

**10.  
FINAL BUDGET FOR OVERSTRAND MUNICIPALITY : 2015/2016**

**5/1/17-2015/2016**

**BA King**

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**22 May 2015**

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**1. Executive Summary**

This report presents the proposed budget of Overstrand Municipality for the 2015/2016 to 2017/2018 MTREF (Medium Term Revenue and Expenditure Framework) period.

**The comprehensive budget report is presented as Annexure C to this report.**

**2. Service Delivery and Budget Implementation Plan - IGNITE**

Directorate: Finance  
Department: Financial Services

**3. Compliance with Strategic Priorities**

Provision of democratic, accountable and ethical governance  
Provision and maintenance of municipal services  
Creation and maintenance of a safe and healthy environment  
The encouragement of structured community participation in the matters of the municipality  
Promotion of tourism, economic and social development

**4. Delegated Authority**

None

**5. Legal Requirements**

Local Government: Municipal Financial Management Act, 2003 (Act 56 of 2003) (MFMA)  
Local Government: Municipal Systems Act, 2000 (Act 32 of 2000)

**6. Background/Discussion/Evaluation/Conclusion**

Council noted the draft budget for 2015/16 as tabled on 25 March 2015. The budget was then presented to the community and other spheres of government for comments, as required by legislation.

Comments received from the community arising from the statutory IDP/Budget public consultation process have been taken into consideration for purposes of preparing this report. The comments received and the

municipality's responses are listed in Annexure B to this report. Letters of comment are included in Annexure I of the budget report.

The LG MTEC 3 engagement with the Provincial Treasury and Provincial Department of Local Government was held on 28 April 2015. The assessment report is included as Annexure J of the budget report.

Proposed amendments to the 2015/16 draft budget are summarised in paragraph 6.3 of this report and details of amendments are included in Annexure A of the budget report.

## 6.1 2015/16 Budget

### 1. Overview

National Treasury issued the following circulars regarding the budget for 2015/16, budget formats and budget content:

- MFMA Circulars No. 74 & 75: 2015/16 MTREF dated 12 December 2014 and 9 March 2015 respectively.
- MFMA Circular No. 71: Uniform Financial Ratios and Norms dated 17 January 2014.
- MFMA Budget Guide – Version 1: March 2011

The guidelines, as set out in these budget circulars, were taken into consideration during the compilation process of the budget.

Schedules 1 – 8, attached to this report, are submitted for budget approval and schedules 9 & 10 are submitted for noting by Council. Other tables, charts and supporting schedules are included in the budget report.

The Service Delivery and Budget Implementation Plan (SDBIP) will be submitted to the Executive Mayor for approval no later than 28 days after the approval of the budget.

### Accounting Standards

New and revised accounting standards were incorporated in the preparation of the budget.

## 6.2 Executive Summary of the 2015/16 Budget Proposals

1. 2015/16 Revenue Budget: The proposed revenue budget for 2015/16 is R959 388 802. This includes amounts of R63 353 604 for capital grants and R1 000 000 for Public Contributions. The budgeted financial performance by vote (directorates) is reflected in Schedule 1 and the budgeted financial performance in terms of revenue by source is reflected in Schedule 2.

2. 2015/16 Operating Expenditure Budget: The proposed operating expenditure budget for 2015/16 is R964 529 285. This includes depreciation and provision for post-retirement benefits amounting to R117 939 548 (non-cash items), of which the major portion for depreciation relates to unbundled assets with the implementation of GRAP, resulting in the expenditure exceeding revenue. The budgeted financial performance by vote (directorates) is reflected in Schedule 1 and the budgeted financial performance relating to expenditure by type is reflected in Schedule 2.
3. 2015/16 Capital Budget: The total proposed final capital budget for 2015/16 is R103 914 091. Capital budget votes and the funding thereof are reflected in Schedule 3 of this report and a list of capital projects, ward specific projects and housing projects (opex and capex) is included in Annexure E of the budget report.
4. Proposed increases to property rates, tariff and user charges:

The proposed property rates, tariffs and user charges for 2015/16 are included as Annexure A of this report. Examples of increases in the tariff baskets relating to a variety of consumers are included in Annexure D of the budget report.

The proposed increases for an average household for the coming financial year (2015/16) are as follows:

<b>Table 1 : Average tariff increases</b>	<b>2015/16</b>	<b>2014/15</b>
Property rates: Residential	6,85%	15%
Electricity	11,07%	7,8%
Water	6,35%	6%
Sewerage tariffs	6%	6%
Refuse tariffs	6%	6%

The property rates for business, Farming/Agriculture and undeveloped erven are set to increase by 6,85%.

Further details of the 2015/16 budget proposals can be found in the Budget Report.

### **6.3. Proposed amendments to the 2015/16 draft budget**

1. 2015/16 Revenue & Expenditure Budget: The following changes are proposed:

Table 2 : Revenue

<b><u>REVENUE AMENDMENTS AFFECTING THE BOTTOM LINE FOR 2015/2018</u></b>			
<b><u>Item</u></b>	<b><u>2015/2016</u></b>	<b><u>2016/2017</u></b>	<b><u>2017/2018</u></b>
<b>DRAFT BUDGET</b>	<b>958 526 402</b>	<b>1 034 248 966</b>	<b>1 102 130 455</b>
Beaches parking fees scrapped	(110 000)	(121 000)	(133 100)
Cemetery fees not increased	(19 600)	(21 160)	(17 220)
Application for Building Line			
Departure tariff not increased	(8 000)	(8 700)	(9 500)
Lottery funds rolled over	1 000 000		
<b>FINAL BUDGET</b>	<b>959 388 802</b>	<b>1 034 098 106</b>	<b>1 101 970 635</b>

Table 3 : Expenditure

<b><u>OPERATIONAL EXPENDITURE AMENDMENTS AFFECTING THE BOTTOM LINE FOR 2015/2018</u></b>			
<b><u>Item</u></b>	<b><u>2015/2016</u></b>	<b><u>2016/2017</u></b>	<b><u>2017/2018</u></b>
<b>DRAFT BUDGET</b>	<b>977 507 635</b>	<b>1 037 493 157</b>	<b>1 098 292 121</b>
Ward 3 WSP: Transfer from Capex to Opex	60 000		
Library Grant: Transfer from Capex to Opex	46 000		
Housing Grant: Transfer from Opex to Capex	(13 084 350)		
<b>FINAL BUDGET</b>	<b>964 529 285</b>	<b>1 037 493 157</b>	<b>1 098 292 121</b>

2. 2015/16 Capital Budget: The following changes are proposed:

Table 4 : Capital Expenditure

<b><u>CAPITAL BUDGET AMENDMENTS 2015/18</u></b>			
	<b><u>2015/2016</u></b>	<b><u>2016/2017</u></b>	<b><u>2017/2018</u></b>
<b>DRAFT BUDGET</b>	<b>85 515 254</b>	<b>94 605 877</b>	<b>103 561 240</b>
Ward 3 WSP: Transfer to Opex from Capex	(60 000)		
Library Grant: Transfer to Opex from Capex	(46 000)		
Housing Grant: Transfer from Opex to Capex	13 084 350		
Projects rolled over from 2014/15 to 2015/16	5 420 487		
<b>FINAL BUDGET</b>	<b>103 914 091</b>	<b>94 605 877</b>	<b>103 561 240</b>

Further details and comments relating to the proposed changes can be found in Annexure A of the budget report.

### 3. Tariffs

The following amendments and improvements are proposed:

1.	Tariff Codes: S15A1 – S15A5	Cemetery Fees: Plot Cost <ul style="list-style-type: none"> <li>No increase</li> </ul>
2.	Tariff Codes: S32A – S32E	Parking Fee Beaches: Grotto & Kleinmond <ul style="list-style-type: none"> <li>Scrap Tariff Codes S32A – S32E</li> </ul>
3.	Tariff Codes: S72K2A & S72K2B	Application for Departure (Building Lines) <ul style="list-style-type: none"> <li>No increase</li> </ul>
4.	Refuse	SA2A2A: Change and correction of wording <ul style="list-style-type: none"> <li>Reference to SA2B1-SASB11 should be SA2B-SA2B11</li> </ul> SAN3A : Change in wording <ul style="list-style-type: none"> <li>“Load weigh per ton or part of”, should be “As per tariff SA2B - SA2B11 per weighed load”</li> </ul>

### 7. **Financial Implications**

This report addresses the final proposals for the 2015/16 MTREF for the operational and capital budgets, financial position and cash flows. The key financial implications and challenges of adopting these proposals are the ability to generate revenue in the current economic climate and the continued delivery of sustainable services.

### 8. **Staff Implications**

No amendments were made to the draft salary budget.

### 9. **Comments from other Departments, Divisions and Administrations**

The Budget Report is included as Annexure C. The report serves as a comprehensive overview of the final budget. The compilation of the budget for 2015/16 adheres to the focus areas and strategic objectives of Council, as set out in the revised IDP. The draft budget was the result of several Budget Steering Committee, Senior Management, Ward Committee and OMAF meetings. The draft budget was presented to the community and organs of state for comment. Public participation meetings were held for all wards within the municipal area. Comments received were taken into

consideration for the final budget (Schedule of comments and the municipality's responses are included as Annexure B and letters of comment are included in Annexure I of the budget report).

#### 10. Annexures

- Schedule 1: Budgeted financial performance (revenue and expenditure by municipal vote)
- Schedule 2: Budgeted financial performance (revenue by source & expenditure by type)
- Schedule 3: Budgeted multi- and single year capital appropriations by standard classification (vote) and funding by source
- Schedule 4: Budgeted financial position
- Schedule 5: Budgeted cash flow
- Schedule 6: Cash backed reserves and accumulated surplus reconciliation
- Schedule 7: Asset management
- Schedule 8: Basic service delivery measurement
- Schedule 9: Budgeted financial performance (revenue & expenditure by standard classification)
- Schedule 10: Budgeted capital appropriations by municipal vote
  
- Annexure A: List of Rates, Tariffs, Tariff Structures and Charges
- Annexure B: Schedule of comments and responses
- Annexure C: Budget Report 2015/2016 (**Under separate file**)

#### RECOMMENDATION TO THE COUNCIL:

1. that, in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003), the annual budget of the Municipality for the 2015/16 to 2017/2018 MTREF (Medium Term Revenue and Expenditure Framework) period **be approved** as set out in the following schedules:
  - Schedule 1:** Budgeted financial performance (revenue & expenditure by municipal vote)
  - Schedule 2:** Budgeted financial performance (revenue by source & expenditure by type)
  - Schedule 3:** Budgeted multi- and single year capital appropriations by standard classification (vote) and funding by source
  - Schedule 4:** Budgeted financial position
  - Schedule 5:** Budgeted cash flow
  - Schedule 6:** Cash backed reserves and acc. surplus reconciliation
  - Schedule 7:** Asset management
  - Schedule 8:** Basic service delivery measurement
  
2. that the property rates reflected in **Annexure A, be imposed** for the budget year 2015/16;

3. that tariffs and charges reflected in **Annexure A, be approved** for the budget year 2015/16;
4. that the Municipal Manager be authorised to sign all the necessary agreements and documents to give effect to the three year borrowing programme for external loans amounting to R30 million per annum;
5. that the following schedules be noted:  
**Schedule 9:** Budgeted financial performance (revenue & expenditure by standard classification)  
**Schedule 10:** Budgeted capital appropriations by municipal vote
6. that **cognisance be taken** of the letters of comment received from the community and the LG MTEC 3 Assessment Report by Provincial Treasury and the Provincial Department of Local Government, included in Annexures I and J respectively of the budget report; and
7. that **cognisance be taken** of the 2015/2016 Budget Report.

**RESPONSIBLE OFFICIAL :**

**BA KING**

**TARGET DATE FOR IMPLEMENTATION :**

**1 JULY 2015**