

Victor Khanye Local Municipality



FINAL BUDGET *(MTREF)*

2018 / 2019

*Indicative Medium Term
2019/20 - 2020/21*

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- 5.1 Travel claims be paid with the monthly payroll run upon the submission of supporting documents;
 - 5.2 Service providers be paid on the following specified days in a month:
 - o From the 1st to 6th are non-paying days, due to month end procedures
 - o Payments for invoices received from the 1st until the 14th be paid by no later than the 20th or the next working day
 - o Invoices received from the 15th until the 24th of a month be paid by the 27th or the next working day;
 - o Invoices received after the 24th be paid in the following month;
 - 5.3 No overtime will be paid in excess of 40 hours per month, excluding essential services such as water, electricity, sanitation, fire and cemeteries that is pre-approved by the Head of Department. Overtime in excess of 40 hours be converted into time off in lieu of overtime.
 - 5.4 Refreshments be provided only for external meetings attended by external stakeholders where possible as per the cost containment measurements.
 - 5.5 Eliminate wasteful expenditure on events, advertising in magazines, television, newspapers etc. where the municipality can use other cost effective means such as websites to market the institution or properly publicise the matters or events under consideration.
 - 5.6 Limit or stop all unnecessary expenditure on matters such as printing of shirts, hosting of sporting events, festivals and other associated events, cruises, lavish functions, and extraordinary costs associated with visits of dignitaries or induction of new councillors.
 - 5.7 The number of employees travelling to conferences or meeting on official duty for the same matter is limited to three (3) employees, unless otherwise approved in advance by the relevant accounting officer, having due regard to the cost containment measures.
 - 5.8 Meetings, workshops and training events be held at the venues of the municipality at most (depending on the capacity to be accommodated) and no outside facilities (at a cost) be approved for internal stakeholders meetings;
 - 5.9 Municipal funds may not be used to fund election campaign activities, including the provision of supporting material, clothing, food, inducements to vote either as part of, or during election rallies;
 - 5.10 Printing of documents should carefully considered be back-to-back and use of colour printing for graphs only, while use of electronic means should be preferred.
 - 5.11 Review and introduce limits on municipal staff telephones and cell phone allowances to a reasonable amount.
 - 5.12 Municipalities to avoid the excessive usage of debt collectors and improve its internal capacity for debt collection.

- 5.13 Office furnishing, when required, should be contained to minimal costs, avoiding elaborate and expensive furniture or equipment and the use of existing facilities and equipment is encouraged.
- 5.14 Any other cost containment measures as determined by the Accounting Officer in terms of these circulars.
6. The supporting information contained in the 2018/2019 to 2020/2021 Medium Term Revenue and Expenditure budget document as required in terms of Section 17(3) of the Municipal Finance Management Act (Act no. 56 of 2003) be endorsed.
7. The tariff structure as set out in the Municipal Budget Document be adopted by Council and constitute the tariff structure of the Victor Khanye Local Municipality for the 2018/2019 financial year for implementation with effect from 1 July 2018.
8. The indicative medium term budgets for the 2019/2020 and 2020/2021 financial years, as set out in the Municipal Budget Document, are adopted by Council and constitute the indicative medium term budget of the Victor Khanye Local Municipality.
9. Council take note of the following budget related policies attached as **ANNEXURE BSC 01 – 1** and approve all amendments to such policies:
- 9.1. Revenue Enhancement Strategy
 - 9.2. Indigent Policy
 - 9.3. Tariff Policy
 - 9.4. Debt collection and Credit Control Policy
 - 9.5. Provision for doubtful debt and write off Policy
 - 9.6. Cash Management and Financial Procedures Policy
 - 9.7. Supply Chain Management Policy
 - 9.8. Property Rates Policy
 - 9.9. Petty Cash Policy
 - 9.10. Inventory Policy
 - 9.11. Asset Management Policy
 - 9.12. Virement Policy
 - 9.13. Loss control Policy
 - 9.14. Contract Management Policy
 - 9.15. Monitoring and Evaluation of Service Providers Policy
 - 9.16. Creditors and Staff Payment policy
 - 9.17. Performance policy
10. Service delivery objectives and plans (SDBIP) for each of the votes as set out in the 2018/2019 Municipal Budget Document be drafted and submitted to the Executive Mayor for approval and tabled in Council for notification.

Total Budget Tabled (Excluding non-cash items)	-	<u>R 386 012 307</u>
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Total Budget Tabled (Including non-cash items)	-	<u>R 446,139,049</u>
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Percentage increase: 5% (Budget to Budget).

Refer to paragraph A for an explanation on budget increase.

Expenditure breakup:

	<u>R,000</u>
- Employee related costs	154,200
- Remuneration of councilors	2,040
- Debt impairment	25,000
- Provision for depreciation	35,126
- Bulk purchases	146,000
- Repair & Maintenance	19,738
- General expenditure	92,066
- Contracted Services	11,413
- Contributions to Capital	<u>7,000</u>

Revenue breakup:

	<u>R'000</u>
- Property Rates	93,566
- Service charge	183,498
- Interest revenue (Debtors)	32,267
- Interest investment	1,500
- License and permit	1,833
- Rental of facilities	2,898

Operational Budget:

Own funding	-	360,743,000	(68, 1 %)
External funding	-	115,427,998	(31, 9 % Grants)

Total Capital Budget:

Own funding	-	7,000,000	(1 %)
External funding	-	24,477,000	(5 %)
District funding	-	15,335,128	(3 %)

Projects included in operating budget

Ward committees	-	920 000
Community Development Projects	-	2 000,000
Communication unit	-	500,000
Youth development	-	1,000,000
Strategic planning	-	400,000
Revision of plans (IDP/SDP)	-	300,000
HIV/AID	-	100,000

Tariff increases (Avg.)

All tariffs - 10-17%

Overall increase/effect on an average account: 12%

Flat rates:

Registered Indigents < R3400 = R387 p/m + actual consumption

Free basic services

6kl water per month to all indigent registered households.
50 kWh electricity per month to all households.

D. CAPITAL PROGRAM

Sources of finances:

MIG – Municipal Infrastructure Grant	-	24,477,000
RBIG – Regional Bulk Infrastructure Grant	-	15,000,000
NDM – Nkangala District Municipality	-	15,335,128
Operating funding (Own funds)	-	<u>7,000,000</u>
Total	-	<u>54 819 000</u>

Own funding	-	7,000,000	(1, 0%)
External funding	-	39,819,000	(95 %)

Capital Project

Landfill	-	4, 000,000
Parks, sport & recreation	-	4,100,000
Roads & Transport	-	8,800,000
Water services	-	1,287,750
Fencing of infrastructure	-	2,065,400
Eradication of sanitation backlog	-	3,000,000
Various District Municipality projects	-	<u>15,335,128</u>

E. MUNICIPAL SERVICES DELIVERY PRIORITIES AND OVERVIEW OF ALIGNMENT WITH THE INTEGRATED DEVELOPMENT PLAN

The Integrated Development Plan of the municipality consists of several issues raised which is summarized under the following five KPA's:

1. Basic Service Delivery
2. Local Economic Development
3. Municipal Financial Viability and Management
4. Municipal Institution Development and Transformation
5. Good Governance and Community Participation

Basic Service Delivery

It remains a priority for the Victor Khanye Local Municipality to provide clean potable water to the community. The municipality will provide continue to do so and will provide water for new developments. In conjunction with the upgrades to the water infrastructure, sanitation will be improved to cater for the increase in the demand and the growth of Victor Khanye.

Electrification to households will be alleviated as the INEP (Electrification Grant) has been increased which makes it possible for the Municipality to address the backlog. Provision was made in the Capital Program.

With regards to other municipal services, substantial provision was made for the overall improvement of the roads network. As funding sources for these needs as identified in the Integrated Development Plan (IDP), Council will utilize the municipal infrastructure grant (MIG) as well as a contribution from the Nkangala District Municipality.

The budget was drafted with reference to the Integrated Development Plan of the municipality and reference is made via the Capital Program to the IDP.

Local Economic Development

Provision was made under vote : Executive & Council for local economic development as an expenditure item. Programs as identified in the IDP will be funded from these provisions.

Municipal Financial Viability and Management

Revenue enhancement projects which includes meter reading equipment, debt collection strategies as well as the implementation of a revenue enhancement strategy. Provision was made via the relevant votes in the budget.

Municipal Institution Development and Transformation

Provisions were made for an employee wellness program as well as the training of officials in order to comply with the competency regulations.

Good Governance and Community Participation

In order to comply with the requirement of good governance, Council approved provisions for the review and update of policies and by-laws. Risk assessments were performed and forms the basis for the internal audit plan. Council make use of a shared internal audit committee with the Nkangala District Municipality. MPAC was established and maintained.

With regards to public participation, Council made provision under the vote: Executive & Council for several community outreach programs as well as the upheld of a well established ward committee system.

VICTOR KHANYE LOCAL MUNICIPALITY



ANNUAL BUDGET TABLES

2018/2019

FINAL BUDGET

ANNEXURE B

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VICTOR KHANYE LOCAL MUNICIPALITY



OVERVIEW OF ANNUAL BUDGET PROCESS

2018/2019

This section provides an overview of the budget process followed to compile the draft budget tabled by the Executive Mayor on 31 March 2018 in Council.

The 2018/2019 budget process commenced with the approval of the time schedule of key deadlines by Council during a Council meeting.

A review of the 2018/2019 budget together with the indicative medium term for the outer two years was performed after the mid-year assessment was done during January 2018. Based on this assessment, by the different Directorates, it was resolved to move towards a more realistic activity based budget with the objective to ensure a credible budget that is funded by realistic revenue sources and the project based budget.

It was the objective to ensure that the budget addresses the following issues:

- Focus on municipal priorities
- Alignment with the Integrated Development Plan
- Visible service delivery
- Political oversight
- Compliance to legislation

Through policy direction as well as prioritization, it was ensured that political leadership formed the base of the budget process.

The level of service was one of the main considerations with an emphasis on the basic needs as well as affordability for both the community and Council. Although an all inclusive process was followed, it was needed to prioritize the expenditure focus due to limited income resources.

VICTOR KHANYE LOCAL MUNICIPALITY



OVERVIEW OF BUDGET ALIGNMENT WITH IDP

2018/2019

The Integrated Development Plan of the municipality consists of several issues raised which are summarized under the following five KPA's:

1. Basic Service Delivery
2. Local Economic Development
3. Municipal Financial Viability and Management
4. Municipal Institution Development and Transformation
5. Good Governance and Community Participation

Basic Service Delivery

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The budget was drafted with reference to the Integrated Development Plan of the municipality and reference is made via the Capital Program to the IDP.

Local Economic Development

VICTOR KHANYE LOCAL MUNICIPALITY



MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

2018/2019

In conclusion to the budget process, a Service Delivery and Budget Implementation Plan will be drafted in terms of Section 69(3) of the Municipal Finance Management Act (Act no 56 of 2003) and submitted to the Executive Mayor within 14 days after the budget is approved by Council during April 2016.

The Executive Mayor will publish this Service Delivery and Budget Implementation Plans within 28 days after it was approved.

The Service Delivery and Budget Implementation Plans will focus on the key performance areas which are as follows:

1. Basic Service Delivery
2. Local Economic Development
3. Municipal Financial Viability and Management
4. Municipal Institution Development and Transformation
5. Good Governance and Community Participation
6. Spatial rational

Key performance indicators (KPI) as identified for each one of the above-mentioned key performance areas (KPA), will be assessed on a quarterly basis where after outcomes will be made public.

(The Service Delivery and Budget Implementation Plans will be attached after submission to the Executive Mayor)

Provision was made under vote : Executive & Council for local economic development as an expenditure item. Programs as identified in the IDP will be funded from these provisions.

Municipal Financial Viability and Management

Revenue enhancement projects which includes meter reading equipment, debt collection strategies as well as the implementation of a revenue enhancement strategy. Provision was made via the relevant votes in the budget.

Municipal Institution Development and Transformation

Provisions were made for an employee wellness program as well as the training of officials in order to comply with the competency regulations.

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In order to comply with the requirement of good governance, Council approved provisions for the review and update of policies and by-laws. Risk assessments were performed and forms the basis for the internal audit plan. Council make use of a shared internal audit committee with the Nkangala District Municipality. MPAC was established and maintained.

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VICTOR KHANYE LOCAL MUNICIPALITY



OVERVIEW OF BUDGET RELATED POLICIES

2018/2019

Proper budgets are prepared in accordance with approved policies. A budget related policy is a municipal policy affecting or affected by the annual budget of the municipality. These policies are necessary for effective financial management and the achievement of priorities and strategic goals of the community. The budget related policies are reviewed annually during the budget preparation process.

The following budget related policies is attached herewith as Annexure C:

- Property Rates Policy
- Cash Management and Financial Procedures Policy
- Indigent Policy
- Credit Control & Debt Collection Policy
- Provision for Doubtful Debt and Write-off Policy
- Tariff Policy (Funding)
- Supply Chain Management Policy
- Petty Cash Policy
- Inventory Policy
- Virement Policy
- Asset Management Policy
- Financial Regulations
- Loss Control Policy
- Contract Management Policy
- Creditors and staff payment policy
- Monitoring and Evaluation of Service Providers Policy

The above policies are available for inspection from the Office of the Chief Financial Officer, Municipal Building, C/o Samuel Avenue and Van der Walt Street, Delmas.

VICTOR KHANYE LOCAL MUNICIPALITY



OVERVIEW OF BUDGET ASSUMPTIONS

2018/2019

During the compilation of the budget, various budget assumptions were considered in order to compile a credible and realistic budget that supports the achievement of long term financial and strategic objectives.

The following local and national economic and social indicators / guidelines were considered in the compilation process:

- Political and national strategic objectives and guidelines
- Guidelines and circulars from National Treasury
- Electricity distribution license requirements and guidelines from the National Electrification Regulator of South Africa (NERSA)
- Municipal priorities and basic needs as identified in the Integrated Development Plan
- Interest rates – Long term borrowing and the repayment of external loans. Liability placed on future budgets of the municipality.
- CPIX – Inflation rate. Possible increases in general operating expenditure as well as increases in personnel expenditure.
- Affordability levels of the community to contribute to the budget.
- Increase/Decrease in community numbers and institutions in the municipal area.
- Macro-economic strategies tabled by the Minister of Finance during his budget speech.
- National/Provincial Government strategies.
- Allocations to local government.

In terms of the national guidelines it was endeavored to keep budget increases within the national economic indicators. However, in respect of employee costs as well as electricity tariff increases, the CPIX could not be used as an indicator, but rather the agreements between SALGA and the trade unions and between NERSA and ESKOM.

Guidelines issued under circulars 70, 72, 78, 79 and 82 from National Treasury, required the municipality to make certain adjustments to expenditure and income which resulted in a budget increase in excess of the CPIX. During the assessment of Council's infrastructure, to comply with GRAP17, it was determined that the overall condition of Council's assets needs to be focused on during the budget process.

VICTOR KHANYE LOCAL MUNICIPALITY



OVERVIEW OF BUDGET FUNDING

2018/2019

The budget of Council consists of an operating budget and a capital budget. The 2018/2019 budget is funded as follows:

Operating Budget

- Property rates
- Service charges from municipal services (electricity, water, sanitation, waste management and other general services)
- Interest received from investments and outstanding debtors
- Rent of facilities (municipal properties)
- Fines
- Licenses and permits
- Operating grants and subsidies

Municipal services are ring fenced in order to ensure that each service is funded as far as possible from its own income sources. In respect of those services which cannot be sustained from their own resources are subsidized from property rates. The Equitable Share from National Government is utilized to subsidize poor households registered in term of Council's Indigent Policy.

Capital Budget

The Capital Program is financed from the following sources:

- Contributions from own revenue
- Contributions from National Government (MIG)
- Contribution from Regional Bulk Infrastructure Grant (RBIG)
- Contribution from the Nkangala District Municipality

VICTOR KHANYE LOCAL MUNICIPALITY



SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN

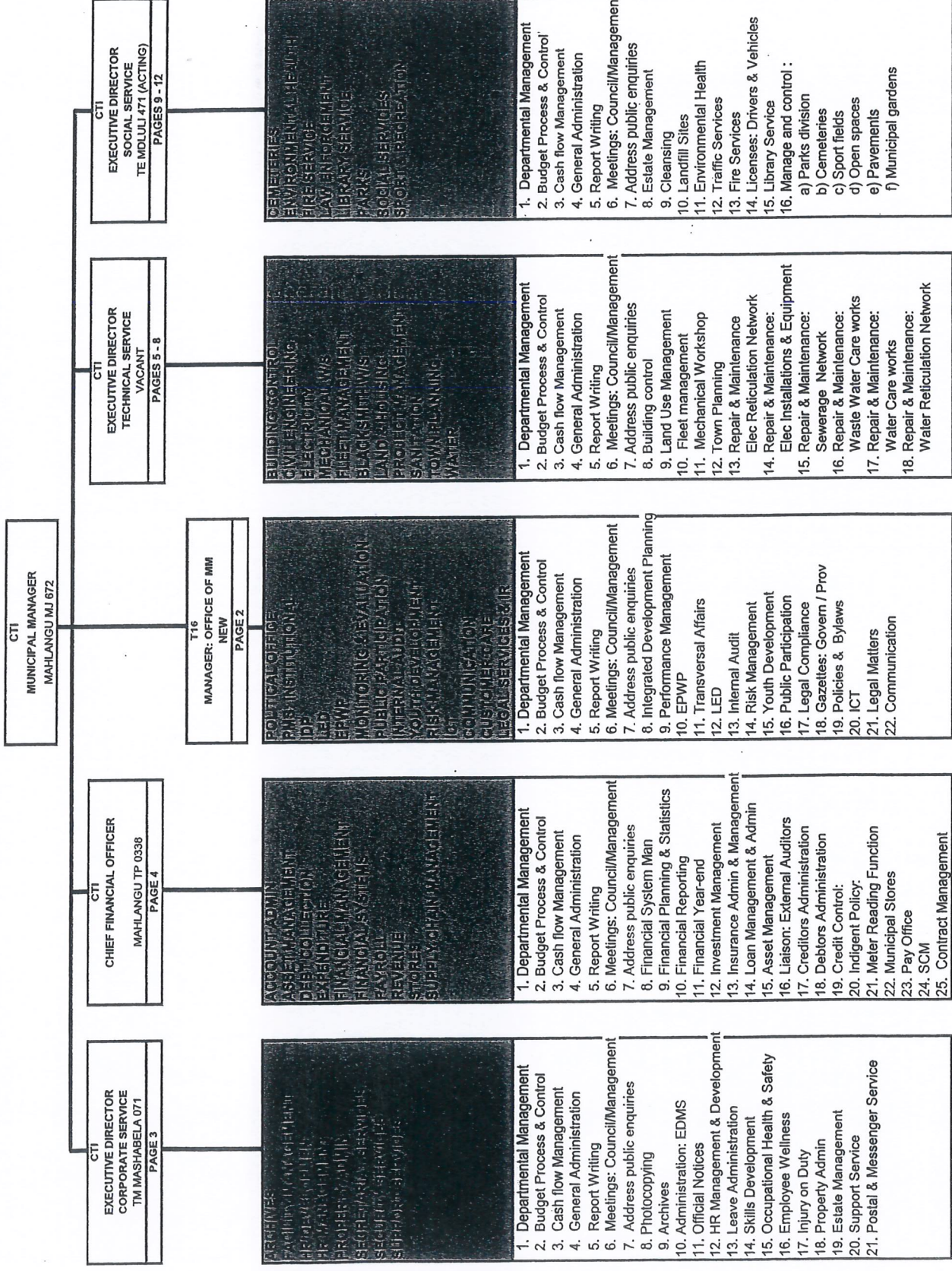
2018/2019

To be submitted to the Executive Mayor within 14 days after approval of the budget during April 2016 and tabled in Council within 28 days after approval of the budget.

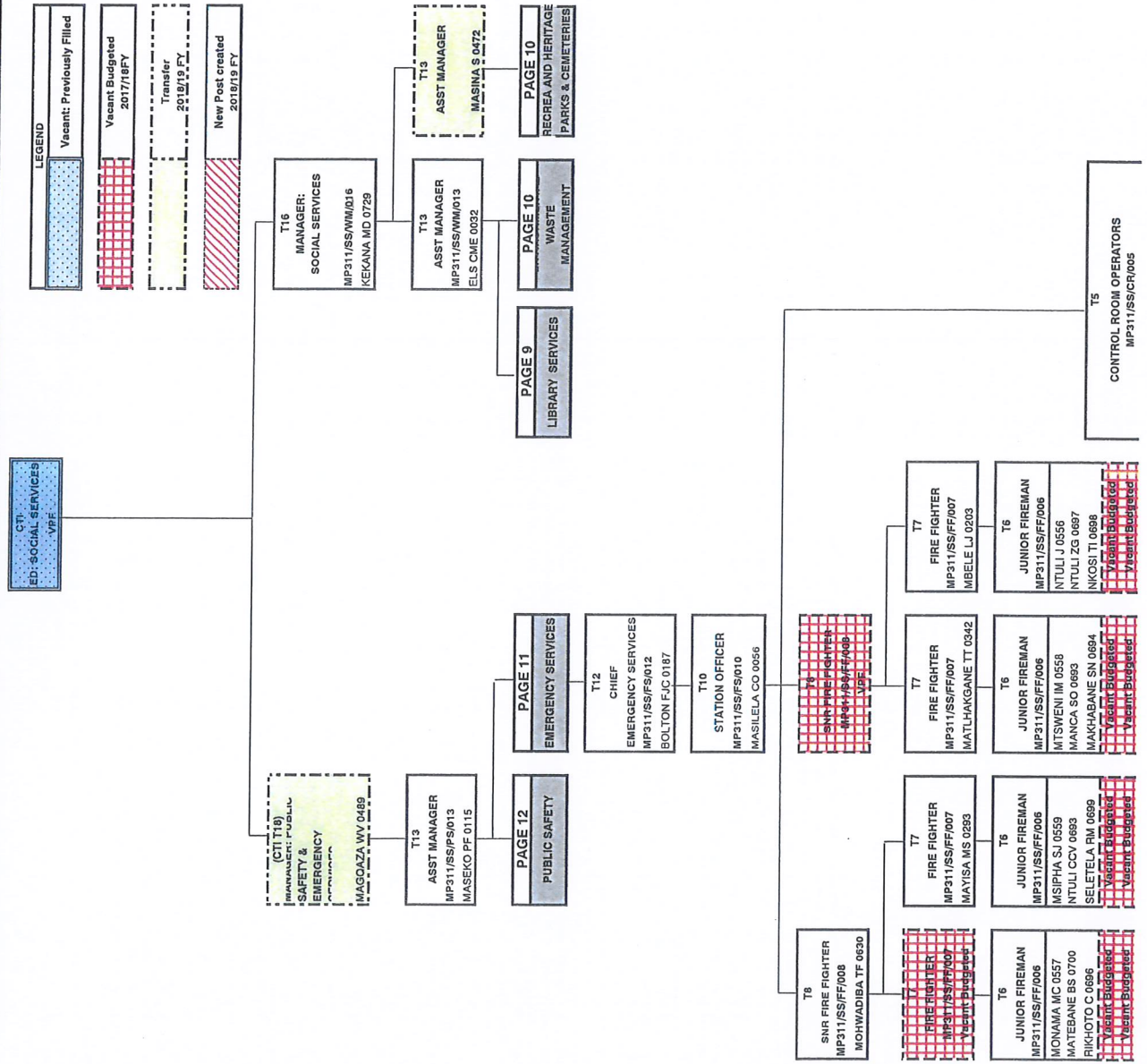
To be submitted to the Executive Mayor and tabled in Council in terms of time schedule approved by Council.

Section 69(3) of the Municipal Finance Management Act (Act no 56 of 2003)

VICTOR KHANYE LOCAL MUNICIPALITY



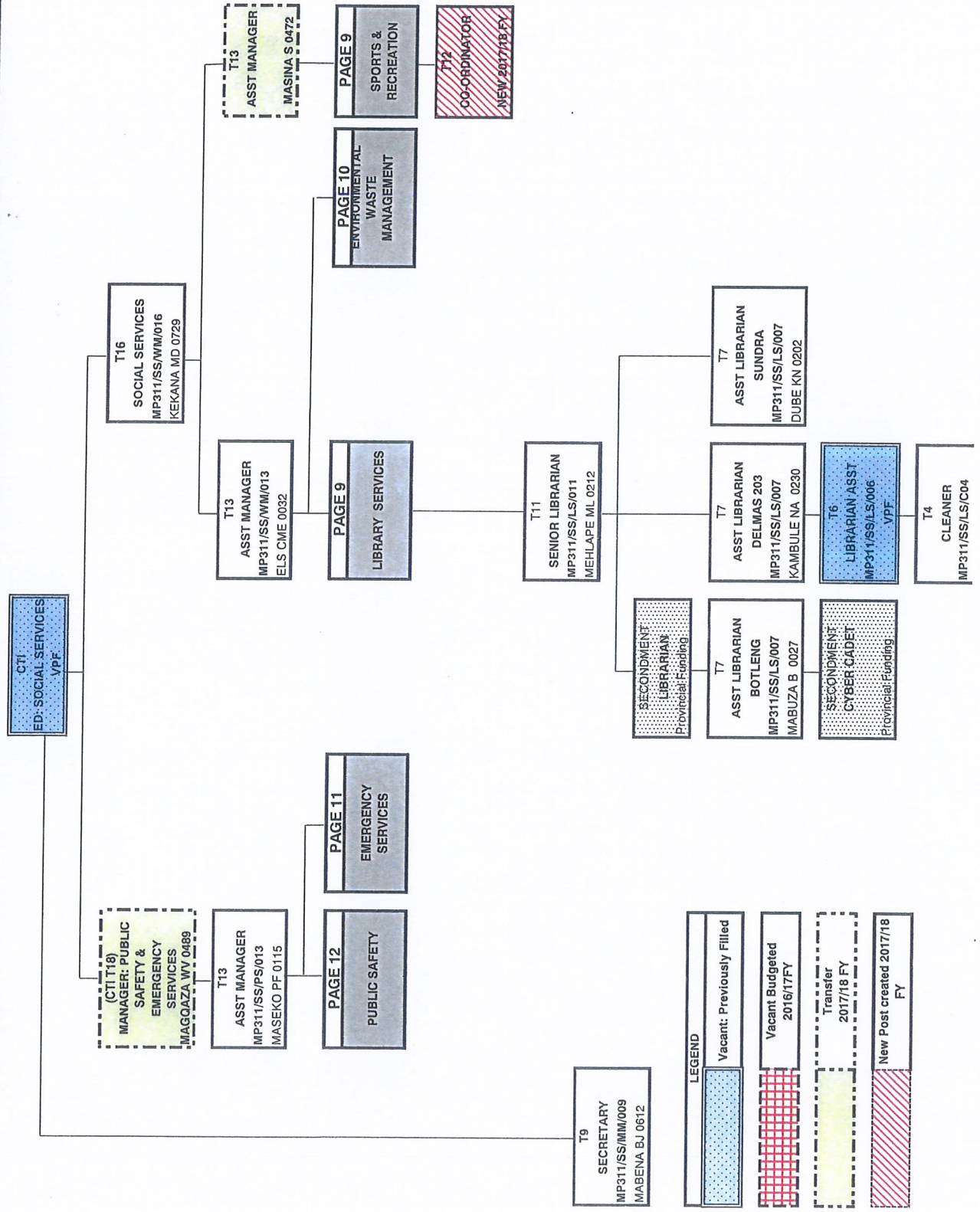
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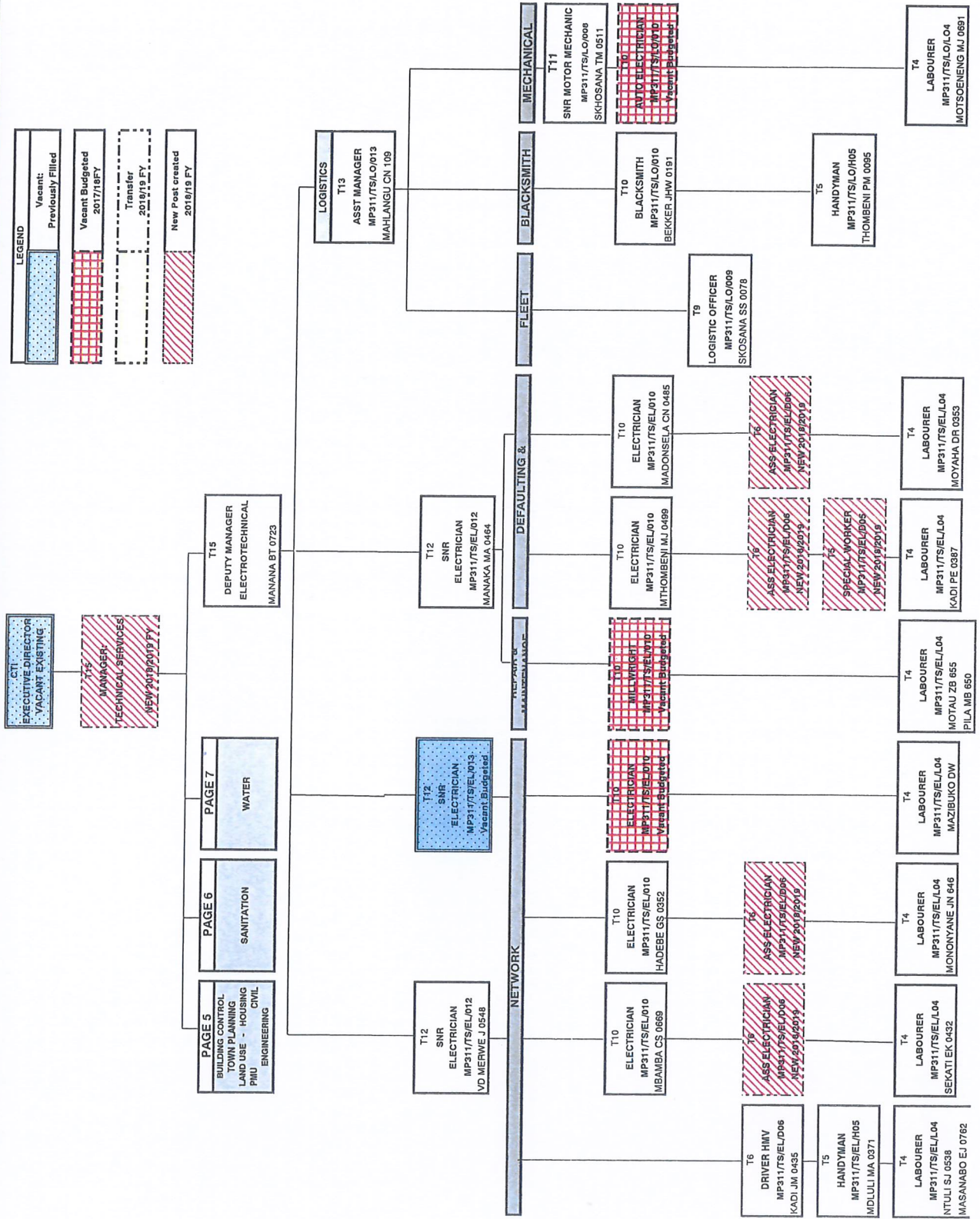
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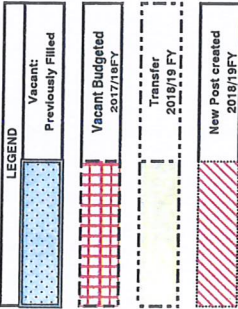
CTI
ED: SOCIAL SERVICES
VPF



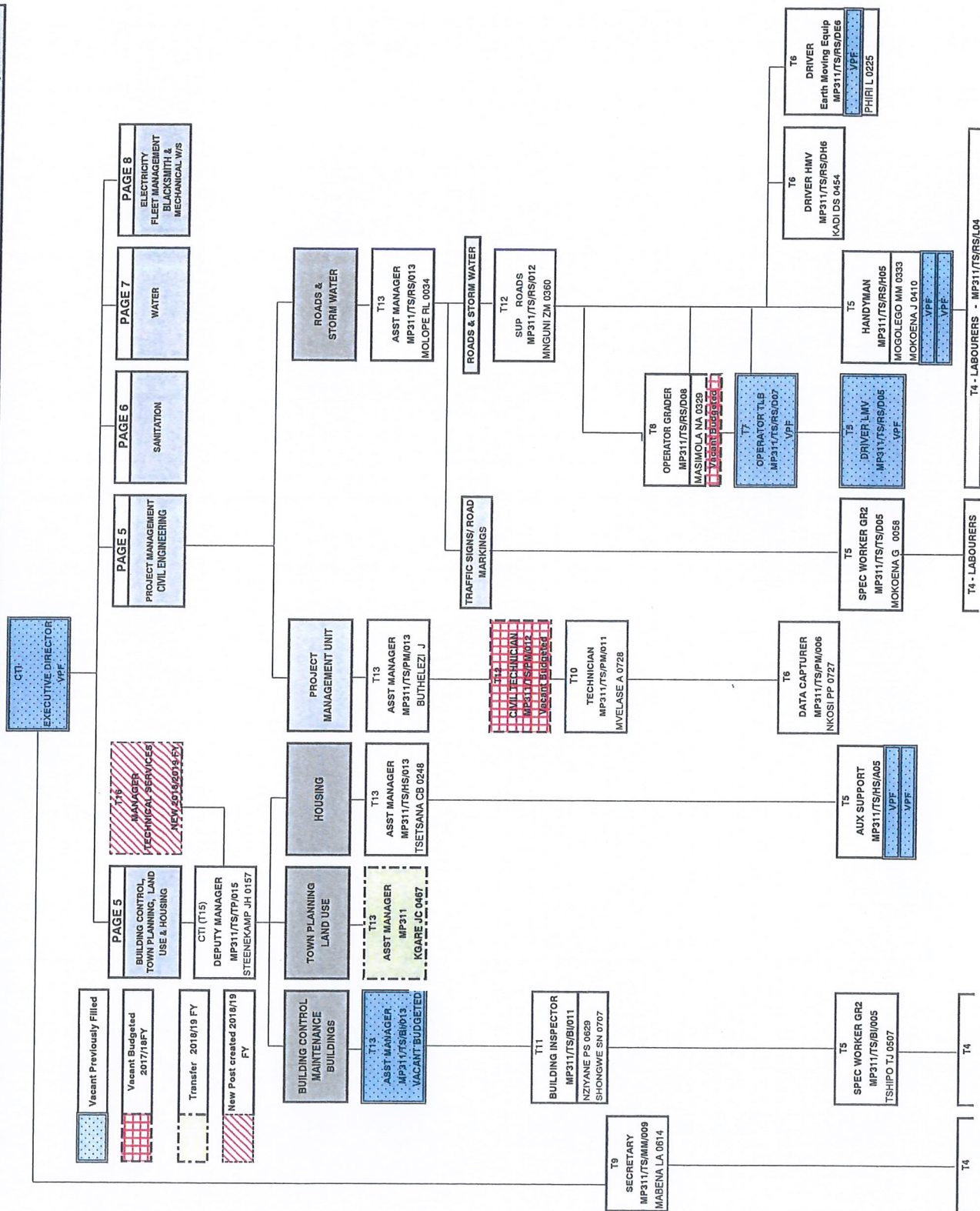
TECHNICAL SERVICES: ELECTRICITY, LOGISTICS (4 of 4)



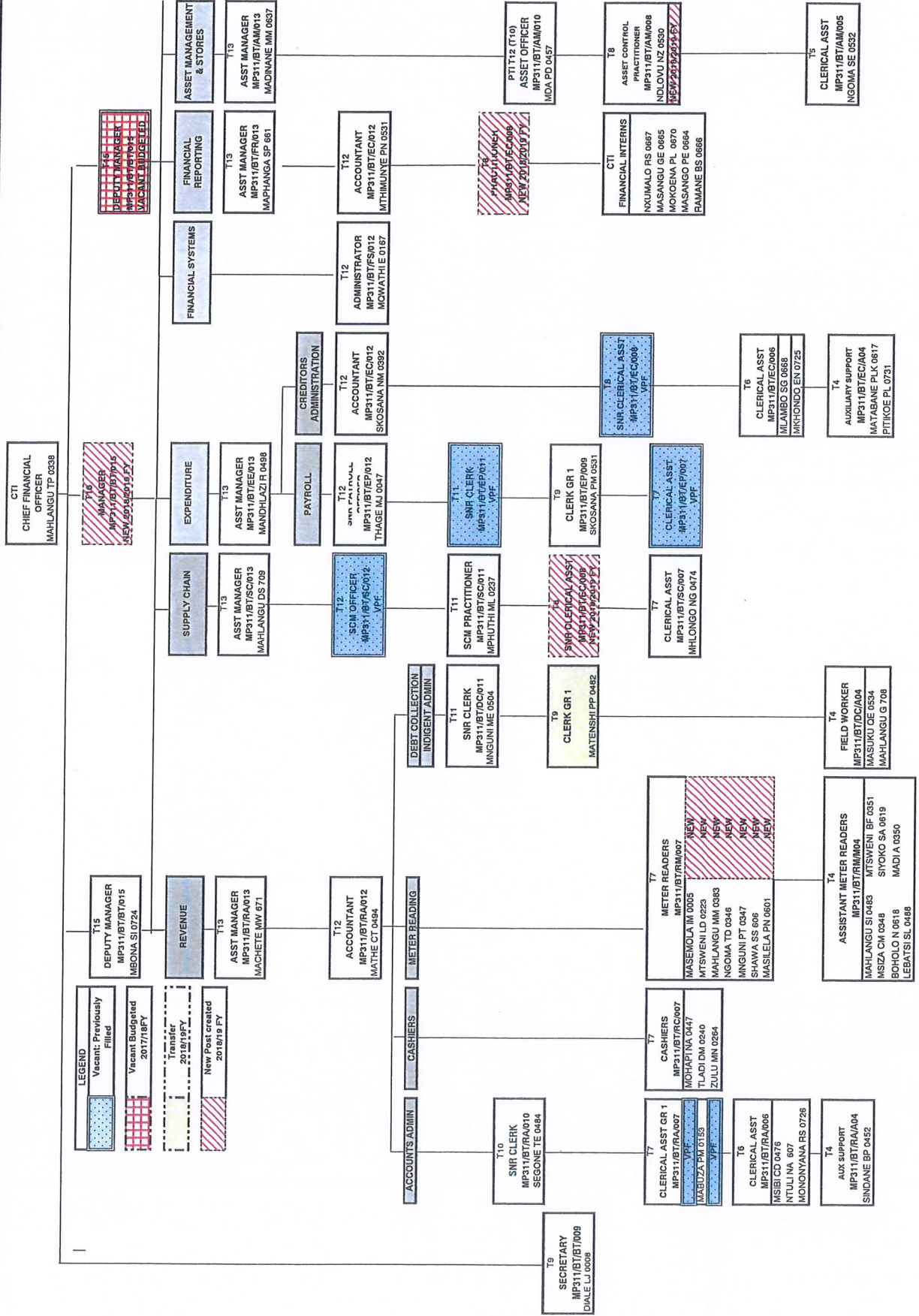
TECHNICAL SERVICES: WATER (3 of 4)



QTY.
EXECUTIVE DIRECTOR
VPF.



BUDGET & TREASURY





New Post created

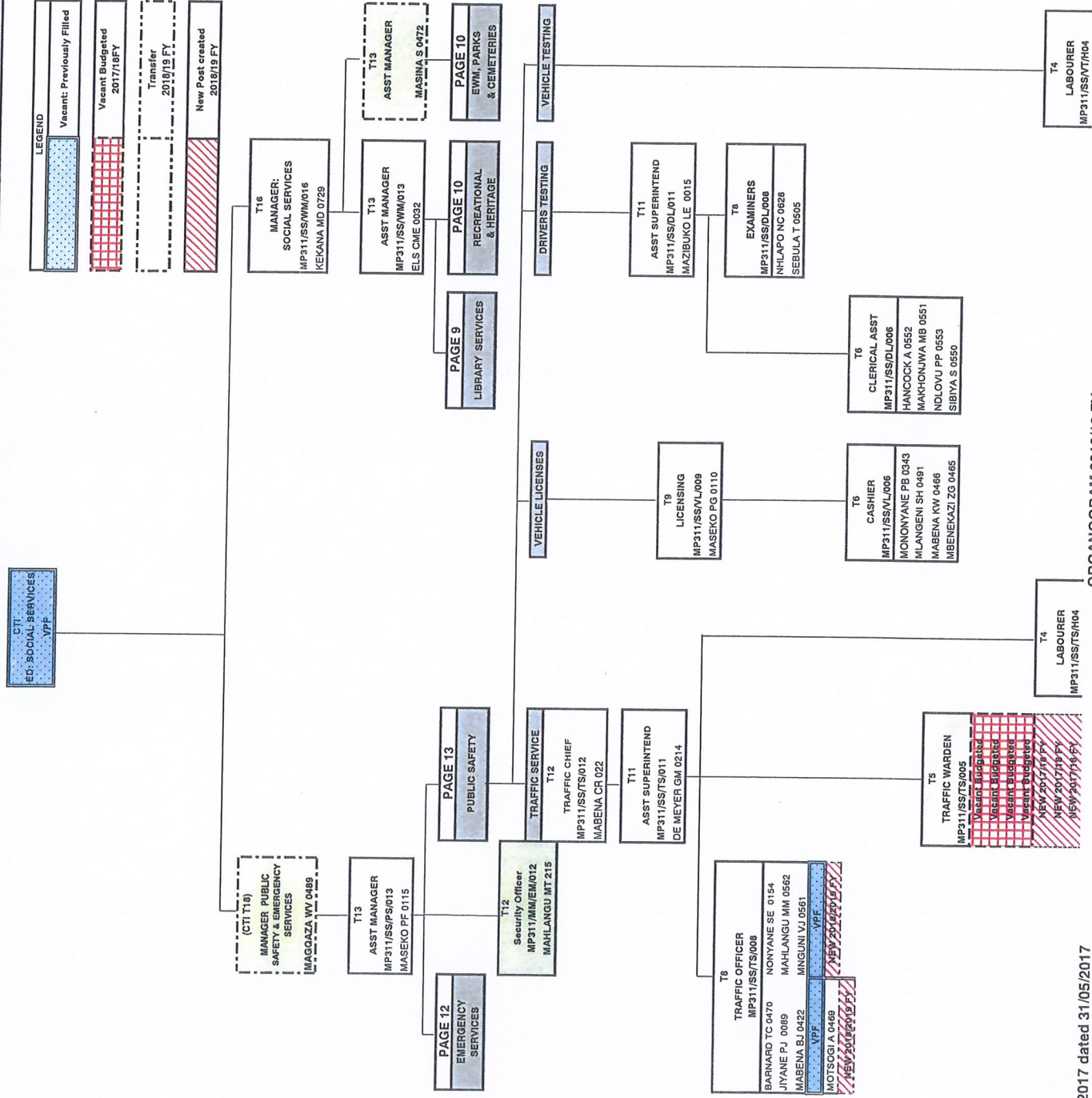
SUPPORT:
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VPE

NKOSI SE 0082
MOKOTONG MM 0675
MOLOJA VP 0610
MASEMOLA E 0730

SHZALO CP 498

CLEANER
MP311/MM/MW004
MAHLANGU PN 0732

SOCIAL SERVICES: PUBLIC SAFETY (4 of 4)



NEW 2018/19 FY

VPP

FADEBE JE 0386

VICTOR KHANYE LOCAL MUNICIPALITY



ORGANOGRAM

2018/2019

FINAL BUDGET

ANNEXURE B