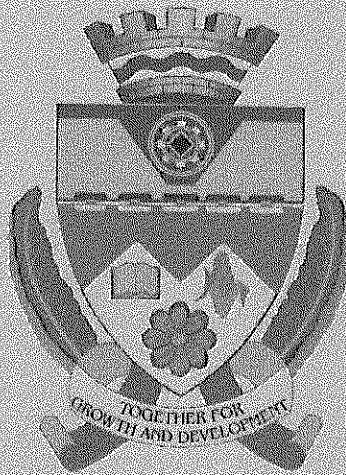


# *Victor Khanye Local Municipality*

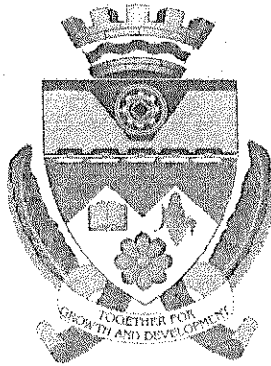


## *TABLED DRAFT BUDGET (MTREF)*

*2015 / 2016*

*Indicative Medium Term  
2016/17 - 2017/18*

*TABLED BY THE HON. EXECUTIVE MAYOR, CLLR E MAKHABANE  
24 MARCH 2015*



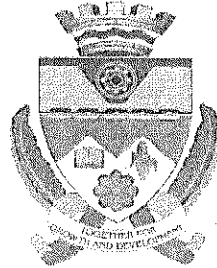
## VICTOR KHANYE LOCAL MUNICIPALITY

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VICTOR KHANYE LOCAL MUNICIPALITY



**DRAFT BUDGET**

2015/2016

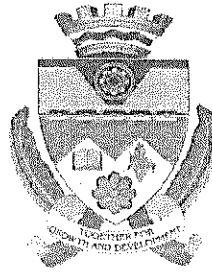
**MAYOR'S REPORT TO BE ATTACHED**  
**AFTER THE BUDGET SPEECH WAS**  
**DELIVERED BY THE HON. EXECUTIVE**  
**MAYOR, CLLR E MAKHABANE**

**VICTOR KHANYE LOCAL MUNICIPALITY****DRAFT BUDGET RESOLUTIONS****2015/2016****It is resolved that:**

1. The consolidated operating budget to the amount of R321,257,567 as set out in the Municipal Budget Document as well as the relevant appropriation votes and budgeted cash flows are adopted by Council and constitute the Budget of the Victor Khanye Local Municipality for the 2015/2016 Financial year.
2. The capital budget to the amount of R37,407,800..... as set out in the Municipal Budget Document as well as the relevant appropriation votes and funding sources are adopted by Council and constitute the Capital Budget of the Victor Khanye Local Municipality for the 2015/2016 Financial year.
3. The supporting information contained in the 2015/2016 to 2017/2018 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.
4. The tariff structure as set out in the Municipal Budget Document is adopted by Council and constitute the tariff structure of the Victor Khanye Local Municipality for the 2015/2016 financial year for implementation with effect from 1 July 2015.
5. The indicative medium term budgets for the 2015/2016 and 2017/2018 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.

6. Council take note of the following budget related policies attach and approve all amendments to such policies:
  - 5.1 Property Rates Policy
  - 5.2 Cash Management and Financial Procedures Policy
  - 5.3 Financial Bylaws
  - 5.4 Indigent Policy
  - 5.5 Credit Control and Debt Collection Policy
  - 5.6 Tariff/Funding Policy
  - 5.7 Supply Chain Management Policy
  - 5.8 Asset Management Policy
7. The above policies are for review and will be presented to Council for approval after consideration by the Policy Development Committee.
8. Service delivery objectives and plans (SDBIP) for each of the votes as set out in the 2014/2015 Municipal Budget Document be drafted and submitted to the Executive Mayor for approval and tabled in Council for notification.

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VICTOR KHANYE LOCAL MUNICIPALITYEXECUTIVE SUMMARY2015/2016Draft BudgetA. MUNICIPAL ENTITIES / EXTERNAL MECHANISMS

The Municipality does not make use of any entities or external mechanisms for services delivery within the municipal area.

B. FINANCIAL AND SERVICE DELIVERY IMPLICATIONS

The 2015/2016 operational budget increases with 11,88 %.

During the year under review, the Council will maintain all municipal services as per the approved tariff structure of the municipality. Tariffs were determined for all the municipal services as reflected in the tariff policy and to such an effect that it is based on cost recovery as far as possible. In the case of those services, on which a shortfall is recorded, said shortfall will be financed through property rates. In the case of shortfalls due to the implementation of the indigent policy, these shortfalls are recovered from the equitable share.

Attached to the budget document are the relevant budget tables as required by the Municipal Budget and Reporting Regulations (Gazette no 32141 dated 17 April 2009).

During the budget year no transfer will be made in terms of Section 12 of the Municipal Finance Management Act, no 56 of 2003.

C. CONSOLIDATED FINANCIAL POSITION AND MTREF

Operating Budget (OPEX)	-	R 463,513,707
Less: Depreciation	-	(R 57,257,000)
Debt impairment	-	(R 85,000,000)
Operating Budget (Opex)	-	<u>R 321,256,707</u>
Capital Budget (CAPEX)	-	<u>R 37,407,800</u>



Total Budget Tabled (Excluding non-cash items) - R 358,664,507

Total Budget Tabled (Including non-cash items) - R 500,921,507

Revised budget 2014/2015: R 320,578,320 Surplus: R 8,763

Tabled budget 2015/2016  
(Excluding non-cash items): R 358,664,507 Surplus: R 5,765,392

Tabled budget 2015/2016  
(Including non-cash items): R 500,921,507 Deficit: R136,492,608

Percentage increase: 11,88 % (Budget to Budget).

Refer to paragraph A for an explanation on budget increase.

Expenditure breakup:

R'000

- Employee related costs	113,544	28,81%
- Councilor remuneration	7,425	1,6%
- Debt impairment	85,000	18,34%
- Collection costs	280	0,06%
- Provision for depreciation	57,257	12,35%
- Finance charges	2,156	0,47%
- Bulk purchases	132,083	28,50%
- Repair & Maintenance	14,074	3,01%
- General expenditure	51,695	11,15%
Total	<u>463,514</u>	

Less: Non-cash items

- Debt impairment	85,000	18,34%
- Provision for depreciation	57,257	12,35%
Total	<u>321,257</u>	

Revenue breakup:

R'000

- Property Rates	52,421	16,03%
- Electricity revenue	121,376	37,12%
- Water revenue	65,243	19,95%
- Sanitation revenue	9,523	2,91%
- Refuse revenue	10,846	3,32%
- License & permits	2,834	0,87%
- Interest revenue (Debtors)	16,879	5,16%
- Interest revenue (Investments)	781	0,24%
- Rental of facilities	2,576	0,79%
- Other revenue	<u>44,543</u>	13,62%

Total 327,022

Operational Budget:

Own funding	-	251,487,000	(78 %)
External funding	-	69,770,000	(22 % - Grants)

Total Capital Budget:

Own funding	-	6,069,800	(16 %)
External funding	-	31,338,000	(84 %)

Projects included in operating budget

Ward committees	-	110,568
Community Development Projects	-	1,106,230
Communication unit	-	1,188,258
Youth development	-	528,268
Strategic planning	-	133,986
Community proj./ Summits	-	10,505
Revision of plans (IDP/SDP)	-	1,764,259

Tariff increases (Avg.)

All tariffs - 10-12%

Overall increase/effect on an average account : 11%

Flat rates:

Special indigents with no income	=	R0 p/m + actual consumption
Social welfare pensioners	=	R115 p/m + actual consumption
Registered Indigents < R800	=	R175 p/m + actual consumption
Registered Indigents < R1500	=	R297 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	-	24,388,000
INEP – Eskom Grant	-	6,950,000
Operating funding (Own funds)	-	<u>6,069,800</u>



Total	-	<u>37,407,800</u>
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Own funding	-	6,069,800	(16 %)
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External funding	-	31,338,000	(84 %)
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#### Capital Projects:

Executive & Council	-	317,438
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Budget & Treasury	-	146,038
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Public safety	-	18,710
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Parks, sport & recreation	-	4,628,372
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Roads & Transport	-	7,890,815
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Water services	-	13,091,139
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Electricity services	-	<u>5,245,488</u>
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Total	-	<u>31,338,000</u>
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#### 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. Steps were taken in the 2012/2013 budget to augment the new rand water pipe line. The rand water pipe line is a joint venture between provincial government (COGTA), DWARF and the municipality. The pipe line is operational as from July 2013.

In order to provide for the need for electricity for both residential and commercial developments, a new Delmas North substation will become operational during the 2013/2014 financial year. Sufficient provision was made in the budget for the successful operation of the substation. 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.

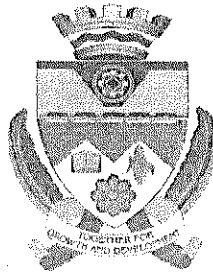
#### Good Governance and Community Participation

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.

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VICTOR KHANYE LOCAL MUNICIPALITYOVERVIEW OF ANNUAL BUDGET PROCESS2015/2016

This section provides an overview of the budget process followed to compile the draft budget tabled by the Executive Mayor on 24 March 2015 in Council.

The 2015/2016 budget process commenced with the approval of the time schedule of key deadlines by Council during a Council meeting.

A review of the 2014/2015 budget together with the indicative medium term for the outer two years was performed after the mid-year assessment was done during January 2015. 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.

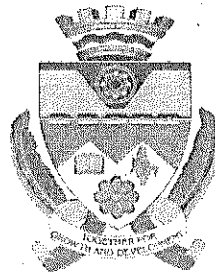
It was the objective to ensure that the budget addresses the following issues:

- 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. Through the political oversight during the budget process, it was ensured that the political executive engaged with the different stake holders.

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 MUNICIPALITYOVERVIEW OF BUDGET ALIGNMENT WITH IDP2015/2016

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

It remains a priority for the Victor Khanye Local Municipality to provide clean potable water to the community. In order to achieve this, the municipality commissioned a new water treatment plant during the 2011/2012 financial year. Provision was made to operate the new plant by providing for all resources as required. In addition, steps were also taken to augment the new rand water pipe line. The rand water pipe line is a joint venture between provincial government (COGTA), DWARF and the municipality. The pipe line is now operational as from July 2013.

In order to provide for the need for electricity for both residential and commercial developments, a new Delmas North substation will become operational during the 2013/2014 financial year. Sufficient provision was made in the budget for the successful operation of the substation. 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.

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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

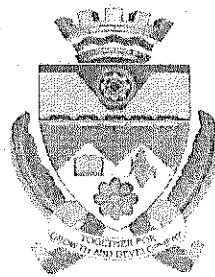
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With regards to public participation, Council made provision under the vote: Executive & Council for several community outreach programs as well as the upheld of a well established ward committee system.

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VICTOR KHANYE LOCAL MUNICIPALITYMEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS2015/2016

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 May 2014.

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)*



VICTOR KHANYE LOCAL MUNICIPALITYOVERVIEW OF BUDGET RELATED POLICIES2015/2016

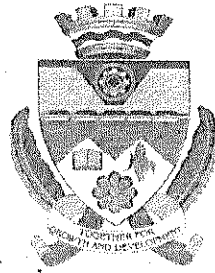
Proper budgets are prepared in accordance with approved policies. A budget related policy is a municipal policy affecting or affected by the annual budget of the municipality. These policies are necessary for effective financial management and the achievement of priorities and strategic goals of the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

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

- Rates Policy
- Cash Management Procedures Policy
- Indigent Policy
- Credit Control & Debt Collection Policy
- Tariff Policy (Funding)
- Supply Chain Management Policy
- Financial Bylaws
- Asset Management 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.

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VICTOR KHANYE LOCAL MUNICIPALITYOVERVIEW OF BUDGET ASSUMPTIONS2015/2016

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.

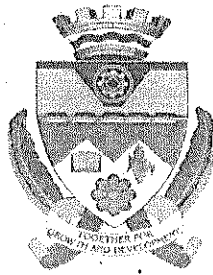
The following local and national economic and social indicators / guidelines were considered in the compilation process:

- 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, 74 and 75 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. Hence, an increase in Repair & Maintenance in excess of the CPIX was recorded.

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VICTOR KHANYE LOCAL MUNICIPALITYOVERVIEW OF BUDGET FUNDING2015/2016

The budget of Council consists of an operating budget and a capital budget. The 2015/2016 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
- Agency fees

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 subsidized poor households registered in term of Council's Indigent Policy.

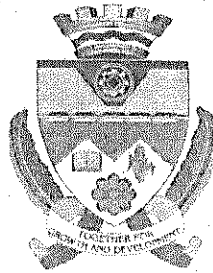
Capital Budget

The Capital Program is financed from the following sources:

- Contributions from own revenue
- Contributions from National Government (MIG)

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VICTOR KHANYE LOCAL MUNICIPALITY



SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN

2015/2016

*To be submitted to the Executive Mayor within 14 days after approval of the budget during May 2015 and tabled in Council within 28 days after approval of the budget.*

*To be submitted on 10 June 2015 to the Executive Mayor and tabled in Council on 24 June 2015 in terms of time schedule approved by Council.*

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

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