

JOE GQABI DISTRICT MUNICIPALITY

FINAL BUDGET 2014/2015

PURPOSE

- (a) To present and for Council to approve the Final MTREF Budget for the 2014/15 Financial Year.

BACKGROUND

The Municipal Finance Management Act No. 56 of 2003 Section 16, read with Section 16(2) of the same act, requires a Municipality to draft the Municipal Drafts budgets under the following stipulated conditions

16. (1) the council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year.
- (2) In order for a municipality to comply with subsection (1), the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.
- (3) Subsection (1) does not preclude the appropriation of money for capital expenditure for a period not exceeding three financial years, provided a separate appropriation is made for each of those financial years.

Acronyms in this report:

- MIG – Municipal Infrastructure Grant.
- MWIG – Municipal Water Infrastructure Grant.
- WSOG – Water Service Operating Subsidy Grant.
- WCDM – Water Conservation Demand.
- DORA – Division of Revenue Act.
- LED – Local Economic Development.
- AFS – Annual Financial Statements.
- RHIP – Rural Household Infrastructure Grant.
- RBIG – Regional Bulk Infrastructure Grant.

FINANCIAL IMPLICATIONS

There were no known financial implications in the respect of the contents of this report during its development.

FINAL BUDGET 2014/2015

The deficit of the Final Budget is calculated as follows:

	DRAFT BUDGET 2014-2015	FINAL BUDGET 2014-2015	FINAL BUDGET 2015-2016	FINAL BUDGET 2016- 2017
Operational	(5,639,277)	(50,222,581)	(50,416,577)	(85,443,263.00)
Capital	109,688,247	120,336,336	109,211,756	140,206,581.00
Loan	-	-	-	-
(Surplus)/Deficit less non cash items	104,048,970	70,113,755	58,795,179	54,763,318
Depreciation (non-cash)	46,357,456	46,357,456.00	48,899,148.00	51,580,396.00
Impairment on Assets		3,457,793.00	3,644,514.00	4,008,965.40
Net of Local Municipality Billing not Received	-	-	-	-
Service Charges		-	-	-
Debt impairment				
CASH Deficit	57,691,514	20,298,506	6,251,517	(826,043)

The table below highlights the differences in Revenue between tabled Draft Budget and Final Budget:

	REVENUE SUMMARY			
	DRAFT BUDGET 2014-2015	FINAL BUDGET 2014-2015	FINAL BUDGET 2015-2016	FINAL BUDGET 2016- 2017
Other Revenue	(2,894,784)	(2,894,784)	(3,086,804)	(3,303,897.00)
Government Services(Working for Water/Wetlands)	(22,064,616)	(14,621,227)	(15,498,501)	(16,428,411.00)
Grants & Subsidies Received - Operational	(238,232,500)	(245,083,000)	(258,586,610)	(276,748,967.00)
Grants & Subsidies Received - Capital	(191,478,000)	(203,978,000)	(200,703,000)	(195,337,000.00)
Interest Earned - Extra Investment	(2,393,905)	(2,393,905)	(2,537,539)	(2,689,791.00)
Interest Earned - Outstanding Debtors	(4,214,236)	(4,214,236)	(4,579,390)	(4,917,545.00)
Service Charges	(61,660,882)	(55,945,848)	(67,135,017)	(80,562,021.00)
TOTAL	(522,938,923)	(529,131,000)	(552,126,861)	(579,987,632)

FINAL BUDGET 2014/2015

The R 529 million Revenue includes:

- Grants and subsidies received are as per the Government Gazette and Dora. As per the table below:

DORA ALLOCATIONS	DRAFT BUDGET 2013-2014	BUDGET 2014-2015	BUDGET 2015-2016	BUDGET 2016-2017
	R	R	R	R
Equitable Share	194,848,000	194,848,000	213,968,000	229,780,000
Regional Bulk Infrastructure Grant	10,000,000	10,000,000	15,000,000	24,000,000
Municipal Infrastructure Grant	169,469,000	169,469,000	156,692,000	164,009,000
Rural Asset Management Systems Grant	2,084,000	2,084,000	2,124,000	2,204,000
Municipal water infrastructure grant	20,009,000	20,009,000	25,011,000	7,328,000
Rural households infrastructure grant	4,500,000	4,500,000	4,000,000	-
Finance Management Grant	1,250,000	1,250,000	1,250,000	1,300,000
Water Services Operating Subsidy (By Laws)	300,000	300,000	400,000	520,000
Municipal Systems Improvement Grant	934,000	934,000	967,000	1,018,000
Expanded Public Works Programme	1,309,000	1,309,000	-	-
Water Services Operating Subsidy	10,000,000	10,000,000	5,000,000	5,000,000
LED Capacity	358,000	358,000	355,000	333,000
Vuna Award	65,000	65,000	-	-
TOTAL ALLOCATION	415,126,000	415,126,000	424,767,000	435,492,000

- Working for Water and Wetlands allocation for 2014-2015 financial is nearly R 15million.
- Service Charges are conservatively been budgeted for. Gains are expected when JGDM has control over Billing.

FINAL BUDGET 2014/2015

The table below highlights the differences in Expenditure between tabled Draft Budget and Final Budget:

	EXPENDITURE SUMMARY			
	DRAFT BUDGET 2014-2015	FINAL BUDGET 2014-2015	FINAL BUDGET 2015-2016	FINAL BUDGET 2016-2017
Employee Related Costs - Wages & Social	144,182,054	149,844,268	159,434,318	169,000,380
Remuneration Of Councillors	5,689,559	5,689,559	6,053,691	6,416,913
Depreciation and asset impairment	46,357,456	46,357,456	48,899,148	51,580,396
Debt Impairment	52,113,901	26,090,958	30,613,698	36,267,123
Contracted Services	29,679,209	31,482,397	33,056,013	35,024,791
Contracted Services-Repairs & Maintenance	-	8,800,000	9,328,000	9,887,680
Drought Relief Water Carting	5,000,000	1,000,000	1,060,000	1,123,600
Bulk Purchases	5,068,800	5,068,800	5,372,928	5,695,304
Loss On Disposal Of Property,	328,052	328,052	345,767	364,438
Grants & Subsidies Paid (F4.2)	87,707,630	89,730,462	87,818,353	52,830,130
Other Expenditure:	47,125,358	51,169,838	52,221,245	55,083,750
Fuel & Oil	5,749,330	4,789,330	5,073,820	5,375,222
Repairs & Maintenance	36,973,968	6,776,336	7,496,704	7,942,074
Chemicals	7,250,103	7,290,103	7,727,510	8,191,159
Consumer Accounts	15,486,029	12,926,029	13,672,035	14,461,206
Subsistence & Travel	12,250,534	10,800,030	11,622,808	12,291,853
Insurance	4,064,000	4,170,000	4,397,400	4,518,111
Audit Fees	4,752,000	4,752,000	5,008,608	5,279,073
Professional Fees	3,400,736	3,400,736	3,584,376	3,777,932
Water and Sanitation Billing Expenditure	-	4,321,139	4,580,407	4,855,233
Finance Charges	4,120,926	4,120,926	4,343,455	4,578,001
TOTAL	517,299,646	478,908,419	501,710,284	494,544,369

- All expenditure in the above table have been increased by 6% as stated in National Treasury circular 70, except for the items listed below:
- Employee related costs for Water and Sanitation staff transferred from the Local Municipalities have been increased by 10% in addition to the 6.79% that is in circular 70 and 72. This is to make provision for any task grade reviews and consequent salary increase.
- Contracted services have been increased as a result of current year (2013-2014) expenditure trends on service delivery related items. E.g. Honey sucking for sanitation and Security services.
- Grants and Subsidies paid include all operational expenditure that is funded by conditional grants.
- Grants and subsidies amounting to R 2 786 740 shall be allocated to Jogeda for the 2014-2015 financial year.

FINAL BUDGET 2014/2015

- Provision for Consumer Accounts has decreased as the previous estimate was based on expenditure that included old Eskom accounts that had not been paid. The institution has addressed this matter and accounts are now submitted timeously for payment.
- Operational Repairs and Maintenance have been decreased; this is contrary to National Treasury Circular 70. Which stipulates that a Municipality should allocate 8% of the asset value of the Municipality's Property Plant and Equipment as reflected in the Municipality's 2012-2013 AFS towards operating repairs and maintenance. This decrease is done to balance the budget.
- Drought relief has been decreased as the Municipality is not at this stage anticipating any drought.
- Depreciation remains unchanged as provision for new motor vehicles was already made when the 2014-2015 Draft Budget was prepared.
- Included in other expenditure is the following items which are included in the Municipality's IDP :
 - I. Public Participation (R75 000)
 - II. Traditional Leaders (R211 200)
 - III. Disable Programme - Awareness and Support Org (R80 000)
 - IV. Mayoral Cup (R175 000)
 - V. Women's Programmes (R84 000)
 - VI. Youth Programme (R105 600)
 - VII. Elderly Programme (R30 600)
 - VIII. Community Radio Station Development (R 80 000)

FINAL BUDGET 2014/2015

PROJECTS:

MIG CAPITAL FUNDED PROJECTS	DRAFT BUDGET 2013-2014	BUDGET 2014-2015	BUDGET 2015-2016	BUDGET 2016-2017
	R	R	R	R
Ugie Bulk Water Infrastructure Phase 2	1,754,386	1,754,386	4,385,965	8,771,930
Ugie Sanitation Infrastructure	6,140,351	6,140,351	4,385,965	8,771,930
Mt Fletcher Villages- Bulk Water Supply Scheme	6,578,947	6,578,947	4,115,789	4,385,965
Sterkspruit: Upgrading of WTWand Bulk Lines	7,894,737	7,894,737	8,771,930	8,771,930
Lady Grey Bulk Water Project	6,268,421	6,268,421	8,771,930	4,385,965
Senqu Rural Water Programme	8,771,930	24,561,404	8,771,930	21,929,825
Elundini Rural Water Programme	11,408,509	11,408,509	13,157,895	13,157,895
Steynsburg Waterborne Sanitation Phase 3	7,894,737	7,894,737	3,508,772	-
Jamestown Sanitation Phase 2	8,771,930	8,771,930	8,771,930	13,157,895
Madear Upgrade of Bulk Water Services	4,385,965	4,385,965	13,157,895	14,912,281
Madear Upgrading of Bulk Sanitation	11,408,509	11,408,509	13,157,895	15,797,368
TOTAL EXCLUSIVE OF VAT	81,278,422	97,057,896	90,957,896	114,042,984
VAT PORTION	11,378,979	13,588,105	12,734,105	15,966,018
TOTAL INCLUSIVE OF VAT	92,657,401	110,646,001	103,692,001	130,009,002
MIG OPERATIONAL FUNDED PROJECTS	DRAFT BUDGET 2013-2014	BUDGET 2014-2015	BUDGET 2015-2016	BUDGET 2016-2017
	R	R	R	R
Senqu Rural Sanitation Programme	24,406,140	24,406,140	21,929,825	8,771,930
Elundini Rural Sanitation Programme	23,684,211	23,684,211	21,052,632	17,543,860
JGD/MPanning Studies	1,000,000	1,000,000	1,000,000	1,000,000
PMU	3,000,000	3,000,000	3,000,000	3,000,000
TOTAL EXCLUSIVE OF VAT	48,090,351	48,090,351	42,982,456	26,315,789
VAT PORTION	6,732,649	6,732,649	6,017,544	3,684,211
TOTAL INCLUSIVE OF VAT	58,823,000	58,823,000	53,000,000	34,000,000
GRAND TOTAL AS PER MIG ALLOCATION	151,480,401	169,469,001	156,692,001	164,009,002

Included in the 2014-2015 MIG allocation is a Gazetted amount that is subject to rollover as it was received as an additional allocation in March 2014.

MMIG FUNDED PROJECT	DRAFT BUDGET 2013-2014	BUDGET 2014-2015	BUDGET 2015-2016	BUDGET 2016-2017
Water Conservation Demand Project	9,218,421	17,551,754	21,939,474	6,428,070
Rain Water Harvesting & Spring Protection	-	-	-	-
Augmentation Burgersdorp Water Supply	877,193	-	-	-
Venterstad Galaxy Reservoir	4,385,965	-	-	-
Aliwal North Raw Water Storage Ponds	3,070,175	-	-	-
TOTAL EXCLUSIVE OF VAT	17,551,754	17,551,754	21,939,474	6,428,070
VAT PORTION	2,457,246	2,457,246	3,071,526	899,930
GRAND TOTAL	20,009,000	20,009,000	25,011,000	7,328,000

FINAL BUDGET 2014/2015

	DRAFT BUDGET 2013-2014	BUDGET 2014-2015	BUDGET 2015-2016	BUDGET 2016-2017
	R	R	R	R
RBIG FUNDED PROJECT				
Sterk Regional Bulk Sanitation	8,771,930	8,771,930	13,157,895	21,052,632
DWA REFURBISHMENT(VASOS)- FUNDED PROJECT				
Sterkspruit WTW Refurbishment	8,771,930	8,771,930	4,385,965	4,385,965
RHIP FUNDED				
Elundini Rural Sanitation	-	3,947,368	3,508,772	-
TOTAL EXCLUSIVE OF VAT	17,543,860	21,491,228	21,052,632	25,438,597
VAT PORTION	2,456,140	3,008,772	2,947,368	3,561,404
GRAND TOTAL	20,000,000	24,500,000	24,000,000	29,000,000

OWN SOURCE- FUNDED PROJECTS	DRAFT BUDGET 2013-2014	BUDGET 2014-2015	BUDGET 2015-2016	BUDGET 2016-2017
	R	R	R	R
Computer Equipment- Satellite Offices	-	203,692	-	-
Billing Server	-	230,888	-	-
Insurance Payouts Capital Exp	250,000	250,000	260,000	275,000
Computer Equipment	450,000	450,000	450,000	450,000
Improvement on Buildings	2,760,000	700,000	-	-
Emergency Equipment	-	700,000	-	-
Drought Relief Equipment	-	200,000	-	-
Borehole & Refurbishment	3,000,000	3,000,000	-	-
GRAND TOTAL	6,460,000	5,734,580	710,000	725,000

LEGAL IMPLICATIONS

Section 18 (1) of the MFMA states that the funding of expenditure of an annual budget may only be funded from:

- (a) Realistically anticipated revenues to be collected
- (b) Cash-backed accumulated funds from previous years' surpluses not committed for other purposes; and
- (c) Borrowed funds, but only for the capital budget referred to in section 17(2).

Attached as Annexure "1" –is the institutional Final Budget Report.

Attached as Annexure "2" –are the proposed Tariffs.

CREDIBILITY

This report was prepared by the Budget and Treasury Office and reviewed by the Chief Financial Officer.

RECOMMENDATIONS:

- (a) That the Final Budget of Joe Gqabi District Municipality for the financial year 2014/2015 as set out in the schedules contained in section 4 be tabled:
 - (i) Table A2 Final Budget Financial Performance (by standard classification);
 - (ii) Table A3 Final Budget Financial Performance (by municipal vote);
 - (iii) Table A4 Final Budget Financial Performance (revenue by source); and
 - (iv) Table A5 Final Budget Capital Expenditure (by municipal vote and funding source)
- (b) That Council approves the Tariffs as per the Annexure attached.
- (c) That the council approves any administrative corrections to the report and schedules that the National or Provincial Treasury may identify.