

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY



BUDGET 2010/11

1. Table of Contents

No	Description	Page No	Annexure No
1	TABLE OF CONTENTS	2	
2	MAYOR'S REPORT	3-4	
3	BUDGET RELATED RESOLUTIONS	5	
4	EXECUTIVE SUMMARY	6-9	
5	BUDGET SCHEDULES		1
6	TARIFFS	9	2
7	POLICIES	9	3
8	DRAFT AGREEMENT ON PROPERTY RATES	9	4
9	BUDGET PROCESS	9-12	
10	LEGISLATION COMPLIANCE STATUS	12-13	

2. Mayor's Report

Honourable Madam Speaker
Cllr Sofia Mosikatsi
Chief Whip of Council
Cllr Omphemetse Mogodi
Members of the mayoral Committee
Honourable councillors
Municipal Manager,
Heads of Departments and Assistant Managers
Dikgosi tse di tlotlegang
Members of the Public who've come to observe the proceedings,
Ladies and Gentlemen,

Good Afternoon Madam Speaker we are gathered here this afternoon exactly two days after the successful regional conference of the ruling party. Perhaps it is proper, that I inform the house and members of the public who may not have heard, that this council has the Chairperson and the treasurer of the region in both myself the executive mayor and the speaker respectively.

The John Taolo Gaetsewe District Municipality is compelled to comply with Chapter 5 of Local Government Municipal Systems Act 32 of 2000, which indicates that all municipalities must undertake an integrated planning process, which is to be reviewed annually. The underlying principles for the IDP process include the following:

- Ensure maximum involvement of all communities and stakeholders.
- Be directed at those in greatest need and strive to break down artificial privilege, geographical and institutional structures.
- Ensure integrated and sustainable development is focused on delivery.

The purpose of the integrated development planning is therefore to achieve faster and more appropriate delivery of services and to provide a framework for economic and social development in a Municipality. However, the IDP will not only inform Municipal Management, it is supposed to guide the activities of:

- Any agency,
- Spheres of Government,
- Corporate Services Provider
- NGO's, Private Sector and
- Other interested Entities within and outside the Municipal Area.

In keeping with section 25 (1) of the Local Government Municipal Systems Act (32 of 2000) and section 21 of the Municipal Finance Management Act (56 of 2003), the John Taolo Gaetsewe District Municipality has developed and adopted a single, inclusive and strategic process plan for the review of the municipality's Integrated Development Plan and Budget for the 2010/2011 financial year. In a nutshell, the IDP process entails an assessment of the existing level of development and the identification of key development priorities. The vision and mission statements for the long term development flow from the aforesaid, with specific reference to critical developmental and internal transformational needs. A very critical phase of the IDP process is to link planning to the municipal budget (i.e. allocation of internal or

external funding to the identified projects); because this will ensure that the IDP directs the development and implementation of projects. During the past nine years we have made definite progress in enabling the people of this region to enjoy the fruits of liberation and democracy. We have seen substantial improvements made in providing healthcare, building houses and providing water, electricity and sanitation.

It is with sadness that I present here this afternoon, a budget of over 50 million rand less than the previous year. However, we have always known this, for the projections were always clear. For us to be able to achieve our IDP goals for this financial year, we have to play around with a budget of ONE HUNDRED AND ELEVEN MILLION RAND. The good thing though, is that there is a very good chance, that this will be increased.

Madam speaker, it is worth noting that of the said amount, 38,4 percent goes to salaries alone. Seno bagaetsho ke tlhoba boroko mme sengwe se tshwanetse go dirwa ka boheho jo bo kgonegang.

Another worrying factor is that we do not have Capital Budget provision for the next financial year. This is due to our current cash flow situation, to which the A-G alerted all of us recently. Perhaps the recent tariffs increase will ease the pressure on us. The district municipality is expected to collect revenue from the beginning of July for Building Plans, Clearance Certificates as well as rezoning.

Ladies and gentlemen, the 2010/2011 is the last financial year in which we have to budget for the DMA. We are all aware that the area will form part of the Moshaweng Local Municipality.

Of our budget, 37 million rand goes to both governance and administration. 10 million of our current purse is intended for the community and public safety while 52 million of the budget will be used for Economic and Environmental Services in our district. Trading Services which include your Water, Electricity, sanitation and refuse removal will use over 10 million of our budget as well.

Something that contributes to the size of the budget is the fact that the Provincial department of Roads and Public works will not be renewing the agency agreement with us that is expiring at the end of April. The district municipality has been responsible for the maintenance of the gravel roads and now this function will henceforth be under the jurisdiction of the department. In conclusion madam Speaker, I wish to state that this Draft IDP/BUDGET represents an executive Summary of our district's for the 2010/2011 financial year and captures only key factors. Details are in your agendas and will be available to the public for their inputs and comments. In fact we shall as a district embark on a series of road shows to engage the public and seek their inputs in the coming weeks. I know that one meeting is scheduled for each municipality including the DMA. Notices in the media and to the communities will be issued in due course, with exact dates and venues. Therefore, on behalf of the people of the John Taolo Gaetsewe District municipality, I wish to table the 2010/2011 IDP/ BUDGET of our municipality .

I thank you.

3. Budget Related Resolutions

1. That the Budget of the Municipality for the financial year 2010/2011; and indicative budgets for the two projected outer years 2011/2012 and 2012/2013 be approved as set out in the following schedules (Annexure 1):
 - 1.1 Municipal annual budgets and MTREF and supporting tables;
 - 1.2 Budget Working Document (Operating - and Capital Budget);
2. That the tariffs for Vanzylsrus and Hotazel, as set out in Annexure 2, be approved for the budget year 2010/2011.
 - 2.1 That the levying of interest on all outstanding debtors accounts in line with the MFMA and councils revised policies be approved.
 - 2.2 That the levying of consumers deposits to all new service accounts and all reconnections due to non payment (excluding the accounts in the name of Hotazel Manganese Mines) as set out in the tariffs be approved.
3. That the following budget related policies be approved (Annexure 3):
 - 3.1 Property Rates Policy
 - 3.2 Cash Management and Investment Policy
 - 3.3 Credit Control and Debt Collection Policy
 - 3.4 Debt Policy
 - 3.5 Funding and Reserves Policy
 - 3.6 Indigent Policy
 - 3.7 Tariff Policy
 - 3.8 Accounting Policy
 - 3.9 Supply Chain Policy
 - 3.10 Asset Management Policy
 - 3.11 A summary of the significant changes made to all the existing policies.
4. That council take note of the Revenue Enhancement Strategy as set out in the Funding and Reserve Policy.
5. The draft agreement between John Taolo Gaetsewe District Municipality and Agri Kuruman on property rates be approved.(Annexure 4)
6. That a copy of the 2010/2011 Budget be forwarded to both National and Provincial Treasuries.

4. Executive Summary

The purpose of the 2010/11 MTREF is to comply with the Municipal Finance Management Act and is a financial plan to enable the municipality to achieve its vision and mission through the IDP which is informed by community inputs.

The National Treasury has issued new Budget Regulations prescribing the budgeting and reporting formats. To implement the new regulations and compile the 2010/11 draft and final budget is a challenging task because the budget formats changed significantly. Furthermore, it has increased considerably in the amount of schedules, supporting tables and graphs that must be completed and submitted.

Our aim is to align the financial resources to the municipality's strategy and priorities, taking into cognisance the provisions of the MFMA and applicable legislation.

Revenue

As indicated in schedule 1 (Annexure 1) the total budgeted revenue amounts to R154,479 million for 2010/11 and R 101.784 million and R107.891million for the two projected outer years, 2011/12 and 2012/13. A decrease in revenue for the two projected outer years is very clear and is due to the District Management Area that will move to Moshaweng Local Municipality.

The budgeted revenue for 2010/11 decreased with 7.38% compared to the adjustment budget approved in 2009/10 (current financial year). Government grants and subsidies is our main source of revenue and constitute R129,921 million (84%) of the budgeted revenue (see chart for revenue by major source in Annexure A). Revenue from property rates, electricity tariffs and water sales amounts to R2.393 million and are also classified as a major source of revenue. Income from service charges are budgeted for R11.223 million.

R10.818 million as incentive grant is expected to be transferred from the Department of Transport, Roads and Public Works

Operating Expenditure

Operating expenditure indicates that the total budgeted expenditure for 2010/11 amounts to R154,479 million. The budgeted expenditure for projects are R34,045 million. Expenditure from grant funding constitutes 76.4% of the total operating budget. This includes mainly expenditure on conditional grants such as the municipal infrastructure grant, municipal systems improvement grant, finance management grant, backlogs in sanitation at schools and clinics, etc.

MIG**2010/2011 MIG PROJECTS**

PROJECT DESCRIPTION	SOURCE OF FUNDING	AREA	AMOUNT
Ga-segonyana Bulk Water	MIG	Ga-segonyana	2,500,000
Gamagara Santation WWTW	MIG	Gamagara	2,000,000
Moshaweng Bulk Water	MIG	Moshaweng	2,500,000
Moshaweng Bulk Sanitation	MIG	Moshaweng	2,000,000
Moshaweng Local and Dis. Roads	MIG	Moshaweng	3,048,650
Vanzylsrus Bulk Water	MIG	DMA	2,000,000
Hotazel Bulk Water	MIG	DMA	2,450,000
PMU	MIG		868,350
TOTAL MIG ALLOCATION 2010/2011			<u>17,367,000</u>

Capital Expenditure

A amount of R 6,250,000.00 is budgeted for capital projects in the budget and are financed from the MIG budget R 6,000,000.00, from grants an amount of R 600,000.00 and from the Capital Replacement Reserve an amount of R 1,200,000.00 (included an amount of R 250,000.00 for Hotazel. An amount of R7,500.00 is budgeted for capital expenditure from project funds.

Free Basic Services

The municipality will continue to provide free basic services through the indigent relief programme. Registered indigents will receive the following free basic services:

- 6kl of water
- R20 voucher for electricity
- Free refuse removal

These subsidies are provided for in the budget and funded by the equitable share allocation from government. Only residents in Vanzylsrus are registered as indigents and therefore qualify for the subsidies.

Local Priorities

The following local priorities can be highlighted:

- Improving municipal infrastructure
- Facilitating economic growth
- Fighting poverty (free basic services)
- Accelerate service delivery to the communities

Priorities and Linkage to the IDP

The IDP formed the basis of the priorities identified in the strategic plan and all resources are focused on the achievement of these priorities. The budgetary allocations for both the capital and operational expenditure are undertaken in a manner that will ensure that our IDP outcomes are achieved but also to ensure that our vision is realised.

In carrying out the mandate of service delivery, the municipality is faced with the challenge of managing competing priorities within budgetary constraints (e.g. poverty alleviation, housing, water and sanitation, etc.)

The 2010/11 draft budget addresses the following:

✓ *Accelerating housing delivery*

The acceleration of housing delivery is both a key IDP issue and a commitment of the government to make the lives of the people better. The municipality has set itself a target to deliver 100 houses in 2010/11 financial year at an amount of R 5,545,328.00.

The housing unit is allocated a budget of about R 1.900 million for accreditation for 2010/11.

✓ *Rural water supply*

Water is issue 1 in the municipality IDP .An allocation of R 4,5 million is made for the provision of water to households. This project is funded from the MIG allocation.

✓ *EPWP programmes*

The Department of Transport, Roads and Public Works will transfer an amount of R 10.818 million as an EPWP Incentives Grant. This grant is primarily aimed at creating jobs through labour incentive programmes

Alignment with National and Provincial Priorities

The integration of services between National, Provincial and Local Government is essential to ensure focused service delivery. Accordingly, it was important for our municipality to ensure that its budget priorities align with that of National and Provincial.

From the table below it is evident that all spheres of government place a high priority on infrastructure development, economic development, job creation, efficient service delivery and poverty alleviation.

NATIONAL PRIORITIES	PROVINCIAL PRIORITIES
<ul style="list-style-type: none"> Accelerated infrastructure investment 	<ul style="list-style-type: none"> Promote investment in local economy
<ul style="list-style-type: none"> Health 	<ul style="list-style-type: none"> Provision of health facilities
<ul style="list-style-type: none"> Economic transformation & employment creation 	<ul style="list-style-type: none"> Employment creation and empowerment initiatives

5. Budget Schedules

The budget schedules are set out in Annexure 1.

6. Tariffs for 2010/2011

The tariffs for 2010/2011 budget year are set out in Annexure 2.

7. Policies for 2010/2011

Newly developed policies as well as amendments to existing policies are set out in Annexure 3.

8. Draft agreement on Property Rates

A copy of the proposed agreement is attached in Annexure 4

9. Budget Process

Budget Process Overview

- Political oversight of the budget process*
- Schedule of key deadlines relating to budget process*

The budget schedule of key deadlines for the compilation of the 2010/11 budget was approved by Council in August 2009, ten months before the start of the budget year in compliance with the MFMA.

- Process of consultation with each group of stakeholders and outcomes*

In terms of both the MFMA and Systems Act, public hearings on the IDP and Budget are were held in April 2010. Furthermore, representations from the broader society would be requested via newspaper adverts and municipal website.

OVERVIEW OF BUDGET-RELATED POLICIES:

The municipality's budgeting process is governed and guided by relevant legislation and budget related policies. The main purpose of the budget-related policies is to govern and guide the budget process and inform the projections of the medium term.

The following budget-related policies which have been approved by council were reviewed in line with National Guidelines and other pieces of legislation:

- **CREDIT CONTROL AND DEBT COLLECTION POLICY**

The policy has been formulated in terms of section 96(b) and 98 of the Local Government: Municipal system Act, 2000 and the credit control and Debt collection By-Law.

- **SUPPLY CHAIN MANAGEMENT POLICY**

The principal objectives of the policy are to provide, promote and implement theoretical guidelines, governing processes and procedures within the supply chain management the policy for the municipality is attached as Annexure

- **CASH AND INVESTMENT POLICY**

As required by the MFMA, and in conformity with the Municipal Cash Management Regulations, the cash & Investment policy has been adopted by council.

The main objectives of the policy are to:

- Undertake the investment of funds not immediately required for operational purpose,
- Ensure diversification of permitted investments
- Ensure compliance with all legislation governing the investment of funds
- Maximise returns from authorised investments consistent with minimising risk

- **ASSETS MANAGEMENT POLICY**

The objectives of the assets Management Policy is to prescribe the Accounting and administrative policies and procedures relating to fixed assets.

The Assets Management policy is attached .

- **FUNDING AND RESERVED POLICY**

The Funding and Reserves Policy aims to set standards and guidelines towards ensuring financial viability over both the short- and long term and includes funding as well as reserves requirements.

- **ACCOUNTING POLICY**

In order to ensure that the financial statements are compliant with GRAP and GAMAP, the Accounting Policy was also reviewed to include directive 4.

- **INDIGENT POLICY**

The objective of the policy is to ensure that the needs of the indigent, aged and physically challenged are taken into consideration. The policy is drawn in line with the principles outlined in the Municipal Systems Act.

- **PROPERTY RATES POLICY**

The MPR was implemented from the 1st of July 2009. The policy provides that properties be rated based on the value of their land and improvements. The policy is designed to ensure equitable treatment by Council in the levying of rates on property owners.

- **DEBT POLICY**

This policy provides for the municipality to obtain short and long term debt and set out all conditions under which the municipality will be entitled to obtain such debt.

- **TARIFF POLICY**

This policy prescribe the accounting and administrative policies and procedures relating to determining and levying of tariffs.

OVERVIEW OF BUDGET ASSUMPTIONS

Budgetary constraints and economic challenges meant that the municipality had to apply cost-saving interventions to ensure an affordable, credible and sustainable budget over 2010/2011 MTREF.

The biggest challenges this year, is that the municipality needs to do more than its available financial resources.

The municipality faced the following challenges in preparing the 2010/2011 MTREF:

1. Lower interest earnings due to lower investment balances and lower interest rates on interest earned.
2. Diminishing cash reserves

OVERVIEW OF BUDGET FUNDING

Council is permitted to levy rates, tariffs and other charges in accordance with the Local Government: Municipal property rates Act, The municipality system Act and the Municipal finance Management Act.

The Revenue for the municipality is predominantly raised through rates, tariffs and grants. The municipality is mainly dependent on government grants.

The following grants allocated to the municipality in terms of the 2010 Division of Revenue Act have been included in this medium term budget:

GRANTS	2010/2011	2011/2012	2012/2013
Financial Management Grant	1,000,000.00	1,250,000.00	1,250,000.00
Equitable Share	48,852,000.00	52,392,000.00	55,625,000.00
MIG	17,367,000.00	20,888,000.00	25,397,000.00

RATES:

The levying of rates in terms of the municipal property Rates Act is being applied for this medium term budget.

WATER & ELECTRICITY:

The proposed electricity tariff increase by Eskom from the NERSA.

SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN

The SDBIP is a key management and monitoring tool, which provides operational content to the end of the year service delivery targets, set in the Budget and IDP.

The SDBIP of JTGDM is developed according to priorities set out in the IDP. IT contains the strategic focus area, projects as well as annual and quarterly targets and actuals. The document also outlines capital and operational budgets per project.

The SDBIP is a dynamic document that is reviewed annually based on IDP direction, available funding as well as national and provincial directives.

The 2010/2011 SDBIP is attached as Annexure

10 LEGISLATION COMPLIANCE STATUS

1. Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

- **Budget & Treasury Office (BTO)**

A Budget and Treasury Office has been established in accordance with the MFMA.

- **Budgeting**

The 2010/2011 Budget has been developed taking the MFMA, Municipal Budget and Reporting Regulations, and National Treasury requirements into account. Budget are being tabled and approved within the required legislative timeframes.

- **Annual Report**

The 2008/2009 Annual Report has been developed in accordance with the MFMA and National Treasury guidelines. The report was approved at the Council meeting held on 25 March 2010.

- **In –Year Reporting**

The municipality submits the various reports required, in accordance with the MFMA, to the Executive mayor, Council, Provincial and National Treasury on an ongoing basis.

- **Audit Committee**

An Audit committee has been established, and its meetings are held regularly.

- **Internship Programme**

The JTGDM in participation in the Municipal Finance Management Internship Programme has employed two (5) interns undergoing training in various finance, internal audit and risk management sections.

- **Budget Steering Committee**

The Budget steering Committee (BSC) has been established, essentially to provide technical assistance to the Executive Mayor on budget-related issues. The BSC meetings are held monthly.