

HARRY GWALA DISTRICT MUNICIPALITY



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2016/2017 SERVICE DELIVERY AND IMPLEMENTATION PLAN

2016/2017 Service Delivery Budget and Implementation Plan

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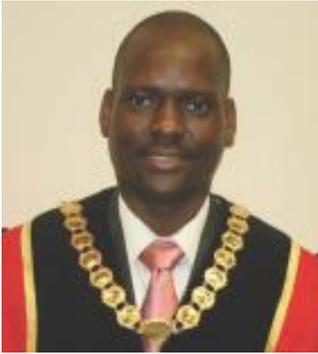
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ACRONYMS

HGDM	; Harry Gwala District Municipality
IDP	; Integrated Development Plan
SDBIP	; Service Delivery Budget and Implementation plan
Exco	; Executive Committee
MPAC	; Municipal Public Accounts Committee
PAC	; Performance and Audit Committee
AG	; Auditor General
MTEF	; Mid-Term Expenditure Framework
WSP	; Workplace Skills Plan
AFS	; Annual Financial Statement
MFMA	; Municipal Finance Management Act
MANCO	; Management Committee
APR	; Annual Performance Report
Cogta	; Co-operative Governance and Traditional Affairs
MTREF	; Mid-Term Revenue and Expenditure Framework
HGDA	; Harry Gwala Development Agency

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Hon. District Mayor: Cllr M.E. Ndobe

MAYOR'S FOREWORD

In terms of section 53 Of Municipal Financial Management Act, No. 56 of 2003 (1) the mayor of a municipality must-

- a) Provide general political guidance over the budget process and the priorities that must guide the preparation of a budget.
- b) Co-ordinate the annual revision of the integrated development plan in terms of section 34 of the Municipal Systems Act and the preparation of the annual budget, and determine how the integrated development is to be taken into account or revised for the purposes of the budget; and
- c) Take all reasonable steps to ensure-
 - (i) that the municipality approves its annual budget before the start of the budget year;
 - (ii) that the municipality's service delivery and budget implementation plan is approved by the mayor within 28 days after the approval of the budget.

Service Delivery Budget and Implementation Plan (SDBP) is a one year implementation tool which gives effect to the IDP and budget of the municipality. The SDBIP is used to align the budget to the IDP. It focuses on both financial and non-financial measurable performance objectives. The legislation requires the municipality to establish the monitoring tool and report on set targets and indicators on a monthly basis.

Harry Gwala DM views a Service Delivery Budget and Implementation Plan as a contract not just between council and administration and also with its communities. And as such Harry Gwala DM commits itself in delivering high quality and uninterrupted services to the general public.

Service Delivery and Budget Implementation Plan sets clear targets and indicators that work as yardstick to measure the failures and successes of the municipality. Our Service Delivery and Budget Implementation Plan is further translated into operational plans wherein monthly targets are set. This therefore, assists the municipality to detect any deviation from the planned targets. This then allows the municipality an opportunity to take corrective action as early as possible. Therefore, it is highly unlikely that service delivery targets for each year could not be met.

This council together with its administration assisted by the general public commits itself in delivering quality basic services. We remain committed to account to our communities and to report challenges and progress at all times. We dare not accept average and mediocrity in our quest to giving out our best. Working together with other spheres of government, Harry Gwala DM assures its communities constant continuity in service delivery.

We trust that the financial year 2016/2017 will be the year of success and great achievement for the entire Harry Gwala community.

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Approved by His Worship the Mayor

M.E. Ndobe

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Official Sign- Off

It is hereby certified that this Service Delivery Budget and Implementation Plan for 2016/2017 financial year: Was developed by the management of the Harry Gwala District Municipality under the guidance of Honourable Mayor: Cllr. ME Ndobe. Accurately reflects the strategic outcome oriented goals and objectives which the Harry Gwala District Municipality will endeavour to achieve over the period of 1 year.

Mr M.M. Mkatu: Chief Financial Officer

Signature _____

Ms N.C. James

Head of Social Services and Development

Planning (Acting):

Signature _____

Mr M.M. Mkatu: Acting Accounting Officer

Signature _____

Hon. Mayor: Cllr M.E. Ndobe

Signature  _____

Date 06/06/2016

Introduction

Performance management is a requirement for all local government in South Africa. It is primarily a mechanism to monitor, review and improve implementation of its IDP. The performance management system monitors actual performance against set targets and contractual obligations. The most valuable reason for measuring performance is that what gets measured gets done.

The performance of a municipality is integrally linked to that of staff. If the employees do not perform the municipality will fail. The relationship between the municipal performance and employees starts from the planning stage which is the first phase of the municipal performance management system (PMS). The key output is development of the IDP which is utilized to plan future developments in the municipal area.

The IDP has a lifespan of 5 years which is directly linked to the term of office for councillors. The IDP is broken down into short term goal achievable in one year. The implementation of the IDP is given effect through the Service Delivery Budget and Implementation Plan (SDBIP).

SDBIP is the implementation tool used to align the budget and the IDP. It is the second phase of municipal performance system. The SDBIP is the management and implementation tool which sets in-year targets and link each service delivery output to the budget of the municipality to ensure that key objectives and priorities are budgeted for and achieved. Working towards achieving the long term goal, Harry Gwala district municipality as a water service authority focuses on provision of clean drinkable water and dignified sanitation in the form of VIP toilets and water borne sewer system which is output oriented. The needs identified during the IDP roadshows form base of the SDBIP. Figure 1 illustrates the results chain framework.

2. Legislative Framework

2.1. The White Paper on Local Government (1998)

The white paper of the Local Government (1998) acknowledges that involving the communities in developing some municipal Key performance indicators increases the accountability of the municipality. Some communities may prioritise the amount of time it takes a municipality to answer a query, others will prioritise the cleanliness of an area or the provision of water to a certain number of households, whatever the priorities, by involving communities in setting key performance indicators and reporting back to communities on performance, accountability is increased and public trust in the local government system is enhanced.

2.2. The Municipal Systems (Act 32, 2000)

The Municipal Systems Act (2000) enforces the idea of local government PMS and requires all municipalities to:

- Develop a performance management system
- Set targets, monitor and review performance based on indicators linked to their IDP
- Publish an annual report on performance for the councillors, staff, public and others spheres of government.
- Incorporate and report on a set of general indicators prescribed nationally by the minister responsible for local government.
- Conduct an internal audit on performance before tabling the report
- Involve the community when setting indicators and targets and reviewing municipal performance.

2.3. Municipal Performance Management Regulations (2006)

The Municipal Performance Management Regulations set out how performance of managers directly accountable to the municipal manager will be uniformly monitored and improved. The regulations address both the employee contract and the performance agreements of the municipal manager and managers directly accountable to the municipal manager. The regulations provide a guideline on how the employee contract and the performance agreement should contain. It outlines the purpose of the agreement as to:

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- Specify objectives and targets defined and agreed with the employee and to communicate with the employee the expectations of the employer and accountability in aligning the Integrated Development Plan (IDP), Service Delivery budget and Implementation Plan (SDBIP) and the Budget of the municipality.
- Specify accountability as set out in a performance plan, which forms an annexure to the performance agreement.
- Monitor and measure performance against set targets

2.4. Municipal Finance Management Act (2003)

The Municipal Finance Management Act states requirements for a municipality to include its municipal performance report with its financial statements and other requirements in constituting its annual report. This must be dealt with by the municipal council within 9 months of the end of the municipal financial year.

3. SWOT ANALYSIS

STRENGTHS	WEAKNESSES
1. Young and dynamic staff compliments that is willing to learn and grow 2. A conducive working environment where potential can be untapped 3. Accessibility of senior management 4. Strong administrative leadership	1. Lack of rare skills i.e engineers 2. Inexperienced staff compliment 3. limited funding to effectively deal with backlog 4. Rural based municipality
OPPORTUNITIES	THREATS
1. Easy access to major cities 2. large pool of labour 3. World class tourism destination 4. stable political environment	1. Disasters 2. Unskilled labour 3. poor infrastructure 4. Brain drain to major cities 5. Theft(stock theft) 6. Crime

4. Vision

By 2030 Harry Gwala will be a leading water services provider in the KZN province with its communities benefitting from a vibrant agriculture and tourism sector.

5. Mission Statement

Working together with its communities and stakeholders Harry Gwala District Municipality will ensure the provision of clean, drinkable uninterrupted water services and proper sanitation facilities and strive to improve its agriculture and tourism sector to enhance human dignity.

6. Core Values

1. Transparency
2. Accountability
3. Consultation
4. Commitment
5. Honesty

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7. Goals, Objectives and Strategies

KPA	GOALS	OBJECTIVE	STRATEGIES
Basic Service delivery	Target 10 of the Millennium Development Goals (MDGs) is to “have by 2015 the proportion of people without sustainable access to safe drinking water and basic sanitation”. Water and Sanitation	To improve the coverage, quality, efficiency, and sustainability of water and sanitation services in all urban and rural communities	<ul style="list-style-type: none"> • By implementing Bulk regional Water Supply Schemes. • By implementing the localized based rural sanitation plan.
Municipal Transformation and Institutional Development	Ensuring that staff complement is able to deliver as per the IDP	To provide administrative support to Council and its structures and develop and improve human capital in order to deliver basic services to our communities.”	By working closely with the municipal council and all department to make sure that corporate services is kept abreast on all service delivery development in the municipality
KPA	GOAL	OBJECTIVE	STRATEGIES
Good Governance and Public Participation	Increased interaction between the municipality and members of the public	To increase the interaction between the municipality and its community in order to deepen democracy and enhance social cohesion.	By engaging members of the public on municipal affairs that affects their lives
LED and Social Development	Increased the Gross Domestic Product of the District	To increase the Gross Domestic Product of the HGDM by 3% in 2030 in order to improve the socio-economic wellbeing of its citizens	<p>By engaging all potential funders and investors as well as the training and skilling of emerging SMMEs both in agriculture and tourism</p> <p>By promoting sport art and culture in our district</p>
Municipal Financial Viability and Management	To improve the Financial Affairs and Viability of the Municipality in order to have a self- sustainable municipality	To improve the Financial Affairs and Viability of the Municipality in order to fund more projects and to get clean audit by 2014 and beyond	By ensuring that all systems and procedures are properly implemented and that deliverable are met

8. Principles Governing PMS

8.1. Simplicity

The system must be a simple user- friendly system that enables the municipality to operate it within its existing capacity of its financial, human resources and information management system.

8.2. Political driven

Legislation clearly tasks the municipal council and the mayor as the owners of the performance management system. The Executive **MUST** drive both the implementation and improvement of the system. Legislation allows for the delegation of responsibility or aspects of it to the municipal manager or other appropriate structure as the executive may deem fit.

8.3. Incremental implementation

It is important that while a holistic performance management system is being developed, the municipality should adopt a phased approach to implementation, dependent on the existing capacity and resources within the municipality.

It is also important to note that municipal performance management is a new approach to local government functioning and therefore requires adequate time to be given to the organisation`s process to change. The performance management system will not be perfect from the start it should be constantly improved based on its workability.

8.4. Transparency and accountability

Members of the organisation whose performance will be monitored and measured must ensure that the process of managing performance is inclusive open and transparent. This can only be achieved by taking effective participation in the design and implementation of the system within the municipality.

Again, the process must involve and empower communities so that they are able to understand how the municipality and its departments are run, how resources are spent, and who is in charge of particular services. Similarly, all information on the performance of the departments should be available for other managers, employees, public and specific interest group.

8.5. Integration

The performance management system should be integrated into other management processes in the municipality, such that it becomes a tool for more efficient and effective management rather than an additional reporting burden. It should be seen as a central tool to the ongoing management functions.

8.6. Objectivity

Performance management must be founded on objectivity and credibility. Both the processes of managing performance and the information on which it relies need to be objective and credible. Sources of data for measuring indicators should be scrutinized to enhance credibility of information and therefore objective decisions-making.

9. Purpose of the Service Delivery Budget and Implementation Plan (SDBIP)

The IDP which is the planning tool for the municipality have a lifespan of 5 years which is then broken down into short term goals that can be achieved in 1 year. The SDBIP which is the implementation tool is developed to implement the IDP. It is used to align the budget to the IDP. The focus of the SDBIP is on both financial and no-financial measurable performance objectives. It links each service delivery outputs to the budget of the municipality. The SDBIP provides a comprehensive picture of the performance of each department within the municipality. It consists of objectives, strategies, indicators and targets.

Figure 1: Results chain framework

OUTPUTS – What we produce or deliver?

(The final product, goods and services produced)



ACTIVITIES – What we do?

(The actions or process that uses a range of inputs to produce the desired outputs)



INPUTS – What we use to do work?

(The resources we use to produce the product e.g financial resources and human resources)

10. 2016/2017 ORGANISATIONAL OBJECTIVES (OUTPUTS)

Objectives state clearly the intention of the municipality, what it intends to produce in order to achieve its strategic output. The organisational objectives are SMART (specific, measurable, attainable, relevant and time-bound) and performance targets set are achievable. The table below illustrate the 2016/2017 objectives in the organisational score card.

OBJECTIVES 2016/2017
To ensure effective communication
To implement all the capital projects identified for the current financial year as per the municipality`s Integrated development plan
To ensure that households are provided with clean drinkable water by 2017
To restore dignity to the communities through implement of the sanitation projects identified in the IDP
To improve the sanitation system as per the business plan
To reduce poverty and unemployment during projects implementation through the EPWP and LED initiatives
To restore dignity to the communities through implement of the sanitation projects identified in the IDP
To improve the sanitation system as per the business plan
Develop the Workplace Skills Plan in order to address skills shortage within the District and ensure compliance with the municipality`s Equity plan
To monitor water quality
To maximise debt collection
To provide reliable and timeous financial information for decision making

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purposes.
By bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process.
To obtain water abstraction and effluent discharge licences
To update the Infrastructure Asset Register for Accountability and Maintenance Purposes
To Ensure alternative water supply in cases where there is a reported problem within the schemes
To ensure prompt response in dealing with sewer spillages in town area
Improve the percentage of the Blue and Green status
To provide a comprehensive approach to better integrate risk management into strategic decision making
To review and update the IDP as per the MSA
To determine the results and the Impact of the services delivered to the community residing within the HGDM` area of jurisdiction

11. PERFORMANCE INDICATORS AND TARGETS AND BASELINE

A set of performance indicators were identify in order to track the ongoing performance of the organisation. The indicators reflect equity and the value for money in the use of resources. They are related to outputs which will assists in achieving the organisational strategic outcome. The key stake holders are consulted to identify the key performance indicators. The key performance indicators are aligned to the national outcome. The present baseline information which is recorded prior to the planning period is stated clear in numbers in respect of each project objective and indicator. The SMART targets are set relating to the budget year of the MTEF. The table below illustrate the targets, indicators and baseline set in the organisational Score card.

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Organisational Score card Targets, Indicators and Baseline

TARGETS	KEY PERFORMANCE INDICATORS	BASELINE
Four (4) Newsletters developed and published June 2016	Number of newsletters developed and published by 30 June 2016	4 Newsletters published
308 households connected to waterborne sewer system	Number of Households connected to waterborne sewer system by June 2016	180 households connected to waterborne sewer system
2829 VIP units installed by June 2016	2829 VIP units installed by June 2016	2636 Units completed
100% households with access to clean drinkable water	The percentage of households with access to water	100% households with access to clean drinkable water
6 961 Households to be served with clean drinkable water by June 2016	Number of Households to be served with clean drinkable water by June 2016	241 households with access to clean drinkable water
200 of water samples taken for analysis	Number of water samples taken for analysis by June 2016	200 of water samples taken for analysis
14 IDP Road-shows held	Number of IDP road shows held	14
200 people trained as per WSP	Number of people trained by June 2016 as per WSP	153
85% revenue collected	Percentage increase of revenue collection by June 2016	85% revenue collected
Submit AFS 2015/2016 to AG	Date in which the AFS were Submitted to AG	Submit AFS 2014/2015 to AG
4 Operation Mbo awareness campaigns conducted. (1 District and 3 Locals)	Number of Operation Mbo held by June 2016	4
4 Audit committee meeting held	Number of audit assignments completed as per the approved audit plan	4
1 Risk Management policy Framework and Policy approved	Number of risk management framework and policy approved	1

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12. Risk Management

The risk management implementation plan for the Harry Gwala District Municipality was prepared to give effect to the implementation of the risk management policy and strategy and sets out all risk management activities planned for the 2015/2016 fiscal year. The table below illustrate the risks that were identified and the mitigation plans to ensure that the risks to not hinder the realisation of the strategic objectives. The table below is the risk assessment plan for HGDM which will is scheduled to be updated in June 2016.

No	Risk Description	Root cause	Consequences	Existing Risk Mitigation/Current Controls	Risk rating	Control effectiveness	Residual risk	Risk Mitigation Task
1	Untimely response to service interruptions.	Insufficient communication mechanisms. Shortage of staff. Lack of a Customer Care Management System. Lack routine maintenance plan.	Water loss. Compromised Service delivery. Tarnish image of the municipality. Service delivery Protests.	Customer Care Policy. Customer Care Charter. Water Tankers. SMS Services. Annual contract with Service Providers. Loud Hailing. Standby Allowance. Share Call Number. Water Monitors. Code of conduct of call centre attendants. Awareness Campaigns.	Major	Satisfactory	Minor	To acquire Customer care management system.
2	Lack of water conservation and demand management.	Loss of water due to illegal connections. Potable water demand exceeds supply. Water resource shortage (dams). Theft of infrastructure/assets components. Lack of Bulk and domestic meters.	Unaccounted water and water losses. Shortage of water to the community.	Water Conservation and Demand Management Strategy. Refurbishment of schemes. Annual contracts. Awareness campaigns. By-laws.	Major	Weak	Insignificant	To install of domestic meters

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		Low willingness to pay from customers. Internal water leaks in customers. Ageing of infrastructure						
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No	Risk Description	Root cause	Consequences	Existing Risk Mitigation/Current Controls	Risk rating	Control effectiveness	Residual risk	Risk Mitigation Task
3	Failure to pay creditors within 30 days.	Delays in receiving invoices. Delays in approval of invoices. Lack of capacitation (skills and human resource). Poor record keeping. Lack of documented procedures. Lack of segregation of duties. Lack of an expenditure management procedure manuals	Audit query. Financial loss (interest and penalties). None compliance with Municipal Finance Management Act. Tarnished image of the municipality. Lack of credibility with suppliers. Fruitless and wasteful expenditure	Municipal Finance Management Act. Invoice Control Register. Registry Stamp. Invoice process plan.	Major	Satisfactory	Minor	Liaise with the departments to expedite the delivery of invoices.
4								To update irregular expenditure on a monthly basis.
5.								Restriction of water supply to non-paying customers.

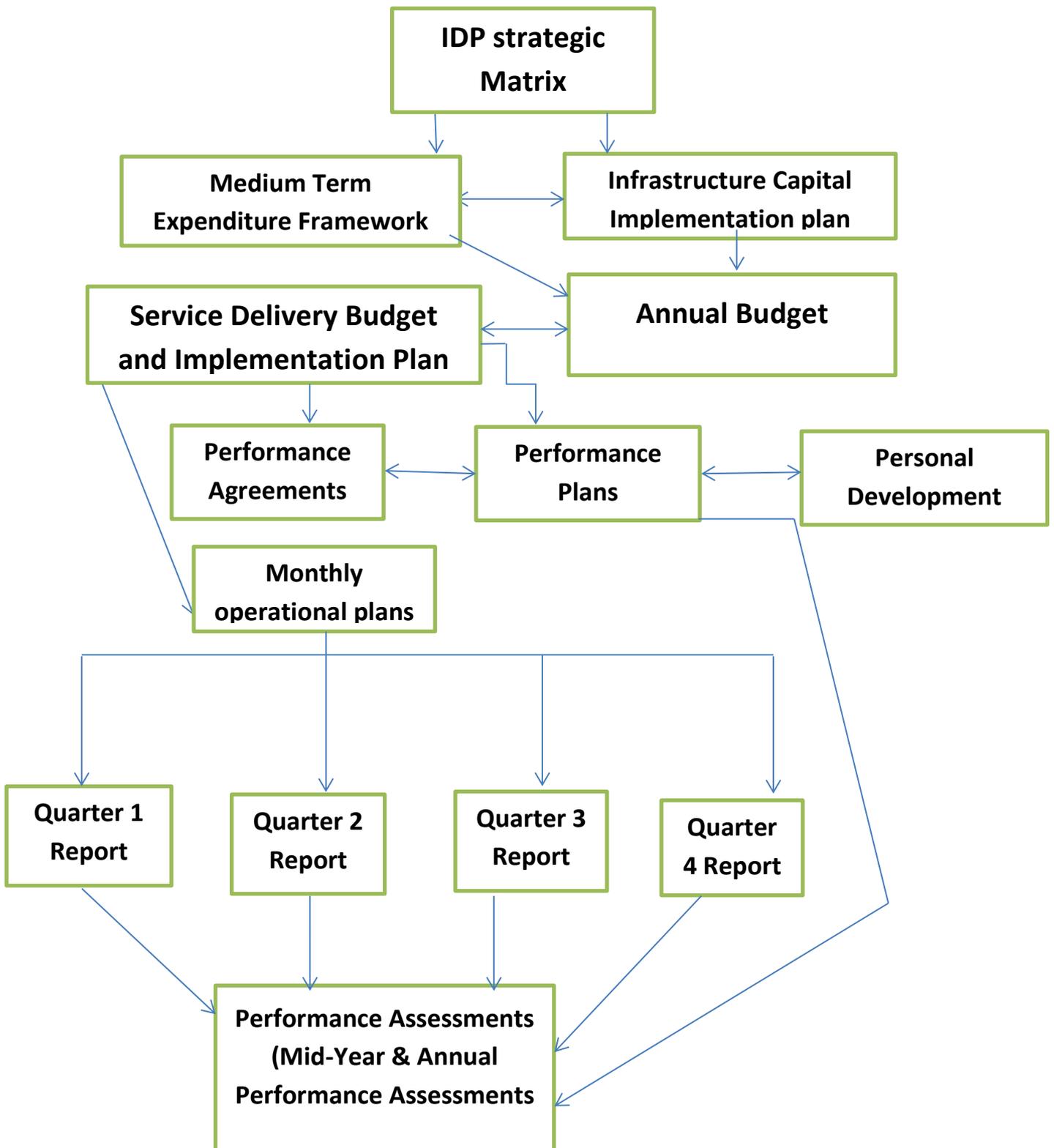
13. Process of the Service Delivery Budget and Implementation Plan (SDBIP)

The SDBIP process plan is developed with the IDP process plan and is tabled to council for adoption. The draft SDBIP and the final SDBIP is submitted to the mayor not later than 28 days after the adoption of the budget and to the Provincial and National Treasury not later than 10 days after the adoption of the budget. The SDBIP is publicised through the local newspapers and the website of the municipality.

13.1. Planning, budgeting and reporting

This section will give a brief overview of the documents that the municipality is mandated to produce in relation to planning, budgeting, implementation, reporting, and monitoring. All these documents are tabled in relevant committees. Above all, published on the municipal website for public consumption. For the planning purpose the IDP is developed which is a five year plan. IDP process plan is tabled by the mayor as well as the budget timetable to Council by 31 August for approval (10 months before the beginning of the next budget year). The schedule of key deadlines indicates the processes relative to the review of the IDP as well as the preparation of the medium term revenue and expenditure framework (MTREF) budget and the revision of the annual budget. These target dates follow the prescriptions of the Municipal Finance Management Act as well as the guidelines set by National Treasury. Strategic planning session is convened in September/October with senior managers to determine the IDP priorities which will form the basis for the preparation of the MTREF budget. By the 31st March, the Mayor tables the draft IDP and MTREF budget to council (90 days before the beginning of the new budget year) together with the draft resolutions and budget related policies. The Mayor approves the Service Delivery and Budget Implementation Plan (SDBIP) not later than 28 days after the approval of the Budget by Council. The SDBIP is submitted to Provincial and National Treasury not later 10 days after it has been approved by council.

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13.2. Public Consultation

The public is consulted through IDP and Budget road shows. An extensive consultation is held with the ward committee members and the ward councillors to deliberate on the Key performance indicators.

13.3.1. Implementation

SDBIP is the actual implementation of the Integrated Development plan (IDP) which is done over a single year cycle. It is known as a management tool used to monitor performance. It focuses on both financial and non-financial measurable performance objectives. SDBIP is essentially an implementation tool to ensure alignment of budget to the IDP. To measure performance, targets are set for each indicator. To achieve better service delivery the municipality has the responsibility to ensure responsible spending, given the nature of public funds. The results must be linked to budget expenditure to ensure value for money. Monthly performance and budget reports are prepared as per Section 71 of the MFMA and Section 41 (1) (e) of the Systems Act, Section 166 (2) (a) (v) and (vii) of the Municipal Management Finance Act (MFMA) and Regulation 7 of Municipal Planning and Performance Management Regulations. The SDBIP is revised once during the budget adjustment and amendments are done where necessary and then tabled to council.

13.3.2. Monitoring and Reporting

Monitoring is conducted to collect, analyse and report performance data. It provides continuous information on whether progress has been made towards achieving the results (inputs, activities and outputs). It assists to identify the strengths and weaknesses in each project. The information collected during reporting enhance learning and improves decision –making. Monthly operational reports are prepared and discussed in a MANCO and in the Portfolio committees to continuously track performance against what was planned. In order to comply with regulation 28 of the Local Government: Municipal Performance Regulations for Municipal Managers and Managers Directly accountable to the Municipal manager, the quarterly reports are prepared and tabled to the Executive committee, Performance Audit Committee and Council. Sections 121 and 127 of the MFMA, as read with Section 46 of the Systems Act and Section 6 of the Systems Amendment the municipality must prepare the Annual performance report (APR) and clearly state the IDP objectives, planned targets, reasons and corrective measures provided where targets were not met. The APR forms part of the annual report. The Annual report is tabled to Council by 31 January. The draft and approved document is published by 31 March each year. It is submitted to MPAC, Council, Audit Committee, Auditor-General, Auditor-General, National Treasury and Provincial Treasury. Figure 2, illustrates the schedule for performance review.

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14. SCHEDULE FOR PERFORMANCE REVIEW

REPORT	PERIOD	DUE DATE	LEGISLATION	OVERSIGHT
First Quarter report	July – September	15 th of September	Regulation 28 of Local Government: Municipal Performance Regulations for Municipal Managers and Managers Directly accountable to Municipal Manager, 2006	<ul style="list-style-type: none"> • Internal Audit unit(IA) • Performance Audit committee (PAC) • Portfolio Committees • Executive committee(Exco) • Municipal Public Accounts Committee(MPA C) • Council
Second Quarter/ Mid-Year	October - December	15 th 25 th January – (Council, provincial and National Treasury)	<ul style="list-style-type: none"> • Regulation 28 of Local Government: Municipal Performance Regulations for Municipal Managers and Managers Directly accountable to Municipal Manager, 2006 • Regulation 13 of Local Government: Municipal Planning and Performance Management 	<ul style="list-style-type: none"> • Internal Audit unit • Audit committee • Portfolio Committees • Executive committee • Municipal Public Accounts Committee • Council • Provincial and National Treasury •

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			Regulations, 2001	
Third Quarter	January - March	15 th March	Regulation 28 of Local Government: Municipal Performance Regulations for Municipal Managers and Managers Directly accountable to Municipal Manager, 2006	<ul style="list-style-type: none"> • Internal Audit unit • Audit committee • Portfolio Committees • Executive committee • Municipal Public Accounts Committee • Council
Fourth quarter/ Annual Performance	April - June	15 th - 31 st January AG and Cogta	<ul style="list-style-type: none"> • Regulation 28 of Local Government: Municipal Performance Regulations for Municipal Managers and Managers Directly accountable to Municipal Manager, 2006 • Regulation 13 of Local Government: Municipal Planning and Performance Management Regulations, 2001 	<ul style="list-style-type: none"> • Internal Audit unit • Audit committee • Portfolio Committees • Executive committee • Municipal Public Accounts Committee • Council • Provincial and National Treasury • Department of Co-operative Governance and Traditional Affairs(Cogta) • SA Auditor General (AG)

15. Performance Evaluation Committee

Performance Evaluation committee was established as per the regulation 27 of Local Government: Municipal Performance Regulations for Municipal Manager and Managers directly accountable to Municipal Manager, 2006. The performance evaluation panel for the purpose of the assessing the Municipal manager constitutes the following persons:

- 1. The Mayor**
- 2. Chairperson of the Performance Audit committee (PAC) or Chairperson of the Audit Committee in the absence of the PAC.**
- 3. Member of the Executive committee**
- 4. Mayor from another municipality**
- 5. Member of the ward committee as nominated by the Mayor.**

For the purpose of evaluating performance of managers directly accountable to the municipal manager, the panel constitutes the following persons:

- 1. Municipal Manager**
- 2. Chairperson of the Performance Audit committee (PAC) or Chairperson of the Audit Committee in the absence of the PAC.**
- 3. Member of the Executive committee**
- 4. Municipal manager from another municipality**

As stipulated in Section 72 of the MFMA, the Mid-Year assessment report is prepared and submitted to the mayor, Provincial and National Treasury by the 25th of January of each financial year.

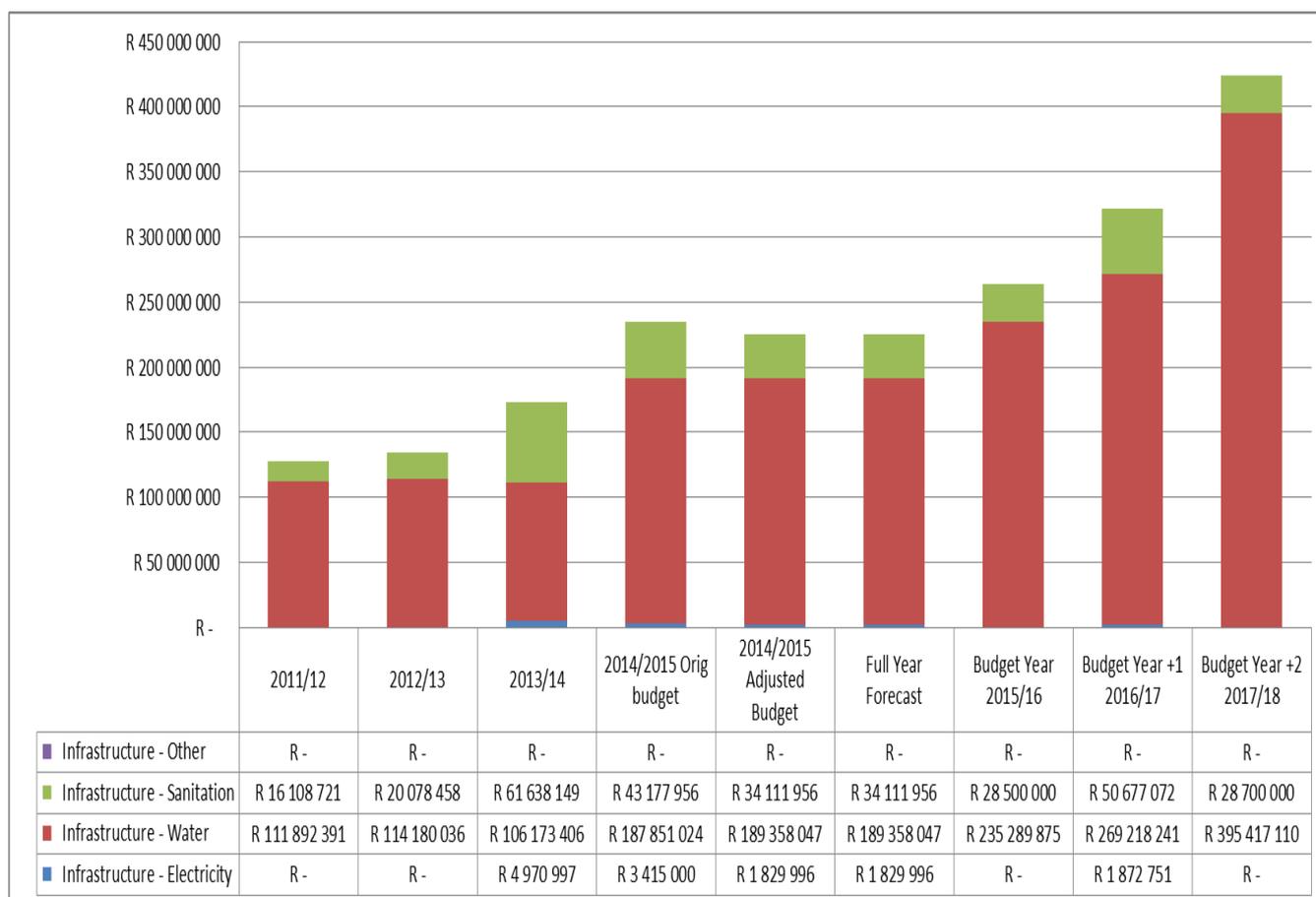
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16. Financial Management Perspective

16.1. BUDGETING PRINCIPLES

The municipality should not budget for a deficit and should ensure that revenue projections in the budget are realistic taking into account actual collection levels and equitable share. Expenses may only be incurred in terms of the approved annual budget (or adjustments budget) and within the limits of the amounts appropriated for each vote in the approved budget. Harry Gwala district Municipality has prepared a three-year budget (medium term revenue and expenditure framework (MTREF)) and will be reviewed annually and approved by Council. The MTREF budget must at all times be within the framework of the Municipal Integrated Development Plan.

The following graph provides a breakdown of the capital budget to be spent on infrastructure related projects over the MTREF.



Future operational cost of new infrastructure

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The future operational costs and revenues associated with the capital programme have been included in Table MBRR SA35. This table shows that future operational costs associated with the capital programme totals R25 million in 2016/17 and escalates to R33, 5million by 2017/18. This concomitant operational expenditure is expected to escalate to R37, 8 million by 2018/19. It needs to be noted that as part of the 2016/17 MTREF, this expenditure has been factored into the two outer years of the operational budget

16.2. ANNUAL BUDGET TABLES - PARENT MUNICIPALITY

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2016/17 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Table 1 MBRR Table A1 - Budget Summary

DC43 Harry Gwala - Table A1 Budget Summary

Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Financial Performance										
Property rates	-	-	-	-	-	-	-	-	-	-
Service charges	39 865	48 905	55 400	55 902	55 822	55 822	55 822	60 553	64 187	68 038
Investment revenue	2 988	3 344	3 476	4 375	3 375	3 375	3 375	3 500	3 710	3 933
Transfers recognised - operational	208 927	288 184	282 197	249 823	260 403	260 403	260 403	277 632	294 948	317 863
Other own revenue	2 210	7 497	8 828	7 328	9 098	9 098	9 098	9 109	9 646	10 185
Total Revenue (excluding capital transfers and contributions)	253 990	347 929	349 901	317 429	328 699	328 699	328 699	350 794	372 490	400 018
Employee costs	79 228	99 943	106 345	114 031	116 031	116 031	116 031	125 313	135 338	146 165
Remuneration of councillors	4 622	5 249	5 688	7 321	7 321	7 321	7 321	7 906	8 539	9 222
Depreciation & asset impairment	28 992	37 050	39 754	30 000	30 000	30 000	30 000	31 874	33 786	35 812
Finance charges	3 792	3 510	3 711	2 228	1 114	1 114	1 114	1 926	1 595	1 229
Materials and bulk purchases	9 710	9 487	8 947	8 706	9 852	9 852	9 852	10 709	11 641	12 654
Transfers and grants	7 490	14 808	16 501	20 000	18 096	18 096	18 096	20 000	22 218	23 551
Other expenditure	206 385	231 401	215 749	163 336	204 636	204 636	204 636	184 675	181 966	193 299
Total Expenditure	340 218	401 448	396 694	345 621	387 050	387 050	387 050	382 404	395 083	421 932
Surplus/(Deficit)	(86 228)	(53 519)	(46 793)	(28 193)	(58 351)	(58 351)	(58 351)	(31 610)	(22 593)	(21 914)
Transfers recognised - capital	246 502	146 077	218 421	270 790	244 290	244 290	244 290	335 772	401 643	373 080
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	160 274	92 558	171 628	242 597	185 939	185 939	185 939	304 163	379 050	351 166
Surplus/(Deficit) for the year	160 274	92 558	171 628	242 597	185 939	185 939	185 939	304 163	379 050	351 166
Capital expenditure & funds sources										
Capital expenditure	163 035	217 866	355 127	278 540	250 238	250 238	250 238	348 054	409 888	381 252
Transfers recognised - capital	162 106	199 128	348 318	270 790	244 290	244 290	244 290	335 772	401 643	373 080
Internally generated funds	929	18 738	6 809	7 750	5 948	5 948	5 948	12 282	8 245	8 173
Total sources of capital funds	163 035	217 866	355 127	278 540	250 238	250 238	250 238	348 054	409 888	381 252
Financial position										
Total current assets	87 169	45 472	68 952	85 442	42 606	42 606	65 577	96 627	116 426	128 173
Total non current assets	1 151 159	1 279 563	1 470 664	1 600 660	1 572 358	1 572 358	1 572 358	1 914 112	2 310 097	2 676 612
Total current liabilities	129 436	116 668	161 589	56 886	108 886	108 886	108 886	60 999	64 143	62 793
Total non current liabilities	37 053	41 121	39 153	31 018	31 018	31 018	31 018	29 859	27 913	25 737
Community wealth/Equity	1 071 839	1 167 247	1 338 874	1 598 198	1 475 060	1 475 060	1 498 031	1 919 882	2 334 467	2 716 256

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DC43 Harry Gwala - Table A1 Budget Summary

Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousands										
Cash flows										
Net cash from (used) operating	184 742	203 264	242 815	268 665	263 590	263 590	263 590	329 265	399 536	372 920
Net cash from (used) investing	(163 035)	(188 113)	(239 585)	(248 610)	(276 912)	(276 912)	(276 912)	(310 943)	(365 496)	(340 017)
Net cash from (used) financing	(5 060)	(5 863)	(6 833)	(3 684)	(2 694)	(2 694)	(2 694)	(2 822)	(3 130)	(3 471)
Cash/cash equivalents at the year end	20 186	29 474	25 871	52 691	9 855	9 855	9 855	35 377	66 287	95 718
Cash backing/surplus reconciliation										
Cash and investments available	20 186	29 474	25 871	52 691	9 855	9 855	9 855	35 377	66 287	95 718
Application of cash and investments	68 597	112 341	135 191	29 761	81 493	81 493	69 895	17 492	24 594	27 778
Balance - surplus (shortfall)	(48 411)	(82 866)	(109 319)	22 930	(71 638)	(71 638)	(60 040)	17 884	41 693	67 940
Asset management										
Asset register summary (WDV)	1 151 159	1 279 563	1 470 664	1 600 660	1 572 358	1 572 358	1 914 112	1 914 112	2 310 097	2 676 612
Depreciation & asset impairment	28 992	37 050	39 754	30 000	30 000	30 000	31 874	31 874	33 786	35 812
Renewal of Existing Assets	8 901	6 525	4 580	7 000	7 000	7 000	7 000	5 000	5 000	20 000
Repairs and Maintenance	61 148	64 817	70 254	73 875	73 875	73 875	88 791	88 791	114 105	139 419
Free services										
Cost of Free Basic Services provided	4 455	4 455	5 006	5 306	5 306	5 306	4 886	4 886	5 179	5 490
Revenue cost of free services provided	-	-	-	-	-	-	-	-	-	-
Households below minimum service level										
Water:	33	31	32	32	32	32	33	33	35	37
Sanitation/sew erage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-

16.3. Explanatory notes to MBRR Table A1 - Budget Summary

Table A1 is a budget summary and provides a concise overview of the Harry Gwala district municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).

The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.

A financial management reform emphasizes the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial

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Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:

1. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF Capital expenditure is balanced by capital funding sources, of which transfers recognised is reflected on the Financial Performance Budget;
2. Internally generated funds are financed from a combination of the current operating surplus and VAT refunds on Conditional Grants. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.

The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. This place the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Funding and Reserves Policy. This cannot be achieved in one financial year.

But over the MTREF there is progressive improvement in the level of cash-backing of obligations. It is anticipated that the goal of having all obligations cash-back will be achieved by 2015/16 financial year.

Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs. It is anticipated that by 2015/16 the water backlog will have been very nearly eliminated.

Table 2 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

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DC43 Harry Gwala - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue - Standard									
<i>Governance and administration</i>	210 829	213 917	252 538	249 598	255 059	255 059	274 973	300 452	323 572
Budget and treasury office	210 347	213 452	252 538	249 598	255 059	255 059	274 973	300 452	323 572
Corporate services	481	465	–	–	–	–	–	–	–
<i>Economic and environmental services</i>	9 433	742	750	1 100	1 100	1 100	400	400	500
Planning and development	9 433	742	750	1 100	1 100	1 100	400	400	500
<i>Trading services</i>	280 230	279 347	315 034	337 520	316 829	316 829	411 194	473 282	449 026
Water	40 521	49 182	52 600	61 230	56 539	56 539	60 550	64 183	68 034
Waste water management	239 709	230 165	262 434	276 290	260 290	260 290	350 644	409 099	380 992
Total Revenue - Standard	500 492	494 007	568 322	588 218	572 988	572 988	686 567	774 133	773 098
Expenditure - Standard									
<i>Governance and administration</i>	98 509	122 454	137 056	133 932	131 608	131 608	143 616	151 997	159 474
Executive and council	12 760	16 695	23 099	28 719	24 484	24 484	29 224	30 221	32 363
Budget and treasury office	45 752	58 717	65 591	59 527	63 444	63 444	64 031	68 156	70 015
Corporate services	39 997	47 042	48 365	45 686	43 680	43 680	50 362	53 620	57 095
<i>Economic and environmental services</i>	36 438	67 456	52 368	54 286	52 428	52 428	58 937	63 416	67 282
Planning and development	36 438	67 456	52 368	54 286	52 428	52 428	58 937	63 416	67 282
<i>Trading services</i>	205 270	211 539	207 270	157 403	203 013	203 013	179 851	179 670	195 177
Water	129 878	105 830	157 332	134 197	159 142	159 142	146 344	146 490	156 283
Waste water management	75 392	105 708	49 938	23 206	43 872	43 872	33 506	33 180	38 894
Total Expenditure - Standard	340 218	401 448	396 694	345 621	387 050	387 050	382 404	395 083	421 932
Surplus/(Deficit) for the year	160 274	92 558	171 628	242 597	185 939	185 939	304 163	379 050	351 166

16.4. Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.

Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.

Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for District, Water and Waste water functions, but not the Waste management function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.

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Other functions show a deficit between revenue and expenditure are being financed from equitable share and other revenue sources reflected under the Budget and Treasury vote.

Table 3 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

DC43 Harry Gwala - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description R thousand	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue by Vote									
Vote 1 - Council	-	-	-	-	-	-	-	-	-
Vote 2 - Municipal Manager	-	-	-	-	-	-	-	-	-
Vote 3 - Budget & Treasury Office	210 347	213 452	252 538	249 598	255 059	255 059	274 973	300 452	323 572
Vote 4 - Corporate Services	481	465	-	-	-	-	-	-	-
Vote 5 - Social & Development Planning	9 433	742	750	1 100	1 100	1 100	400	400	500
Vote 6 - Infrastructure Services	239 709	230 165	262 434	276 290	260 290	260 290	350 644	409 099	380 992
Vote 7 - Water Services	40 521	49 182	52 600	61 230	56 539	56 539	60 550	64 183	68 034
Total Revenue by Vote	500 492	494 007	568 322	588 218	572 988	572 988	686 567	774 133	773 098
Expenditure by Vote to be appropriated									
Vote 1 - Council	7 363	8 861	10 517	13 164	12 024	12 024	12 382	13 274	14 232
Vote 2 - Municipal Manager	5 398	7 834	12 582	15 555	12 460	12 460	16 841	16 947	18 131
Vote 3 - Budget & Treasury Office	45 752	58 717	65 591	59 527	63 444	63 444	64 031	68 156	70 015
Vote 4 - Corporate Services	39 997	47 042	48 365	45 686	43 680	43 680	50 362	53 620	57 095
Vote 5 - Social & Development Planning	36 438	67 456	52 368	54 286	52 428	52 428	58 937	63 416	67 282
Vote 6 - Infrastructure Services	75 392	105 708	49 938	23 206	43 872	43 872	34 982	28 967	30 924
Vote 7 - Water Services	129 878	105 830	157 332	134 197	159 142	159 142	144 869	150 704	164 253
Total Expenditure by Vote	340 218	401 448	396 694	345 621	387 050	387 050	382 404	395 083	421 932
Surplus/(Deficit) for the year	160 274	92 558	171 628	242 597	185 939	185 939	304 163	379 050	351 166

16.5. Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organizational structure of Harry Gwala Municipality. This means it is possible to present the operating surplus or deficit of a vote. The following table is an analysis of the surplus or deficit for water trading services.

Table 4 Surplus/ (Deficit) calculations for the trading services

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DC43 Harry Gwala - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Water Services									
Total Revenue	40 521	49 182	52 600	61 230	56 539	56 539	60 550	64 183	68 034
Operational Expenditure	129 878	105 830	150 528	134 197	159 142	159 142	144 869	150 704	164 253
Surplus/(Deficit) for the year	(89 357)	(56 648)	(97 928)	(72 967)	(102 603)	(102 603)	(84 319)	(86 521)	(96 219)
Percentage Surplus	-45%	-87%	-54%	-84%	-55%	-55%	-72%	-74%	-71%

The municipality currently operates on a deficit in its trading services. This is largely attributable to higher percentage increase in the input cost as compared to the increase in tariffs. The municipality is currently reviewing the costing of the tariff structure with a view to recovering the cost of providing these services and also ensuring financial sustainability.

Table 5 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

DC43 Harry Gwala - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue By Source										
Service charges - water revenue	27 833	34 233	38 780	38 409	38 329	38 329	38 329	40 714	43 157	45 746
Service charges - sanitation revenue	12 033	14 671	16 620	16 461	16 461	16 461	16 461	17 449	18 496	19 605
Service charges - other				1 032	1 032	1 032	1 032	2 391	2 534	2 686
Interest earned - external investments	2 988	3 344	3 476	4 375	3 375	3 375	3 375	3 500	3 710	3 933
Interest earned - outstanding debtors		5 638	7 446	6 360	8 000	8 000	8 000	8 500	9 000	9 500
Transfers recognised - operational	208 927	288 184	282 197	249 823	260 403	260 403	260 403	277 632	294 948	317 863
Other revenue	2 210	1 859	1 382	968	1 098	1 098	1 098	609	646	685
Gains on disposal of PPE										
Total Revenue (excluding capital transfers and contributions)	253 990	347 929	349 901	317 429	328 699	328 699	328 699	350 794	372 490	400 018
Expenditure By Type										
Employee related costs	79 228	99 943	106 345	114 031	116 031	116 031	116 031	125 313	135 338	146 165
Remuneration of councillors	4 622	5 249	5 688	7 321	7 321	7 321	7 321	7 906	8 539	9 222
Debt impairment	15 023	23 206	11 989	24 692	24 692	24 692	24 692	25 394	26 917	28 533
Depreciation & asset impairment	28 992	37 050	39 754	30 000	30 000	30 000	30 000	31 874	33 786	35 812
Finance charges	3 792	3 510	3 711	2 228	1 114	1 114	1 114	1 926	1 595	1 229
Bulk purchases	9 710	9 487	8 947	8 706	9 852	9 852	9 852	10 709	11 641	12 654
Contracted services	18 825	23 659	51 144	32 015	53 356	53 356	53 356	44 923	46 016	50 272
Transfers and grants	7 490	14 808	16 501	20 000	18 096	18 096	18 096	20 000	22 218	23 551
Other expenditure	172 399	159 420	142 663	106 629	126 589	126 589	126 589	114 358	109 032	114 494
Loss on disposal of PPE	138	25 116	9 953							
Total Expenditure	340 218	401 448	396 694	345 621	387 050	387 050	387 050	382 404	395 083	421 932
Surplus/(Deficit)	(86 228)	(53 519)	(46 793)	(28 193)	(58 351)	(58 351)	(58 351)	(31 610)	(22 593)	(21 914)
Transfers recognised - capital	246 502	146 077	218 421	270 790	244 290	244 290	244 290	335 772	401 643	373 080
Surplus/(Deficit) after capital transfers & contributions	160 274	92 558	171 628	242 597	185 939	185 939	185 939	304 163	379 050	351 166
Surplus/(Deficit) after taxation	160 274	92 558	171 628	242 597	185 939	185 939	185 939	304 163	379 050	351 166
Surplus/(Deficit) attributable to municipality	160 274	92 558	171 628	242 597	185 939	185 939	185 939	304 163	379 050	351 166
Surplus/(Deficit) for the year	160 274	92 558	171 628	242 597	185 939	185 939	185 939	304 163	379 050	351 166

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

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Total operating revenue is R350 million in 2016/17 and escalates to R372 million by 2017/18. This represents an increase of 7 per cent for the 2016/17 financial year and an increase of 6 per cent for the 2017/18 and 7 % in 2018/19 financial year.

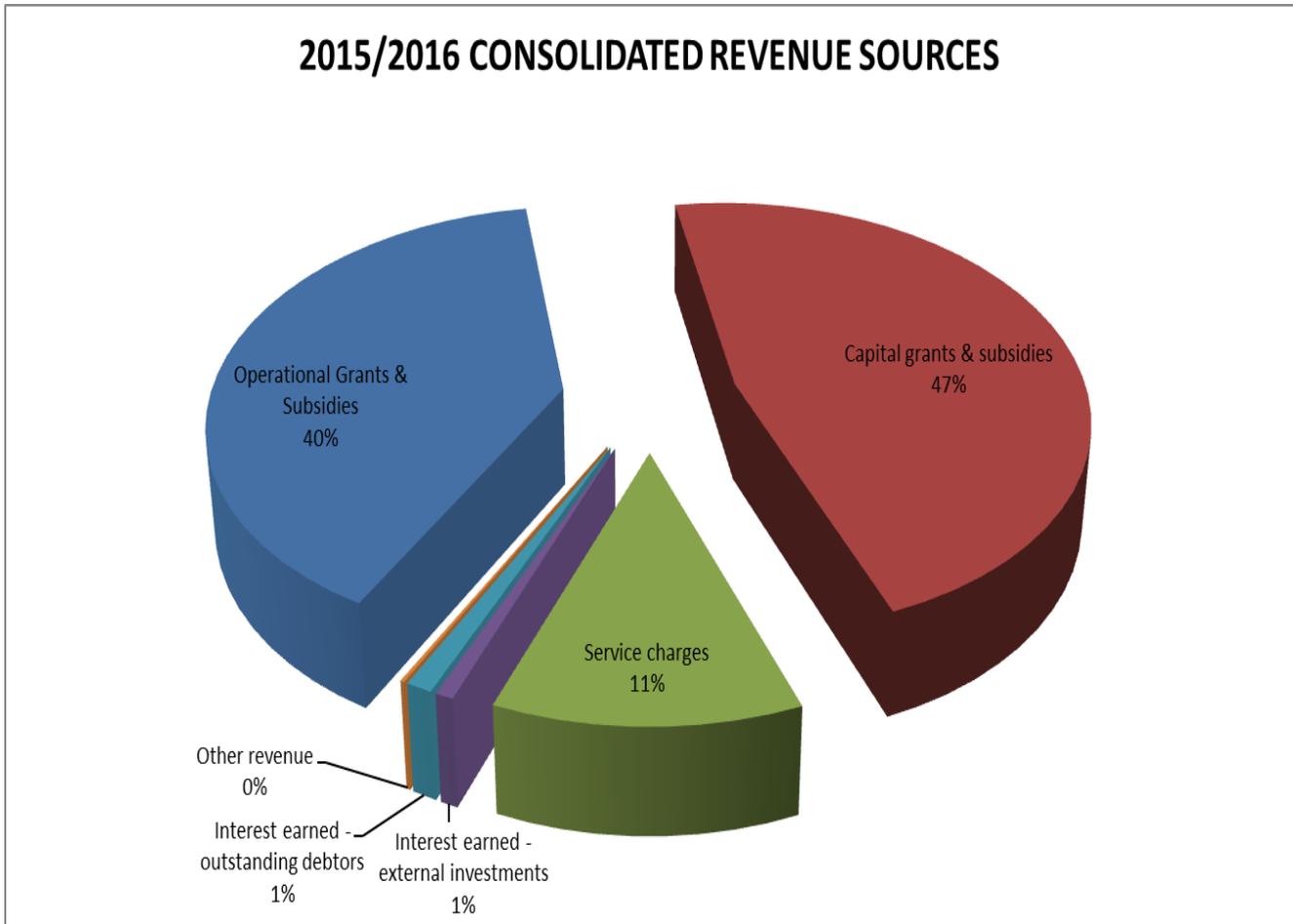
Services charges relating to water and sanitation constitutes the biggest component of the own revenue basket of the district totaling R58million for the 2016/17 financial year and increasing to R61 million by 2017/18. For the 2016/17 financial year services charges amount to 17% of the total revenue and same percentage in 2017/2018 then 16 per cent in 2018/2019 financial year.

Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government increased by 7% in 2016/2017 and grow rapidly by 6 per cent in 2017/2018 and 8 per cent in the 2018/2019 financial year.

Table1: Revenue

REVENUE	2015/16 Budget	Consolidated
Operational Grants & Subsidies	R 249, 8m	249,8m
Capital grants & subsidies	R 270, 7m	294,7m
Own Revenue	R 67, 6m	67,6m
TOTAL	R 588m	R 612m

Chart 2: 2015-16 MTREF Budget Summaries



16.6. Budget process

In terms of the Municipal Finance Management Act, No. 56 of 2003, Chapter 4 on Municipal Budgets, Subsection (16), states that the council of a municipality must for each financial year approve an annual budget for the municipality before the commencement of the new financial year. According to subsection (2) of the Act concerned, in order to comply with subsection (1), the mayor of the municipality must table the annual budget to council at least 90 days before the beginning of the financial year. The budget plays a critical role in an attempt to realise diverse community needs.

This is the process whereby funds clearly defines set of objectives based on the functions of the municipality.

Using the prescribed guidelines provided by National and Provincial Treasury the municipality developed a budget programme that is aligned to the main areas of the service delivery as per the municipality`s mandate taking into consideration the needs raised by the communities during the IDP budget road shows. It gives effect to the strategic priorities of the municipality IDP. The municipality has the capital and the operational budget.

16.6.1. Detailed Revenue Sources

Table 2: Detailed Revenue Sources

REVENUE			
NATIONAL GRANTS	2015/16	2016/17	2017/18
EQUITABLE SHARE	R 241 033 000	R 256 784 000	R 275 160 000
MUNICIPAL INFR GRANT	R 189 323 875	R 197 150 065	R 208 998 110
MUNICIPAL INFR GRANT (PMU)	R 3 460 125	R 3 736 935	R 4 035 890
REGIONAL BULK INFRASTRUCTURE GRANT	R 30 000 000	R 80 000 000	R 120 000 000
RURAL ROADS ASSETS INFRASTRUCTURE - GRANT	R 2 044 000	R 2 095 000	R 2 234 000
MUNICIPAL SYSTEM IMPR GRANT	R 940 000	R 960 000	R 1 043 000
FINANCE MANAGEMENT GRANT	R 1 250 000	R 1 250 000	R 1 250 000

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EXPANDED PUBLIC WORKS PROGRAMME	R 3 466 000	R 0	R 0
MUNICIPAL WATER INFRASTRUCTURE GRANT	R 43 500 000	R 40 118 000	R 90 119 000
RURAL HOUSEHOLD INFRASTRUCTURE GRANT	R 4 500 000	R 4 500 000	R 5 000 000
TOTAL	R 519 513 000	R 586 594 000	R 707 840 000
PROVINCIAL GRANTS			
Development Planning Shared service	R 1 100 000	R 400 000	R 0.00
SUBTOTAL	R 1 100 000	R400 000	R 0.00
OWN REVENUE			
Service charges - water revenue	R 38 409 268	R 40 713 825	R 43 156 654
Service charges - sanitation revenue	R 16 461 115	R 17 448 782	R 18 495 709
Service charges - Other	R 1 032 000	R 1 088 000	R 1 146 000
Interest earned - external investments	R 4 375 000	R 4 812 000	R 5 294 000
Interest earned - outstanding debtors	R 6 360 000	R 6 741 600	R 7 146 096
Other revenue	R 968 000	R 1 022 000	R 1 076 000
SUBTOTAL	R 67 605 384	R 71 826 207	R 76 314 459
TOTAL REVENUE	R 588 218 384	R 658 820 207	R 784 154 459

The water & sanitation tariffs are proposed to increase by 6% considering economic viability of Harry Gwala District Municipality for the ensuing year. The proposed tariff increase is at 6% which is slightly above the inflation rate forecast of 4.8% as provided by the National Treasury.

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16.6. 2.1. Capital budget

This is the process whereby the municipality evaluates potential expenditure that has a significant amount. The large expenditure includes purchasing new equipment and delivery trucks, construction etc. Taking into consideration the needs rose by the communities a detailed capital budget over three years is prepared detailing infrastructure projects. Budget is then allocated accordingly to the prioritised projects, the project description and anticipated capital costs over three years.

The total capital budget is R 278m. This is largely funded from MIG Municipal Water Infrastructure Grant and Rural Bulk Infrastructure Projects funding.

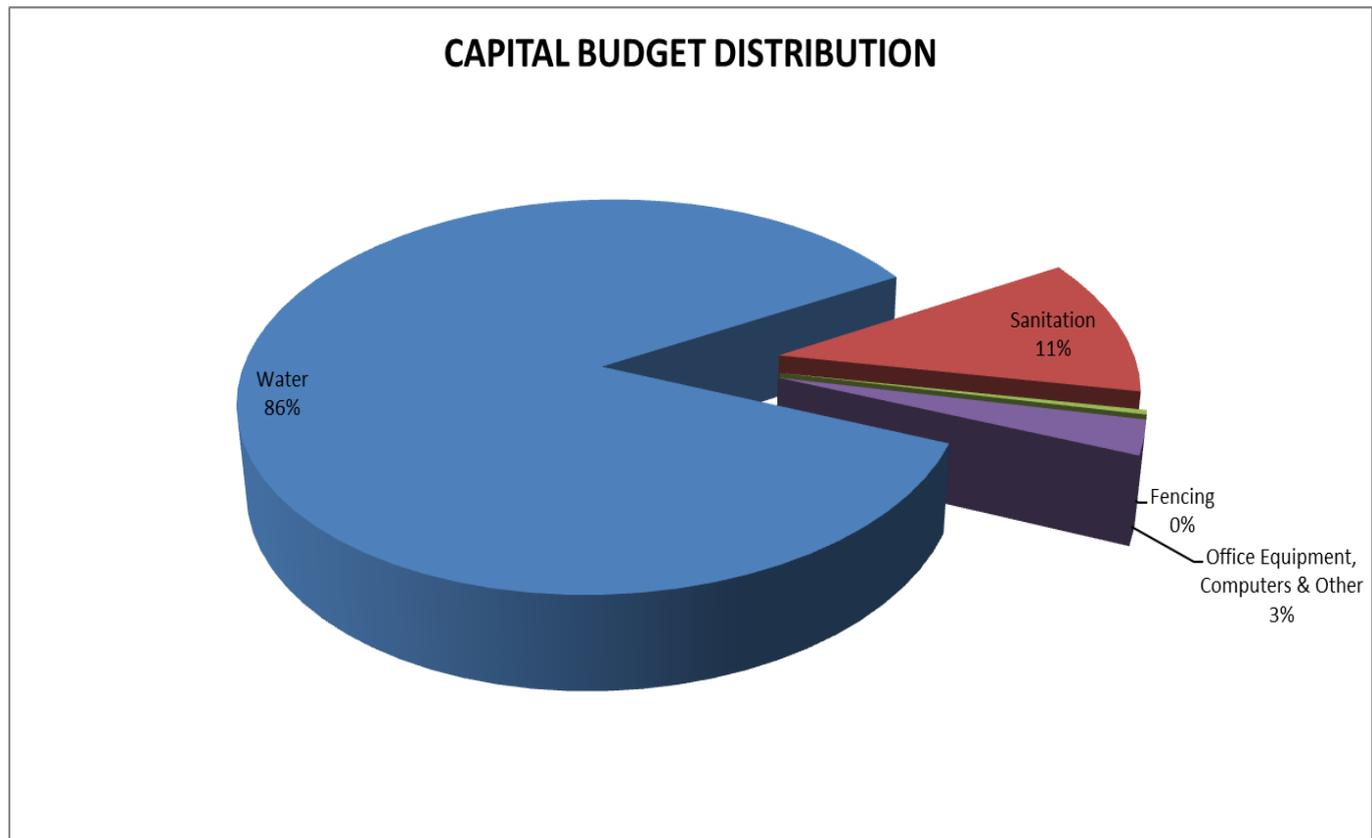
Capital Budget Funding Sources per department

Corporate Services	R 2 650 000
Economic & Community Services	R 800 000
Infrastructure Services (MIG, MWIG & RBIG)	R 270 789 875
Water Services	R 4 300 000
Total Capex Per Department	R 278 539 875

The capital budget is largely attributable to addressing the water & sanitation backlogs in the Harry Gwala District Municipality.

Other internally funded capital projects include the Installation of water meters and other assets such as office equipment, Server upgrade, Computers etc.

16.6.2. 2. CAPEX BUDGET DISTRIBUTION

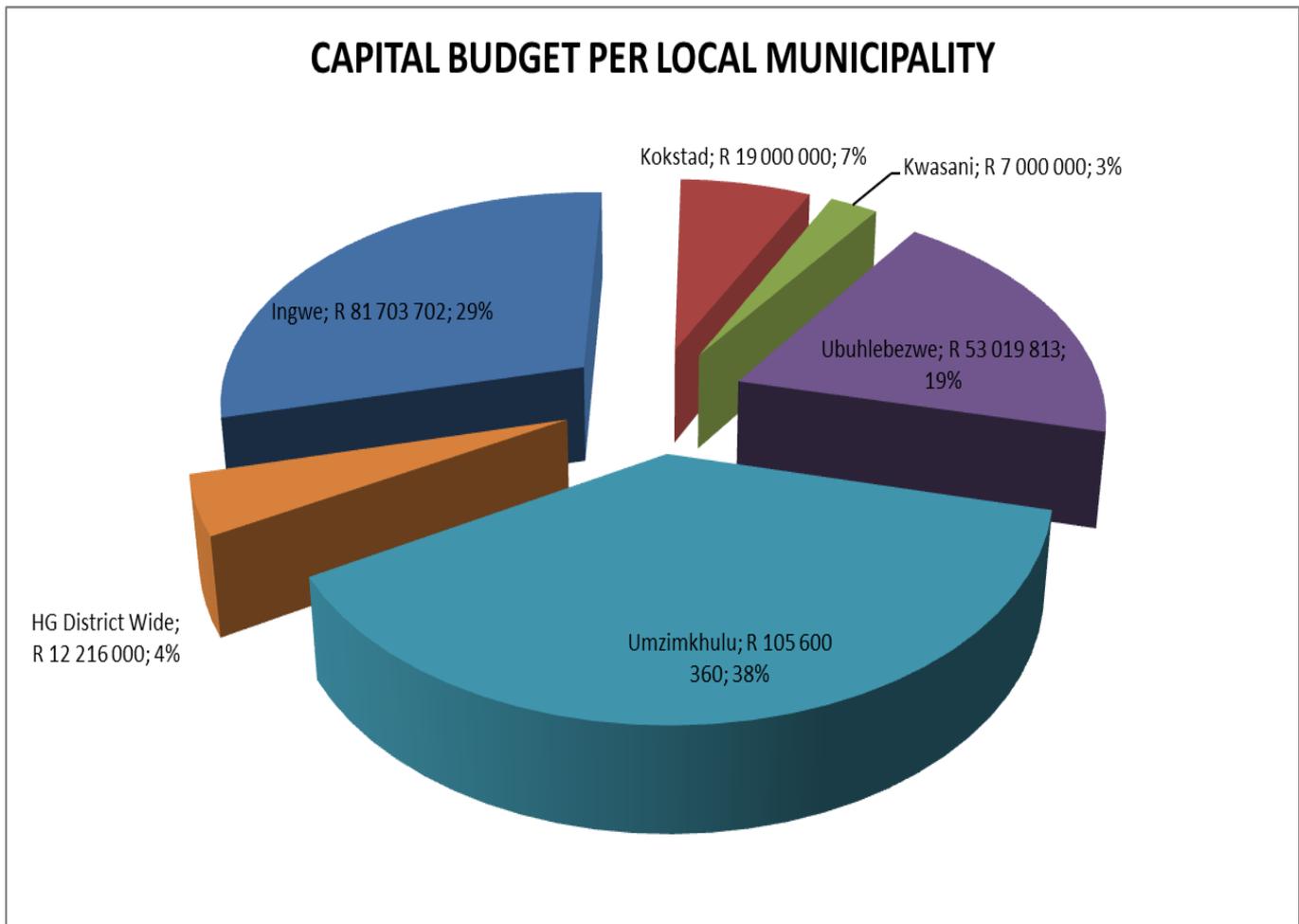


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16.6.2.3. CAPEX BUDGET BY TYPE

	BUDGET
Water	R 238 289 875
Sanitation	R 31 500 000
Office Equipment, Computers & Other	R 7 750 000
Fencing of Water & Sanitation Infrastructure	R 1 000 000
Total	R 278 539 875

16.6.2.4. CAPITAL DISTRIBUTION PER LOCAL MUNICIPALITY



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16.6.2.5. CAPEX BUDGET PER LOCAL MUNICIPALITY

PROJECTS	BUDGET		
	2015/16	2016/17	2017/18
Ingwe	R 81 703 702	R 174 227 388	R230 000 000
Kokstad	R 19 000 000	R 35 549 824	R 5 000 000
Kwasani	R 7 000 000	R 15 420 853	R 30 417 110
Ubuhlebezwe	R 53 019 813	R 24 118 000	R 65 000 000
Umzimkhulu	R 105 600 360	R 72 452 000	R 93 700 000
HG District Wide	R 12 216 000	R 8 176 250	R 8 609 591
TOTAL	R 278 539 875	R 329 944 315	R 432 726 701

16.6.2.6. CAPITAL BUDGET PER LOCAL MUNICIPALITY

INGWE PROJECT LIST

PROJECTS	2015/16	2016/17	2017/18
Bulwer to Nkelabantwana and Nkumba Water	R 7 000 000	R 10 000 000	R 10 000 000
Greater khilimoni	R 15 437 475	R 20 727 388	R 25 000 000
Khukhulela water	R 4 999 897		
Kwanomandlovu water project	R 10 000 000		
Mbhulelweni water supply	R 10 266 330	R 15 000 000	R 10 000 000
Ingwe household sanitation project	R 3 000 000	R 3 500 000	
Bulwer donnybrook water supply scheme project (MIG)		R 15 000 000	R 25 000 000
Creighton Water Supply		R 10 000 000	R 20 000 000
Donny Brook Bulk Sewer			R 10 000 000
Bulwer Dam Intervention	R 1 000 000	R10 000 000	R 10 000 000
Tarrsvalley water project	R 3 156 907	R 10 000 000	R -

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Stephen Dlamini Dam water supply scheme project (RBIG)	R 30 000 000	R 80 000 000	R 120 000 000
TOTAL	R 84 860 609	R 174 227 388	R 230 000 000

KOKSTAD PROJECT LIST

PROJECTS	2015/16	2016/17	2017/18
Greater Kokstad Emergency Sewer Intervention	R 9 000 000		
Horseshoe Sanitation Project-New	R 9 000 000	R 25 677 072	R 0
Greater Paninkukhu Bulk Water		R 1 872 751	
Kokstad Water Conservation & Demand		R 8 000 000	R 5 000 000
Makhoba Water Project	R 1 000 000		
TOTAL	R 19 000 000	R 35 549 824	R 5 000 000

KWASANI PROJECT LIST

PROJECTS	2015/16	2016/17	2017/18
Underberg Waste Water		R 15 420 853	R 20 298 110
Underberg Bulk Water Supply Upgrade Phase 2	R 7 000 000		
Mqatsheni Stepmore Water Project			R 10 119 000
TOTAL	R 7 000 000	R 15 420 853	R 30 417 110

UBUHLEBEZWE PROJECT LIST

PROJECTS	2015/16	2016/17	2017/18
Chibini Water Supply	R 9 000 000		
Ixopo Mariathal Water Supply			
Ixopo Hopewell Water Supply		R 4 000 000	R 15 000 000
Ncakubana Water Project	R 4 500 000		
Thubaletu Water Supply	R 9 654 877		
Ufafa Water Supply	R 14 469 191		
Umkhunya Water Projects	R 12 895 745	R 15 118 000	R 20 000 000

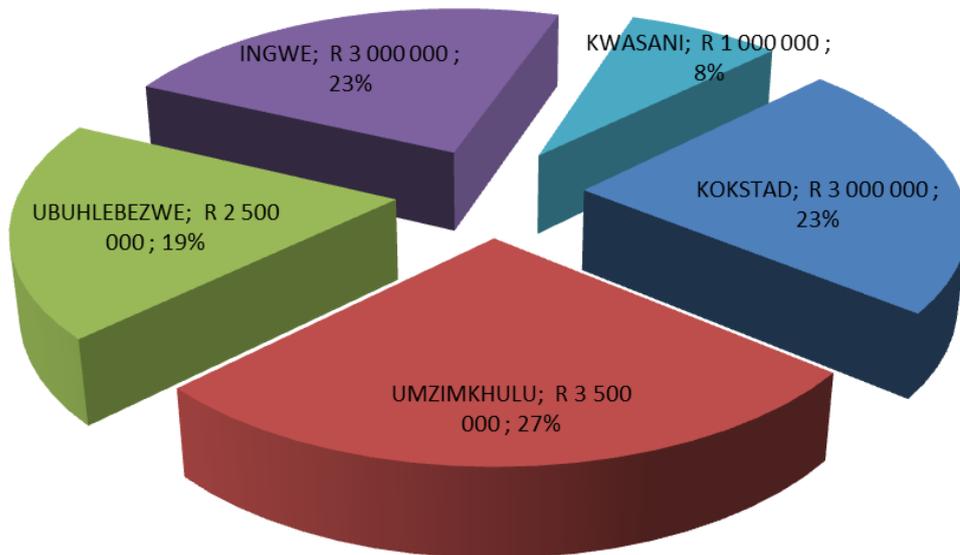
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Eradication Of Sanitation Backlog In Ubuhlebezwe	R 2 500 000		
Ncwadi water supply			R 10 000 000
Emazabekeni/Nokweja water supply			R 15 000 000
Highflats Town Bulk Water Supply		R 5 000 000	R 5 000 000
TOTAL	R 53 019 813	R 24 118 000	R 65 000 000

UMZIMKHULU PROJECT LIST

UMZIMKHULU PROJECT LIST	2015/16	2016/17	2017/18
Umzimkhulu Sewer Emergency Intervention		R 9 000 000	R 6 700 000
Mnqumeni / Santombe Water Supply	R 19 000 000		
Eradication Of Sanitation Backlog In Umzimkhulu	R 5 000 000	R 12 500 000	R 22 000 000
Greater Summerfield	R 18 068 663	R 15 952 000	R 25 000 000
Ndawana Water Supply	R 2 500 000		
Ibisi Housing Bulk Sewer Services			R 15 000 000
Ibisi water project			R 5 000 000
Kwameyi, Teerkloof	R 23 064 689		
Tonjeni water project		R 10 000 000	
Greater Paninkukhu Water Supply (Rudimentary, Reticulation of Sdadeni, Gunjini, Gujendlini, Kwasenti, Chancele, Pholanyoni, Thonjeni, Mncweba and Tsawule)	R 30 810 101	R 15 000 000	R 20 000 000
Santombe Water Supply		R 10 000 000	
Clysdale Water Reticulation	R 1 000 000		
Paninkukhu Water Resource Development (Ibisi Dam)	R 1 000 000		
Umzimkhulu Sewer Upgrade Phase 2	R 2 000 000		
Total	R 102 443 453	R 72 452 000	R 93 700 000

REFURBISHMENT PER LOCAL MUNICIPALITY



2016/2017 Service Delivery Budget and Implementation Plan

16.7. Operational Budget

The operational budget covers day-to-day expenses. This can include wages, rent, utilities and purchases of items that are intended to last less than a year. If you borrow money for capital expenditures, the expense comes out of your operational budget because you will have to service that loan with monthly payments. The operational budget tells you how much cash you need to take in each month to cover your bills.

Municipality MUST ensure that it has instituted measures to achieve monthly revenue targets for each revenue source. The SDBIP information on revenue will be monitored and reported monthly

The development, implementation and monitoring of a Service Delivery and Budget Implementation Plan (SDBIP) is required by the Municipal Finance Management Act (MFMA). In terms of Circular 13 of National Treasury, “the SDBIP gives effect to the Integrated Development Plan (IDP) and budget of the municipality and will be possible if the IDP and budget are fully aligned to each other.

OPERATIONAL BUDGET

DESCRIPTION	BUDGET		
	2016/17	2017/18	2018/19
Salaries	R 12 986 493	R 13 635 817	R 14 317 608
General Expenses	R 5 200 627	R 5 460 659	R 5 733 692
Repairs & Maintenance	R 150 000	R 157 500	R 165 375
Programmes	R 6 700 000	R 7 035 000	R 7 386 750
Learnership	R 3 350 000	R 3 730 000	R 3 913 875
TOTAL	R 28 387 120	R 30 018 976	R 31 517 300

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The following are the highlights of the special programmes projects for 2016/2017 financial year.

Table 10: Special Programmes

DESCRIPTION	2016/17	2017/18	2018/19
RHAWUKA HORSE RACING TRACK	R 1 000 000	R1 200 000	R1 500 000
SPORT DEVELOPMENT	R 3 500 000	R 2 800 000	R 2 500 000
ICT HUB	R 227 500	R 240 695	R 254 655
RURAL HORSE RIDING - GAMES (SUMMER CUP)	R 691 337	R 560 490	R 689 634
DISABLED PROGRAMMES	R 316 500	R 334 857	R 354 279
YOUTH DEV PROGRAMMES	R 500 438	R 600 183	R R700 000
BURSARIES-COMMUNITY	R 400 000	R 529 000	R 559 682
MEDICAL BURSARIES	R 189 900	R 200 914	R 212 567
WOMENS EMPOWERMENT PROGRAMME	R 301 000	R 350 238	R 376 186
MENS FORUM AND CAPACITY BUILDING	R 210 000	R 210 000	R 250 000
SENIOR CITIZENS PROGRAMMES	R 200 000	R 250 000	R 285 000
BACK TO SCHOOL CAMPAIGN	R 158 250	R 167 429	R 177 139
TO ATTEND UMKHOSI WOMHLANGA	R 50 000	R 75 000	R 80 000
HARRY GWALA DISTRICT MARATHON	R 1 000 000	R 1 000 000	R 1 200 000
RELIGIOUS FORUMS	R50 000	R55 000	R60 000
TOTAL	R 8 794 925	R 8 573 806	R 9 197 142

Annexure

**2016/2017 DEPARTMENTAL SERVICE DELIVERY BUDGET AND IMPLEMENTATION PLAN
(SDBIP)**