

***SUNDAYS RIVER VALLEY
MUNICIPALITY***



BUDGET 2010/2011 AND MTREF

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CHAPTER 1

MAYOR'S REPORT

To be tabled at the meeting

CHAPTER 2

COUNCIL RESOLUTION

1. That in terms of section 24 of the Municipal Finance Management Act, 56 of 2003, the Annual budget of the Sundays River Valley municipality for the financial year 2010/11; and indicative allocations for the two projected outer years 2011/12 and 2012/13; and the multi-year and single year capital appropriations are approved as set-out in the following tables:
 - 1.1. Budgeted Financial Performance (revenue and expenditure by standard classification);
 - 1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote);
 - 1.3. Budgeted Financial Performance (revenue by source and expenditure by type); and
 - 1.4. Multi-year and single year capital appropriations by municipal vote and standard classification and associated funding by source.
2. That the financial position, cash flow, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are adopted as set-out in the following tables:
 - 2.1. Budgeted Financial Position;
 - 2.2. Budgeted Cash Flows;
 - 2.3. Cash backed reserves and accumulated surplus reconciliation;
 - 2.4. Asset management; and
 - 2.5. Basic service delivery measurement.
3. That in terms of section 24(2)(c)(i) and (ii) of the Municipal Finance Management Act, 56 of 2003 and sections 74 and 75A of the Local Government: Municipal Systems Act, Act 32 of 2000 as amended, the tariffs for the supply of water, electricity, waste services, sanitation services and property rates as set out in annexure X, that were used to prepare the estimates of revenue by source, are approved with effect from 1 July 2010.
4. That in terms of section 5 of the Municipal Property Rates Act, 6 of 2004, the amendments to the rates policy as set out in Annexure X is approved.
5. That in terms of section 24(2)(c)(iii) of the Municipal Finance Management Act, 56 of 2003, the measurable performance objectives for capital and operating expenditure by vote for each year of the medium term revenue and expenditure framework as set out in Supporting Table SA7 are approved.
6. That in terms of section 24(2)(c)(iv) of the Municipal Finance Management Act, 56 of 2003, the amendments to the integrated development plan as set out in annexure X is approved

CHAPTER 3

EXECUTIVE SUMMARY

Please refer to Annexure B

CHAPTER 4

ANNUAL BUDGET TABLES

Operating budget (Schedules A1, A2, A3 &A4)

When drafting the annual budget for SRVM consideration was given to the fact that the municipality has been placed under partial administration by the MEC of Local Government and Traditional Affairs in accordance with section 139(1) (b) of the Constitution. A conservative approach was taken for both income and expenditure budgets to try and assist in the stabilization of the organization.

The operating revenue budget of SRVM amounts to R74 569 762 for 2010/2011 financial year. This represents an increase of R6 919 300 (10.23%). The increase is mainly a result of:

- increased tariffs
- restructuring of tariffs
- Consideration of revenue enhancement programmes
- Phase-in rebates for agriculture lapsed at end of 2009/10

Although SRVM has determined that it will increase tariffs in general by 6% the municipality reviewed all tariffs to ensure that they are cost-reflective. Electricity was increased in general by 22 %.

A review of the tariffs indicated that a majority were not cost-reflective and were thus adjusted. The water and electricity tariffs were some of the tariffs that saw major adjustments in this regard.

Water step tariffs were adjusted to ensure that it protects basic levels of service and to encourage efficient and sustainable consumption and penalizing for excessive usage of water.

Electricity fees per kWh were also adjusted to reflect cost and relevant mark-up. An investigation revealed that the selling price of kWh was lower than the cost of acquiring kWh from Eskom.

Community Services were tasked with compiling a revenue enhancement strategy for the department as it was believed that the municipality was not tapping in on all possible revenue that this department could generate. One of the results of this exercise is reflected in the increase in income from fines.

Farmers were allowed an additional phase-in of 25% during the 2009/10 financial year. The phase-in approach will no longer be allowed for existing farmers.

Please refer to budget assumptions for more detail. (Chapter 9)

Sundays River Valley Municipality's budgeted expenditure for the 2010/2011 MTREF amounts to R74 132 450. This represents an increase of R8 075 663 (12.22%)

This increase is mainly a result of increase in:

- Salaries
- Increase in bulk purchases
- Increase in debt impairment
- General price increases

The anticipated salary increase is in accordance with SALGA Salary and Wage Collective agreement 2009/10 to 2011/12. This indicated a wage increase linked to average CPI index for the period 1 February 2009 until 31 January 2010 plus 1.5 percent. According to Stats SA the historical CPI for this period is set at 6.2 percent year-on-year as at end January 2010.

Historical CPI (January 2010)	6.2%
SALGA addition	1.5%
National Treasury benchmark	7.7%

Bulk purchases increased by R1 280 188 (19.81%) which is a result of the increase in bulk electricity which amounted to 28.9%.

Debt impairment was increased by R1 000 000 (20%) from R5 000 000 to R6 000 000. This increase is not adequate as the debt impairment should be closer to R16 000 000. Savings in the expenditure budget could not be found and expenditure will therefore be curtailed to available cash reserves.

Please also refer to chart A1, A2 (a), A5, A6, A7, A7 (a)

Capital budget (Schedule A5 & A9)

The capital budget of the municipality amounts to R14 457 700. This indicates a decrease of R9 762 150 which is mainly a result of:

- Paterson Bulk Water (DWAF) not received by municipality directly
- Decrease in capital acquisition due to financial constraints

The funds for Paterson Bulk Water project, received from DWAF, will no longer be paid to the municipality directly. DWAF has appointed an implementing agent to assist with the project and funds will be allocated to this implementing agent. Funds received from DWAF in 2009/10 amounts to R10 000 000.

The main projects that are funded in the capital budget are:

- Waterborne Sewerage Moses Mabida phase 2 – R3 507 200
- Waterborne Sewerage Emsengeni phase 2 – R4 625 704
- Upgrading of water supply Enon/Bersheba – R3 278 000
- Upgrading of Waste water treatment works Enon/Bersheba phase 1 – R1 917 446
- Sewerage pump station Bersheba – R725 000

These projects are funded by the Municipal Infrastructure Grant.

Please also refer to chart A9, A10 & A13

Budgeted Financial position (Schedule A6)

Current assets are assets that can be converted in cash within 12 months and mainly consist of cash in the bank, investments and debtors.

The proposed statement of financial position for 2010/2011 reflects a write-off of bad debts to the value of R49 410 338. It is believed that these debts are irrecoverable as they are outstanding for more than 150 days.

Non-current Assets are assets that has a lifespan of longer than 12 months and mainly consist of fixed assets e.g. infrastructure and moveable assets.

It is anticipated that depreciation of assets will amount to R3 600 000 for 2010/11 (2009/2010: R3 600 000), whilst assets will increase with acquisitions to the value of R14 457 700 (see capital budget schedule A5). This will result in a net increase of assets of R10 857 700 from 2009/2010.

The municipality is not anticipating raising any new loans.

Current provisions consist of provisions for leave pay and bonuses and will increase from R5 625 015 in 2009/2010 to R6 685 560 in 2010/2011.

Non-current provisions consist of provision for rehabilitation of landfill sites and will remain at R3 400 000 for 2010/2011.

Sundays River Valley will trade at a "net surplus, after appropriations, of R3 437 311. This will result in the accumulated deficit decreasing from R21 306 924 (2009/2010) to R17 869 612 (2010/2011).

Asset management (table A9)

Capital expenditure is anticipated to decrease from R23 860 300 (2009/2010) to R14 405 650 (2010/2011). This indicates a decrease of 40%. The decrease in capital acquisition is due to the

R10 000 000 of Department of Water Affairs that was allocated to the municipality in 2009/2010. No funds will be allocated to the municipality during 2010/2011. Department of Water Affairs has appointed an implementing agent (Amatola Water) to assist with the project.

A total of 22.67% (R3 278 000) of the capital budget will be utilized for water infrastructure and 74.53% (R10 775 000) will be utilized for sanitation infrastructure.

An amount of R3 823 678 has been allocated to repairs and maintenance. Repairs and maintenance will be spent according to the following categories of assets:

• Infrastructure – Road & transport	-	R1 138 653
• Infrastructure – Electricity	-	R604 303
• Infrastructure – Water	-	R347 699
• Infrastructure – Sanitation	-	R321 173
• Infrastructure – Other	-	R192 585
• Community & other assets	-	R757 346
• Other assets	-	R461 918

Repairs & maintenance as a percentage of property plant and equipment is only 3.4%. An ideal percentage would be 9.8%. This would mean that the ratio of repairs & maintenance to operating expenditure needs to increase from the current 5% to 15%. This can only be addressed with increase in revenue collection and enforcing tighter credit control procedures.

CHAPTER 5

OVERVIEW OF THE ANNUAL BUDGET PROCESS

The entire budget process is prescribed by the Municipal Finance Management Act.

Section 21(1) (b) of the MFMA requires the mayor to table not later than 10 months before the start of the budget year a time schedule outlining the key deadlines and processes for the preparation, tabling and approval of the Annual Budget, the review of the IDP and budget related policies and any consultation process which would be part of the process.

The time schedule was tabled in Council meeting on 10 September 2009 .

The consultation process involves presenting and eliciting comments from the public by Ward and by placing an advert in the local press requesting budget input.

The following stakeholders are identified:

- 1 community
- 2 senior management
- 3 the work force
- 4 trade unions
- 5 rate payers association
- 6 general public and interested parties

Prescribed forms have been developed for both operating and capital inputs.

A presentation is delivered to the communities and responses are recorded. These are considered within the budget realm and capacity. Meetings are arranged by ward and the related Councilor manages the process.

A Draft Budget is prepared, based on budget assumption, and presented to Council as a pre-draft budget so as to give an outlook for the year in question. At this stage the budget still needs to be gauged against realistic income and expenditure which translated to budget performance.

Thereafter the eagerly awaited Division of Revenue is received during February and published the grant and subsidy allocation in terms of which budget parameters are set or adjusted. Information from other sources, District Councils and Provincial Authorities are confirmed. Any surplus capacity is consumed.

During this time the IDP process has started with steering committee meetings as well as public consultation to primary confirm and re-affirm priorities as well as to disclose any new development. Critical to this process is capital project funding in terms of MIG. The IDP and Budget, as policy documents are reflected against each for purpose of IDP preparation and budget finalization.

The pre final budget is now table to Council and that council authorizes that the budget is made public for comment. Once this period closes the comments received are once again considered and adjustments are brought about. The draft budget was tabled to Council on 31 March 2010.

The budget is now tabled during May as a final budget for implementation.

Political oversight of the process

The schedule of key deadlines was submitted to management meeting to monitor the progress of the process by officials against the schedule tabled by the Mayor. The Mayor was regularly informed on the progress.

Consultations & advertisements

Advertisements have been placed in the local newspapers circulating in the area of jurisdiction and district informing the community of the budget, indicating where they can view a copy and how to lodge comments.

A formal process for consultation was conducted after the draft budget & IDP has been approved by Council.

This has been done by the following methods:

- The budget was made public by making them available at SRVM's offices.
- Notices were published in two newspapers in the area inviting members of the public to submit representations on the budget.

Any submissions received were considered and if necessary it was incorporated in the budget being presented for consideration.

Community hearings were conducted at all areas –

- Bergsig
- Aquapark
- Moses Mabida
- Paterson
- Valencia
- Nomathamsanqa
- Kirkwood – Ratepayers Association
- Bersheba

Please also refer to IDP document for details of community participation.

Schedule of key deadlines

The following schedule of key deadlines were approved by Council:

ACTIVITY (<i>Interpretation Note</i>)	RESPONSIBILITY	DATE
Prepare draft BBP	CFO	August 2009
Table BBP at Council	AO and CFO	Before 31 August 09
<i>The Chief Financial Officer in assistance to the Municipal Manager to obtain approval from Council</i>		
Determine revenue projections and proposed rates & service Charges	CFO	Sept 2009
<i>The Chief Financial Officer in consultation with MM, all HOD's and other stakeholders</i>		
through IDP review process determine strategic objectives for next 3 years	IDP officer	Sept 2009
Table B&IDP-PP with Ward Committees	Director: Corp. Serv.	30/9
<i>The ward committee members are exposed to the B&IDP-PP and issues relating to the development of a Participatory budget.</i>		
Engagement with sector departments	CFO	October 2009
Obtain budget inputs from various departments <i>The inputs from the other stakeholders will be considered by the directorate responsible and incorporate into the HOD submission</i>	HOD's	October 2009
Consolidation of budgets and plans	CFO	October 2009
Draft initial allocations to functions	CFO	November 2009
Accounting Officer & Snr officials consolidate and prepare Proposed budget and plans for next financial year	AO & HOD's	December 2009
Finalise tariff policy and review any other related policies	CFO	December 2009
Prepare detailed budgets and plans for next 3 years	CFO	January 2010
Review proposed national and provincial allocations & Incorporate in draft budget	AO & CFO	January 2010
<i>Proposed national and provincial allocations for 3 years must be Available by 20 Jan</i>		
Conduct and review mid year review of current budget and prepare adjustment budget if necessary. Submit adjustments budget to	AO and CFO, Sr Acct.	By 31 Jan 2010

Special Council		
<i>This will be strictly in terms of MFMA.</i>		
Finalise and submit draft budget to Mayor	AO	February 2010
<i>Budget is submitted to Mayor after taking into account mid-year Review and any corrective measures proposed as part of oversight Report</i>		
Review any changes in prices for bulk resources	AO & CFO	15 March 2010
<i>This information is normally communicated by 15 March each year</i>		
Table budget, resolutions, plans and changes to IDP at least 90 days before start of financial year	Mayor	31 March 2010
<i>This is in terms of legislation</i>		
Place advert in newspaper inviting comments on draft budget & IDP	CFO & IDP Manager	First week Apr 2010
Submit draft budget to provincial and national	Snr Acct	First week Apr 2010
Consultation with National and provincial treasuries & Finalise sector plans	CFO & HOD's	April 2010
Logistical arrangements.	Interns	First week Apr 2010
<i>At this stage all the logistical arrangements are made and the stakeholders are identified.</i>		
Publish meeting Dates	CFO	First week Apr 2010
<i>Published in both Burger and Herald, at all municipal offices and facilities. Announcement to be made. Correspondence to Prov. Treasury, farmers Ass., Rate Payers Ass, business sector. All invited for one meeting per area not separately..</i>		
Public hearings on budget & IDP	Mayor, AO, CFO & IDP manager	April 2010
<i>This meeting will seek to explain B&IDP-PP and obtain budget inputs for both capital and operating matters as well as current service delivery problems from public in general and at large. Critically the IDP meetings will also be conducted as well.</i>		
Prepare, Consolidate information from consultative processes	CFO & IDP manager	April 2010
<i>The feedback from consultative meetings are interpreted by management and costed. Both Budget and IDP.</i>		

Prepare final budget & IDP for consideration at least 30 days Before start of budget year	AO, CFO & IDP manager	May 2010
Convene Special Council to table final budget & IDP	Mayor	Before 30/05/2010
<i>This is to approve the final budget</i>		
Place advert in Newspapers	Director: Corp Services	01/06/2010
<i>This is to notify public</i>		
Submit to National Treasury	AO & CFO	Before 30/06/2010
<i>To obtain NT approval</i>		
Place approved budget on Website	CFO	by 30/06/2010
<i>As per legislation</i>		
Submit to Mayor draft SDBIP within 14 days after approval of budget	AO	14 June 2010

Stakeholders

The following stakeholders to be consulted include, but are not limited to:

- National Treasury
- Provincial Treasury
- Provincial sector departments
- District municipality

- Providers of bulk resources for water & electricity

- Community

CHAPTER 6

ALIGNMENT OF ANNUAL BUDGET WITH INTEGRATED DEVELOPMENT PLAN

AMENDMENT AND ADJUSTMENT TO THE 2009/2010 IDP

The review process focussed on:

- ❖ Improving the **strategic nature** of the document, thereby ensuring effective use of available data, careful consideration of available resources, as well as exploring locally appropriate solutions to complex development issues.
- ❖ Increasing the usefulness of the document during **implementation** and monitoring.

The process was influenced by:

- ❖ Project progress information as provided by Heads of Departments
- ❖ An extensive data search to update the analysis chapter.
- ❖ Inputs from community based planning initiatives

The Reviewed IDP document 2009/2010 reflects the following adjustments:

- 1) Information and analysis were updated to include the following data sources:

NAME OF DOCUMENT ¹	SOURCE	DATE
Service backlog study	Cacadu District Municipality	September 2005
Spatial Development Framework	Sundays River Valley Municipality	November 2007
Integrating the natural environment into land use decisions of municipal level	The Step handbook	
Draft Tourism Sector Plan		October 2009
Finance Policies	Sundays River Valley Municipality	25 March 2010
Comprehensive Infrastructure Plan	DPLG	2008

- 2) Data is represented by a ward, wherever possible, to assist with decision making such as prioritization, and to ensure an improved target group orientation.
 - 3) Community Based Plans
 - 4) Reformulation of Foreword by the Mayor
 - 5) Updating of priorities, programmes, projects and strategic objectives emanating from CBP and public participation processes
 - 6) The list of policies is replaced with an explanatory note that says "all Council adopted policies can be accessible from our website"
 - 7) Reference to implementation plan for institutional risk assessment
 - 8) Performance management system has been updated and new information inserted.
-

- 9) The entire budget section is updated and a revised budget summary for the next three years is inserted.
- 10) The five year financial plan is reviewed.
- 11) Reference to National Medium Term Strategic Framework (MTSF)
- 12) Reflections and Contextualization of the State of the Province Address – February 2010
- 13) Development of Mission and Values
- 14) Inclusion of SDBIP, Turnaround Strategy for SRVM.
- 15) Comprehensive analysis of Roles and Responsibilities in the IDP Process

The alignment of the IDP with the budget is illustrated in schedules SA4, SA5, SA6. The schedules are attached.

The breakdown of the percentages of funds allocated to each activity is as follows:

○ Finance	30.49%
○ Service Delivery	8.54%
○ Local Economic Development	1.88%
○ Governance	38.10%
○ Institutional Building	4.33%
○ Community Services	16.66%

These allocations are to link up with the Service Delivery and Budget Implementation plan. A draft Service Delivery and Budget Implementation Plan has been developed and will be tabled with the budget to Council. The final SDBIP needs to be approved within 28 days after the adoption of the budget. KPA's and KPI's have been developed and strategic alignment between IDP, Budget and SDBIP is ascertain.

CHAPTER 7

MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

Please refer to the draft SDBIP for details of measurable performance objectives and indicators.

CHAPTER 8

BUDGET RELATED POLICIES

The prioritization of service delivery and the management of council functions is the key to the budget. Sundays River Valley municipality's budget process is guided and governed by legislation regulations and budget related policies.

Sundays River Valley Municipality embarked on a process of reviewing all financial and budget related policies. The process is aimed at completion during the 2010/2011 financial year.

These policies will be enacted into by-laws thereby enabling council to undertake its revenue collection

effort to court and further securing income generation.

Tariff Policy

The Municipal Systems Act requires a municipality to have a tariff policy. One of the challenges in setting tariffs is ensuring affordable tariffs whilst maintaining financial stability.

The tariff policy tries to address this issue and creates a foundation for the principles that address social, economic and financial imperatives that the process of tariff setting should take into account.

This policy was reviewed and approved during the 2009/2010 financial year.

Rates policy

Sundays River Valley has adopted a rates policy which is line with legislative requirements. The policy became effective 01 July 2009.

The policy provides that properties be rated based on their market value. A new valuation roll is in place.

Indigent Policy

This policy was reviewed and approved during the 2009/2010 financial year.

Sundays River Valley municipality is committed to ensure that all households have access to its services. Due to the fact that Sundays River Valley Municipality has a high level of unemployment and seasonal workers, the municipality decided to adopt an indigent policy. This policy will ensure that poor households have at least access to basic services.

Supply Chain Management Policy

Municipalities are required in terms of section 111 of MFMA to have a supply chain management policy. Sundays River Valley Municipality has a policy within the framework of the legislation. The policy adheres to the following principles:

- Procurement system which is fair, equitable, transparent, competitive and cost effective in terms of section 217 of the Constitution
- Best practice within supply chain management
- Uniformity in supply chain management systems between organs of state in all spheres

Credit control and debt management policy

The credit control and debt management policy of Sundays River Valley Municipality was reviewed during 2009/2010. This policy provides the procedures and mechanisms for credit control and collection of debts. The primary objective is to ensure that all monies due to the municipality is collected efficiently and promptly.

Policies to be developed and or reviewed during 2010/2011

Banking and Investment policy
Budget management policy
Funding and reserve policy
Borrowing policy
Asset management policy

CHAPTER 9

BUDGET ASSUMPTIONS

The following list provides an outlook of the budget assumptions used in the compilation of the budget.

Income

1. That the Budget will be funded from realistic income sources

This includes:

- the income generated from patrons of basic services as well as other service rendered
- the income received from grants, subsidies and donated from all spheres of government and public.

2. Income is calculated during the budget process on the principle that current income generated will be proportional and indicative of what income will be realized after considering abnormal events.

These events include the implementation of new General Valuations or new housing developments.

3. Income is recognized and adjusted according to the above principle and consideration is given to current and prior year collect and payment levels.

4. Income collected from prior years is not considered as a budget funding source as current years Tariffs are intended to fund the budget.

5. Income utilized from the Equitable Share to subsidized basic services is so recorded and turned over to fund expenditure

Expenditure

1. The principle of realistic income mirrors the objective of realistic expenditure against the Background of what is our mandated.

2. Driving expenditure is considered real and thus divided into spending categories:

2.1 the upkeep of basic, existing services

2.2 mandatory and contractual obligations

3. Expenditure is adjusted and dependant on the achievement of realistic income and availability of cash resources

4. Expenditure is divided in two main classes, namely:

4.1 Capital

This expenditure budget is mainly funded by grant income and own income

4.2 Operating

This budget includes the day-to-day running expenses of the municipality.

5. Budget growth is guided by National Treasury guidelines e.g. CPIX predictions as well as actual expenses to be incurred.
6. Prior year and current year performance plus the need to improve or reduce expenditure is considered when setting the rand amount with no compromise to point 2.1.
7. Cost cutting measures in terms of the financial turnaround plan of the municipality.
8. The municipality was placed under administration in accordance with section 139(1)(b) of the Constitution. A strategic workshop was conducted of which the outcome was a strategic turnaround plan for the municipality. The objectives of the turnaround plan was taken into consideration with the drafting of the budget.

Tariff

1. Tariff increases is guided by national Treasury CPIX predictions as well as affordability.
2. Tariff supports income generation and is usually set for the financial year
3. A tariff is a derivative of:

Basic expenditure

divided by

No of patrons

plus

subsidization
4. All tariffs are set taking into consideration the cost to provide the service and national trends and regulations.

Municipalities were advised by National Treasury (Circular 51) that they should revise their rates, tariffs and other charges for their 2010/11 budgets and MTREF taking into account the labour (i.e. the wage agreements with unions) and other input costs of services provided by the municipality, the need to ensure financial sustainability, local economic conditions, the affordability of services and their indigent policy.

4.1 The following tariffs indicate significant increase due to a review of the tariff structure

and/or review of cost of providing the service:

- Electricity
- Water tariff
- Cemetery fees

4.2 *Electricity tariff*

that
kwh
Electricity was increased by 22 %. This was necessary due to the financial difficulties the municipality is experiencing. The price per Kwh was also adjusted to reflect cost and relevant mark-up. An investigation revealed that the municipality was selling at a cost lower than that acquired from Eskom. Consumers using between 301 kwh and 700 kwh will experience a price increase of 44% due to the correction of this problem.

KVA consumption increased with an average of 54% as this was one area where the municipality were not recovering cost at all, but selling at a loss.

4.3 *Water tariff*

their
National Treasury encouraged municipalities to review the level and structure of water tariffs carefully, with a view to ensuring:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants and water networks, and the cost of new infrastructure;
- Water tariffs are structured to protect basic levels of service; and
- Water tariffs are designed to encourage efficient and sustainable consumption (e.g. through increasing block tariffs).

and
Sundays River Valley municipality's water tariff was not in line with this requirement therefore was adjusted to encourage efficient and sustainable consumption. Consumers using excessive water will therefore be penalized . Consumption of 41kl – 55kl will thus see an increase of 30% in tariff.

Water availability charges increased by 7%. Prepaid water tariffs increased by 28% to bring it in line with other water tariffs (on account).

The
Water deposits were increased by 26% due to the increased risk of non-payment. deposit will be sufficient to cover an average monthly consumption of a household.

4.4 *Cemetery fees*

Cemetery fees will increase by 50% for digging of grave. The fee was not cost reflective and needed to increase to ensure full recover of cost.

4.5 *Rental of municipal buildings*

increased Rental of swimming pool increased by 34% to R400 and the deposit payable by 61% to R350

Hall deposits increased by 15% to R250 and rental of community halls increased to R150 (between 10h00 – 17h00) and R300 (17h00 – 24h00)

4.6 Rates

for Rates increased by 14% for residential and agriculture, 10% for businesses and 8% state owned properties.

4.7 All other tariffs

All other tariffs were increased by an average of 7%.

Please refer to tariff list, Annexure A, for further details

Adjustment

1. The budget is adjusted according to performance of both income and expenditure.
2. Inter-budget adjustment also takes place where provisions made proved insufficient and counted by over-provisions or objective change.

External Factors

The Minister of Finance suggested a headline CPI inflation rate of 5.7% (2010/11), 6.2%(2011/12) and 5.9% (2012/13).

These inflation rate expectations have been used for the compilation of this budget

BULK PURCHASES

The municipality budgeted for an increase of 28.9% in bulk electricity purchases - as guided by NERSA

EMPLOYEE COST

The budget is based on a salary increase of 7.7%.

The salary budget for 2010/11 amounts to R25 432 266. This represents a 12.05% increase in employee cost over the previous financial year. This is due to the provision of new posts that will be activated in the Finance Department during 2010/2011 in accordance with the financial turnaround plan of the Municipality.

FREE BASIC SERVICES

SRVM's indigent policy currently makes provision for the subsidization of 50 KWH of electricity (pre-paid customers only) and 6 KL of water (for all) per month. The subsidies are funded from the equitable share allocation. The municipality made provision in the budget for the following:

- Electricity - R891 262
- Water- R2 475 809

PROVISION FOR BAD DEBT

The municipality has provided for a provision of bad debt to the value of R6 million for 2010/11

The total provision for bad debt as at 30 June 2009 (as reflected in AFS) amounted to R44 410 338. The municipality believes that the R6 million is not adequate and should be closer to R16 million. However savings could not be found in the expenditure budget to accommodate this increase. It will therefore be imperative for the municipality to improve its collection rate and to limit expenditure to the availability of cash resources.

FINANCIAL SITUATION OF SRVM

The municipality was placed under financial administration by the MEC of Local Government during February 2010. In order to address the financial situation of the municipality a financial turnaround plan was approved by Council on 25 March 2010. Please refer to the IDP document for a copy of the financial turnaround plan.

The budget was drafted on a cost reduction basis and taking the recovery plan in consideration. The potential of e.g. Traffic department to generate income for the municipality was investigated and the Director Community Services was asked to prepare a revenue enhancement programme for her department. This potential is reflected within the budget.

CHAPTER 10

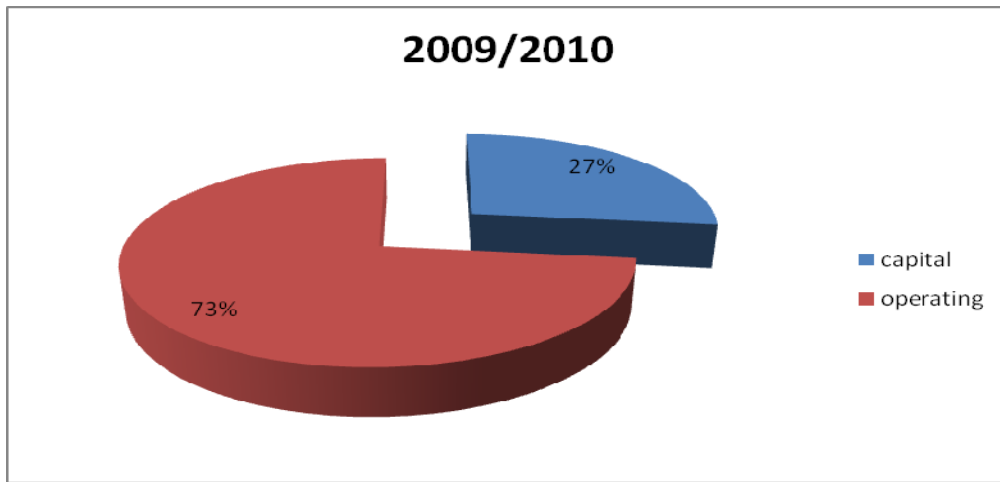
BUDGET FUNDING

The following is a broad overview of the financial outlook of the municipality in the current year and compared to the coming year.

The capital budget represented 27 % of the total budget in 2009/2010 and has decreased to 16% of budget in 2010/2011. R14 053 350 (97%) of the capital budget for 2010/2011 will be funded by government grants. (2009/2010: 93%)

	2009/2010
capital	24,220,300
operating	66,056,788

Figure1



	2010/2011
capital	14,457,700.00

operating	74,132,450.66
-----------	---------------

Figure 2

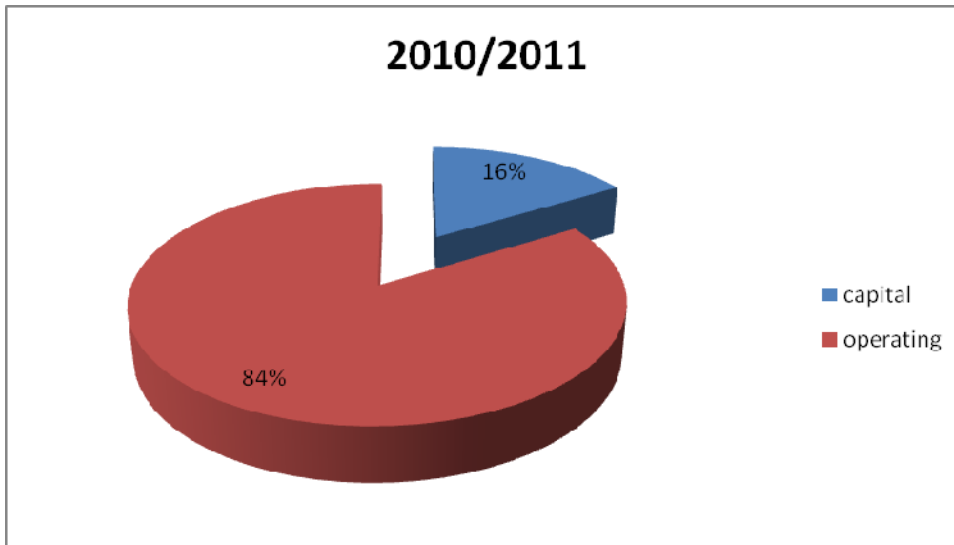
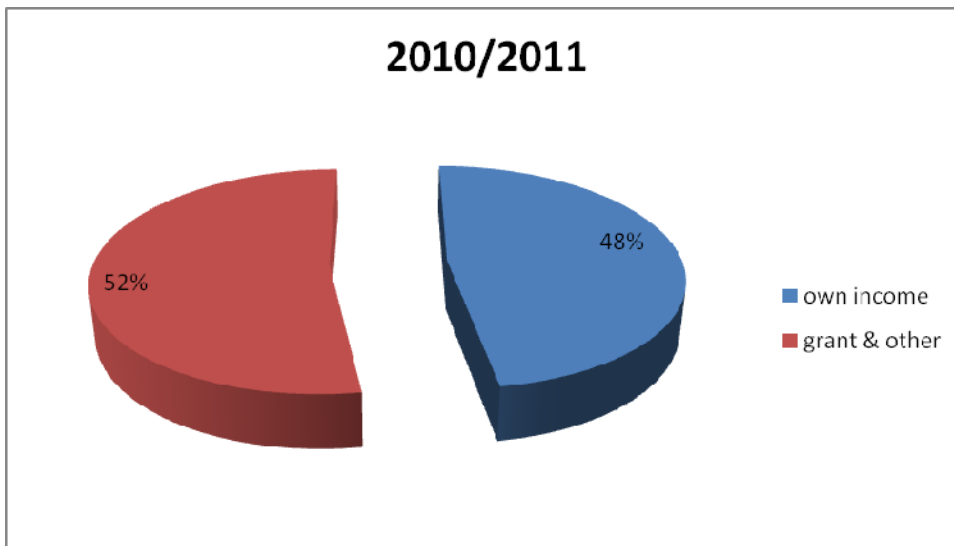


Figure 3

	2010/2011
own income	42,116,762
grant & other	46,506,000



As indicated in the pie, own income account for 48% of total income whilst grant income accounts for 52% of income.

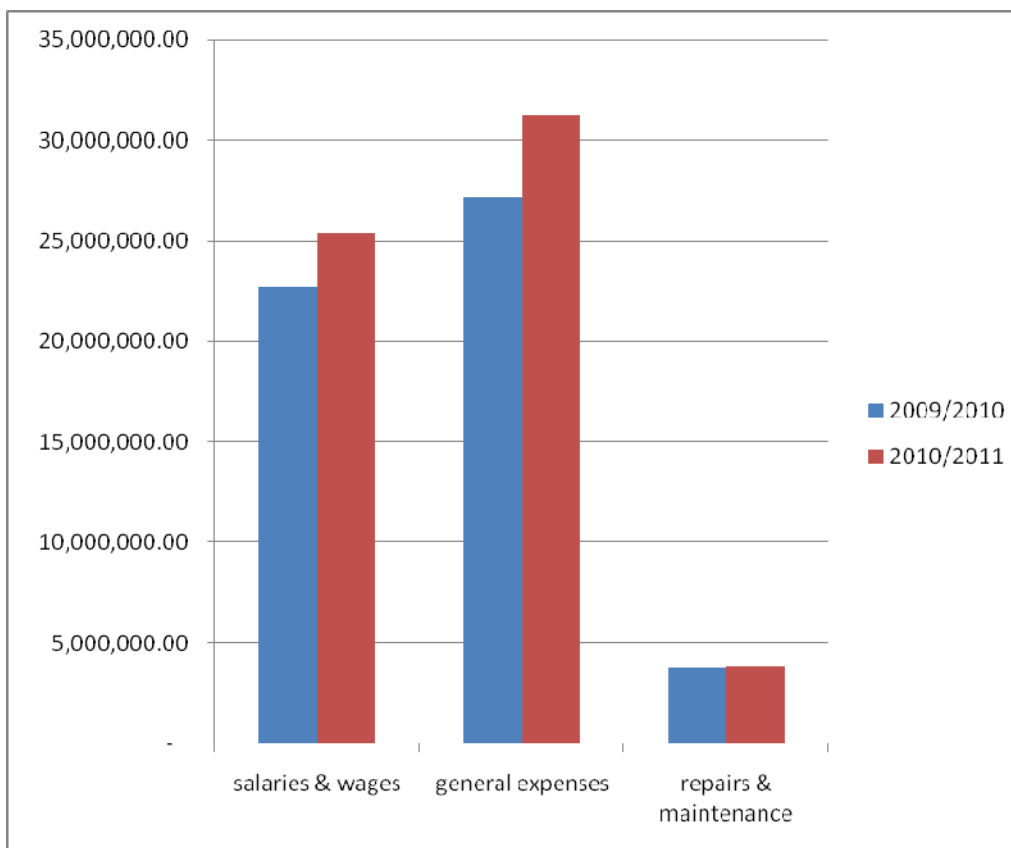
A major source of income still remains the equitable share allocation from National Treasury

Own income increase is funded from:

- 1 Tariff increase
- 2 New billing area from formal and high density residential development
- 3 New property valuations

Graph 4 illustrates the expenditure to be committed in spending types.

	2009/2010	2010/2011
salaries & wages	22,697,335.60	25,432,266.50
general expenses	27,178,346.05	31,239,402.64
repairs & maintenance	3,759,563.94	3,823,678.97



FINANCIAL CHALLENGES AND CONSTRAINTS

SRVM faces the following financial challenges:

- 1) Achieving financial stability in the medium term and long term
- 2) Increasing the debt collection %

- 3) Dependence on grant funding
- 4) Acceptable level of tariff increases – trying to balance financial sustainability and affordability
- 5) Managing cost
- 6) Exploring alternative revenue sources
- 7) Identifying cost savings

In order to address the first challenge, SRVM has approached National Treasury to assist the municipality with a financial recovery plan. The municipality was subsequently placed under financial administration during February 2010 after which an administrator was appointed by the MEC of Local Government. A strategic turnaround plan was developed for the municipality to address key areas that need intervention.

The municipality has also adopted a new debt management and credit control policy to give effect to more efficient credit control. The municipality is in the process of capacitating the credit control unit with more staff to ensure the functions are performed adequately. The current collection rate of Sundays River Valley municipality is approximately 40%.

FINANCIAL RISKS

Financial risks include:

- Changes in inflation rate and other variables
- Unemployment trends
- Global financial instability

FORECAST FOR FUTURE FINANCING AND PERFORMANCE

The key to a future prediction is stability in two realms, firstly, management and Council and secondly, the service environment. Needs are ever increasing and funding is a challenge.

Trying to kickstart development has to be in the way we interact with communities during the IDP and

Budget process. External stakeholders such as provincial departments needs to subscribe to the same developmental ideas as found in local government. We still find sector departments not being

financial capable of adequately supporting development. This limits large developments as the municipality is not financial viable enough to service large loans.

The municipality does not anticipate raising any new long term loans. The municipality currently utilizes a bank overdraft of R1 million. The overdraft is reviewed annually.

STATEMENT OF INVESTMENT AND MEDIUM-TERM STRATEGY

Being a small municipality and not having surplus resources, the action of preserving the future value

of money is found in a banking practices whereby funds are automatically transferred to a call account

bearing a favorable interest rate.

All funds received as "trust funds" are deposited in individual banks accounts for independent transactions.

The success to the indicative future is to ensure that the current year not only uphold current trends and commitments but also act as a precursor to the future. Importantly it is recorded in the IDP for the successive years. Planning capital and service infrastructure to contemplate future services needs ahead of e.g. housing developments are important. This is also towards a commitment for achieving the 2011/12 and 2012/13 objectives.

Consequential to infrastructure development is accommodating the operating budget, which we have.

This includes the amendment of the organogram for labor resource needs.

Future development is a denominator of revenue which in turn depend on tariff increase. Due to the poor nature of our inhabitants it is difficult to drive income with tariff as approximately 65% of the consumers are indigent.

GRANTS TO BE RECEIVED

Please refer to schedule SA18 for all grants that will be received by Sundays River Valley Municipality.

INFORMATION ON PROPERTY RATES

Please refer to schedule SA11 for summary of property rates information.

CHAPTER 11

EXPENDITURE ON ALLOCATIONS AND GRANT FUNDING

Please refer to the following schedules

- Schedule SA18 – Transfer and grants receipts
- Schedule SA19 – Expenditure on transfer and grants

CHAPTER 12

ALLOCATIONS AND GRANTS MADE BY THE MUNICIPALITY

No allocations will be made to any other municipality, any organ of state or any organization or bodies outside any sphere of government as referred to in section 67(1) of the Act.

Please refer to schedule SA21.

CHAPTER 13

COUNCILOR ALLOWANCES AND EMPLOYEE BENEFITS

Please refer to the following schedules

- Schedule SA22 – Summary of councilor and staff benefits
- Schedule SA23 - Salary, allowances and benefits (councilors and snr managers)
- Schedule SA24 – Summary of personnel numbers

CHAPTER 14

MONTHLY TARGETS

Please refer to schedule SA25 – SA30

- Schedule SA25- Budgeted monthly revenue & expenditure by source
- Schedule SA26 – Budgeted monthly revenue & expenditure by vote
- Schedule SA27- Budgeted monthly revenue & expenditure by standard classification
- Schedule SA28 – Budgeted monthly capital expenditure by vote
- Schedule SA29 – Budgeted monthly capital expenditure by standard classification
- Schedule SA30 – Budgeted monthly cash flow

CHAPTER 15

ANNUAL BUDGET AND SDBIP – DEPARTMENTS

Please refer to draft SDBIP attached.

CHAPTER 16

CAPITAL EXPENDITURE DETAILS

Total capital expenditure for 2010/2011 will amount to R14 458 050. These acquisitions will be funded as follows:

- R14 053 000 – funded by government grant
- R404 700 – funded by own revenue

Please refer to Schedules:

- SA34a – Capital expenditure on new assets per class
- SA34b – Capital expenditure on the renewal of existing assets
- SA34c – Repairs and maintenance schedule by class of asset
- SA36 – Detailed capital budget
- SA37 – projects delayed from previous year

CHAPTER 17

CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS

The municipality does not have any contracts which have future budgetary implications beyond the 3 years budgeted for.

Please refer to Schedule SA33

CHAPTER 18

LEGISLATIVE COMPLIANCE

The Municipal Finance Management Act brought about uniformity, accountability and control measures to local government in terms of financial reporting and budgeting. The Act required a high level of transformation financial disciplines and planning.

New budget regulations were published in Gazette nr 32141 on 17 April 2009. The object of these regulations is to secure sound and sustainable management of the budgeting and reporting practices of municipalities by establishing uniform norms and standards and other requirements for ensuring transparency, accountability and appropriate lines of responsibility in the budgeting and reporting process. The 2010/2011 budgets of all municipalities needs to comply to these regulations.

Challenges experienced:

The draft budget could not be prepared in the required format, due to organizational and political instability during the first half of the financial year. The municipality operated without a CFO for a period of six months. The municipality was also placed under administration in accordance with Section 139(1)(b) by the MEC of Local Government and traditional Affairs.

The draft budget tabled to Council on 31 March 2010 was thus still in the format as regulated by Circular 28.

The final budget is tabled to Council compliant with the new budgeting regulations.

The MFMA regulates monthly and quarterly reports to be submitted to National Treasury. Although Sundays river Valley Municipality complied with submitting the reports, the reports were, in a number of cases, submitted National Treasury late.

Achievements:

An Administrator was appointed by the MEC to ensure financial turnaround and stability within the organization. An extensive strategic turnaround plan was developed by the Administrator and approved by Council on 25 March 2010.

As a direct result of the turnaround plan the following policies were adopted by Council

- Tariff policy
- Indigent policy
- Credit control and debt collection policy

These policies are all a requirement of the MFMA and the Municipal Systems Act.

The Municipality has adopted GRAP standards and the 2005/06 annual financial statements were prepared in line with GRAP standards. The municipality is however facing challenges with implementation of a number of GRAP standards. To address this problem, a gap analysis will be done and an implementation plan developed.

CHAPTER 19

BUDGET – DETAILS PER DEPARTMENT

Please refer to schedule SA2 for details

ANNEXURES

**SUNDAYS RIVER VALLEY MUNICIPALITY
TARIFF STRUCTURE
FOR 2010/2011 FINANCIAL YEAR**

7

PROPOSED TARIFF STRUCTURE FOR 2010/2011

	PROPOSED TARIFFS 2008/2009 adj	PROPOSED TARIFFS 2009/2010	PROPOSED TARIFFS 2010/2011	PROPOSED TARIFFS 2011/2012	PROPOSED TARIFFS 2012/2013
1. WATER					
Metered Water (rising block)					
0 to 6 kl free (free basic service and Indigent subsidy)	4.19	4.44	4.79	5.08	5.38
7 to 15 kl	5.00	5.30	5.62	5.96	6.31
16 to 25 kl	5.32	5.64	5.98	6.34	6.72
25 to 40 kl	5.37	5.69	6.03	6.40	6.78
41kl and greater	0.00				
41 to 55kl	4.52	4.79	6.21	6.58	6.98
56 to 70 kl	3.01	3.19	6.30	6.68	7.08
70 toKL	2.41	2.55	6.35	6.73	7.13
Water Sport fields per KL			3.00	3.18	3.37
Unmetered Water (standpipe)	26.70	28.30	30.00	31.80	33.71
Water availability Charge Monthly	17.90	18.97	20.30	21.52	22.81
Water availability Charge Anually	214.79	227.68	243.61	258.23	273.73
Prepaid Meters per KL	FBS	FBS	FBS	FBS	FBS
Prepaid Meter water...					
7 to 15 kl	4.15	4.40	5.62	5.96	6.31
16 to 25 kl	4.42	4.69	5.98	6.34	6.72
25 to 40 kl	4.46	4.73	6.03	6.39	6.78
41 kl and greater					
41 to 55kl	4.52	4.79	6.21	6.58	6.98
56 to 70 kl	3.01	3.19	6.30	6.68	7.08
70 toKL	2.41	2.55	6.35	6.73	7.13
Municipal Water Consumption					
0 to 6 kl free (free basic service and Indigent subsidy)	4.19	4.44	4.79	5.08	5.38
7 to 15 kl	5.00	5.30	5.62	5.96	6.31
16 to 25 kl	5.32	5.64	5.98	6.34	6.72
25 to 40 kl	5.37	5.69	6.03	6.40	6.78
41kl and greater	0.00				
41 to 55kl	4.52	4.79	6.21	6.58	6.98
56 to 70 kl	3.01	3.19	6.30	6.68	7.08
70 toKL	2.41	2.55	6.35	6.73	7.13
Water Credit for maintaining grass on pavements		30.37	32.76	34.73	36.81
M/Mabida Water Availability and 8 KL consumption		45.61	94.00	99.64	105.62
Prepaid Meters basic charge plus kl -4%	0.00	0.00	0.00	0.00	0.00
Minimum purchase for prepaid	10.00	10.00	10.00	10.00	10.60
Optional availability charge on prepaid purchases (%)	0.20	0.20	0.20	0.20	0.21
Water Deposit	300.00	318.00	400.00	400.00	424.00
Default advance payment (three time average consumption)					
Reconnection fee	250.00	265.00	408.00	432.48	458.43
Disconnection fee	250.00	265.00	408.00	432.48	458.43
Illegal connection fine	1000.00	1060.00	2000.00	2120.00	2247.20
New connection Contractors fee + 20%)	full cost	full cost	full cost	full cost	full cost
2. IRRIGATION WATER					
Basic Charge - built up erven	337.39	357.63	380.00	402.80	426.97
Basic Charge - not built up erven	1445.73	1532.47	1625.00	1722.50	1825.85

3. SANITATION					
Sanitation per month	27.68	29.34	31.70	33.60	35.62
suction services - Aqua/MM park- per load	25.49	27.02	50.00	53.00	56.18
vip-tanker (per load)-PATERSON	57.46	60.91	100.00	106.00	112.36
4. SEWERAGE					
Households (1st and 2nd toilet included)	250.17	265.18	286.00	303.16	321.35
Households (every additional toilet)	29.28	31.04	35.00	37.10	39.33
Businesses per toilet	120.53	127.76	138.00	146.28	155.06
Business Basic	394.77	418.46	443.56	470.18	498.39
Churches per toilet	71.19	75.46	81.00	85.86	91.01
Church Basic	250.17	265.18	286.00	303.16	321.35
Hotels	71.19	75.46	80.00	84.80	89.89
Hotel Basic	362.14	383.87	410.00	434.60	460.68
Schools per toilet	321.05	340.31	367.00	389.02	412.36
Schools basic	250.17	265.18	285.00	302.10	320.23
Hospitals per toilet	414.57	439.44	474.00	502.44	532.59
Hospitals basic	430.18	455.99	492.00	521.52	552.81
Sewerage Blockages Normal Hours	97.17	103.00	110.00	116.60	123.60
Sewerage Blockages After Hours	193.59	205.21	220.00	233.20	247.19
Nightsoil		27.68	29.50	31.27	33.15
5. REFUSE					
Households per month	31.52	33.41	36.00	38.16	40.45
No collection (pm)	18.01	19.09	21.00	22.26	23.60
Businesses	52.70	55.86	60.00	63.60	67.42
Garden refuse per load	ad hoc	ad hoc	ad hoc	ad hoc	ad hoc
Refuse Bags (20)	15.32	16.24	18.00	19.08	20.22
Fine for illegal dumping of refuse			2000.00	2120.00	2247.20
Fine for illegal dumping of rebel			5000.00	5300.00	5618.00
6. ASSESSMENT RATES					
land and improvements- srvm-residential	0.0201	0.0070	0.0080	0.0085	0.0090
land and improvements- srvm-business & industrial properties	0.0201	0.0090	0.0099	0.0105	0.0111
land and improvements- state owned properties	0.0230	0.0150	0.0162	0.0172	0.0182
agriculture	0.00602	0.001750	0.002000	0.0021	0.0022
Valuation % phase in		75%			
Public Service Infrastructure			0.002000	0.0021	0.0022
Rates Building Clause			0.0080	0.0085	0.0090
Rates Clearance	25.91	27.46	50.00	53.0000	56.1800
Valuation certificate	25.91	27.46	50.00	53.0000	56.1800
Services rates- Informal Structure	20.24	0.00	0.00	0.00	0.00
Public Infrastructure less 30%					
R25 000 rebate for all residential Properties					
Rebates Pensioners with Income less than R 5000 p.m.					
0 -25000 valuation tariff = 0					
25000.01-100 000 valuation tariff .0077 less 60% rebate					
100 000-9999999 valuation tariff 0.0077 less 70% rebate					
7. ELECTRICITY					
Basic charge- h/h per room	13.21	17.70	21.60	25.12	29.16
Basic charge- Business	181.48	243.18	296.68	345.04	400.63
Basic Charge NER approved+ 4% (Moses Mabida)	6.1973	8.30	10.13	11.78	13.68
Availability p.a. 470&471	73.0130	97.84	119.36	138.82	161.18
Minimum purchase for prepaid					
Optional availability charge on prepaid purchases (%)					
Free Basic Electricity (per 50 KWH)	58.4100	78.27	95.49	111.05	128.94
Electricity service charge	7%	7%	7%	7%	
Per Kw Prepaid	0.5900	0.0079	0.0096	0.01122	0.01302
HOUSEHOLDS 422 & 423 & 425 VAT EXCL.					
up to 300 Kwh (vat incl)	0.4840	0.64856	0.65000	0.75595	0.87773
300Kwh to 700 Kwh	0.3627	0.48602	0.70000	0.81410	0.94525
In excess of 700 Kwh	0.3255	0.43617	0.74000	0.86062	0.99927
Electricity usage tower		52.50	100.00	116.30	135.03593

BUSINESSES 424 & 427 VAT EXCL.

up to 300 Kwh (vat incl)	0.64480	0.86403	0.80000	0.93040	1.08029
300Kwh to 700 Kwh	0.46330	0.62082	0.85000	0.98855	1.14781
In excess of 700 Kwh	0.37050	0.49647	0.90000	1.04670	1.21532
Electricity KVA Consumption 150 KVA 428	79.7320	106.84088	165.00000	191.90	222.80928
Electricity KVA Consumption 264 KVA 430	69.0400	92.51360	165.00000	191.90	222.80928
Electricity KVA Consumption STD KVA 432 & 433	29.1720	39.09048	165.00000	191.90	222.80928
Electricity KVA Consumption 1100 KVA 436	79.7340	106.84356	165.00000	191.90	222.80928
Electricity KVA Consumption 500 KVA 438	79.7340	106.84356	165.00000	191.90	222.80928
Electricity KVA Consumption 315 KVA 440	79.7340	106.84356	165.00000	191.90	222.80928
Electricity KVA Consumption	79.7340	106.84356	165.00000	191.90	222.80928

ELECTRICITY STD KWH 442 VAT EXCL.

up to 300 Kwh (vat incl)	0.64480	0.86403	0.80000	0.93	1.08029
300Kwh to 700 Kwh	0.46330	0.62082	0.85000	0.99	1.14781
In excess of 700 Kwh	0.37050	0.49647	0.90000	1.05	1.21532
Service Charge	96.4700	129.26980	157.709	183.42	212.96403

ELECTRICITY STD KWH 443 VAT EXCL.

up to 300 Kwh (vat incl)	0.64480	0.86403	0.80000	0.93	1.08029
300Kwh to 700 Kwh	0.46330	0.62082	0.85000	0.99	1.14781
In excess of 700 Kwh	0.37050	0.49647	0.90000	1.05	1.21532
Service Charge	101.31000	135.75540	165.62159	192.62	223.64865

ELECTRICITY MUNICIPAL 444 VAT EXCL.

up to 300 Kwh (vat incl)	0.48400	0.64856	0.46234	0.54	0.62433
300Kwh to 700 Kwh	0.36270	0.48602	0.51518	0.60	0.69568
In excess of 700 Kwh	0.32550	0.43617	0.68230	0.79	0.92135
Service Charge					

ELECTRICITY MUNICIPAL 446 VAT EXCL.

up to 300 Kwh (vat incl)	0.64480	0.86403	0.80000	0.93	1.08029
300Kwh to 700 Kwh	0.46330	0.62082	0.85000	0.99	1.14781
In excess of 700 Kwh	0.37050	0.49647	0.90000	1.05	1.21532
Service Charge					

Electricity Municipal Service Charge1 458

Electricity Municipal Service Charge2 459	8.9900	12.04660	14.69685	17.09	19.84603
Per unit	2.8810	3.86054	4.70986	5.48	6.36000
Service Charge	44.9320	60.20888	73.45483	85.43	99.19042

Electricity Street Lights 434

	0.0995	0.13333	0.16266	0.19	0.21965
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Electricity Deposit

Household	470.00	629.80	770.00	900.00	1044.99
Business	880.00	1179.20	1500.00	1750.00	2031.93
Default advance payment (three time average consumption)					
Reconnection Fee	250.00	335.00	408.00	474.50	550.95
Disconnection fee	200.00	268.00	408.00	474.50	550.95
Illegal connection	1100.00	1474.00	2000.00	2326.00	2700.72
With installation of prepaid meter					
Large Consumer deposits (three time average consumption)					
New connection Contractors fee + 20%)	full cost	full cost	full cost	full cost	full cost
Special Agreements					

SPECIAL AGREEMENTS:

A LIFE CARE ACC NO. 002049700

472-ELECTRICITY SERVICE CHARGE	284.9780	381.87	465.88	541.82	629.1081
474-ELECTRICITY EXTENSION CHARGE	1326.0000	1776.84	2167.74	2521.09	2927.2344
438-ELECTRICITY KVA CHARGE HIGH SEASON JUNE & AUG	79.7340	207.65	220.11	255.98	297.2234
438-ELECTRICITY KVA CHARGE LOW SEASON SEPT - MAY		129.04	157.45	183.11	212.6141
426-ELECTRICITY KW CHARGE HIGH DEMAND JUNE & AUG.	0.01316	0.54234	0.66160	0.77	0.8934
426-ELECTRICITY KW CHARGE LOW DEMAND SEPT-MAY		0.36756	0.44840	0.52	0.6055

B SRCC ACC NO 002049701

426-ELECTRICITY KW CHARGE HIGH SEASON JUNE-AUG	0.1316	0.54234	0.66160	0.77	0.8934
426-ELECTRICITY KW CHARGE LOW DEMAND SEPT-MAY		0.36756	0.44840	0.52	0.6055
436-ELECTRICITY KVA CHARGE HIGH SEASON JUNE-AUG	79.7340	207.65	220.11	255.98	297.2234

436-ELECTRICITY KVA CHARGE LOW SEASON SEPT - MAY		129.04	157.45	183.11	212.6141
472-ELECTRICITY SERVICE CHARGE	284.9780	381.87	465.88	541.82	629.1081
474-ELECTRICITY EXTENSION CHARGE	2917.2000	3909.05	4769.04	5546.39	6439.9156
C TELKOM ACC NO 00201007					
426-ELECTRICITY KWH CHARGE HIGH SEASON JUNE-AUG	0.1316	0.54234	0.66160	0.77	0.8934
426-ELECTRICITY KW CHARGE LOW DEMAND SEPT-MAY		0.36756	0.44840	0.52	0.6055
428-ELECTRICITY KVA CHARGE HIGH SEASON JUNE-AUG	79.7320	207.65	220.11	255.98	297.2234
428-ELECTRICITY KVA CHARGE LOW SEASON SEPT - MAY		129.04	157.45	183.11	212.6141
472-ELECTRICITY SERVICE CHARGE	284.9780	381.87	404.78	470.76	546.6022
474-ELECTRICITY EXTENSION CHARGE	700.1300	938.17	994.46	1156.56	1342.8846
D SUNDAYS VALLEY HOSPITAL ACC NO 01044300					
426-ELECTRICITY KWH CHARGE HIGH SEASON JUNE-AUG	0.1316	0.54234	0.66160	0.77	0.8934
426-ELECTRICITY KW CHARGE LOW DEMAND SEPT-MAY		0.36756	0.44840	0.52	0.6055
428-ELECTRICITY KVA CHARGE HIGH SEASON JUNE-AUG	79.7320	207.65	220.11	255.98	297.2234
428-ELECTRICITY KVA CHARGE LOW SEASON SEPT - MAY		129.04	157.45	183.11	212.6141
472-ELECTRICITY SERVICE CHARGE	284.9780	381.87	404.78	470.76	546.6022
474-ELECTRICITY EXTENSION CHARGE	397.8000	533.05	565.04	657.14	763.0004
E DAGBREEK SPAR ACC NO 001068700 if conditions are met					
426-ELECTRICITY KWH CHARGE HIGH SEASON JUNE-AUG	0.2400	0.54234	0.66160	0.77	0.8934
426-ELECTRICITY KW CHARGE LOW DEMAND SEPT-MAY		0.36756	0.44840	0.52	0.6055
428-ELECTRICITY KVA CHARGE HIGH SEASON JUNE-AUG	105.6800	207.65	220.11	255.98	297.2234
428-ELECTRICITY KVA CHARGE LOW SEASON SEPT - MAY		129.04	157.45	183.11	212.6141
472-ELECTRICITY SERVICE CHARGE	0.0000	381.87	465.88	541.82	629.1073
474-ELECTRICITY EXTENSION CHARGE	0.0000	533.05	650.32	756.32	878.1670
8. CEMETERY					
Cost of Site-other areas	86.1351	91.30	100.00	104.00	110.24
Booking	12.3000	13.04	14.00	15.00	15.90
Plot Town (Kirkwood, Paterson) Urban	179.8500	190.64	220.00	233.20	247.19
Digging of 1,82 meter grave Cost R 271.00	164.5900	174.47	350.00	371.00	393.26
Digging of 2,43 meter grave	220.1800	233.39	450.00	477.00	505.62
Cremation Wall	212.2600	225.00	250.00	265.00	280.90
Removal of cement slab	116.6300	123.63	150.00	160.00	169.60
(Subject to Implementation Policy)					
9. HOUSING					
Town : Rental	72.38	76.72	80.00	84.80	89.89
Bergsig : 2 Roomed house	30.85	32.70	35.00	37.10	39.33
: 3 Roomed house	33.41	35.42	38.00	40.28	42.70
: 4 Roomed house	35.96	38.12	50.00	53.00	56.18
Moses Mabida : Police Office	131.22	139.09	150.00	159.00	168.54
Moses Mabida : SAP Houses Council approved	144.60	153.28	425.00	450.50	477.53
Self Help Scheme	70.56	74.79	0.00	0.00	0.00
Moses Mabida Housing Insurance	12.57	13.32	15.00	15.90	16.85
One month in advance rental	apply	apply	apply	apply	apply

10. RENT

Town Clerks House (subject to contract) Increase date June
 House Rent J. Bruintjies Increase date February
 House Rent F. Nompondo Increase date November

 MTN Tower rental Increase April
 Erf 930 property rent Increase April
 ACVV Loan
 Rent Erf 2296 Nomathamsanqa Increase 1 November vat inc. 8%
 Rent Erf 470 Addo Lease agreement terminated 11 March 2009
 Rent Erf 588 Kirkwood Hawkers facility still under construction
 Rent Erf 1248 Kirkwood No occupants
 Rent Erf 372 Kirkwood Vat incl.
 Rent Erf 372 (2) Kirkwood Vat incl.

Work Centre
 Brick Making Machine per day
 Concrete Mixer per day (own fuel)
 Concrete Mixer per day (Mun fuel)
 Squash Court
 Stage
 Tower rental 10 years

11. MUNICIPAL BUILDINGS

Hall: Deposit (All)
 Rent per day 10h00 - 17h00
 Rent per day 17h00 - 24h00
 Town Hall Deposit: Aquapark Hall
 Meetings (per function)
 Deposits: Dances, weddings and profitable organizations
 Modeling and aerobic classes
 Badminton
 Religious purposes
 Damages claim

12 Swimming Pool

Entrance Fee- Adults
 Entrance Fee- Children
 Hire of facility (10H00 to 15H30)
 Deposits

13 Hawkers Stand p.m

14 Fire Services (Deliberate, own fault)

15 Library

Fines
 Lost book
 fax transmission
 fax received
 Photocopies
 Library Books A4
 Library Books A3
 Own Books A4
 A3

16 Recoverable Jobs

Deposit as estimated for the full service

17 Building Plans

1 Advertisement - Town Planning Submissions Vat incl.
 2 Advertisements - Town Planning Submissions Vat incl.
 Advertisement Government Gazette
 Administration fee - basic -all types

928.95	984.69	1083.16	1191.47	1310.62	
	328.96	361.86	398.046	437.85	
	360.82	396.90	436.59	480.25	
	1054.89	1160.379	1276.4169	1404.06	
	834.54	917.994	1009.7934	1110.77	
	3123.72	3123.72	3123.72	3123.72	
	1329.70	1436.07	1550.95	1675.00	
	219.30	250.00	275.00	302.50	
	100.00	100.00	110.00	120.00	
	114.00	114.00	125.40	137.94	
	684.00	752.40	827.64	910.40	
	285.00	313.50	344.85	379.34	
149.62	158.59	170.00	180.2	191.01	
44.89	47.58	60.00	63.6	67.42	
44.89	47.58	60.00	63.6	67.42	
n/a	n/a	n/a	n/a	n/a	
3000.00	3180.00	3400.00	3604.00	3820.24	
100.00	106.00	110.00	116.60	123.60	
	10.00	10.00	10.00	10.00	
200.00	212.00	250.00	265.00	280.90	
68.00	72.08	150.00	159.00	168.54	
81.00	85.86	300.00	318.00	337.08	
0.00	0.00	0.00	0.00	0.00	
0.00	0.00	0.00	0.00	0.00	
300.00	318.00	350.00	371.00	400.00	
0.00	0.00	0.00	0.00	0.00	
0.00	0.00	0.00	0.00	0.00	
0.00	0.00	0.00	0.00	0.00	
6.00	6.50	7.00	7.50	8.00	
4.00	4.50	5.00	5.50	6.00	
250.00	265.00	400.00	424.00	449.44	
125.00	135.00	350.00	150.00	160.00	
17.00	18	20	21	25.00	
full cost	full cost	full cost	full cost	full cost	
55c	0.65	0.70	0.75	0.80	
cost	cost	cost	cost		
3.50	4.00	4.50	5.00	5.30	
3.50	4.00	4.50	5.00	5.30	
35c	0.40	0.45	0.50	0.53	
60c	0.6500	0.70	0.08	0.10	
60c	0.6500	0.70	0.80	0.85	
1.00	1.10	1.20	1.50	1.60	
ad hoc	ad hoc	ad hoc	ad hoc	ad hoc	
Regulation	Regulation	Regulation	Regulation	Regulation	
	2300.00	2461.00	2608.66	2765.18	
	4600.00	4922.00	5217.32	5530.36	
	Full cost + 20%	Full cost + 20%	Full cost+20%	full cost + 20%	
26.10	27.70	30.00	31.00	32.86	

Black and White					
A4	15.91	16.85	18.00	19.10	20.25
A3	28.41	3.10	3.50	3.70	3.92
A2	39.77	42.15	50.00	53.00	56.18
A1	54.54	57.80	65.00	68.90	73.03
A0	70.45	74.65	80.00	84.80	89.89
Colour					
A4	34.09	36.15	40.00	42.40	44.94
A3	72.73	77.10	85.00	90.10	95.51
A2	126.13	133.70	145.00	153.70	162.92
A1	142.04	150.60	160.00	169.60	179.78
A0	159.09	168.65	180.00	190.80	202.25
18 Grazing Camp Fees	Policy	Policy	Policy	Policy	Policy
19 Land Sales	Policy	Policy	Policy	Policy	Policy
20 Tender Documents	Ad Hoc	Ad Hoc	Ad Hoc	Ad Hoc	Ad Hoc
21 Advertising/ posters: deposit	125.00	132.50	200.00	212.00	224.72
Fine Illegal advertising			2000.00	2120.00	2247.20
Fine Not removing posters			2000.00	2120.00	2247.20
22 Sport field rentals	50.00	53.00	100.00	106.00	112.36
22 Rezoning Application	1204.52	1276.80	1353.41	1434.61	1520.69
23 Indigent support					
Income 0-1100 100% subsidy on Rates,Refuse, Water Avail, Sewer					
Income 1100.01-2200.00 50 % subsidy on Rates,Refuse, WA & Sewer					

Sundays River Valley Municipality



BUDGET STRATEGY 31 MAY 2010

PRESENTED BY: MRS. V ZITUMANE
SRVM ADMINISTRATOR / ACTING MM

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1. INTRODUCTION AND BACKGROUND

The DLGTA S139 (B) Intervention in the Sundays River Valley Municipality started effectively from 18th February 2010. When the Administrator assumed her duties on the 23rd February 2010, there was no Municipal Manager and CFO. The Municipal Manager was dismissed and

CFO was on special leave. There were 2 Acting CFOs appointed by Council up until 28 February 2010. The CFO has since been recalled and is dealing with a number of backlogs within the section.

Below are some of the challenges that finance section is facing:

- The Budget is not credible and realistic
- The Credit control policies are ineffective
- The Adjustment budget was not tabled on time
- The Financial Recovery Plan was not implemented
- The structure is deficient

On the 25 March 2010, the Turnaround Strategy and plan which integrates the financial recovery plan was adopted by Council.

2. IDP/BUDGET PROCESSES

This current financial year, the IDP/ Budget process was faced with a number of challenges which had to be considered and addressed in a very short period of time between the February 2010 and the 31 May 2010, which was the final date for the adoption of the budget.

The budget time schedule was completed in March 2010. The draft IDP / Budget and Service Delivery and Budget Implementation Plan were tabled in Council including related policies were adopted by Council on 25 March 2010.

During the period of May 2010, the Council conducted its outreach program consulting the communities and the consultation process which was fraught with a number of challenges which related to Council's failure to consult with communities prior the intervention and the logistics challenges.

3. IDP AND BUDGET SYNCHRONISATION

The process of aligning the IDP and the Budget through the development of the SDBIP has not been an easy one, as SRVM did not have an SDBIP in the current financial year and therefore the process had to be started from no baseline.

The Budget has been structured to ensure that there is alignment with the IDP and this is reflected in the SDBIP. Allocation of the budget will ensure that the IDP priorities are met, where possible and the SDBIP will also outline key outputs for each of the IDP priorities. A graphical analysis of how the allocation is split in terms of the 5 key priorities of local government is herein developed in a budget submission.

4. EQUITY IN THE BUDGET PROCESS

After the IDP and Budget Public Participation process, an extensive engagement with the Administrator, Councillors, Heads of Department, Provincial Treasury, DBSA Municipal Advisor, DLGTA Technical Team and Finance Officials took place to scrutinize the budget framework,

departmental requests, and compliance issues to ensure that the budget is credible and balanced.

The municipality has sought advice from different stakeholders on budget related issues and tariff setting; and the major difficulty in drafting 2010-11 budget was the fact that there had to be the rectification of tariffs , some which, were inaccurate for years, before effecting percentage increases to be in line with the trends and guidelines.

5. THE BUDGET 2010/2011 – OPERATING REVENUE

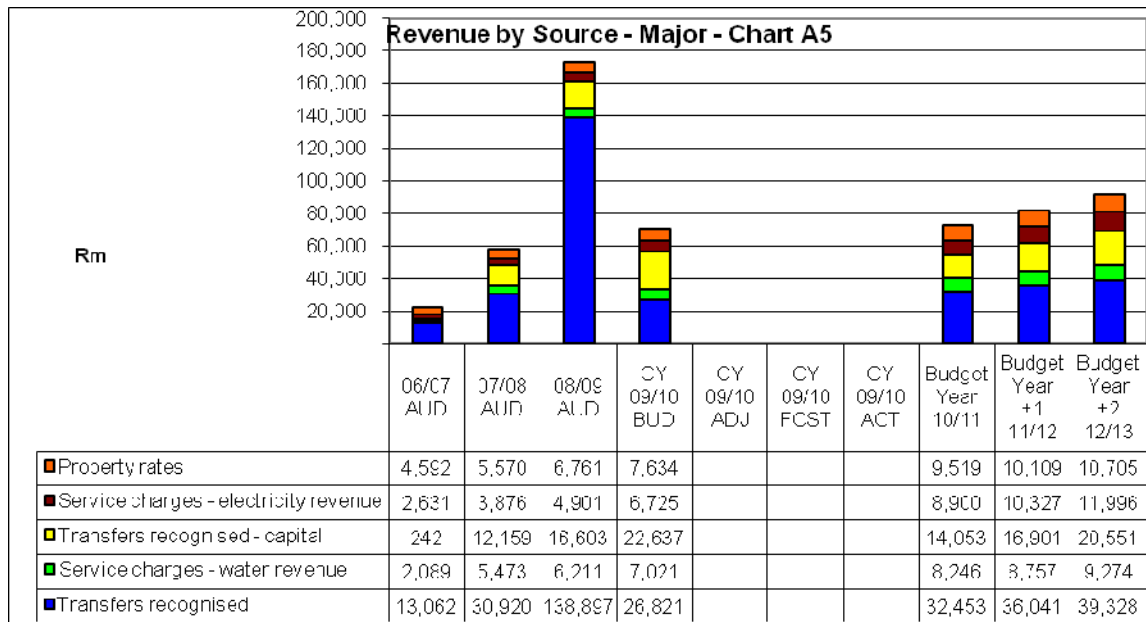
The Municipality's first consideration was to set the basics right by rectifying existing tariffs. The commitment in implementing the financial recovery plan would enhance the credibility of the budget. The increases in tariffs and charges were considered in light of the standard and cost of services that have been provided to the community over the past year and also with a view to funding resources for the improvement of these services in the coming financial year.

SRVM will never survive if some hard decisions, for the benefit of the community, are not taken. It is a reality that the level of services the municipality is currently providing is not up to the required level, and must be improved. Service level improvement is the key focus of the Turnaround Plan. The SRVM can only improve if it enters into a social contract with the community, which will ensure that we collect the required revenue that will enable us to provide the best services.

6. OPERATING REVENUE INCREASES

- The Property Rates increased by average 10%
- The electricity increase is 22%
- Refuse collection increased by 8%
- Water tariffs increased by average 28%
- Rental of municipal buildings
 - Swimming pool – hire of facility increase is 34%
 - Community Hall hire increase is 15%
- All other tariffs – average of 7%

7. MAJOR SOURCES OF REVENUE



8. DEBTORS ARREARS

The Council at some stage had considered selling its debtors book through an open Tendering System. This process has been put on hold as the Billing System of the Council needs to be cleansed first and the capacity of credit control unit needs to be enhanced. There are interventions underway to cleanse and update the Billing System.

The Staff at Finance will be appointed by the 1st of July 2010 to beef up capacity and the required competencies in the section.

On the 25th of March 2010, the Council adopted a Credit Control and Debt Collection Policy which will be rigidly enforced so as to improve debt collection. The budgeted Debt Collection Rate is to improve from 40% to at least 70%. Collection from long outstanding debt has not been considered in the current revenue projections; instead it will improve the cashflow of the Municipality and assist in paying long outstanding creditors that are estimated at R20m.

9. BUDGETED OPERATING REVENUE 2010/2011 – SUMMARY

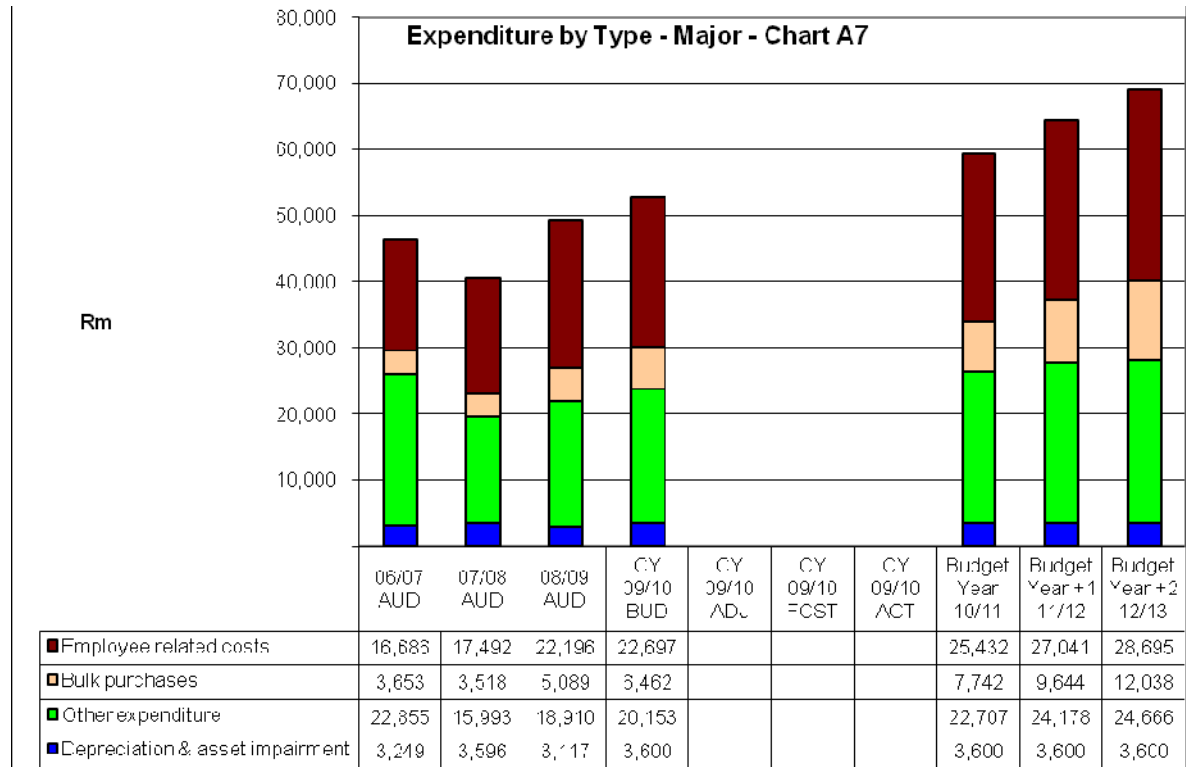
- The Budgeted revenue from grants and subsidies totals to R46 910 700
- The Total budgeted revenue for the 2010/2011 is R88 622 762
- A provision for Doubtful Debts has been budgeted at R6 million
- Net Budgeted Revenue including a Capital Contribution of R14.05 million is R14.49 million

10. OPERATING BUDGET – EXPENDITURE

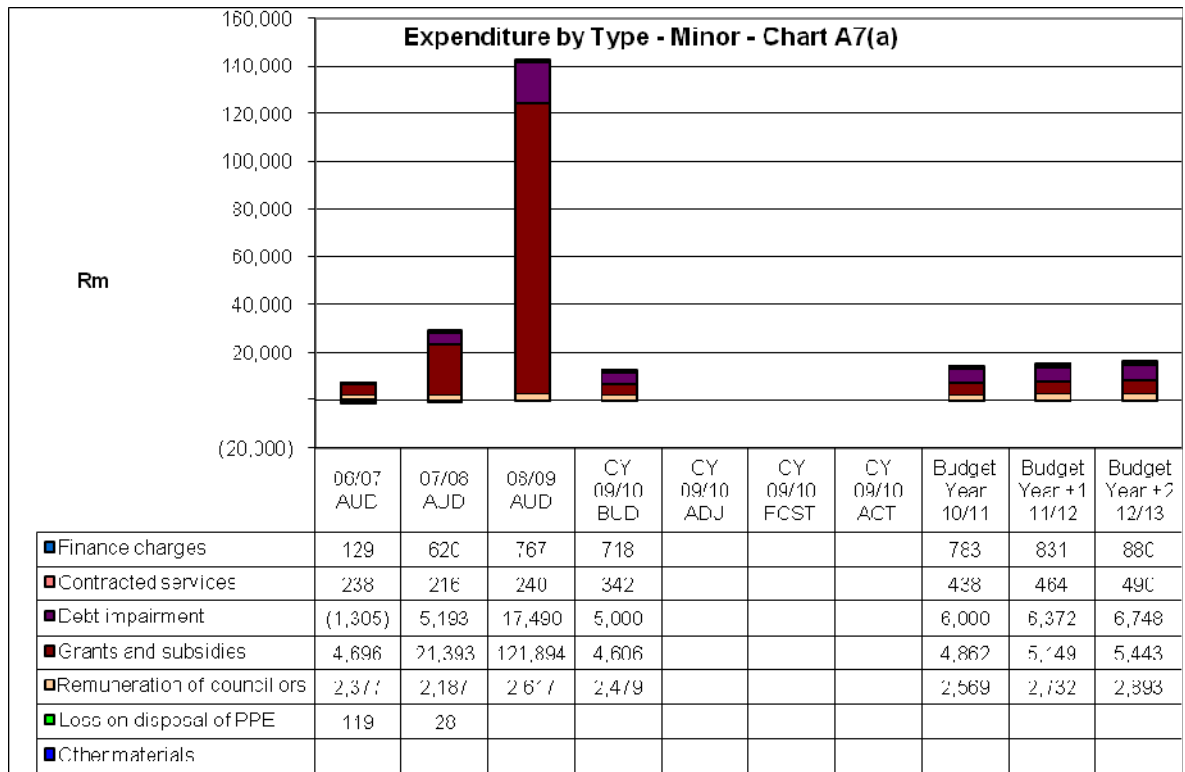
The Council inherited a high level of personnel costs which are at 36% of operating revenue for the 2009/2010 financial year and general operating expenses were also very high. This has resulted in that the wider community being deprived of funds that should be used for road maintenance, electricity reticulation, refuse collection repairs, and to provide staff with the resources to perform their duties.

There must be a concerted effort to increase the O&M allocation, as failure to service our assets results in dissatisfied communities, and huge costs for major repairs and reconstruction.

11. OPERATING EXPENDITURE (Figure: 1)



12. OPERATING EXPENDITURE (Figure: 2)



13. OPERATING EXPENDITURE 2010/2011 – SUMMARY

- Personnel Costs	R25 432 266
- General Expenses	R16 860 745
- Contracted Services	R438 000
- Repairs & Maintenance	R3 823 678
- Provisions	R685 560

14. CAPITAL BUDGET 2010/2011

The Municipal Capital Budget is R14 457 700 with funding as follows:

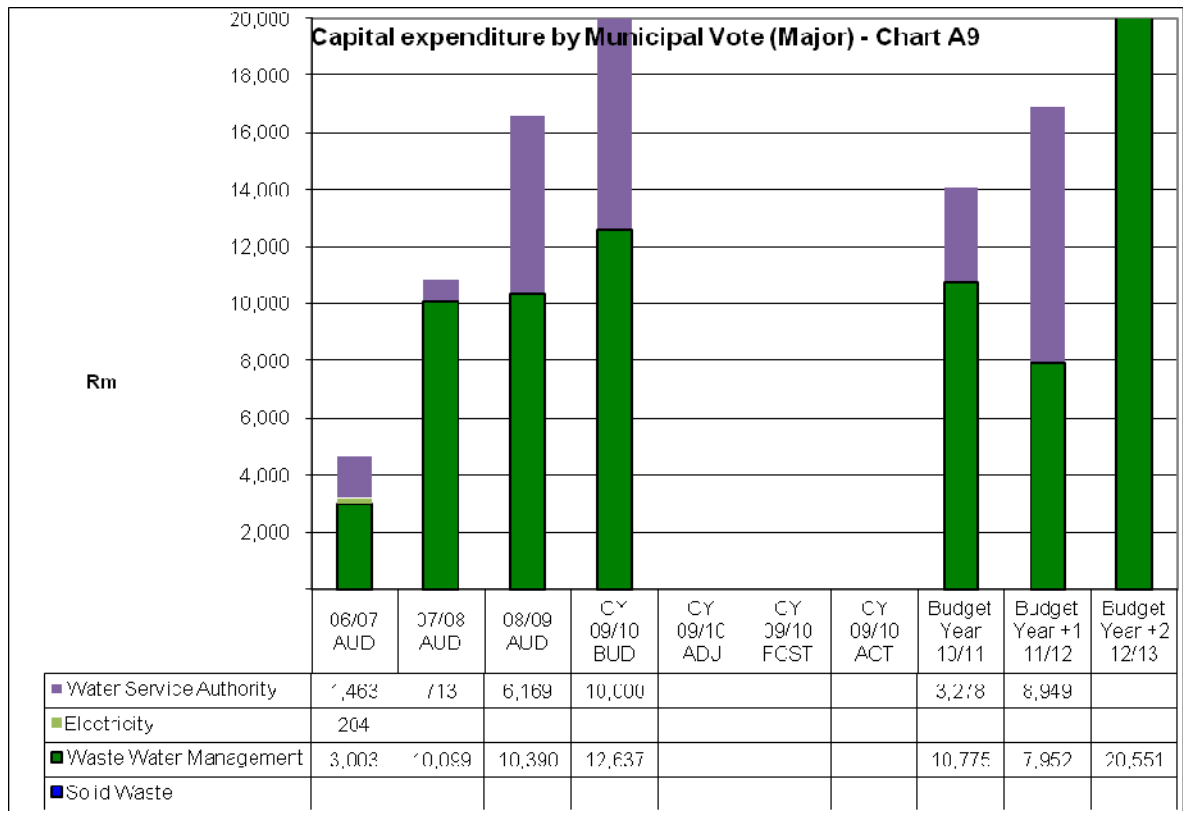
- National Government Grants	R14 053 000
- Internally funded	R404 700
- Total Capital	R14 457 700

There is not enough funding internally for capital and this must be turned around, as Sundays River Valley Municipality cannot perpetually depend on external grants for capital funding.

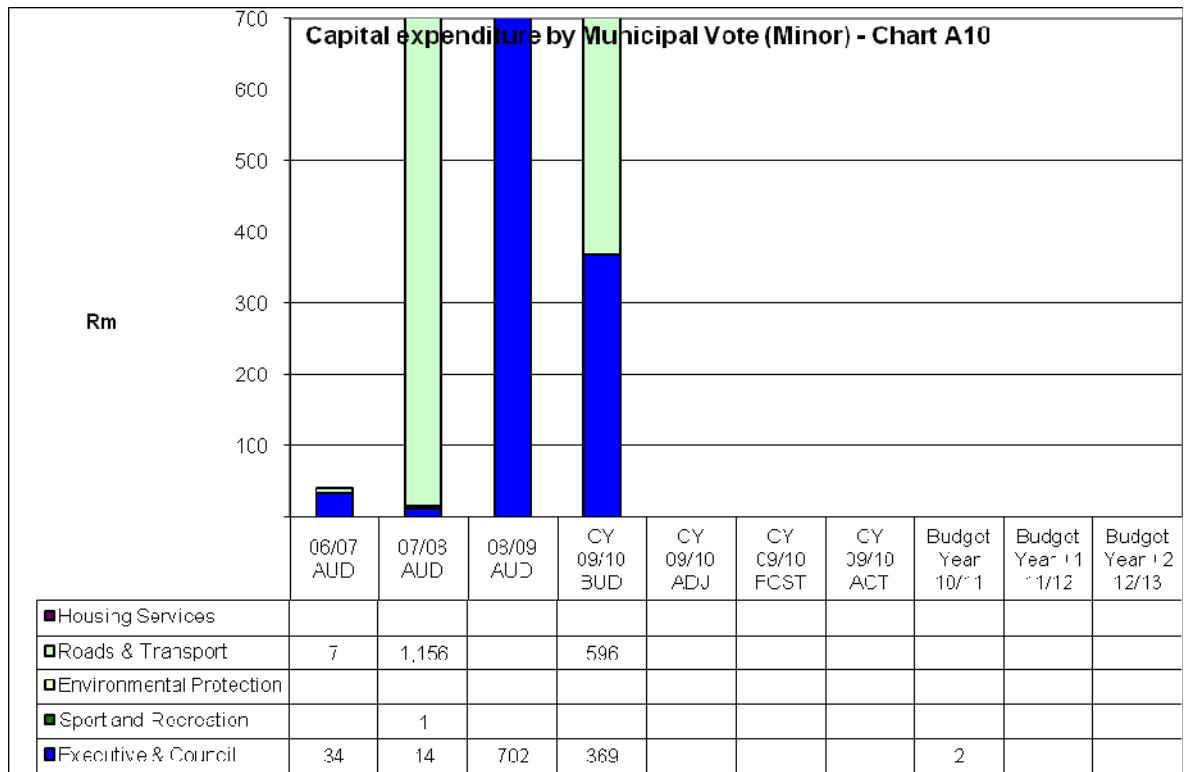
If the municipality raises more revenue internally, it will be able to allocate funding to all wards on an equitable basis; as currently the municipality cannot, due to the fact that most of the municipal capital budget comes from other departments who also have limited resources.

Ward based allocation should be a key focus area once the revenue inflow improves. During the adjustment process, ward allocations must be considered if the cashflow is good.

15. CAPITAL BUDGET (Figure: 1)



16. CAPITAL BUDGET (Figure: 2)



17. IDP AND BUDGET SYNCHRONISATION

The breakdown of the percentages of funds allocated to each activity is as follows:

- Finance 30.49%
- Service Delivery 8.54%
- Local Economic Development 1.88%
- Governance 38.10%
- Institutional Building 4.33%
- Community Services 16.66%

These allocations are to link up with the Service Delivery and Budget Implementation

18. BUDGET CONCLUSION

The reality is that, not everyone and every ward will be satisfied with the allocations; however this will be addressed during the adjustment process in the next financial year. With all the challenges that SRVM is facing, there is reasonable belief that this Budget is balanced and credible. The Budget has not taken into consideration other robust measures of collection long outstanding debts and this approach makes it more realistic.

There is a firm commitment that with the Turnaround Plan, including the Financial Recovery Plan, Sundays River Valley will be taken to another level. With the co-operation of everyone in ensuring that all measures that have been put in place will be embraced, Sundays River Valley Municipality will be turned around.

