

# ANNUAL BUDGET OF ELIAS MOTSOLEDI LOCAL MUNICIPALITY



## 2012/13 TO 2014/15 MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK

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## 2. MAYORAL BUDGET SPEECH

### MAYOR'S BUDGET SPEECH, 29<sup>th</sup> MAY 2012

Honourable Speaker;

Members of the Executive Committee and Councillor's;

Traditional leaders;

Business leaders;

Political Parties;

The Senior Officials;

Rates Payers Association's;

Members of the Broader Public

#### **Introduction**

Honourable Speaker, the year 2012 marks important birthdays in our country. We owe the democracy we have today to the 100 years of selfless struggle by the people of South Africa in pursuit of freedom, democracy and unity. In learning from our forbearers, we must not take this freedom for granted and become complacent about the advances we have made in our quest for improving the lives of many communities.

Honourable Speaker, allow me to quote just one paragraph from our community: "*This is not something to keep quiet about, I have sleepless nights in my new home, I keep rolling and touching the walls, opening the doors to feel the reality, but guess what? It is real, today even if you don't know my past, this is my future you made bright and you made me a proud mother, I will die in peace knowing that I have a home for my kids*".

Our collective **Vision** is:

#### ***A Better life for all through Service Delivery***

Our collective **Mission** to achieve our vision is:

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 on 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.

In our commitment to a promising future of a World Class African City that is resilient, sustainable and liveable, Honourable Speaker, the medium-term budget we present today gives effect to the programmes requested by our communities.

We are making use of this opportunity to account to the institution and the society at large as to how we rolled out our budget to address the priorities we set for ourselves last financial year, as well as to commit ourselves to implement the new Budget and programme. The municipality continues to work hard in dealing with development challenges that appeared to be greater concern with a view to strengthen confidence between the people and the Government through effective, efficient, responsive, and accountable development Local Government structures as per Outcome 9 of the 12 outcomes of National Government.

On local Government, we identified five focus areas as constituting our agenda of fast-tracking the implementation of the turn – around strategy, in terms of which we seek to characterise a record of our performance as we commit to a programme of faster implementation. These are;

- Basic Service delivery
- Good Governance
- Financial Viability
- Municipal Transformation and Organisational Development
- Local Economic Development

Honourable Speaker,

It has been said several times that Local Government is at the coal – faced of service delivery. It is here that the triple challenges of unemployment, poverty and inequality are located; it is here that the practical delivery programmes take place, be it by the District or Provincial Government Department or by private sector institutions. All programmes takes place at our local areas.

It is the intention of this council to bring all stakeholders including our honourable traditional authorities in providing quality service to the community. We believe that if we work together as various actors in the field of cooperative Governance, share experience and respect each other's mandate, we stand a chance to succeed up to a

point where the people will say of our Municipality, My Municipality, --- My Service, and this include Honourable Speaker, the action of our political mandating structures.

### **2012/13 integrated development plan and budget consultation and outreach process**

Honourable Speaker, in the Elias Motsoaledi Local Municipality, we recognize that development is not about the delivery of goods to passive citizens, but is about active involvement and growing empowerment of communities in the utilization of resources.

A series of meetings were held in all wards with various stakeholders who included women's groups, people with disabilities, the business sector, civil society and the youth.

Honourable Speaker, we have received a number of submissions from communities and stakeholders and these have been factored into the final budget and revised IDP in line with the Elias Motsoaledi Local Municipality outcomes. One of the important strategic inputs by the community was broadening of our revenue base as a tactic of reducing our tariff. Therefore honourable Speaker we have broadened our revenue base through identification of farmers who were not paying rates on their properties and the Municipality managed to track them down through debt collection service providers. It is worth mentioning that billing for them will commence in July this year.

Fellow Councillors, the upgrading of roads to Magoshi is our little contributions and recognition to our Magoshi for the sterling tasks they perform for Government. They are not only custodians of majority of land earmarked for development but a central component of our participatory democracy. Ladies and gentlemen as part of our responsibility to them as Government for this year we have budgeted for their sittings in Council and also communication gadgets in the form of cellphones.

### **Honourable Speaker,**

I am honoured to present the Budget for the Elias Motsoaledi Local Municipality, for the financial year 2012/2013. In financial terms, the budget for the entire Municipal Council stands at **R 278, 933** million, with Grant Allocation of **R129,556** million allocated from the Equitable Share, **R800** thousand from Municipal System Improvement Grants( MSIG), **R1,5** million from Finance Management, **R1** million for Expanded Public Works Program(EPWP) and **R35,223** million for Municipal Infrastructure Grant(MIG). Honourable Speaker the total projected own revenue for the 2012/13 is at **R 110,854million**, which makes our 2012/13 total budget **R278,9 million**.

### **Honourable Speaker,**

In conclusion

I want to express appreciation to all Councillors, the Municipal Manager and other managers, the members of the community and everyone who have played his/her role in this budget. Your continued assistance is highly appreciated.

I therefore table the budget for 2012/2013 to Council for approval.

***“Bana ba motho ba kgerogana hlogo ya tsie”***

**Thank You,**

**Baie Dankie,**

**Re a leboha,**

**Siyabonga**

### **3. ANNUAL BUDGET RELATED RESOLUTIONS**

#### **2012/2013 MTREF BUDGET – IDP**

#### **RECOMMENDATIONS BY THE MUNICIPAL MANAGER**

1. That the Integrated Development Plan for 2012/2013 – 2016 and budget for 2012/2013 be approved.

#### **SPECIAL EXECUTIVE COMMITTEE MEETING: 28 MAY 2012**

#### **RESOLVED TO RECOMMEND:**

1. That Integrated Development plan for 2012/2013-2015/2016 be recommended for approval by council subject to the following:
  - a) The number of learners and teachers for schools in Groblersdal be included.
2. That the Annual Budget for 2012/13 be recommended for approval subject to the following:
  - a) A detailed report on the increase of the operating Budget and the reduction of the Capital Budget.
  - b) A report on investments.
  - c) Page 13 needs to be corrected specifically the table
  - d) A report on the allocation of budget for installation of services at Erf 885.
  - e) Budget for installation of services at Erf 885 be reduced from R4,5 million to R2,5 million
  - f) That the available R2 million be allocated for lawnmowers, skips and refuse truck.
3. That the (SDBIP) Service Delivery and Budget Implementation Plans be submitted for approval within 28 days from the approval of the budget (2012/2013)

#### **SPECIAL COUNCIL MEETING: 31 MAY 2012**

**RESOLVED:**

1. It be noted that pre-audit outcome for financial year 2011/2012 will be R183 545 000.00 based on April actual that will result in a deficit of R21 460 000.00.
2. That the municipal departments strive to reduce expenditure by at least 3.5% by mid-year.
3. That the 2012/2013 IDP and budget be approved.
4. That administration put strict control measures on the budget.



## 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 Circulars on municipal budget was used to guide the compilation of the 2012/13 MTREF.

The main challenges experienced during the compilation of the 2012/13 MTREF can be summarised as follows:

- Aging and poorly maintained roads and electricity infrastructure;
- The increased cost of bulk electricity, which is placing upward pressure on service tariffs to residents;
- Implementation of new Valuation Roll;
- Wage increases for municipal staff that continues 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 2012/13 MTREF:

- The 2011/12 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 2012/13 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 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 2012/13 Medium-term Revenue and Expenditure Framework:

**Table 1 Consolidated Overview of the 2012/13 MTREF**

<b>R thousand</b>	<b>Adjustments Budget 2011/12</b>	<b>Budget Year 2012/13</b>	<b>Budget Year +1 2013/14</b>	<b>Budget Year +2 2014/15</b>
Total Operating Revenue	(262 380 000)	(278 932 000)	(319 000 000)	(347 695 000)
Total Expenditure	261 896 000	278 893 000	318 945 000	347 510 000
Total Operating Expenditure	162 085 000	221 481 000	238 189 000	256 901 000
Total Capital Expenditure	99 811 000	57 412 000	80 756 000	90 609 000
(Surplus) / Deficit of the Year	(484 000)	(39 000)	(55 000)	(185 000)

Total operating revenue has grown by 6.31 per cent or R16 552 million for the 2012/13 financial year when compared to the 2011/12 Adjustments Budget. For the two outer years, operational revenue will increase by 14.36 and 8,9 per cent respectively, equating to a total revenue growth of R 98 085 million over the MTREF when compared to the 2011/12 financial year.

Total operating expenditure for the 2012/13 financial year has been appropriated at R 221 481 million and translates into a budgeted surplus of R 39 000. When compared to the 2011/12 Adjustments Budget, operational expenditure has grown by 36.65 per cent in the 2012/13 budget which amounts to R 59 396 million. The operating surplus for the two outer years steadily increases to R 55 000 and then stabilise at R185 000.

The capital budget of R 57 412 million for 2012/13 is 42.47 per cent less when compared to the 2011/12 Adjustment Budget. The decrease is due to other allocations in the Division of Revenue Act not allocated such as the extended public works program (EPWP) incentive grant being decreased and no allocation for the integrated national electrification program.

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;
- Increase ability to extend new services and recover costs
- 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 2012/13 MTREF (classified by main revenue source):

Description R thousand	Current Year 2011/12		2011/12 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2012/13		Budget Year +1 2013/14		Budget Year +1 2013/14	
			Budget	%	Budget	%	Budget	%
<b>Revenue By Source</b>								
Property rates	17,185	6.6%	17,936	6.4%	25,011	7.7%	27,512	7.7%
Property rates - penalties & Collection Charges	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Service charges - electricity revenue	50,474	19.5%	65,753	23.6%	60,240	18.5%	66,264	18.5%
Service charges - water revenue	0	0.0%	2,914	1.0%	23,176	7.1%	25,494	7.1%
Service charges - sanitation revenue	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Service charges - refuse revenue	2,502	1.0%	3,329	1.2%	2,812	0.9%	3,093	0.9%
Service charges - other	0	0	0	0.0%	0	0.0%	0	0.0%
Rental of facilities and equipment	720	0.3%	568	0.2%	818	0.3%	899	0.3%
Interest earned - external investments	12,058	4.7%	6,600	2.4%	13,548	4.2%	14,903	4.2%
Interest earned - outstanding debtors	5,000	1.9%	2,059	0.7%	5,618	1.7%	6,180	1.7%
Dividends received	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Fines	1,000	0.4%	1,150	0.4%	1,124	0.3%	1,236	0.3%
Licences and permits	5,300	2.0%	5,000	1.8%	5,955	1.8%	6,551	1.8%
Agency services	2,374	0.9%	0	0.0%	0	0.0%	0	0.0%
Transfers recognised - operational	159,298	61.5%	168,079	60.3%	185,606	56.9%	204,167	56.9%
Other revenue	2,929	1.1%	5,545	2.0%	2,152	0.7%	2,367	0.7%
Gains on Disposal of PPE								
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>258,840</b>	<b>100.0%</b>	<b>278,933</b>	<b>100.0%</b>	<b>326,060</b>	<b>100.0%</b>	<b>358,666</b>	<b>100.0%</b>
Total Revenue from rates and services changes	70,161	27.1%	87,018	31.2%	88,063	27.0%	96,869	27.0%

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 2011/12 financial year, revenue from rates and services charges totalled R70 161 million which is 27.1 percent. The revenue from rates and services charges are anticipated to increase to R89 932 million in the financial year 2012/13 which is 31.9 percent and a slight decrease to R88 063 million which is 27.6 percent and a slight increase to R96 869 million in the financial year 2014/15 financial year to 27.9 percent.

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 6.4 per cent or R17 936 million rand and increases to R25 011 million and R27 512 million by 2013/14 and 2014/15 respectively. The second largest source is electricity revenue which is contributing 24.4 percent in the financial year 2012/13.

Transfers recognised amount to R168 079 million in the 2012/13 financial year and steadily increases to R 178 743 million and R 193 195 million respectively in the outer years which exclude conditional capital grant. The municipal infrastructure grant amount to R35 223 million in the 2012/13 financial year and steadily increased to R37 156 million and R39 304 million respectively in the outer two years. The transfers recognised contribute 59.6 percent in the financial year 2012/13 which indicates that the municipality is dependent on grants. In the outer two years it contributes 56 and 55.6 respectively

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

**Table 2 Operating Transfers and Grant Receipts**

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>RECEIPTS:</b>									
<u>Operating Transfers and Grants</u>									
National Government:	84,335	141,588	110,643	157,847	1,451	159,298	132,856	141,587	153,891
Local Government Equitable Share	-	-	-	-	-	-	129,556	139,187	151,191
Municipal Systems Improvement	84,335	141,588	110,643	157,847	1,451	159,298	800	900	950
Finance Management	-	-	-	-	-	-	1,500	1,500	1,750
EPWP Incentive	-	-	-	-	-	-	1,000	-	-
	-	-	-	-	-	-	-	-	-
Other transfers/grants [insert description]	-	-	-	-	-	-	-	-	-
Provincial Government:	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Other transfers/grants [insert description]	-	-	-	-	-	-	-	-	-
District Municipality:	-	-	-	-	-	-	-	-	-
[insert description]	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Other grant providers:	-	-	-	-	-	-	-	-	-
[insert description]	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
<b>Total Operating Transfers and Grants</b>	<b>84,335</b>	<b>141,588</b>	<b>110,643</b>	<b>157,847</b>	<b>1,451</b>	<b>159,298</b>	<b>132,856</b>	<b>141,587</b>	<b>153,891</b>
<u>Capital Transfers and Grants</u>									
National Government:	-	-	-	-	-	-	35,223	37,156	39,304
Municipal Infrastructure Grant (MIG)	-	-	-	-	-	-	35,223	37,156	39,304
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Other capital transfers/grants [insert desc]	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Provincial Government:	-	-	-	-	-	-	-	-	-
Other capital transfers/grants [insert description]	-	-	-	-	-	-	-	-	-
District Municipality:	-	-	-	-	-	-	-	-	-
[insert description]	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Other grant providers:	-	-	-	-	-	-	-	-	-
[insert description]	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
<b>Total Capital Transfers and Grants</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,223</b>	<b>37,156</b>	<b>39,304</b>
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>	<b>84,335</b>	<b>141,588</b>	<b>110,643</b>	<b>157,847</b>	<b>1,451</b>	<b>159,298</b>	<b>168,079</b>	<b>178,743</b>	<b>193,195</b>

+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 Eskom price of bulk electricity supplied to municipalities will increase by 13.5 percent on 1 July 2012. Based on this price increase, and increases guideline increase for municipal tariffs of 11.03 percent. National Treasury was consulted on the methodology used by NERSA to calculate the guideline municipal tariff increase.

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.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity, petrol, diesel, chemicals, cement etc. The current challenge facing the municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the municipality has undertaken the tariff setting process relating to service charges as follows.

### **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) In addition to this rebate, a further R15000 reduction on the market value of a property will be granted in terms of the municipality's own Property Rates Policy;
- An additional 20% rebate is given to house hold and 25% to businesses.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2012/13 financial year are as contained below:

**Table 3 Comparison of proposed rates to levied for the 2011/12 financial year**

<b>Category</b>	<b>Current Tariff (1 July 2011)</b>	<b>Proposed tariff (from 1 July 2012)</b>
	<b>R</b>	<b>R</b>
Residential properties	0.0060	0.00464
State owned properties	0.0015	0.00145
Business & Commercial	0.0120	0.0087
Agricultural	0.0015	0.00145
Municipal rateable	0.0000	0.00000
Public benefit organisation properties	0.0015	0.00145

### **Sale of Electricity and Impact of Tariff Increases**

NERSA has announced the revised bulk electricity pricing structure. A 16 per cent increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2012. Considering the Eskom increases, the consumer tariff had to be increased by 11.03 per cent to offset the additional bulk purchase cost from 1 July 2012.

### **Waste Removal and Impact of Tariff Increases**

It is widely accepted that the rendering of this service should at least break even. The municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term.

## **1.2 Operating Expenditure Framework**

The municipality's expenditure framework for the 2012/13 budget and MTREF is informed by the following:

- 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 2012/13 budget and MTREF (classified per main type of operating expenditure):

**Table 2 Summary of operating expenditure by standard classification item**

Description	2008/9	2009/10	2010/11	Current Year 2011/12		Full Year Forecast	Pre-audit outcome	2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget			Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>R thousand</b>										
Expenditure By Type										
Employee related costs	32,910	38,299	38,419	69,107	(9,657)	59,450	55,902	82,656	87,844	92,378
Remuneration of councillors	10,039	10,404	8,243	9,141	225	9,366	11,472	12,912	13,597	14,263
Debt impairment	2,463	4,840	–	2,190	–	2,190	14	1,800	1,895	1,988
Depreciation & asset impairment	56,999	19,444	–	1,832	–	1,832	–	2,500	2,633	3,761
Finance charges	346	10	–	–	–	–	–	–	–	–
Bulk purchases	12,622	20,606	21,898	32,096	11,462	43,559	43,611	54,390	57,319	65,989
Other materials	–	–	–	–	–	–	–	–	–	–
Contracted services	–	–	–	–	–	–	–	–	–	–
Transfers and grants	1,185	3,459	1,688	2,475	(392)	2,083	2,328	2,470	2,653	2,729
Other expenditure	33,284	35,280	14,483	41,695	1,910	43,605	49,850	64,752	72,249	75,793
Loss on disposal of PPE	–	–	–	–	–	–	–	–	–	–
<b>Total Expenditure</b>	<b>149,846</b>	<b>132,322</b>	<b>84,730</b>	<b>158,536</b>	<b>3,549</b>	<b>162,085</b>	<b>163,177</b>	<b>221,481</b>	<b>238,189</b>	<b>256,901</b>

The budgeted allocation for employee related costs for the 2012/13 financial year totals R82 656 million.

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.

### 1.3 Capital expenditure

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



Choose name from list - Supporting Table SA36 Detailed capital budget

Municipal Vote/Capital project  R thousand	Program/Project description	Project number	2012/13 Medium Term Revenue & Expenditure Framework		
			Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<i>List all capital projects grouped by Municipal Vote</i>					
120 - TRAFFIC	E-NATIS SATELITE POINTS		-	-	-
	FIRE ARMS		-	106	117
260 -ELECTRICITY	METER SOLUTION		-	5,000	5,500
	UPGRADING OF CABLE - MAIN		-	-	-
	T3 SWITCH REPLACEMENT		-	120	132
325 -HEALTH DEPARTMENT	LAWNMOVERS		-	337	371
	REFUSE TRUCKS		-	-	-
	SKIPS		200	500	800
360 - REFUSE REMOVAL	MACHINERY & EQUIPMENT		1,500	800	800
425 - PARKS	DEVELOPMENT OF PARKS		-	2,500	250
	LAWNMOVERS		300	300	300
	MACHINERY & EQUIPMENT		-	-	500
501 - ADMINISTRATION - WAALKRAAL	CONCRETE/STEEL PALISADE		-	471	518
505 - CORPORATE SERVICES	IT NETWORK FOR OFFICES		-	750	750
	CCV TV		-	1,500	1,500
	AIRCONS		-	1,000	1,000
	PURCHASE OF COMPUTERS		-	2,000	2,500
	ELECTRONIC FILLING SYSTEM		-	500	500
	INSTALLATION OF BLINDS		-	225	248
	MUNICIPAL FURNITURE		-	750	750
	FLEET MANAGEMENT EQUIPMENT		-	800	800
507 - MUNICIPAL MANAGER	OFFICE MACHINERY & EQUIPMENT		-	-	22
641 - PLANNING & LED	INSTALL OF SERVICES STAND 885		2,500	2,000	2,000
	GAME FARM DEVELOPMENT		500	3,000	3,000
	TOURISM INFO CENTRE DEVELOPMENT		-	530	583
	SMME DEVELOPMENT		-	500	550
645 - TECHNICAL SERVICES	GROBLERSDAL ROADS & STREETS		4,000	2,000	5,000
	BUILDING - MAIN		1,500	1,400	1,000
	MOGAUNG ROAD UPGRADING		2,000	-	-
	MOTETI B/ST JOSEPH: BUS ROUTE		2,000	-	-
	KGAPHAMADI UPGRADING		2,000	-	-
	MOTETEMA ROAD UPGRADING		2,000	4,500	4,500
	NYAKELANG ROAD		10,469	7,025	7,728
	ROADS TO MAGHOSI		3,500	5,000	6,000
	ZAAIPLAAS ROAD ( POLICE STATION)		5,665	1,000	2,000
	MOTETI C2		-	4,488	4,937
	MONSTERLUS TO MAKGOPENG PH2		-	11,557	12,712
	RAMOGWERANE PH3		-	12,230	13,453
	RAMOGWERANE PH4		19,277	-	-
	MOTETI A		-	7,517	8,269
	MACHINERY & BAKKIES		-	150	1,000
	4 TON TRUCK		-	-	300
800 - BUDGET & TREASURY	MACHINERY & EQUIPMENT		-	200	220
	FURNITURE & FITTINGS		-	-	-
<b>Parent Capital expenditure</b>			<b>57,412</b>	<b>80,756</b>	<b>90,609</b>

The municipality roll out its projects on phases as a result we do not have projects that rolled over to the multi years and budgets are indicated on the medium term to show the indicative figures for the next phases to be completed. There is no project that runs over the period of three years

## **5 BUDGET SCHEDULES**

- 1.1 Budgeted summary on table A1 (Page 26);
- 1.2 Budgeted financial performance (revenue and expenditure by classification reflected on table A2 (page 27)
- 1.3 Budgeted financial performance (revenue and expenditure by municipal vote reflected on table A3 (page 32)
- 1.4 Budgeted financial performance (revenue source and expenditure by type reflected on table A4 (page 36)
- 1.5 Budgeted capital budget by vote, standard classification and funding as reflected on table A5 (page 37)
- 1.6 Budgeted financial position as reflected on table A6 (page 42)
- 1.7 Measurable performance objective for revenue source as per Cash flow table A7 (page 43)
- 1.9 Cash back reserve/ accumulated surplus reconciliation on A8 (page 44)
- 1.10 Asset management as reflected on table A9 (page 45)
- 1.8 The basic service delivery measurement on table A10 (page 47)

## **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 2012/13 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 Finance 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 2012/2013 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 2012/13 Budget have been developed to comply with the National treasury's Circulars 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 be placed on the municipal website, copies will be placed at all satellite offices 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 2011, with the review of IDP/Budget process plan reflecting key deadlines and was adopted by council.

The IDP revision and budget process were fully integrated to obtain the 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 scarce financial resources to service delivery goals determined in the IDP and policies of National Government such as free basic 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 will be implemented on the 1 July 2012.

#### **Municipal Property Rate policy**

Municipality is busy with the consultation on the by-laws on property rate.

### **CREDIT CONTROL AND DEBT MANAGEMENT**

The municipality has appointed the debt collector which is anticipated to can reduce the outstanding debts and 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.

### **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 were disposed in the financial year 2011/12.

### **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 2013/2014 financial year.

### **Accounting policy**

Accounting policy will be revised in July 2012 and the annual financial statements will be compiled on the policy

## **9. BUDGET ASSUMPTION**

### **Salaries and wages**

The employees are paid in terms of the SALGA bargaining council wage curve guidelines. The period of the salary and wage collection agreement 2009/10 to 2011/2012 has come to an end. Therefore salaries went up drastically reaching almost twenty per-cent compared to the current year. The other factor that contributed to the increase is that the municipality has budgeted for all the vacant position in the financial year 2012/13. In the absence of other information from the South African Local Government Bargaining Council, municipalities are advised to budget for a 5 percent cost of living increase adjustment

## 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 5 percent cost of living increase adjustment

## General Expenditure

The current CPIX increase identified by National Treasury is approximately 5.4%. 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.

## Other Expenditure

The major breakdown of other expenditure consists cell-phone allowance which amounts to R 2000 million and consulting fees and Audit fees which amounts to R 9 480 million, congress and conferences amounts to R1 650 million, development of IT master plan R 1000 million , entertainment R 565 000, insurance amounts R1 950 million, lease amounts R1 450 million, material and stores amounts to R2 660 million. Mayoral programmes amounts R 5 418 million and printing and stationery amount to R 1 210 million, Rental of equipment amounts to R 2 530 million, valuation amounts to R 4 million etc.

## 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

The municipality has upgraded its electricity power station in the financial year 2009/10 financial year to increase its capacity to distribute electricity to its residents and also upgraded to sewer network to increase its capacity to cater new developments or expansions although the service has been transferred to Sekhukhune district municipality.

## Capital Expenditure

Capital expenditure is funded from Municipal Infrastructure Grant and own funding that is generated internally. The municipality does not have borrowings hence the municipality is only concentrating on doing roads, pavement and bridges. The municipality will in future apply for borrowings to expand capital development that will in turn generate income for the municipality as other feasibility studies have been undertaken

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

Transfers recognised

This item consists of subsidies in the form of equitable share contributions, finance management 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 from amounts levied for refuse removal (economical services). With reference to each of the services the following should be noted:-

Trends in major sources of own revenue

- Electricity and Property Rates remains the major source of revenue for the municipality.

- Property rates increases to 6.7 per cent of own revenue. This is due to the tariff increase of 5.4 percent as well as the new valuation roll to be implemented
- Electricity revenue contribute on average 28.4 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 tender documents which amounts to R 250000, Collection commission R 4.4million, building plan fees amounts to R165 000 etc