ELIAS MOTSOALEDI LOCAL MUNICIPALITY

DRAFT MTREF BUDGET 2011/2012

BUDGET DOCUMENT

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2. MAYORAL BUDGET SPEECH

3. DRAFT BUDGET RELATED RESOLUTIONS

1. Council resolves that the draft budget of the Municipality for the financial year 2010/11, with three year audited actual from 2007/08 to 2009/10 and indicative figures for the two projected outer years 2011/12 and 2011/13 be approved for public participation as set-out in the following schedules:

   1.1 Budgeted summary on table A1 (Page 43);
   1.2 Budgeted financial performance (revenue and expenditure by classification reflected on table A2 (page 44)
   1.3 Budgeted financial performance (revenue and expenditure by municipal vote reflected on table A3 (page 45)
   1.4 Budgeted financial performance (revenue source and expenditure by type reflected on table A4 (page 46)
   1.5 Budgeted capital budget by vote, standard classification and funding as reflected on table A5 (page 47)
   1.6 Budgeted financial position as reflected on table A6 (page 48)
   1.7 Measurable performance objective for revenue source as per Cash flow table A7 (page 49)
   1.9 Cash back reserve/ accumulated surplus reconciliation on A8 (page 51)
   1.10 Asset management as reflected on table A9 (page 53)
   1.8 The basic service delivery measurement on table A10 (page 55)

2. Council resolves that property rates reflected on page 21 be approved for the draft budget year 2011/12.
3. Council resolves that the tariffs policy adopted for public participation and the following tariff and charges reflected on the listed pages be approved for the draft budget 2010/11 financial year.

   3.1 Electricity (Page 35)

   3.2 Water (Page 36)

   3.3 Refuse removal (Page 36)
   3.4 Sewerage (Page 37)
   3.5 Basic charges (Page 35)
   3.6 Sundry tariffs (Pages 38)

4 Council resolve to adopt the draft amended Integrated Development Plan (IDP)reflected in (Annexure 2)
5 Council notes that the SDBIP submission and approval of the SDBIP will be dealt with in accordance with sections 69(3)(a) and 53(1)(c)(ii) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

4 Executive Summary

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The municipal business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship.

National Treasury's MFMA Circular No. 51 and 54 were used to guide the compilation of the 2011/12 MTREF.

The main challenges experienced during the compilation of the 2011/12 MTREF can be summarised as follows:

- Aging and poorly maintained water, roads and electricity infrastructure;
- The increased cost of bulk water and electricity, which is placing upward pressure on service tariffs to residents.
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;

The following budget principles and guidelines directly informed the compilation of the 2011/12 MTREF:

- The 2010/11 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2011/12 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2011/12 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2011/12 MTREF

R thousand	Adjustments Budget 2010/11	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Total Operating Revenue	225,130,000	264,986,000	285,922,000	306,333,000
Total Operating Expenditure	141,523,000	148,425,000	161,696,000	176,233,000
(Surplus)/Deficit for the year	83,607,000	116,561,000	124,226,000	130,100,000
Total Capital Expenditure	83,603,000	114,736,000	69,466,000	62,413,000

Total operating revenue has grown by 17.70 per cent or R39 856 million for the 2011/12 financial year when compared to the 2010/11 Adjustments Budget. For the two outer years, operational revenue will increase by 7.9 and 7.14 per cent respectively, equating to a total revenue growth of R81 203 million over the MTREF when compared to the 2010/11 financial year.

Total operating expenditure for the 2011/12 financial year has been appropriated at R148 425 million and translates into a budgeted surplus of R116 561 million. When compared to the 2010/11 Adjustments Budget, operational expenditure has grown by 4.88 per cent in the 2011/12 budget and by 8.94 and 8.99 per cent for each of the respective outer years of the MTREF. The operating surplus for the two outer years steadily increases to R124 226 million and then stabilise at R130 100 million. These surpluses will be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

The capital budget of R114 736 million for 2011/12 is 37 per cent more when compared to the 2010/11 Adjustment Budget. The increase is due to various increases in the operational grants such as the extended public works program (EPWP) incentive grant and integrated national electrification program. The balance of R 78 291 million will be funded from internally generated funds.

For Elias Motsoaledi local Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the municipality and continued economic development;

- Efficient revenue management, which aims to ensure a 90 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the municipality

The following table is a summary of the 2011/12 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

Description	Ref	2007/08	2008/09	2009/10	Current Year 2010/11				2010/11 meduim Term Revenue &		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Revenue By Source											
Property rates	2	5 889	6 354	15 040	21 000	21 000	21 000	9 040	22 260	23 596	25 011
Property rates - penalties & collection charges											
Service charges - electricity revenue	2	15 284	17 310	28 214	41 000	41 000	41 000	28 214	47 354	51 965	57 029
Service charges - water revenue	2	3 775	4 061	5 500	900	900	900	5 500	–	–	–
Service charges - sanitation revenue	2	14	3	6	172	172	172	6	–	–	–
Service charges - refuse revenue	2	1 612	1 661	1 823	2 889	2 889	2 889	1 823	2 502	2 652	2 811
Service charges - other										–	–
Rental of facilities and equipment		588	601	558	2 016	2 016	2 016	558	728	771	818
Interest earned - external investments		3 528	7 225	3 200	49 620	49 620	49 620	3 200	11 976	12 694	13 456
Interest earned - outstanding debtors		649	471	440	5 791	5 791	5 791	440	5 000	5 300	5 618
Dividends received		–	–	–	–	–	–	–	–	–	–
Fines		1 735	947	771	2 602	2 602	2 602	771	1 000	1 060	1 124
Licences and permits		10 028	10 440	11 294	12 931	5 000	5 000	5 000	5 300	5 618	5 955
Agency services		–	–	–	900	900	900	–	13 080	1 185	1 470
Transfers recognised - operational		49 033	62 299	81 333	129 042	129 042	129 042	81 333	124 719	130 943	140 285
Other revenue	2	13 406	28 681	88 352	93 320	93 320	93 320	88 352	31 067	50 137	52 756
Gains on disposal of PPE											
Total Revenue (excluding capital transfers and contributions)		**105 543**	**140 053**	**236 533**	**362 183**	**354 252**	**230 533**	**230 533**	**264 986**	**285 922**	**306 333**

Table 3 Percentage growth in revenue by main revenue source

Description	Current Year 2010/11		2011/12 Meduim Term Revenue & Expenditure Framework					
R thousand	Ajusted Budget	%	Budget Year 2011/12	%	Budget Year + 1 2012/13	%	Budget Year + 2 2013/14	%
Revenue By Source								
Property rates	21 000	9.3%	22 260	8.4%	23 596	8.3%	25 011	8.2%
Property rates - penalties & collection charges								
Service charges - electricity revenue	41 000	18.2%	47 354	17.9%	51 965	18.2%	57 029	18.6%
Service charges - water revenue	900	0.4%	–	0.0%	–	0.0%	–	0.0%
Service charges - sanitation revenue	172	0.1%	–	0.0%	–	0.0%	–	0.0%
Service charges - refuse revenue	2 889	1.3%	2 502	0.9%	2 652	0.9%	2 811	0.9%
Service charges - other								
Rental of facilities and equipment	1 956	0.9%	728	0.3%	771	0.3%	818	0.3%
Interest earned - external investments	4 962	2.2%	11 976	4.5%	12 694	4.4%	13 456	4.4%
Interest earned - outstanding debtors	5 791	2.6%	5 000	1.9%	5 300	1.9%	5 618	1.8%
Dividends received	–	0.0%	–	0.0%	–	0.0%	–	0.0%
Fines	2 852	1.3%	1 000	0.4%	1 060	0.4%	1 124	0.4%
Licences and permits	5 000	2.2%	5 300	2.0%	5 618	2.0%	5 955	1.9%
Agency services	900	0.4%	13 080	4.9%	1 185	0.4%	1 470	0.5%
Transfers recognised - operational	131 568	58.4%	124 719	47.1%	130 943	45.8%	140 285	45.8%
Other revenue	6 140	2.7%	31 067	11.7%	50 137	17.5%	52 756	17.2%
Gains on disposal of PPE								0%
Total Revenue (excluding capital transfers and contributions)	**225 130**	**100%**	**264 986**	**100%**	**285 921**	**100%**	**306 332**	**100%**
Total Revenue from rates and service charges	65 961	29.3%	72 116	27.2%	78 213	27.4%	84 852	27.7%

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms an insignificant percentage of the revenue basket for the municipality. In the 2010/11 financial year, revenue from rates and services charges totalled R65 961 million or 29.3 per cent. This increases to R72 116 million, R78 213 million and R84 852 million in the respective financial years of the MTREF. A notable trend is the decrease in the total percentage revenue generated from rates and services charges which decrease from 29.3 per cent in 2010/11 to 27.2 per cent in 2011/12 and steadily increasing up gradually in the outer two years. This decline is mainly attributed to the Sekhukhune District Municipality taking over water and sanitation of which the municipality is entitled to 10 per cent of the total amount billed on both services charges. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality.

Property rates is the third largest revenue source totalling 8.4 per cent or R22 260 million rand and increases to R23 596 million and R25 011million by 2012/13 and 2013/14 respectively. The second largest source is electricity revenue.

Operating grants and transfers amount R124 719 million in the 2011/12 financial year and steadily increases to R130 943 million and R140 285 million respectively in the outer years

The municipal infrastructure grant amount to R29 037 million in the 2011/12 financial year and steadily increased to R35 306 million and R37 248 million respectively in the outer two years

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The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 4 Operating Transfers and Grant Receipts

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2010/11 Medium Term Revenue &		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
RECEIPTS:									
Operating Transfers and Grants									
National Government:	40 658	49 199	63 692	87 180	89 706	87 180	124 719	130 943	140 286
Equitable share	40 658	47 799	60 649	82 495	82 495	82 495	114 134	126 125	134 349
Other transfers/grants [insert description]		1 400	3 043	4 685	7 211	4 685	10 585	4 818	5 937
Financial Management (FMG)	500	500	250	750	750	750	1 250	1 500	1 500
Municipal System Improvement (MSIG)	734	734	735	735	735	735	790	800	900
Intergrated National Electrification	–	–	–	3 200	3 200	3 200	4 554	2 518	3 537
Expanded Public Works Programme	–	–	–	–	2 526	2 526	3 991	–	–
Rural Household Infrastructure	–	–	–	–			–	–	–
Housing Grant	–	166	165	–			–	–	–
Land Affairs	–	–	1 893	–					
Provincial Government:	–	–	–	–	–	–	–	–	–
District Municipality:	–	–	–	–	–	–	–	–	–
Other grant providers:	–	–	–	–	–	–	–	–	–
Total Operating Transfers and Grants	40 658	49 199	63 692	87 180	89 706	87 180	124 719	130 943	140 286

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of Eskom tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and in these tariffs are largely outside the control of the municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the municipalities future financial position and viability.

1.1.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA)
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy;

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2011/12 financial year remain the same from 1 July 2011 as contained below:

Table 5 Comparison of proposed rates to levied for the 2011/12 financial year

Category	Current Tariff (1 July 2010)	Proposed tariff (from 1 July 2011)
	R	R
Residential properties	0.0060	0.0060
State owned properties	0.0015	0.0015
Business & Commercial	0.0120	0.0120
Agricultural	0.0015	0.0015
Municipal rateable	0.0000	0.0000
Public benefit organisation properties	0.0015	0.0015

1.2 Operating Expenditure Framework

The municipality's expenditure framework for the 2011/12 budget and MTREF is informed by the following:

- o Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plan no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2011/12 budget and MTREF (classified per main type of operating expenditure):

Table 6 Summary of operating expenditure by standard classification item

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2010/11 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Expenditure By Type									
Employee related costs	–	1 612	1 661	1 748	1 823	48 980	59 585	65 542	72 094
Remuneration of councillors	10 800	8 875	11 411	13 328	13 328	13 328	15 405	16 945	18 640
Debt impairment	–	–	2 463	2 594	2 594	2 594	2 915	3 089	3 275
Depreciation & asset impairment	–	–	–	–	–	2 200	2 332	2 472	2 620
Finance charges	–	–	–	–	–	–	–	–	–
Bulk purchases	–	580	591	720	674	22 687	31 809	35 382	39 369
Other materials	159	372	696	472	472	472	1 302	1 380	1 463
Contracted services	–	–	–	–	–	5 435	4 689	4 971	5 269
Transfers and grants	–	–	–	–	–	–	–	–	–
Other expenditure	–	–	–	–	–	134 358	30 389	31 915	33 502
Loss on disposal of PPE	–	–	–	100	100	100	–	–	–
Total Expenditure	**10 959**	**11 439**	**16 822**	**18 962**	**18 991**	**230 154**	**148 425**	**161 696**	**176 233**

The budgeted allocation for employee related costs for the 2010/11 financial year totals R48 980 million.

The settlement reached by the SALGBC parties in the salary dispute resulted in a further financial implication on this area of expenditure. A preliminary amount of R5 million has been included in the 2011/12 MTREF. It should be noted that the total financial implication could not be determined as the applicable municipal wage curve (representing equal pay for equal work at all municipalities in South Africa) has not been finalised.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the municipality's budget.

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved.

The following table gives a breakdown of the main expenditure categories for the 2011/12 financial year.

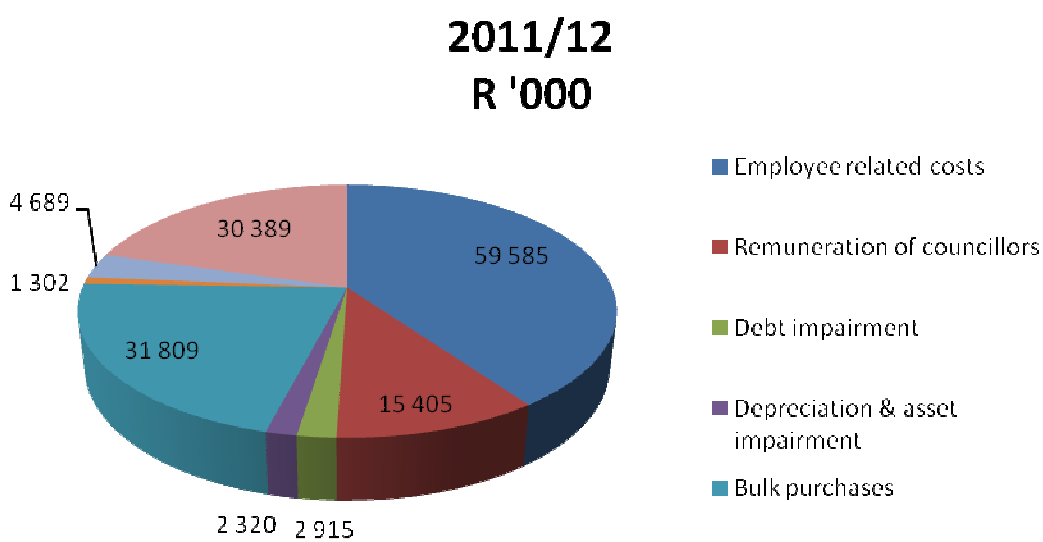

Figure 1 Main operational expenditure categories for the 2011/12 financial year

1.3 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 7 2011/12 Medium-term capital budget per vote

Vote Description	2007/08	2008/09	2009/10	Current Year 2010/11			2011/12 Meduim Term Revenue &		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/2013	Budget Year +2 2013/2014
Governance and administration	**2 157**	**3 601**	**6 910**	**2 460**	**2 460**	**2 460**	**8 849**	**1 609**	**1 562**
Executive and council	–	–	1 620	–	–	–	100	150	20
Budget and treasury office	1 750	–	5 290	–	–	–	500	300	200
Corporate services	407	3 601	–	2 460	2 460	2 460	8 249	1 159	1 342
Community and public safety	**41**	**47**	**890**	**7 760**	**7 760**	**7 760**	**11 020**	**2 418**	**6 443**
Community and social services	41	47	890	7 760	7 760	7 760	11 020	2 418	6 443
Sport and recreation									
Public safety									
Housing									
Health									
Economic and environmental services	**5 795**	**6 481**	**74 415**	**70 857**	**73 383**	**73 383**	**79 893**	**56 978**	**46 817**
Planning and development	5 795	6 481	74 415	200	200	200	18 200	2 000	2 000
Road transport and Technical				70 657	73 183	73 183	61 693	54 978	44 817
Environmental protection									
Trading services	–	–	–	–	–	–	**10 554**	**6 000**	**5 120**
Electricity				–			10 554	6 000	5 120
Water									
Waste water management				–			–		
Waste management									
Other							**4 420**	**2 462**	**2 471**
Total Capital Expenditure - Standard	**7 992**	**10 129**	**82 215**	**81 077**	**83 603**	**83 603**	**114 736**	**69 466**	**62 413**

For 2011/12 an amount of R114 736 million has been appropriated for the capital expenditure of the municipality. In the outer years this amount totals R69 466 million, and R62 413 million respectively for each of the financial years.

5 BUDGET SCHEDULES

1.1 Budgeted summary on table A1 (Page 43);
1.2 Budgeted financial performance (revenue and expenditure by classification reflected on table A2 (page 44)
1.3 Budgeted financial performance (revenue and expenditure by municipal vote reflected on table A3 (page 45)
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6. BUDGET PROCESS OVERVIEW

- Budget Process Overview

The budget process is a continuous cycle of planning, implementing, monitoring and reporting. The budget process involves activities relating to at least three budget years simultaneously. The process involves simultaneously assessing how the Municipality is managing the closure of the previous financial year budget, the monitoring of the current year budget and the planning for the next three years' budgets, linked with the IDP.

National Treasury provides guidance on budget preparation by providing the MFMA Circulars. The 20011/12 budget is prepared in accordance with the MFMA Circular 51 and 54. The management and executive committee had undergone the strategic session to clearly define the strategic priorities of the municipality.

Critical to the development of a credible budget are: the manner in which the strategic planning process is integrated; the input of policy directions; and consultation with the community and other stakeholders.

- **Political oversight of the budget process**

The Mayor provided the political guidance overview over the budget and priorities that guided the budget preparation. This has been done in terms of section 54(1)(a) of Municipal Finance Management Act(MFMA) and budget regulation and Reporting.

The budget preparation and IDP review process was driven by the IDP and Budget Steering Committee. This committee is chaired by the Chairperson of Financer and the following persons are members:

- Chairperson: Finance
- Municipal Manager
- All heads of Departments (Directors)
- Manager Budget
- Manager IDP

The Strategic Director on behalf of the municipal Council drives the IDP Review Process, which entails the coordination of activities, meetings and the development of documents within the ambit of the steering Committee.

- **Schedule of Key Deadlines relating to budget process 21(1)(b)]**

The schedule of key deadlines for the preparation of the budget and the annual review of the IDP for the 2011/2012 medium term period was tabled in council in and was approved accordingly.

- **Process for tabling and adoption of budget in council for community consultation**

Elias Motsoaledi Local Municipality's 2010/11 Budget have been developed to comply with Circular 51 and 54 of MFMA and the provision of section 15-20 of MFMA..

The tabling of time schedule outlining key deadlines for Elias Motsoaledi Local Municipality started 10 months before the start of the budget year. The plan indicated the following:

- The preparation, tabling and approval of the Annual Budget;
- Annual Budget review on budget – related policies;
- The tabling and adoption of the reviewed IDP;
- Consultation process with the community.
- Approval of the final IDP and budget

- **Consultation process with stake holders and outcomes**

The draft IDP/Budget will placed on the municipal website, copies will placed at all satellite office and libraries and Meshate of Magoshi

The ward committee members were utilized to facilitate community participation meetings.

- **Process used to integrate the review of the IDP and preparation of the budget**

  The IDP and budget preparation process started in August 2010, with the review of IDP/Budget process plan reflecting key deadline and was adopted by council.

  The IDP revision and budget process were fully integrated to obtain best results. Various meetings were held with community members, ward committees, councillors and other stakeholders.

  The IDP review and Budget preparation review process was driven by IDP/ Budget Steering Committee.

- **Summary of Community Priority Issues (During ward based IDP forum)**
-

Council is committed to allocate scares financial resources to service delivery goals determined in the IDP and policies of National Government such as free basis on water, electricity and sanitation.

During public consultation meetings, communities still raised a number of issues that they considered pertinent for the development of their respective wards and areas. Below is a summary of the most pertinent community issues highlighted throughout the Elias Motsoaledi Municipal Area. The need for:

Infrastructure development needs are:

High mast lights and maintenance

Electricity,

Roads, their maintenance and necessary road signage

Sanitation Facilities

Storm water drainage

Housing backlog and completion of RDP

Health issues

- Centres for orphans and HIV/Aids patients
- Ambulances
- Shortage of clinics
- Support for home based Care Centres

Social service needs

- Refuse removal
- Cemeteries
- Upgrading & maintenance of sport facilities
- Multipurpose Centres
- Children Day care Centres
- Old Age Centres
- Easily accessible pension payment
- Libraries
- Establishment of CPF’s
- Skills Development Centres
- Community Halls

Education

- Facilitating Scholar Transport for farm learners
- Schools and libraries
- Bursaries

Local Economic development

- Poverty Alleviation Projects
- Agricultural need
- EPWP projects

All the issues highlighted above are indicative of the fact that there is a need for cross-sectoral collaboration with municipalities and provincial and national service providers.

- **Strategic alignment with National and Provincial Governments**

Limpopo Province Growth and Development Strategy

In terms of Section 24(1) of the Municipal Systems Act "The planning undertaken by a municipality must be aligned with, and complement, the development plans and strategies of other affected municipalities and other organs of state so as to give effect to the principles of co-operative government contained in Section 41 of the Constitution".

In case of the Elias Motsoaledi Local Municipality the three most important (although not the only) directives in this regard are the Limpopo Growth and Development strategy (PGDS), the

Integrated Development Plan of the Sekhukhune District Municipality, and the International Community Development Targets (Vision 2014).

The PGDS (2004-2014) is the strategic framework for the Limpopo Provincial Government that sets the tone and pace for growth and development in the province. It addressed the key and most fundamental issues of development spanning the social, economic and the political environment and was developed from the following:

- National policies and strategies
- Provincial strategies
- Local Government plans (e.g. Integrated Development Plans) and strategies

The PGDS is considered a strategic document in as far as it ties Provincial policies with National policies while it spells out strategies on a sectoral level. Moreover, the PGDS also serves as guideline to provincial departments and local government/ organizations when they lay out their budget allocations in the light of key growth and development priorities at the beginning of each budget cycle.

It is thus essential that the issues and programmes emanating from IDP' be compatible with the priority areas of the PGDS.

Limpopo province identified several priority areas of intervention as part of the Provincial Growth and Development Strategy, namely:

- **Economic Development** (i.e. investment, job creation, business and tourism development and SMME development)
- **Infrastructure Development** (i.e. urban/ rural infrastructure, housing and land reform)
- **Human Resource Development** (i.e. adequate education opportunities for all)
- **Social Infrastructure** (i.e. access to full social infrastructure)
- **Environmental Development** (i.e. protection of the environment and sustainable development)
- **Good Governance** (i.e. effective and efficient public sector management and service delivery).

Care was taken during the Elias Motsoaledi IDP process that all actions and initiatives proposed by the municipality are in line with these Provincial Priority Areas for Intervention as highlighted above.

7. ALIGNMENT OF BUDGET WITH IDP

- **VISION**

A better life for all through service excellence.

- **MISSION**

The Elias Motsoaledi Local Municipality is committed to:

- Provide democratic and accountable government for local communities;
- Ensure provision of services to communities in a sustainable manner;
- Promote social and economic development;

We will achieve this by:

- Implementing a system of Integrated Development Planning based on priority needs of the community identified through community consultation processes;
- Ensuring the effective performance of all service providers in the municipal area;

- Supporting sustainable infrastructure development and maintenance, as well as service delivery, through a fair allocation of resources;
- Promoting a safe and healthy environment;
- Facilitating economic development and job creation

- **MUNICIPAL KEY FOCUS AREAS AND IDP PRIORITY ISSUES**

  Based on the above, the following are the key focus areas of the Elias Motsoaledi Local Municipality
- **KEY FOCUS AREAS**

- Good Governance
- Financial Viability
- Community Consultation
- Infrastructure Development and Service Delivery
- Economic Development and Job Creation

KEY PRIORITY ISSUES

Issue1: Powers, Duties and Functions
Issue2: Organizational Restructuring and Transformation
Issue3: Financial Management
Issue4: Good Governance and Communication
Issue5: Spatial Restructuring and Land Use Management
Issue6: Land Reform and Land Administration
Issue7: Housing
Issue8: Health and Welfare
Issue9: Education
Issue 10: Culture, Sport and Recreation
Issue 11: Safety and Security
Issue 12: Emergency Services
Issue 13: Post and Telecommunication
Issue 14: Cemeteries
Issue 15: Water and Sanitation
Issue 16: Electricity Supply

Issue 17: Waste Management
Issue 18: Roads, Storm water and Transport
Issue 19: Environmental Management
Issue 20: Economic Development and Job Creation

8. BUDGET RELATED POLICIES: OVERVIEW AND AMENDMENTS

REVENUE MANAGEMENT

The municipality is still reliance on government grants and subsidies.

Challenges on revenue collection

Council has implemented Municipal Property Rate Act and new valuation roll was implemented from 1 July 2009.

There are still challenges on implementing the new valuation roll on some of new rate able properties. Mails do not reach property owners, meaning the address are not updated especially owners of undeveloped land. We will embark on the data cleansing project to ensure that user details are correctly captured.

Municipal Property Rate policy

Municipal property rate policy was adopted in May 2009

CREDIT CONTROL AND DEBT MANAGEMENT

The municipal debt is growth at. 10 per cent In order to ensure that money owed to council is recovered, debt Collection Company was appointed to recover all outstanding debts on behalf of council upon signing the service level agreement with the municipality

INVESTMENT

Council invested funds in short term deposit and call deposits, these funds are temporary invested as per cash flow requirements. The aim is to preserve cash until is required; the deposits are done for 90 days and less.

Cash management and investment policy

The municipality has a cash management policy, which guides on how the money not urgently need is preserve, the policy was adopted in and it is being implemented, no review is proposed.

BUDGET MANAGEMENT AND EXPENDITURE CONTROL

Treasury and Budget Office is implementing new budget format as a requirement of Budget regulation issued by National Treasury.

The finalization of replacing 3000 old meters by digital metering will be complete in the 2011/12 financial year. This will improve revenue collection, as users will pay for accurate billing and mitigate disputed on consumed readings.

Budget policy

The budget policy has been approved

SUPPLY CHAIN MANAGEMENT

The committee established in terms of supply chain regulations are functional and just need continuous training to ensure compliance with supply chain policy, regulations and relevant legislations.

Supply chain management policy

Supply Chain Management Policy has been reviewed on the strategic session.

ASSET MANAGEMENT

Infrastructure asset register has been compiled with information that is considered 95% accurate for visible infrastructure
Municipal assets are recorded in the fixed asset register, to ensure that control and risk avoidance are effectively maintained. The effective management of municipal infrastructure is central to municipality to provide acceptable standard of service to the community. It is important to assess and perform regular review the actual extent, utilization, criticality and performance and condition of infrastructure assets to optimize planning and implementation works.

Asset Management Plans

Municipality has compiled Infrastructure asset management plans (IMP) are in draft stage, the plans will give details of conditions of assets. Most of roads infrastructure is at 50% remaining useful life. This implies that capital replacement reserve should be created and be cash backed to achieve a balance between maintaining and renewing existing infrastructure while also addressing the backlog in service delivery in basic services.

The IMP will inform decision on service delivery efficiency and improvement

Long term sustainability and risk management

Performance monitoring and accountability

Priority development of minimum basic services

Asset management and disposal policy

Asset management and disposal policy has been approved and obsolete asset will be disposed before the end of the financial year 2010/11.

RISK MANAGEMENT

Council has developed a risk management and anti corruption strategy. The strategy is being implemented and whistle blowing has been functional on several occasions.

Risk assessment has been done and mitigation strategies are being developed to ensure that risk avoidance is achieved.

STATUTORY AND IN-YEAR REPORTING

Council is committed to ensure that administration comply with relevant legislation in terms of financial reporting. The aim is to submit relevant reports such as section 71 reports to the relevant authorities as well as annual reports and financial statements as required by the provision of Municipal Finance Management Act.

The project clean audit was launched and as municipality we have an obligation to ensure that clean audit is achieved. In this regard, the municipality will be developing a comprehensive plan to achieve a clean audit report in the 2009/2010 financial year. The challenges experienced during 2008/09 audit was on the conversion of financial reporting from IMFO standard to GRAP, specifically on asset treatment and revenue recognition on water services since Elias Motsoaledi is providing the service on behalf of the district municipality, as well as traffic fines. The action plan will focus on the risks of financial reporting to ensure that all standard are effectively implemented.

Accounting policy

Accounting policy will be revised in July 2010 and the annual financial statements will be compiled on the policy

Indigent Policy

The municipality's indigent policy was approved by council in, with annual adjustments, linked to the budget, being made to income thresholds and benefits offered to registered indigents. Salient features of the policy include:

i. Threshold for monthly household income of R1 200.00
ii. Free electricity of 50kWh per household
iii. 6 kiloliters of free basic water
iv. Free sanitation
v. Free refuse removal

9. BUDGET ASSUMPTION

Salaries and wages

The employees shall be paid in accordance with the new wage rates before the end of the financial year 2010/11 as per SALGBC new wage curve.

Councillor Allowances

All the costs associated with the remuneration of Councillors, including their allowances and any other benefits paid, is showed in this section as a separate expense. The additional Councillor allowances as promulgated are budgeted for at the estimate of 10%.

General Expenditure

The current CPIX increase identified by National Treasury is approximately 6%. The general increases in the budget follow this guide but in certain cases the tariffs are increased in line with actual costs and out of this guideline increases. These items relate to maintenance, fuel, telephone and contracted in services.

Bulk Purchases

The percentage increases of Eskom tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and in these tariffs are largely outside the control of the municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the municipalities future financial position and viability.

Repairs and Maintenance

This item must include all labour and material costs for the repair and maintenance of the assets of the Municipality. It must include both contracted services and services performed by employees. The total cost of asset maintenance is disclosed in this item to enable an evaluation of asset performance.

Expenditure that maintains an asset in good working order, to ensure asset performance and the useful life originally expected, is not capital and must be shown under this item. "Total Asset Management" requires that a schedule of programmed maintenance should be developed for all assets of the municipality. This ensures that the asset maintains optimal performance and the municipality obtains maximum flow of economic benefits from employment of the asset over its optimum life. The deferral of maintenance expenditure on assets has the effect of increasing future maintenance costs and also has potential for reducing the economic life of the asset and hence the flow of economic benefits. Deferrals should be indicated clearly in the operational plans.

Capital Expenditure

Capital expenditure is funded from National Electricification Grant and Municipal Infrastructure Grant

10. FUNDING THE BUDGET (INCLUDING FISCAL OVERVIEW AND SOURCE OF FUND

Grants and Subsidies

This item consists of subsidies in the form of equitable share contributions, finance manage grant, municipal systems improvement grant and others as may be determined from time-to-time.

Assessment Rates

An assessment rate element is levied on the land value of property in the municipal area, based on a predetermined percentage. The Local Government Property Rates Act had far reaching implications on the assessment rate tariff.

Consumer Revenue

Consumer revenue consists of income generated from the sale of electricity and water (trading services) and from amounts levied for sewerage and refuse removal (economical services). With reference to each of the services the following should be noted:-

- Water services, as a trading service, should be operated to generate a surplus of at least 10%. In the case of the Municipality the cost of supply of water is very low and as such a more significant surplus would still be in order. In doing so the pressure on tariffs for economical services could be alleviated. However, as indicated above, the Municipality is currently only delivering water services on an agency basis and would therefore not directly benefit. Such surplus could however be utilised by the District Municipality to subsidise the sewerage service.
- Refuse removal and sewerage, as economic services, should be operated to at least a point of break even.

Trends in major sources of own revenue

- Electricity and Property Rates remains the major source of revenue for the municipality.
- Property rates increases from 8.4 per cent of own revenue. This is mainly due to the revised implementation of new Property Rates Act in 2010/11.
- Electricity revenue contribute on average 17.9 per cent of own revenue

Other Revenue

Departments that provide services, other than consumer services listed above, must at least recover the costs and may generate a surplus. The services include building plan fees, use of council facilities, electricity connection fees, traffic fines, driver's licenses, transport fees, dumping fees, etc.