

**SUBMISSION OF THE 2016/2017 TO 2018/2019 OPERATING AND CAPITAL BUDGET, IDP AND POLICY DOCUMENTS (5/1/1–2016/2017) (CHIEF FINANCIAL OFFICER)**

**Purpose of the report**

To submit the 2016/2017 to 2018/2019 Operating and Capital Budget, IDP and Policy Documents and comments received on these documents, to Council for approval.

**Legal Framework**

Section 16 - 18 of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) stipulates as follows:

**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.

**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.
- (2) An annual budget must generally be divided into a capital and an operating budget in accordance with international best practice, as may be prescribed.
- (3) When an annual budget is tabled in terms of section 16 (2), it must be accompanied by the following documents:
- (a) draft resolutions –
    - (i) approving the budget of the municipality;
    - (ii) imposing any municipal tax and setting any municipal tariffs as may be required for the budget year;
    - (iii) approving the budgets for the relevant financial year of each municipal entity under the sole or shared control of the municipality; and
    - (iv) approving any other matter that may be prescribed;
  - (b) measurable performance objectives for each vote in the budget, taking into account the municipality's integrated development plan;
  - (c) a projection of cash flow for the budget year by revenue source, broken down per month;
  - (d) any proposed amendments to the municipality's integrated development plan following the annual review of the integrated development plan in terms of section 34 of the Municipal Systems Act;
  - (e) any proposed amendments to the budget-related policies of the municipality;
  - (f) particulars of the municipality's investments;
  - (g) any prescribed budget information on municipal entities under the sole or shared control of the municipality;
  - (h) particulars of all proposed new municipal entities which the municipality intends to establish or in which the municipality intends to participate;
  - (i) particulars of any proposed service delivery agreements, including material amendments to existing service delivery agreements;
  - (j) particulars of any proposed allocations or grants by the municipality to –
    - (i) other municipalities;
    - (ii) any municipal entities and other external mechanisms assisting the municipality in the exercise of its functions or powers;
    - (iii) any other organs of state;
    - (iv) any organisations or bodies referred to in section 67 (1);
  - (k) the proposed cost to the municipality for the budget year of the salary, allowances and benefits of–
    - (i) each political office-bearer of the municipality;
    - (ii) councillors of the municipality; and
    - (iii) the municipal manager, the chief financial officer, each senior manager of

- the municipality and any other official of the municipality at a remuneration package at least equal to that of a senior manager;
- (l) the proposed cost for the budget year to a municipal entity under the sole or shared control of the municipality of the salary, allowances and benefits of –
    - (i) each member of the entity's board of directors; and
    - (ii) the chief executive officer and each senior manager of the entity; and
  - (m) any other supporting documentation as may be prescribed.

Section 23 of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) stipulates as follows:

**Consultations on tabled budgets.**

- (1) When the annual budget has been tabled, the municipal council must consider any views of—
  - (a) the local community; and
  - (b) the National Treasury, the relevant provincial treasury and any provincial or national organs of state or municipalities which made submissions on the budget.
- (2) After considering all budget submissions, the council must give the mayor an opportunity—
  - (a) to respond to the submissions; and
  - (b) if necessary, to revise the budget and table amendments for consideration by the council.

**Background**

The Budget documents and IDP were tabled by the Mayor at the Council Meeting of 29 March 2016, where after it was advertised. Information and question sessions with regard to the IDP and the 2016/2017 budget were held with ward committees as well as the Business Chamber, but unfortunately no representative from the Business Chamber attended.

The IDP and the Budget have been discussed at the LGMTEC 3 meeting on 26 April 2016 and the Municipality responded on the Provincial Treasury Assessment. The assessment did indicate that the budget is responsive, credible and sustainable over the MTREF period.

The inputs received as part of the public participation process are included. The inputs were considered by the Budget Steering Committee (Mayoral Committee & Directors) on 05 May 2016.

Comments/objections were received from the following individuals / organisations:

- 1. PROVINCIAL TREASURY (LGMTEC ASSESSMENT)**
- 2. PUBLIC**

## **Comments**

A summary of the comments received and the response thereto are discussed below.

### **1) LGMTEC**

## **Finding**

Below are only the main findings as it relates to the Budget and not that of the IDP.

### **Budget Responsiveness**

Langeberg Municipality has tabled a balanced budget with a strong focus on maintaining basic service delivery and creates an enabling environment for employment and poverty eradication through economic development.

The capital budget is demonstrating the Municipality's commitment towards investing in economic and environmental services and trading services (specifically water and sanitation) which are the areas that will optimise municipal own revenue and likely to create a conducive economic climate together with stable delivery of services.

In general, the budget of the Municipality is responsive to its current socio-economic reality over the 2016/17 MTREF as it addresses most of the key challenges that are facing the Municipality. However, the Municipality must ensure that it allocates funding to housing as it is facing backlogs.

The priorities afforded to electricity, waste management and water is in line with the 2015 National Medium Term Budget Policy Statement's call to invest in key sectors such as water, waste management and electricity.

### **Credibility and sustainability of the Budget**

The Langeberg 2016/17 MTREF budget was framed within the context of the ongoing economic and fiscal constraints, with further risks to the municipal fiscus. The current economic climate does not bode well for revenue and debt collection as continued slow economic growth means lower revenue.

From an expenditure perspective, the need for infrastructure investment to improve the ability to raise sufficient revenue to respond to the growing infrastructure challenges. Langeberg Municipality is encouraged to apply fiscal discipline and practice prudent financial management in order to ensure long term financial sustainability and resilience.

The overall cash flow planning of the Municipality does however contribute towards the sustainability of the budget, and in terms of cash flow planning, the budget is funded.

## **Municipal Response**

- The municipality made a presentation based on the findings and has taken it in account with the tabling of the budget for approval among other:

- The budget for waste management was revised.
- Audited figures of previous years were adjusted that it corresponds with the audited Annual Financial Statements of previous years.

2) **Public**

Two inputs received from the public relates to electricity charges.

**INPUT:**

**1. Mr Oosthuizen**

From: Ernie Oosthuizen [mailto:ernieo@telkomsa.net]  
Sent: 25 April 2016 09:27 AM  
To: MM  
Subject: Comments - Budget Review 2016 / 2017  
Att : The Municipal Manager.

Good day,

Electricity saving is a priority for the country.

Solar panels is a reality and the installation of panels will increase in future.

Currently the tariff structure of the Langeberg Municipality does not make provision for nett metering of electricity. No credit is given for surplus electricity generated by residents of the Municipality.

Request :

Include nett metering in the electricity tariff structure.

Kind regards,  
EG Oosthuizen  
88 Bath street , Montagu.

**2. Mr Van Heerden**

From: Ludwig van Heerden <vhscn@mweb.co.za>  
Date: 25 April 2016 08:27:58 GMT+2  
To: "mm@langeberg.gov.za" <mm@langeberg.gov.za>  
Cc: Ludwig van Heerden <lvhsolar@gmail.com>  
Subject: Grid-tied connections

Dear Sir/Madam,

Regarding grid-tied connections.

I do not understand why the Langeberg Municipality have not yet started with dual metering for grid-tied connections.

This meter simply measure both the power used by the client and the power put back into the grid by the client.

(Currently it is not at all cost-effective for anybody to put more power into the grid therefore the systems should be designed to supply about 70 to 80% of the power used by the client.)

The client pays for the meter well for the installation of the meter as it is in Cape Town Metropole and the client also pay a fee of R35-00 per month for the meter to be read by the Municipality

Currently the kWatt/hour rate is about R1-72 per kWatt hour used.

If a client of yours install a 4,0kWatt solar powered grid-tied system with a Sunnyboy grid-tied inverter and generates more power than used then there is extra power send into the grid.

If you pay that client R0-50 per kWatt hour for the total amount of power put into the grid the Langeberg Municipality "sells" that power to the neighbour next door or any other user in the network for R1-72 per kWatt hour!

There is absolutely nothing to lose, but everything to win for both parties. The client does all the capital layout and the Langeberg Municipality is able to "sell" the extra power generated by the grid-tied system of the client for double the price to other users.

Therefore if you are able to allow dual meters for grid-tied systems more clients will install bigger grid-tied systems that will allow them to generate more power and Langeberg Municipality to "sell" power to other clients that the municipality get for free!

Langeberg Municipality could even consider to lower such a clients kWatt hour rate if he/she supply more power via a grid-tied solar power system over a longer period.

If you have any further queries, please do not hesitate to contact Ludwig van Heerden at 082 574 0005.

Regards  
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### **MUNICIPAL RESPONSE**

The municipality will investigate the requests for implementation in the future budget years to ascertain the revenue and cost implication, but currently the municipality does not have the necessary infrastructure to implement the requests.

### 3) AMENDMENTS TO TABLED BUDGET

#### Sundry Tariffs

The following tariffs are adjusted downwards to reflect the below after consultation with the council on the budget on 11 April 2016:

2016/2017		
<b>INFORMAL TRADERS</b>	<b>VAT excl</b>	<b>VAT incl</b>
<b>HAWKERS AREAS</b>		
Hawkers application fee	8.77	10.00
Business application fee	21.93	25.00
Plot per day	37.72	43.00
Plot per month	185.96	212.00

<b>SWIMMING POOLS</b>	<b>VAT excl</b>	<b>VAT incl</b>
Entrance fee per adult	17.54	20.00
Entrance fee per child	11.40	13.00

MUNICIPAL HALLS - 2016/2017											
	VAT INCLUDED										McGREGOR TOWN HALL
	ASHTON		BONNIEVALE		MONTAGU		ROBERTON				
	TOWN HALL	BARNARD & ZOLANI	CHRIS VAN ZYL	HAPPY VALLEY	HOFMEYR	CIVIC HALL	TOWN HALL	CALLIE DE WET	NKQUBELA	CIVIC HALL	
DEPOSITO'S Large Hall (All functions)	910.00	268.00	910.00	910.00	268.00	910.00	910.00	910.00	268.00	910.00	910.00

The following tariffs are included:

2016/2017		
<b>TOWN PLANNING</b>	<b>VAT excl</b>	<b>VAT incl</b>
<b>PLANNING APPLICATION FEES</b>		
Application for extended liquor trading days and hours	664.04	757.00

#### Service Tariffs

The following tariffs are included under Electricity:

<b>FEES: BULK CONSUMERS PERMANENTLY EXCEEDING THEIR NOTIFIED MAXIMUM DEMAND (NMD)</b>
Excess Network Access Charge (E-NAC) after exceeding for more than two months = (Number of times the NMD is exceeded based on a rolling 12 months) x (the portion of the demand exceeding the NMD) x (Network Access Charge).

## Capital Budget

Based on the nature of the ward projects it will be shifted to the relevant departments. The below amendments are proposed on the Capital Budget:

Amendments on Capital Budget	2016/2017	Reason
<b>Capital Expenditure</b>		
Tabled 29 March 2016	<b>51 971 010</b>	
Amendments		
Construction of the Ashbury Library-Montagu	1 265 120	To spend resources optimally on needs identified.
Fencing for Robertson Community Hall	-20 000	To spend resources optimally on needs identified.
Paving at the Montagu Community Hall	-30 000	To spend resources optimally on needs identified.
Fencing for the Barnard Hall	-50 000	To spend resources optimally on needs identified.
Upgrading of Road to Zolani Cemetery	160 000	To spend resources optimally on needs identified.
Alterations/Upgrading of Municipal Offices	300 000	To spend resources optimally on needs identified.
Public Facilities Ashton	-300 000	To spend resources optimally on needs identified.
Upgrade Gravel Roads	-2 000 000	To spend resources optimally on needs identified.
Installation/Upgrading of Bulk Services for Housing Projects	2 000 000	To spend resources optimally on needs identified.
Equipment Montagu Hall	-60 000	To spend resources optimally on needs identified.
<b>Capital Expenditure Budget for Approval</b>	<b>53 236 130</b>	

## Operating Budget

No adjustments are made on the operating budget, but the budget will be monitored on a monthly basis and if there are any indications that the expected revenues will not be generated an adjustments budget will be recommended after the evaluation of the mid-year performance in 2016/2017.

**The new budget and IDP documentation will reflect the mentioned adjustments \*.**

## RECOMMENDATION

1. That the consolidated Operating budget of R 644 316 320, Capital budget of 53 236 130, and budgeted cash flows, as set out in the Municipal Budget (attach as Annexure 1) be adopted and approved by Council and that it constitute the Budget of the Council for 2016/2017 financial year as well as medium term (indicative) budgets for the 2017/2018 and 2018/2019 financial years
2. That the Integrated Development Plan and any amendments thereto, be approved.
3. That the tariffs for property rates be approved.
4. That the tariffs for water, electricity and other municipal services be approved.
5. That all other matters prescribed in sections 17(1)(a-e); 17(2) and 17(3)(a-m) of the Municipal Finance Management Act that are included or accompany the budget document be approved.
6. That the Tariff, Rates, Cash Management & Investment, Credit Control & Debt Collection, Virement, Supply Chain Management, Asset Management, Budget and Funding and Reserves Policy be approved.
7. That the measurable performance objectives for 2016/2017 for operating revenue by source and by vote be approved.
8. That MFMA Circular No.82 on Cost Containment Measures be adopted in principle with the approval of the budget.



**Hierdie item het voor 'n Statutêre Vergadering van die Raad gedien op 16 Mei 2016**

**This item served before a Statutory Meeting of Council on 16 May 2016**

**Eenparig Besluit / Unanimously Resolved**

1. That the consolidated Operating budget of R 644 316 320, Capital budget of 53 236 130, and budgeted cash flows, as set out in the Municipal Budget (attached as Annexure 1) be adopted and approved by Council and that it constitutes the Budget of the Council for 2016/2017 financial year as well as medium term (indicative) budgets for the 2017/2018 and 2018/2019 financial years
2. That the Integrated Development Plan and any amendments thereto, be approved.
3. That the tariffs for property rates be approved.
4. That the tariffs for water, electricity and other municipal services be approved.
5. That all other matters prescribed in sections 17(1)(a-e); 17(2) and 17(3)(a-m) of the Municipal Finance Management Act that are included or accompany the budget document be approved.
6. That the Tariff, Rates, Cash Management & Investment, Credit Control & Debt Collection, Virement, Supply Chain Management, Asset Management, Budget and Funding and Reserves Policy be approved.
7. That the measurable performance objectives for 2016/2017 for operating revenue by source and by vote be approved.
8. That MFMA Circular No.82 on Cost Containment Measures be noted in principle with the approval of the budget, but that this Municipality will adopt the most cost effective measures for Langeberg Municipality.
9. That the tariff for the deposit for McGregor Hall also be reduced to R268
10. That a fixed rate for the hiring of halls instead of an hourly tariff will be considered after a full investigation on the cost implication for the 2017/2018 budget cycle
11. That for the 2017/2018 budget process, the high cost of graves be investigated , with possible recommendation that assistance be provided to Indigent cases