

OFFICE OF THE EXECUTIVE MAYOR

31 March 2014

Submission to Council

BUDGET COUNCIL SUBMISSION AND RESOLUTIONS – 2014/2015

Purpose

The purpose of this submission is to present to Council, the Xhariep District Municipality's annual budget for the 2014/2015 financial year and related MTREF.

Background

The Municipal Finance Management Act (MFMA) Section 16, stipulates that:

Annual budgets

- 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.

The Municipal Finance Management Act (MFMA) Section 17, stipulates that:

Contents of annual budgets and supporting documents

17. (1) An annual budget of a municipality must be a schedule in the prescribed format—
 - (a) setting out realistically anticipated revenue for the budget year from each revenue source;
 - (b) appropriating expenditure for the budget year under the different votes of the municipality;
 - (c) setting out indicative revenue per revenue source and projected expenditure by vote for the two financial years following the budget year;
 - (d) setting out—
 - (i) estimated revenue and expenditure by vote for the current year; and
 - (ii) actual revenue and expenditure by vote for the financial year preceding the current year; and
 - (e) a statement containing any other information required by section 215(3) of the Constitution or as may be prescribed.

Discussions

In compliance with Section 16 and 17 of the MFMA, the Executive Mayor hereby presents to council, Xhariep District Municipality's 2014/2015 financial year annual budget for consideration, adoption and approval.

The municipality's revenue and expenditure for the 2014/2015 financial year are summarised as follows:

BUDGETED REVENUE	AMOUNTS
GRANTS AND SUBSIDIES	
Equitable share	27,876,000
Rural Roads Assets Management Systems Grant	1,852,000
Municipal Systems Improvement Grant	934,000
Financial Management Grant	1,250,000
EPWP Grant	1,080,000
TOTAL NATIONAL GRANTS	32,912,000
FREE STATE PROVINCIAL COGTA	15,800,000
TOTAL GRANTS NATIONAL AND PROVINCIAL GRANTS	48,792,000
OTHER INCOME	
Rental Income	468,568
Tender document fees	12,500
Investment interest	100,000
Current Account interest	3,800
Parking bays fees	46,498
Interest on car loans	8,404
Interest on electricity deposit	3,603
TOTAL OTHER INCOME	643,370
TOTAL BUDGETED INCOME	49,435,370

EXPENDITURE ITEMS	AMOUNTS
Employee related costs	35,568,242
Remuneration of councillors	3,758,174
Debt impairment	600,000
Depreciation & asset impairment	3,500,000
General expenses	7,652,283
TOTAL EXPENDITURE ITEMS	51,168,673
CAPITAL EXPENDITURE	600,000
TOTAL BUDGETED EXPENDITURE	51,768,673
NET DEFICIT	(2,333,303)

2014/2015 Budgeted Analysis

The Xhariep District Municipality was initially allocated R 30 million via Limited Financial Assistance Grant by the Provincial Government. The allocations were duly gazetted and the Municipality budgeted in line with the provisions of the law. However, the Department of Cooperative Governance and Traditional Affairs(Cogta) informed the Municipality in the middle of March that the amount has been reduced to R 15.8 million. The impact is the reduction of the budgeted revenue by twenty five percent. The aforesaid reduction resulted in the following key expenditure items not being budgeted for, amongst others:

- Audit fees;

- Training & Development;
- Travel & Subsistence;
- Advertisements;
- Capital Expenditure (except Finance Lease Machinery).

The conditional grants amounting to just over R 5 million should be, to extent possible, budgeted under the Planning and Social Development Department as it is the delivery vehicle of the Municipality. It should be noted that the health inspections will not be possible without travel and subsistence reimbursement. Similarly the Municipality would not be able to respond, as mandated by legislation, should disaster occur in the District. In essence the Municipality will not be able to fully meet its obligations with regard to its core functions of Disaster Management, Environmental Health and Local Economic Development.

The employee costs and Councillors Remuneration amount to 81% of the revenue budget, and 76% of the expenditure budget. The acceptable norm for these costs is about 30% of the total expenditure. The remainder of the expenditure budget comprises of fixed costs such as water and electricity, telephone, fuel and oil, and insurances as well as general expenses.

The municipality's financial difficulties place the institution under serious threat to operate in the future as a going concern.

The political and administrative leadership of the Municipality made representation to the Department of Cogta in order to request the reversal of the reduction of the Grant in order for the Municipality to be able to function as envisaged by the relevant legislation.

Financial Implications

Net budget deficit amounts to R2,3 million.

Legal Implications

The submission of the 2014/2015 budget is to comply with Section 16 and 17 of the Municipal Finance Management Act.

In terms of Section 139 of the MFMA, the Provincial Government should intervene where a municipality, as a result of a crisis in its financial affairs, is in serious or persistent material breach of its obligation to provide services. The 2014/2015 budget of Xhariep District Municipality will result in the Municipality breaching its obligation to provide services as indicated above.

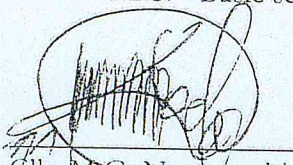
Other Parties Consulted

Managers and Directors of Xhariep District Municipality.

Recommendations

1. The Council of Xhariep District Municipality, takes note of the following for and considers them for adoption and approval:
 - 1.1. The annual budget of the municipality for the financial year 2014/2015 and the multi-year and single-year appropriations as follows:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) ;
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) ;
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) ; and

- 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source.
- 1.2. The financial position, cash flow budget, accumulated surplus, asset management and basic service delivery targets as follows:
 - 1.2.1. Budgeted Financial Position;
 - 1.2.2. Budgeted Cash Flows;
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation;
 - 1.2.4. Asset management; and
 - 1.2.5. Basic service delivery measurement.



Cllr. M.G. Ntwanambi
Executive Mayor

OFFICE OF THE EXECUTIVE MAYOR

31 March 2014

For submission to Council

2014/2015 BUDGET ASSUMPTIONS

Purpose

The purpose of this submission is to present to Council the Xhariep District Municipality's budget assumptions for the 2014/2015 financial year.

Discussions

Budget assumptions/parameters are determined in advance of the budget process to allow budgets to be constructed to support the achievement of the longer-term financial and strategic targets.

The municipal fiscal environment is influenced by a variety of macroeconomic control measures. Various government departments also affect municipal service delivery through the level of grants and subsidies.

The following principles and guidelines are meant to directly inform the compilation of the district's Budget:

- Alignment of the municipality to the central government call to support and implement the National Development Priorities;
- Alignment of the municipality to the priority to create jobs and implement labour intensive mechanisms;
- Commitment by the municipality to comply substantially with the requirements of the Local Government Municipal Structures Act, Act No. 117 of 1998, specifically Section 84(1): Functions and Powers of the District Municipality;
- An assessment of the relative capacity to implement the Budget;
- No budget allocation to be made to programmes and projects, unless the respective programme and project plans are submitted by the relevant municipal department's director; and
- The need to enhance the municipality's revenue base.

ASSUMPTIONS

The budget was based on the following assumptions:

- The Accounting Officer terminates the printing and copying machines contract and a new cost effective contract is entered into;
- Limitation of telephone use on business calls only;
- The telephone codes be granted only to qualifying officials;

- Separate services meter boxes are installed in both Kopanong Local Municipality and Xhariep District Municipality;
- The website is migrated to the Provincial Government provided one;
- The low need for repairs and maintenance;
- No travel for the 2014/2015 financial year;
- The municipality is unsuccessful in obtaining other source of funding from Free State Provincial Treasury/ Free State Department of Cooperative Governance and Traditional Affairs;
- The Municipality will receive all the revenue budgeted.

Financial Implications

None.

Legal Implications

Possible non-compliance with various legislation.

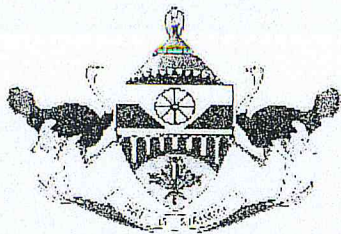
Other Parties Consulted

Management

Recommendations:

It is recommended that:

- (a) Council takes note of the Budget Assumptions for the 2014/2015 financial year.
- (b) The Executive Mayor pursues Free State Provincial Treasury/ Free State Department of Cooperative Governance and Traditional Affairs for additional funding.



An area of unfound diversity

Xhariep

District Municipality

Private Bag X 136, TROMPSBURG, 9913, Tel: (051) 713 9300, Fax: (051) 713 0461
E-Mail: martyr@xhariep.gov.za Website: www.xhariep.gov.za

OFFICE OF THE MUNICIPAL MANAGER

31 March 2014

Submission to Council

QUALITY CERTIFICATE BY THE MUNICIPAL MANAGER

I, Mazondi Martiens Kubeka, Municipal Manager of Xhariep District Municipality, hereby certify that the 2014/2015 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 could not be consistent with the Integrated Development Plan of the Municipality as the budget does not allow the institution to budget for projects, except under conditional grants.

Mazondi Martiens Kubeka
Municipal Manager

28 MARCH 2014

Date