Costs

The budgeted allocation for employee related costs for the 2013/14 financial year totals R53.5 million, which equates 35% per cent of the total operating expenditure. Increases were based on the National Treasury guideline of 6.84%. A further 6.4% is included for the two outer years of the MTREF respectively.

The cost associated with the remuneration of councilors was set at 6.84 and 6.4% increase respectively for the MTREF period.

Bulk Purchases

The next biggest expense for the Council is the payment for bulk purchases which was budgeted for at R37.3 million or 24% of the operating budget.

Debt Impairment

In the calculation for the provision for debt impairment we took into account the accumulated provision in the AFS. In addition we look into the average pay rate for the last year which amount to about 79%. The remainder debt older than 120 days, about R23m, is than provided for.

Depreciation

The implementation of GRAP 17 on the calculation of depreciation increased the expenditure that is not in line with affordability. In terms of National Treasury Circular 58 on the treatment of depreciation, the Council did not provide for the excessive depreciation as per GRAP 17.

Other Expenditure

R thousand	**Adjusted Budget**	**2013/14**	**2014/15**	**2015/16**
Audit fees	3 100	1 600	1 686	1 777
General expenses	19 491	9 660	9 458	9 897
Chemicals	827	901	950	1 001
Fuel	3 000	3 239	3 414	3 599
Travelling and Subsistance	1 500	2 001	2 091	2 203
Total 'Other' Expenditure	**29 718**	**17 401**	**17 599**	**18 477**

Other expenditure was budgeted at R17.4million. The majority of the expenses can be attributed to

(i) Fuel at R3.2 million
(ii) Audit fees at R1.6m
(iii) Subsistance and travel at R2m

4.4 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

R thousand	**Adjusted Budget**	**2013/14**	**2014/15**	**2015/16**
Governance and administration	**3 000**	**4 350**	**850**	**850**
Executive and council	1 050	580	60	60
Budget and treasury office	1 250	3 140	420	420
Corporate services	700	630	370	370
Community and public safety	**4 523**		**5 423**	
Community and social services	4 123		5 423	
Economic and environmental services	**19 013**	**10 425**	**3 360**	**8 881**
Planning and development	2 100	3 037	1 560	990
Road transport	16 913	7 388	1 800	7 891
Trading services	**7 942**	**20 879**	**21 057**	**21 025**
Electricity	600	1 850	1 700	1 200
Water	5 707	14 318	11 266	5 458
Waste water management		1 175	5 391	11 667
Waste management	1 635	3 536	2 700	2 700
Total Capital Expenditure - Standard	**34 478**	**35 654**	**30 691**	**30 757**
Funded by:				
National Government	26 828	19 542	20 551	21 717
Transfers recognised - capital	26 828	19 542	20 551	21 717
Borrowing	2 800	7 000	8 100	8 100
Internally generated funds	4 850	9 112	2 040	940
Total Capital Funding	**34 478**	**35 654**	**30 691**	**30 757**

4.4.1 MIG Projects

Expenditure on the CAPEX budget is largely driven by projects that has been approved in terms of MIG funding. For 2013/14 an amount of R19.951 million has been appropriated for the development of infrastructure which represents 56% of the total CAPEX budget.

The highest priority as per the IDP is the provision of housing. Since the municipality does not provide housing, but merely act as agent, the onus is on the municipality to provide suitable land for the provision of housing.

The provision of water services has been identified as the second highest priority in the IDP. An amount of R12.6 million has been appropriated for the provision of bulk water services.

A shortage of burial sites has been identified in the previous budget, however due to the environmental impact studies that has not been completed and other regulatory requirements that need to be met, the provision of cemeteries has been postponed for another year.

R5.8 million has been appropriated to the roads division for the reparation and improvement of the municipalities internal road infrastructure.

A further R636 000 on has been appropriated for the development of a solid waste feasibility study.

4.4.2 External Finance

The vehicle fleet of the municipality is in dire need of renewal, specifically in areas where it affects service delivery. An amount of R7m will be acquired from the market for the financing of the vehicles.

4.4.3 Internal Funds

As mentioned earlier housing is the biggest need identified by the community and the municipality needs to make suitable land available for the need. The Council appropriated R2.2m for the development of erven.

The Council appropriated R675 000 for the connection of the internal sewer systems to the main system.

It is time to update the valuation role of the municipality and an amount of R2.5m was made available for the process.

The purchase of plant and equipment for our technical services division will add another R1.7m to the CAPEX budget.

An amount of R500 000 was appropriated for the purchase of water meters to assist with the management of water losses

PART II

1. Overview of the annual budget process

The Mayor tabled in Council the required the IDP and budget time schedule on 25 August 2012. Key dates applicable to the process were:

- **August 2012** – Budget process plan tabled before Council
- **November 2012 to January 2013** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **25 January 2011** - Council considers the 2012/13 Mid-year Review and Adjustments Budget;
- **February/March 2013** - The draft 2013/14 MTREF is compiled;
- **27 March 2013** - Tabling in Council of the draft 2013/14 MTREF for public consultation;
- **April 2013** – Public consultation;
- **10 May 2013** - Closing date for written comments;
- **13 to 28 May 2013** – finalisation of the 2013/16 IDP and 2013/16 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- **27 June 2013** - Tabling of the 2013/14 MTREF before Council for consideration and approval.

2. Overview of the alignment of annual budget with Integrated Development Plan

The Integrated Development Plan is a strategic planning document that was compiled with input from the community. It thus reflects the wishes and requirements from our communities and stakeholders. Since the budget is mainly driven from the IDP, hence the reason why the bulk of the expenditure budget (about 44%) is allocated for the provision and maintenance of basic services.

One of the major requirements from the community is the provision of housing. Since this mandate resides with the sector department, the Council only needs to make available land, hence the provision in our capital budget for land and land survey services.

The next need from the community is the provision of clean water. The majority of the CAPEX budget (about 35%) is allocated for the provision of bulk water services. The Kai Garib municipality is a water scarce environment, coupled with an aging infrastructure that will be unable to deliver sufficiently in the near future. Council need to be aware that this issue needs to be addressed as a matter of urgency.

3. Overview of budget-related policies

The following policies govern the operations of the finance sections. These policies were reviewed by Council during the year.

1. Asset management

   This policy guides the acquisition, maintenance and disposal of assets

2. Banking and Investment

   The policy guides the effective management of the cash resources of the municipality. It also touches on the ethics of cash management.

3. Budget Policy

   This policy regulate the budgetary process.

4. Credit Control and Debt Collection

   This policy provides a framework within which the municipality can exercise its executive and legislative authority with regard to credit control and debt collection

5. Donations

   This policy gives guidance on the management of the municipal resources with respect to donations

6. Indigent

   This policy gives guidance on how to assist and empower poor households within the municipality boundaries

7. Rates

   This policy guides the annual setting of property rates

8. Supply Chain Management Policy

   This policy provides the framework for procurement within the municipality.

These policies are available on the municipality’s website.

4. Overview of budget assumptions

The preparation of the 2013/14 budget was guided mainly by the guidance provided by National Treasury through Circular 66 and 67.

4.1 Inflation

The inflation outlook for the following three years is set at 5.6%, 5.4% and 5.4% respectively.

4.2 Revenue

The revenue target for the next MTREF is based on a 85% collection rate. Although the current collection rate is only at around 78%, measures are being put in place to achieve the desired results.

In addition we expect about 100 houses to be added to the Council area of service delivery which will increase our collection base.

4.3 Expenditure

Wherever possible, increases in expenditure was kept at the inflation rate as predicted by National Treasury. There are however instances where higher than inflation rate were applied for example bulk services which is based on the rate Eskom would charge municipalities which is not necessary linked to the inflation rate.

Certain discretionary expenses which can be managed internally is reduced or kept the same. This would include overtime, travel and subsistence and temporary workers. Wherever possible, expenditure that affects service delivery has not been restricted.

5. Overview of budget funding

R thousand	**2013/14**	**2014/15**	**2015/16**
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other	95 221	95 622	105 070
Government - operating	53 851	55 400	57 046
Government - capital	19 951	21 190	22 386
Interest	187	200	213
Dividends			
Payments			
Suppliers and employees	(130 730)	(137 711)	(146 267)
Finance charges	(2 900)	(3 056)	(3 221)
Transfers and Grants	(12 407)	(12 044)	(12 695)
NET CASH FROM/(USED) OPERATING ACTIVITIES	**23 173**	**19 600**	**22 532**
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts			
Proceeds on disposal of PPE			
Decrease (Increase) in non-current debtors	827	786	829
Decrease (increase) other non-current receivables			
Decrease (increase) in non-current investments			
Payments			
Capital assets	(30 305)	(26 087)	(26 143)
NET CASH FROM/(USED) INVESTING ACTIVITIES	**(29 479)**	**(25 301)**	**(25 314)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts			
Short term loans			
Borrowing long term/refinancing	7 000	8 100	8 100
Increase (decrease) in consumer deposits	875	874	927
Payments			
Repayment of borrowing	(2 149)	(1 986)	(3 413)
NET CASH FROM/(USED) FINANCING ACTIVITIES	**5 726**	**6 989**	**5 614**
NET INCREASE/ (DECREASE) IN CASH HELD	**(579)**	**1 288**	**2 832**
Cash/cash equivalents at the year begin:	**1 097**	**518**	**1 806**
Cash/cash equivalents at the year end:	**518**	**1 806**	**4 638**

As mentioned previously in this document, the collection rate is kept at 85%, and with other income, would net about R95m for the financial year. We need to emphasize again an amount of R8.1m we expect to receive as a result of VAT reclaims. A further R73m will be received from government allocations, which is the expected funding for the budget.

The expenditure is expected to be R146m.

The ability of the Council to deliver on CAPEX projects needs to be addressed as a matter of urgency. For the past financial year(2012/13) the total amount expanded on CAPEX only amounts to about 60%. Hence, we projected that CAPEX for this year would not exceed 85%.

6. Household Accounts

Monthly Account for Household - 'Middle Income Range'			
Rates and services charges:			
Property rates	497.79	547.56	602.32
Electricity: Basic levy	171.63	185.36	200.18
Electricity: Consumption	1 169.02	1 262.54	1 363.54
Water: Basic levy	44.45	51.11	58.78
Water: Consumption	104.38	118.50	135.10
Sanitation	93.97	108.06	124.27
Refuse removal	58.26	66.99	77.04
Other			
sub-total	**2 139.50**	**2 340.12**	**2 561.23**
VAT on Services	229.84	250.95	274.24
Total large household bill:	**2 369.34**	**2 591.07**	**2 835.47**
% increase/-decrease	**8.7%**	**9.4%**	**9.4%**
Monthly Account for Household - 'Affordable Range'			
Rates and services charges:			
Property rates	351.38	386.51	425.16
Electricity: Basic levy			
Electricity: Consumption	579.67	626.04	676.12
Water: Basic levy	44.45	51.11	58.78
Water: Consumption	85.74	96.90	110.10
Sanitation	93.97	108.06	124.27
Refuse removal	58.26	66.99	77.04
Other			
sub-total	**1 213.47**	**1 335.61**	**1 471.47**
VAT on Services	120.69	132.87	146.48
Total small household bill:	**1 334.16**	**1 468.48**	**1 617.95**
% increase/-decrease	**9.5%**	**10.1%**	**10.2%**
Monthly Account for Household - 'Indigent' Household receiving free basic services			
Rates and services charges:			
Property rates	–	–	
Electricity: Basic levy	–	–	
Electricity: Consumption	346.07	373.75	403.65
Water: Basic levy	–	–	–
Water: Consumption	34.31	39.11	44.59
Sanitation			
Refuse removal			
Other			
sub-total	**380.38**	**412.86**	**448.24**
VAT on Services	53.25	57.80	62.75
Total small household bill:	**433.63**	**470.66**	**510.99**
% increase/-decrease	**7.6%**	**8.5%**	**8.6%**

The average increase for the MTREF for the middle income is around 9.1% which is slightly higher than inflation.

The increase for the affordable is slightly higher than for the middle, but still within range of the inflation rate.

7. Allocations and grants made by the municipality

R thousand	**Adjusted Budget**	**2013/14**	**2014/15**	**2015/16**
Donations	100	80	84	89
Indigent Support:Funerals	20	20	20	20
Total Cash Transfers To Groups Of Individuals:	**120**	**100**	**104**	**109**
TOTAL CASH TRANSFERS AND GRANTS	**120**	**100**	**104**	**109**
Groups of Individuals				
Free Basic Services	8 274	8 137	8 576	9 039
Conditional Grants	4 359	4 170	3 364	3 547
Total Non-Cash Grants To Groups Of Individuals:	**12 632**	**12 307**	**11 940**	**12 586**
TOTAL NON-CASH TRANSFERS AND GRANTS	**12 632**	**12 307**	**11 940**	**12 586**
TOTAL TRANSFERS AND GRANTS	**12 752**	**12 407**	**12 044**	**12 695**

The number of indigents registered is around 4000 which is still less than the amount that we receive equitable share for. We do however, expect to see an increase in the number of indigents, which will put pressure on the municipalities cash flow.

8. Councilor and board member allowances and employee benefits

Councillors (Political Office Bearers plus Other)				
Basic Salaries and Wages	4 377	4 677	4 976	5 300
Pension and UIF Contributions				
Medical Aid Contributions				
Motor Vehicle Allowance				
Cellphone Allowance	226	241	257	273
Housing Allowances				
Other benefits and allowances				
Sub Total - Councillors	**4 603**	**4 918**	**5 233**	**5 573**
% increase	**3.3%**	**–**	**6.4%**	**6.5%**
Senior Managers of the Municipality				
Basic Salaries and Wages	2 458	3 886	4 135	4 399
Pension and UIF Contributions	111			
Medical Aid Contributions	22			
Overtime	–			
Performance Bonus	–			
Motor Vehicle Allowance	185			
Cellphone Allowance	19			
Housing Allowances	8			
Other benefits and allowances				
Payments in lieu of leave				
Long service awards				
Post-retirement benefit obligations				
Sub Total - Senior Managers of Municipality	**2 802**	**3 886**	**4 135**	**4 399**
0	**(13.9%)**	**–**	**6.4%**	**6.4%**
Other Municipal Staff				
Basic Salaries and Wages	34 894	37 914	40 708	43 709
Pension and UIF Contributions	4 635	6 491	6 964	7 470
Medical Aid Contributions	686	802	860	923
Overtime	3 100	3 061	3 285	3 525
Performance Bonus	–			
Motor Vehicle Allowance	314	958	1 027	1 100
Cellphone Allowance	31	38	40	43
Housing Allowances	171	178	191	205
Other benefits and allowances	1 847	1 925	2 068	2 221
Payments in lieu of leave	644	565	607	652
Long service awards				
Post-retirement benefit obligations		126	135	145
Sub Total - Other Municipal Staff	**46 323**	**52 057**	**55 884**	**59 994**
0	**0.8%**	**–**	**7.4%**	**7.4%**
Total Parent Municipality	**53 728**	**60 861**	**65 252**	**69 967**
	0.1%	**–**	**7.2%**	**7.2%**

The salary increases for the current year and the ensuing two years were kept at 6.8%, 6.4% and 6.4% respectively. Once again discretionary expenses were reduced. We expect to fill a number of positions this year which will reduce the expenditure on overtime and temporary workers.

The Council do not pay any performance bonuses as yet.

9. Capital expenditure details

R thousand	**2013/14**	**2014/15**	**2015/16**
New Cemetery		5 423	
Upgrading Bulk Water	12 407	7 530	
Upgrading of Internal & External Sewer System	675	5 391	11 667
Upgrading Internal Roads & Stormwater	6 388	2 036	9 850
Kai !Garib Municipal Area: Feasibility Study Solid Was	636		
Computer Equipment	640	530	560
Office Furniture and Equipment	190	80	80
Vehicles	7 350	8 100	8 100
Plant and Equipment	1 700	–	–
Installation: Prepaid Water Meters	500	500	500
Installation: Prepaid Electricity Meters		500	
Valuation Roll	2 500	–	–
Development of Erven	2 267	600	–
Upgrade Test Station	400		
	35 653	**30 691**	**30 757**

The CAPEX budget was discussed extensively earlier in this document. The main beneficiary from this allocation is the provision of bulk water services. This is followed by the upgrading of our motor vehicle fleet.

The expenditure on MIG programmes is to a large extent driven by the approval of business plans in the MIG office. These processes tend to take a lot of time, which result in serious delays. The Council has taken the view that only once a MIG project is approved by the MIG office will it appear on our current year budget. The outer years will be adjusted if and when required.

An amount of R2.5m was allocated for the revision of our valuation roll. The Council received extension from the MEC, as this process should have been completed already.

10. Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

10.1 In-year Reporting

Reporting to Council, National and Provincial Treasury on Section 71 reports has largely been adhered to within the reporting requirements(10 days after month end). The municipality still experienced difficulty to fully comply with this requirement.

10.2 Internship Programme

5 interns have been appointed and is undergoing internship in the various divisions of Finance. The full complement (four) of the interns that completed their training last year, was appointed.

10.3 Audit Committee

The Council is in the process of consulting with the Siyanda district municipality to share the functions of their audit committee

10.4 Internal Audit

The Council has not as yet appointed an internal audit unit.

9.5 BTO office

A BTO office has been established. The challenge however, is to find suitably qualified staff to manage the office. Particularly in the senior positions.

9.6 Service Delivery and Budget Implementation Plan(SDBIP)

The SDBIP is in draft form and will be completed shortly and presented to Council.

11. Municipal manager’s quality certification

Municipal Manager’s Quality Certificate

I, Abraham Vosloo, municipal manager of Kai Garib Municpality, 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.

Name: A. Vosloo

Municipal manager of Kai !Garib

Signature: ……………………………

Date: 8/07/2013