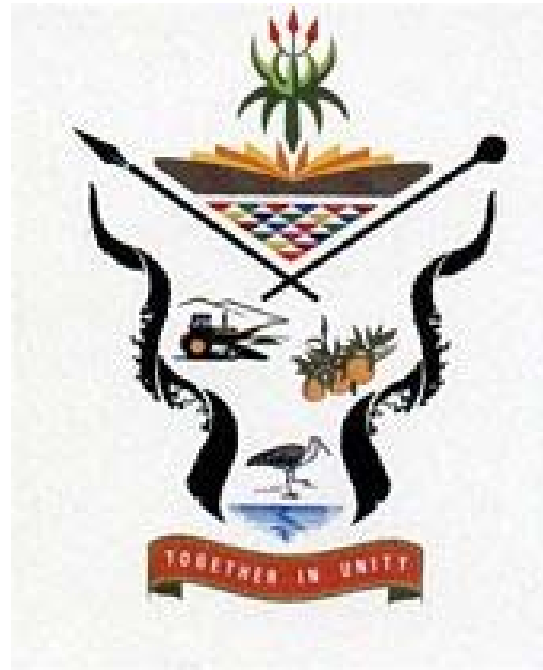


Budget 2010/2011



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BUDGET RESOLUTIONS

Recommended that the annual budget of the municipality for the financial year 2010/2011; and indicative allocations for the two projected outer years 2011/12 and 2012/13 and 2012/2013 and related policies be noted, as set out in the following schedules and annexures to this report:

- a Table A1 to Table A 10 – Budget Summary
- b Salaries and Benefits of Political Office Bearers, Councillors and Senior
- c Assessment (property) rates as set out – proposed tariff rate.
- d Tariffs fees and charges book incorporating miscellaneous tariffs, charges to be approved
- e Rates for 2010/2011
- f The draft rates policy as attached
- g Budget policy including virements for noting
- h Draft credit control and debt collection policy for noting
- i Budgeted Financial Performance (revenue and expenditure) per department.
- k Measurable Performance Objectives and Indicators

- That the council approves the consolidated capital budget of R 9,629,000 and operating budget of R 44,334,542 for the 2010/11 to the 2012/13 be approved.
- That the financial related policies be noted and approved

Indigent policy
 Debt and credit control policy
 Cash management, Investment and banking policy
 Budget policy
 Rates policy

That the tariff increases for various services as follows **be approved.**

Rates – farmers 8% and 82.5%
 Businesses – 10%

Residential 10%

Refuse Removal

<u>Business</u>	60.00
Households	250.00
small , government, old age homes	400.00
medium and schools	750.00
large	

Electricity at 22% subject to the approval by NERSA.

- That the miscellaneous charges/ tariffs as indicated **be approved.**
- That the Council **NOTES** that the increase in electricity prices is subject to approval by NERSA.
- That the Council **NOTES** that in the event of the electricity increases as per recommendation above lower or higher than 22 %, a special council will be arranged on or before 1st July 2010.
- That the Council **NOTES** that all salary increments have been provided for at 12.5% and that they are all subject to the final approval by SALGA and any final agreement will be tabled to Council for approval.
- That the Municipal requests the payment schedule from DSRAC for the allocation for the 2010/11 financial year.

NXUBA MUNICIPALITY 2010/2011 BUDGET SPEECH
DELIVERED BY THE MAYOR, CLLR MAKHAYA MHANA
ON WEDNESDAY
26 MAY 2010

- Honorable and Fellow Councillors
- Management and Staff
- Representatives from other spheres of Government
- Invited guests
- Representatives of Community organisations, ratepayers and all our stakeholders
- Ladies and Gentleman

On 26 June 1955 in Kliptown, the people of South Africa, black and white, together equals, countrymen, brother and sisters adopted the most important document in our history which is the foundation of the new South Africa, the freedom charter .

As we celebrate and commemorate 55 years of the Freedom Charter we should ask ourselves whether the ideals and aspirations as enshrined in the people's charter have been realised by our people or not?

This may be our last budget to be tabled for the current council as our term of office ends next year and it would be wise of us to reflect on some of the achievements and challenges during our term.

1. Municipal Transformation and Organisational Development

An organisational structure which is annually reviewed is in place. The task of transforming our Institution is continuing so that it be equipped with the necessary skills so as to be able to deliver services in the most efficient and effective manner. The Institution has managed to fill its key strategic posts, especially on management, though it is experiencing various challenges in this regard. In the last four years alone the Municipality has employed 3 Chief Finance Officers. The Institution is being disadvantaged by its size, geographic location and its revenue base.

2. Infrastructure Development and Basic Service Delivery

The Municipality is progressing well in achieving the minimum standards for basic services that must be met by 2014. More than 90% of Nxuba residents do have access to the minimum standards for basic services.

Most of the services are deteriorating as there is little maintenance on them especially the roads. Our focus in the past four years have been to upgrade the major routes in our townships.

2008/09 – Adelaide & Bedford access roads phase 1 – R5 million

2009/10 – Adelaide & Bedford access roads phase 2 – R7,033 million

2010/11 – Adelaide & Bedford access roads phase 3 – R8,033 million

The funding for all those projects is from the Municipal Infrastructure Grant (MIG) which is insufficient to cover our backlogs.

Electrification of 1000 RDP houses has been successfully completed with funding from Department of Mineral and Energy during 2007/08 financial year.

The Municipality is currently building new Council Chambers and Offices with funding from MIG – R2.3 million. Completion of those will alleviate the chronic shortage of office space in our Municipality.

3. Local Economic Development

In the last four years the Municipality has coordinated the implementation of these projects in our area.

NO	2006 / 07 PROJECTS	AMOUNT
1	Koonap Youth Development	250 000.00
2	Each One Teach One Youth Project	500 000.00
3	Lilitha Womens Co-op	500 000.00
4	Adelaide Quality Bricks & Block Making Co-op	100 000.00
5	Adelaide Quality Bricks & Block Making Co-op	100 000.00
6	Adelaide Commonage Fencing	425 659.00
7	Masinedane (Inputs)	77 143.00
8	Kwagga (Veg)	30 000.00
9	Mt Pleasant (Inputs)	40 000.00
10	Kroomie (Poultry)	34 000.00
11	Worteldrift (Poultry)	30 000.00
12	Worteldrift (Piggery)	30 000.00
13	Bedford Garden Festival	150 000.00
14	Bedford Garden Festival	100 000.00

	Total	2 367 802.00
NO	2007 / 08 PROJECTS	AMOUNT
1	Masomelele Food Security	750 000.00
2	Philani Food Security	750 000.00
3	Bedford Garden Festival	150 000.00
4	Bedford Garden Festival	100 000.00
5	Mt Pleasant (Dipping Tank)	12 109.00
6	Khobonqaba Farmers Ass (Dipping Tank)	15 438.00
7	Mt Pleasant (Dipping Tank Material)	15 625.00
8	Bedford Dipping Tank	16 479.00
9	Adelaide Dipping Tank	16 930.00
10	Bedford Dipping Tank (Poles)	121 000.00
11	Bedford Siyazondla	23 164.00
NO	2007 / 08 PROJECTS	AMOUNT
12	Goodwinpark	24 500.00
13	Adelaide Siyazondla	24 272.00
14	Kroomie Piggery	19 916.00
15	Bedford Piggery	19 610.00
16	Nonyameko Project	16 746.00
17	Mt Pleasant	4 221.00
18	Bedford Siyazondla	6 916.00
19	Siyakhula Stalls	9 950.00
20	Siyakhula Farm	9 960.00
21	Siyazondla	6 880.00
22	Phola Park Poultry	24 531.00
23	Yellowwoods	6 949.00
24	Mt Pleasant (Chicks)	24 531.00
25	Mt Pleasant Stalls	9 950.00
26	New Bright Stalls	9 819.30

27	Bedford Poultry	9 955.00
28	Adelaide Poultry	9 987.00
29	Adelaide Poultry	23 165.00
30	Lingelethu Project	24 528.80
31	Vulindlela Project	16 739.00
32	Bedford Piggery	19 926.00
33	Siyazondla Piggery	6 912.00
34	Siyazondla Piggery	16 758.00
35	New Bright	9 819.00
	Total	2 327 286.10
NO	2008 / 09 PROJECTS	AMOUNT
1	Umcebo Youth Project	500 000.00
2	Zamani Food Security	750 000.00
3	Worteldrift Agricultural Co-op	1 042 794.00
4	Bedford Garden Festival	150 000.00
5	Bedford Garden Festival	100 000.00
6	Worteldrift Goat Project	60 000.00
7	Lingelethu Goat Project	60 000.00
8	Phambili Goat Project	60 000.00
9	Nxuba Goat Project (Medication)	10 000.00
10	Khula Piggery (Inputs)	30 000.00
11	Mzamomhle Piggery (Inputs)	30 000.00
12	Mpuphu Piggery (Inputs)	20 000.00
13	Masiphilisane	20 000.00
14	Kroomie (Renovations)	20 000.00
15	Bedford Piggery (Renovations)	20 000.00
16	Bezzville Homesteads (Garden Tools)	30 000.00
17	Nonzwankazi Homesteads (Garden Tools)	30 000.00
NO	2008 / 09 PROJECTS	AMOUNT

18	Post Retief (Inputs)	30 000.00
19	Yellowwoods (Inputs)	30 000.00
20	Sophumeleza (Feed)	23 000.00
21	Kwyaja (Structure + Inputs)	100 000.00
22	Kamvelihle	20 000.00
23	Nyarha Poultry	20 000.00
24	Sivuyile Poultry	20 000.00
25	Masithandane Poultry	20 000.00
	Total	3 195 794.00
NO	2009 / 10 PROJECTS	AMOUNT
1	Masinedane Food Security	750 000.00
2	Sophumelela Womens Co-op	500 000.00
3	Zama Zama Food Security	750 000.00
4	Bedford Garden Festival	150 000.00
5	Bedford Garden Festival	150 000.00
6	Sisonke Poultry	30 000.00
7	Zizamele Poultry	30 000.00
8	Masigcobe Poultry	30 000.00
9	Phakamsani Community	30 000.00
10	Bezzville Community	30 000.00
11	Newtown Community	30 000.00
12	Bedford Community	30 000.00
13	Adelaide Farms	30 000.00
14	Mt Pleasant Farms	30 000.00
15	Qoyi Farms	30 000.00
16	Abahlali Bayazama Poultry	30 000.00
17	Sophumelela Piggery	30 000.00
18	Newtown Piggery	30 000.00
	Total	2 660 000.00

	Sub Total	10 550 882.10
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The Agricultural Sector is the major driving force in the local economic development of the Nxuba area and in the past two years we experienced one of the most devastating droughts we have ever had. This resulted in our area being declared a disaster area by both the National and Provincial Governments. Many of the projects that were targeting the youth, women and emerging farmers had to be abandoned.

4. Municipal Financial Viability and Management

Allocations from the National and Provincial Governments to the Municipality have been characterised by insufficient funds to address backlogs, to run the administrative effectively, to continue providing basic services to the entire population. In some instances the Municipality has to deal with unfunded mandates. Provision of primary health and library services has severely depleted Municipal resources.

Our Municipality received a qualified Audit Opinion for 2007/08 Financial year which was an improvement from prior years, though the Municipality regress in the following year due to many factors. This shows that the Municipality is capable of improving its Audit Opinion. Nxuba Municipality has been included in those Municipalities to be assisted by Department of Local Government in addressing Audit Queries in the "Operation Clean Audit by 2014" project. We are of the view that we will achieve clean Audit by 2014.

Our financial viability, our continued survival depends mainly on being able to collect what is due to us. It is in this that we appeal to all our people to pay all outstanding monies to the Municipality. The Municipality has been experiencing difficulties in this. The Municipality is owed R34 455 837.61.

Due to small revenue base of our Municipality, we are experiencing challenges in terms of funding the provision of services in a sustainable manner. We have and we will continue engaging other spheres of government so as to increase our revenue.

5. Good Governance and Public Participation

Organs for people's participation in the affairs of the Municipality have been established. We need to improve more on the functioning of these especially Ward Committees. Even the IDP and Budget processes have gone through the process of public participation.

We can safely say that the ideal as enshrined on the Freedom Charter that the people shall govern has been made a reality in Nxuba. Our Council consults the community on every matter that affects them.

More emphasis and enforcement is required on strengthening the internal structures of the Municipality for Good Governance e.g. oversight committees and Audit Committees.

We may not have achieved all what was expected of us but we have paved the way and shown the direction for others to take where we have left.

Budgeting is primary about the choices that the Municipality has to make between competing priorities and fiscal realities. The challenge is to do more with the existing resource envelope. We need to remain focussed on the effective delivery of core Municipal services.

In preparing our budget we have taken note of National Treasury's MFMA Circular 51 which provided us with guidance for the preparation of 2010/11 medium – terms revenue and expenditure framework (MTREF).

- The Challenge for each Municipality is to do more within its existing resource envelope
- Each Municipality must explore how it can contribute to job creation when revising their IDP's and preparing their 2010/11 budgets
- Municipalities must take into consideration the headline inflation forecasts for 2010/11
- Municipalities should also take into account the wage agreement SALGA concluded with the Municipal Workers Unions on 31 July 2009
- Municipalities must explore imaginative ways of structuring the tariffs for utility services to encourage more efficient use of these services and to generate the resources required to maintain, renew and expand infrastructure
- Municipalities should adopt a conservative approach when projecting their expected revenues and cash receipts
- Municipalities must pay special attention in controlling unnecessary spending on nice-to-have items and non-essential activities
- Municipalities must also ensure that their capital budgets reflect consistent efforts to address the backlogs in basic services and the refurbishment of existing network services.

Our draft Budget and IDP was tabled in Council meeting on 24 March 2010 and thereafter we started process of community consultation.

We have received a number of comments from our communities including the following:

- Cemetery charges are too high
- Rates charges to be increased between 6% - 9%
- Farmers to receive 90% on rebates
- Privatisation of the refuse collection
- Percentage of salaries in relation to the to be budget is too high
- More funds to be allocated to repairs and maintenance
- There is generally lack of maintenance of infrastructure including sports fields
- High employment rate resulting in people not being able to pay for services
- Failure of the Municipality to collect the outstanding debt which increase day by day
- Insufficient indigent support to cover all indigents etc

All the submissions were taken into consideration by the Council and the draft Budget was revised accordingly. Of importance, we have considered the affordability of our ratepayers.

Ladies and Gentleman allow me to table before Council the 2010/11 Budget for its final approval.

NXUBA MUNICIPALITY - EXECUTIVE SUMMARY

The 2009/10 to 2011/12 Budget preparation commenced in August 2009 after Council approved a timetable for the IDP and Budget preparation process. The Budget comprises both Operating and Capital Budgets, which is a requirement of the Constitution and the Municipal Finance Management Act (MFMA). The capital budget generally contains new or replacement assets such as roads, vehicles, equipment. The Operating Budget, which is by far the largest component of the Budget, includes the provision of services, such as health, refuse collection, electricity etc.

An overview of the budget is presented with the Operating and Capital Budgets respectively that consists of tables, which provide an overall consolidated picture of the Municipality's finances,

however municipality has generally been in a tremendously poor financial position. One of the objectives of the budget timetable is to ensure integration between the development of the Integrated Development Plan (IDP) and the Budget. The IDP is the strategic plan of the Municipality and it is critical that the Budget enables the achievement of the IDP objectives.

The assumptions and principles applied in the development of this Budget are mainly based upon guidelines received from National Treasury (expenditure growth) and other external bodies such as the National Electricity Regulator of South Africa (NERSA), South African Local Government Bargaining Council, etc. The IDP's strategic focus areas informed the development of the Budget, in addition to assessing the relative capacity to implement the Budget, taking affordability considerations and the municipality's financial constraints into account. The aforementioned guidelines were considered appropriate to inform the development of the Budget.

The Operating Budget totals to R 53,963,542 which funds the continued provision of services provided by the Municipality.

The major expenditure items are employee costs (35%), bulk electricity purchases (24%), general expenses (14%), repairs and maintenance (9%).The depreciation cost can at this stage not be determined subject to the full implementation of the Fixed Asset register.

Funding is obtained from various sources, the major sources being grants and subsidies grants and subsidies received from National and Provincial Governments (54%) as electricity, and refuse collection (8%), property rates (5%), an electricity (27%)

In order to support the 2010/11 Operating Budget, the following increase in rates and service charges have been proposed, with effect from 1 July 2010:

Property rates

Farmers	8%
Businesses	10%
Residential	10%
Electricity	22%
Refuse	60%

In the past as a result of limited funds, a number of important issues such as addressing maintenance backlogs, staffing requirements, etc. were not fully covered. However strategies to address these issues were undertaken and as at 22-24th February 2010 .In relation to staffing requirements, budget provisions are set aside on an annual basis, in order to fill vacant positions critical to service delivery but 90% of these post will not be filled due the financial crisis, position that are to be filled are funded by allocations form the respective government departments e.g. project manager MIG.

In relation to maintenance backlogs, the full extent of the backlogs has been determined. The 2010/11 Budget does make provision for increased allocations to deal with the maintenance of infrastructure due to the financial situation as highlighted.

BUDGET TABLES

Total non current liabilities	-	-	-	-	-	-	-	-	-	-
Community wealth/Equity	-	-	-	-	-	-	-	-	-	-
Cash flows										
Net cash from (used) operating	-	-	-	72,788	58,298	66,875	-	9,629	10,226	10,829
Net cash from (used) investing	-	-	-	-	-	-	-	(9,629)	(10,226)	(10,829)
Net cash from (used) financing	-	-	-	-	-	-	-	-	-	-
Cash/cash equivalents at the year end	-	-	-	72,788	58,298	66,875	-	-	-	-
Cash backing/surplus reconciliation										
Cash and investments available	406	39	-	-	-	-	-	-	-	-
Application of cash and investments	23,396	6,303	-	-	-	-	-	-	-	-
Balance - surplus (shortfall)	(22,991)	(6,263)	-	-	-	-	-	-	-	-
Asset management										
Asset register summary (WDV)	-	30,579	7,148	-	-	-	-	-	-	-
Depreciation & asset impairment	-	-	-	-	-	-	-	-	-	-
Renewal of Existing Assets	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	-	-	-	1,311	960	960	4,717	4,717	5,009	5,305
Free services										
Cost of Free Basic Services provided	-	-	-	2,819	-	-	2,343	2,343	2,488	2,635
Revenue cost of free services provided	-	-	-	6,713	-	-	7,826	7,826	-	-
Households below minimum service level										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-

EC128 Nxuba - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2006/7	2007/8	2008/9	Current Year 2009/10			2010/11 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
Revenue - Standard Governance and administration		4,999	7,027	-	13,464	12,508	12,508	10,256	10,891	11,534
Executive and council Budget and treasury office		3,560	3,976	-	4,984	5,069	5,069	1,626	1,727	1,829
Corporate services		1,439	3,051	-	5,540	4,442	4,442	6,143	6,524	6,909
Community and public safety		-	-	-	2,939	2,996	2,996	2,486	2,641	2,796
Community and social services		3,331	1,817	-	6,567	6,877	6,877	5,985	6,356	6,731
		524	10	-	631	1,570	1,570	1,570	1,667	1,766

EC128 Nxuba - Table A7 Budgeted
Cash Flows

Description	Ref	2006/7	2007/8	2008/9	Current Year 2009/10				2010/11 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Ratepayers and other					2,757	1,685	1,685		23,716	25,186	26,672
Government - operating	1				14,265	4,920	13,497		20,618	21,897	23,189
Government - capital	1				7,039	7,039	7,039		9,629	10,226	10,829
Interest											
Dividends											
Payments											
Suppliers and employees					48,727	44,654	44,654		(44,335)	(47,083)	(49,861)
Finance charges											
Transfers and Grants	1										
NET CASH FROM/(USED) OPERATING ACTIVITIES		-	-	-	72,788	58,298	66,875	-	9,629	10,226	10,829
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE											
Decrease (Increase) in non-current debtors											
Decrease (increase) other non-current receivables											
Decrease (increase) in non-current investments											
Payments											
Capital assets									(9,629)	(10,226)	(10,829)
NET CASH FROM/(USED) INVESTING ACTIVITIES		-	-	-	-	-	-	-	(9,629)	(10,226)	(10,829)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans											
Borrowing long term/refinancing											
Increase (decrease) in consumer deposits											
Payments											
Repayment of borrowing											
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	-	-	-	-	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD		-	-	-	72,788	58,298	66,875	-	-	-	-
Cash/cash equivalents at the year begin:	2										
Cash/cash equivalents at the year end:	2				72,788	58,298	66,875				

Other assets	6,7	-	-	-	696	280	280	1,916	2,035	2,155
TOTAL EXPENDITURE OTHER ITEMS		-	-	-	1,311	960	960	4,717	5,009	5,305
<i>% of capital exp on renewal of assets</i>		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<i>Renewal of Existing Assets as % of deprecn"</i>		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<i>R&M as a % of PPE</i>		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<i>Renewal and R&M as a % of PPE</i>		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

EC128 Nxuba - Table A10 Basic service delivery measurement

Description	Ref	2006/7	2007/8	2008/9	Current Year 2009/10			2010/11 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
Household service targets (000)	1									
<u>Water:</u>										
Piped water inside dwelling										
Piped water inside yard (but not in dwelling)										
Using public tap (at least min.service level)	2									
Other water supply (at least min.service level)	4									
<i>Minimum Service Level and Above sub-total</i>		-	-	-	-	-	-	-	-	-
Using public tap (< min.service level)	3									
Other water supply (< min.service level)	4									
No water supply										
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
Total number of households	5	-	-	-	-	-	-	-	-	-
<u>Sanitation/sewerage:</u>										
Flush toilet (connected to sewerage)										
Flush toilet (with septic tank)										
Chemical toilet										
Pit toilet (ventilated)										
Other toilet provisions (> min.service level)										
<i>Minimum Service Level and Above sub-total</i>		-	-	-	-	-	-	-	-	-
Bucket toilet										
Other toilet provisions (< min.service level)										
No toilet provisions										
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
Total number of households	5	-	-	-	-	-	-	-	-	-
<u>Energy:</u>										
Electricity (at least min.service level)					1			1	-	-
Electricity - prepaid (min.service level)					9			10		

Municipal Housing - rental rebates	6				2,173			1,696		
Housing - top structure subsidies										
Other										
Total revenue cost of free services provided (total social package)		-	-	-	6,713	-	-	7,826	-	-

MUNICIPAL FINANCE MANAGEMENT ACT (MFMA) AND RELATED LEGISLATION

Below are the legislative requirements that guide the budget preparation process:

Municipal Structures Act

The Municipal Structures Act (No. 117 of 1998) as amended, under section 56: Functions and Powers of Executive Mayor, states that the Executive Mayor shall-

- “(a) identify the needs of the municipality;
- (b) Review and evaluate those needs in order of priority;
- (c) recommend to the municipal Council strategies, programmes and services to address priority needs through the integrated development plan and estimates of revenue and expenditure, taking into account any applicable national and provincial development plans; and
- (d) Recommend or determine the best methods, including partnership and other approaches, to deliver those strategies, programmes and services to the maximum benefit of the community.”

Legislation also requires municipalities to compile operating and capital budgets on an annual basis. The operating and capital budgets must balance (i.e. may not reflect a deficit) and must be prepared in accordance with the integrated development plan.

Municipal Finance Management Act

Section 16 (2) of the Municipal Finance Management Act No. 56 of 2003, (MFMA) dealing with legislative compliance regarding the tabling of the annual budget states inter alia that:

“..., the Mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.

Section 21(1) of the MFMA, which deals with the Budget preparation process, stipulates that the Executive Mayor must-

- “(a) co-ordinate the processes for preparing the annual budget and for reviewing the municipality’s integrated development plan and budget-related policies to ensure that the tabled budget and any revisions of the integrated development plan and budget-related policies are mutually consistent and credible;
- (b) at least 10 months before the start of the budget year, table in the municipal council a time schedule outlining key deadlines for-
 - (i) the preparation, tabling and approval of the annual budget;
 - (ii) the annual review of-
 - (aa) the integrated development plan in terms of Section 34 of the Municipal Systems Act; and
 - (bb) the budget related policies
 - (iii) The tabling and adoption of any amendments to the integrated development plan and the budget related policies; and
 - (iv) Any consultative processes forming part of the processes referred to in sub-paragraphs (i), (ii) and (iii).

The approval of the Budget is regulated by Section 24 of the MFMA, which states as follows-

- (1) The municipal council must at least 30 days before the start of the budget year consider approval of the annual budget;
- (2) An annual budget-
 - (a) must be approved before the start of the budget year;
 - (b) must be approved together with the adoption by the council of the resolutions as may be necessary for-
 - (i) imposing any municipal tax for the budget year;
 - (ii) setting any municipal tariffs for the budget year;
 - (iii) approving measurable performance objectives for each vote in the budget;
 - (iv) approving any changes to the municipality’s integrated development plan; and approving any changes to the municipality’s budget-related policies.”

Below a discussion of the Municipality's progress relating to the implementation of the MFMA:

Implementation of the MFMA

The following reflects the status of implementation of some of the key MFMA areas:

IDP

The IDP review process is in progress and a draft 2010/11 IDP has been developed. The IDP includes specific deliverables that forms the basis for the Budget and SDBIP.

Budget

The annual budget document has been developed taking the MFMA and National Treasury (NT) requirements into account. Budgets are being tabled and approved within the required legislated timeframes.

Budget Reporting Formats

As part of its budget reforms, National Treasury released a budget formats guide. This budget formats guide has been imposed through Budget and Reporting Regulations, which specifies the required tables to be published as part and parcel of a municipality's budget report.

The objectives of the budget formats reforms are as follows:

- To ensure that municipal budget and financial reporting formats support the other financial management reforms introduced by the MFMA;
- To improve the local government spheres' ability to deliver basic services by –
 - addressing issues of financial sustainability; and
 - Facilitating informed policy choices and medium term planning of service delivery.
- To formalise the norms and standards governing municipal budget and financial reporting formats, so as to improve the credibility, sustainability, transparency, accuracy, and reliability of budgets and in-year reports of municipalities .

The municipality has tried very hard in implementing the MFMA, however challenges resulting from capacity constraints are prevalent in this municipality.

A description of the purpose and relevance of each budget table is provided further in this report.

SDBIP

The 2010/11 draft SDBIP document has been developed, taking the MFMA and National Treasury requirements into account. This document contains the specific performance measures relating to the IDP objectives, which are incorporated into the Budget

THE IDP/ BUDGET PROCESS OVERVIEW.

1. Introduction

In accordance with Municipal Systems Act no 32 of 2000 Nxuba Local Municipality reviews its Integrated Development Plan (IDP) and Budget annually. The IDP/Budget was developed in accordance with requirements set out in the Municipal Finance Management Act, Municipal Systems Act (32 of 2000) and Local Government Municipal Planning and Performance Management Regulations (2001). The municipality reviewed its IDP/Budget for 2010/11 financial year.

Section 28 (1) of the Municipal Systems Act no. 32 of 2000 states that each municipal council must, within a prescribed period after the start of council's elected term, adopt a process set out in writing to guide the planning, drafting, adoption and review of its IDP. The way in which the IDP process will be undertaken is outlined in Process Plans which all municipalities must prepare. These Process Plans need to comply with this Framework Plan to ensure alignment and co-ordination between district and local municipalities as stipulated in the Municipal Systems Act. The Local Government: Municipal Planning and Performance Management Regulation, 2001 provides elaborately on the contents of the Integrated Development Plan and the processes the Municipality must subject the IDP process into when doing its development or review

1.1 Legal context

According to Section 27(2) of the Municipal Systems Act, the framework plan binds both the district municipality and the local municipalities. The Act states that the framework plan must at least cover the following issues:

- Identify plans and planning requirements binding in terms of national and provincial legislation on the district municipality and the local municipalities or on any specific municipality;
- Identify matters to be included in the integrated development plans of the district municipality and the local municipalities that require alignment;
- Specify the principles to be applied and co-ordinate the approach to be adopted in respect of those matters; and

Determine procedures:

- i) For consultation between the district municipality and the local municipalities during the process of drafting their respective integrated development plans; and
- ii) To effect essential amendments to the framework.

The Municipal Finance Management Act (MFMA) is very clear in respect to time-frames for the IDP and the budget. The MFMA requires the budget and IDP schedule (or the IDP Process Plan) to be adopted by Council by the end of August, the budget and IDP to be tabled before the council in March and Budget and IDP to be adopted by council in May (section 21 and 24).

IDP/Budget Phases

- **Pre-planning phase**

Nxuba Local Municipality resuscitated its IDP/Budget Steering Committee during the pre-planning phase which constitute of Sec 57 Managers and senior official in the municipality. The IDP/Budget

Process Plan was developed and adopted by Council which outlines the action plan on the review of both the IDP and Budget. After adoption the IDP/Budget Process Plan was submitted to Amathole District Municipality and advertised for public comments.

An advert was done for recruitment of new IDP representative members as some stakeholders were not represented on the previous IDP/Budget review. The IDP/Budget Steering Committee and IDP/Budget Representative forum are the most crucial forum for the review of the IDP/Budget as they include both the communities, internal and external officials within Nxuba jurisdiction.

- **Analysis phase**

The Situational Analysis which is chapter 2 of the IDP was then reviewed and also the Developmental Priorities which were identified by communities were taken to Council for approval. The departments review of their sectional organograms budgets and new positions for next financial year were identified.

- **Strategies phase**

This is the phase where Strategies, Objectives & Projects are identified by the municipality with assistance from Sector departments. This was done during the IDP Strategic Planning Session which was held on the 23-24 February 2010 in Bedford Town Hall. The sector departments forwarded their commitments for 2010/2011 financial year.

- **Integration phase**

During the integration phase the IDP/Budget were integrated and taken to council as draft documents on the 24 March 2010. After adoption of both documents Nxuba Local Municipality has embarked on the IDP/Budget Public Hearings that started on the 04th May 2010 and ended on the 13th May 2010. The purpose of these hearings is to ensure that before the IDP/Budget document is adopted by the council on the 26th May 2010, communities and interested parties has been given a chance to comment or input on the draft plan, thus giving the approved plan a sound basis of legitimacy, support and relevance.

The IDP/Budget Road shows were a success where all wards participated and these were the comments that were raised during the road show:

Ward 2- Bezville 04/05/2010 at 12:00

- Malfunctioning of electricity meter boxes
- Clarity on registration for Free Basic Services
- Communities should be informed when tariffs have increased

Ward 4- Msobomvu Hall 04/05/2010 at 17:00

- Lack of improvement/ maintenance of infrastructure
- Why there is increase on hall tariff whereas the unemployment rate is high
- Lack of maintenance of sports fields
- Flood lights are not working in sports fields
- High unemployment rate in youth

Ward 2- Lingelethu 06/05/2010 at 12:00

- Lingelethu community urged the municipality to decrease cemetery charges
- Sport facility charges are too high

- Who is to be consulted on information regarding property valuation?
- Clarity be given on 26% electricity price increase.

Ward 1- Town Central 06/05/2010 at 17:00

- Which strategies does the municipality have on generation of revenue?
- Employee related costs take up a major portion of the operational expenditure, is this correct ?
- What is the recovery plan on getting money due to electricity losses/ electricity tampering
- Is there proper implementation of debt collection?
- 60% rates increase is way too high, and electricity is being charged way too high.
- Who pays salaries, where is the revenue for salaries generated from?
- Where is the shortfall for salaries financed from?
- What is the basis of budgeting, and how is it structured?
- How many indigent households does the municipality subsidize?
- What caused the increase of repairs & maintenance from R 1 063 100 – R 1 685 600
- Does the municipality have asset register for motor vehicles and does this process get monitored?

Ward 3- Bedford Town Hall 13/05/2010 at 17:00

- Basic charge for electricity cannot be charged according to NERSA charges , we are supposed to look at economic factors of the area, the municipality to get rid of 28%
- Under Operating Expenditure, how did we come up with the tariff increase on salaries
- What do u consider to be a big business in Bedford
- Salary increase be not more than 9%
- Why can't the municipality get accounts right/ up to date?
- Cemetery charges in both towns is high
- When will the municipality sort out account for farmers?

From the various wards, consultations with all stakeholders and communities with their representatives and the following proposals were presented:

Way forward/Proposals

- All indigent community members were urged to register for Free Basic Services with the assistance of Community Development Workers
- Ward 3 community proposed that the tariff increase be 6.2%
- Nxuba Local Municipality to privatize refuse collection.
- The increased tariffs for rates, be decreased due to the high unemployment rate experienced in both towns, the proposed rate was indicated at 9%

The IDP/Budget Roadshows were a success where all wards participated,

Nxuba Municipality's budget tabled at a special council meeting in March 2010 gives an overview summary of the upcoming three financial years with more emphasis on the 2010/11 financial year.

This budget has been aligned to the Integrated Development Plan (IDP) of the municipality which is the major strategic document of the municipality that gives guidance to the budget and other strategic documents of the municipality.

In terms of Section 24 of the MFMA, Council must be at least 30 days before the start of the financial year consider approval of the annual budget. Section 53 requires the mayor of a municipality to general political guidance over the priorities that must guide the preparation of the budget. In addition, Chapter 2 of the Municipal Budget and Reporting Regulations, gazzetted on 17, April 2009, states that the mayor of a municipality must establish a budget steering committee to provide technical assistance to the mayor in discharging the responsibilities set out in Section 53 of the Act.

The budget process for the 2010/11 financial year commenced with an IDP /Budget Steering Committee Meeting in 13 August 2009. This session dealt with past performance trends of operating and capital budgets in recent/prior years, identified budget realities going forward and set the criteria and basis of the municipality's prioritization process which was to be used in appropriating the financial resources amongst the municipality's functions for the 2010/2011 financial year.

Service departments submitted their budget proposals for consideration to the Chief Finance Officer during March 2010

These were then considered and various iterations made to ensure a sustainable future product between. A forecasted three year budget was submitted to the Chief Finance Officer for endorsement.

The draft operating and capital budgets, based on the parameters and assumptions as set out were tabled at the Council meeting in March 2010. The budget, IDP and tariff proposals were published for comment and consultation as part of the public participation process were undertaken between April and May 2010 Comments from the above process will be submitted to the Mayor's office before council considers the budget for adoption in May 2010.

b. Process used to integrate the review of the IDP and preparation of the Budget

The Nxuba Municipality's IDP is its principal planning instrument which guides and informs its ongoing planning, management and development actions. The IDP represent the municipality's commitment to the exercise of its powers and functions by which it strives to realize it's for Nxuba municipality over the long and the short- term period.

The Municipality's visionary framework is rolled out into objectives, key performance indicators and targets for implementation. These are the n broken down into Service Delivery Budget Implementation plans (SDBIP'S) that reflect detailed projects each of these projects is allocated budgetary and other resources. The IDP's also informs the municipality's performance management system, as the KP I's are monitored and must be reported on every quarter and this will be fully implemented in the 2010/2011 financial year.

Schedule of Key Deadlines relating to budget process [MFMA s 21(1)(b)]

The IDP and Budget time schedule of the 2010/2011 budget cycle was approved by Council in August 2009. The table below reflects the IDP and budget time schedule.

Date	Activity	Participants
August 2009	Approval of IDP/Budget Process plan	Council
January 2010	MTREF and Revenue projections considered and	IDP /Budget steering Committee

	endorsed	
February 2010	Draft IDP , Capital and operational budgets to be presented for consideration	Council , IDP /Budget steering Committee
March 2010	First draft of the IDP, budgets and tariff structure to be presented for consideration and recommendation to Council.	IDP /Budget steering Committee
April and May 2010	Public participation	Council and other stakeholders
May 2010	Final adoption of IDP and Budget	Council

MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

The Municipality's visionary framework is unpacked into objectives, Key Performance Indicators (KPIs) and targets for implementation. These are then broken up into Service Delivery and Budget Implementation Plans (SDBIPs) that reflect the detailed projects, which are then allocated a budget. This concept also includes the Municipality's performance management system, as the KPIs that are contained in the SDBIPs are monitored and reported on quarterly.

The Municipality's measurable performance objectives form part of the attachment. Annexure C.

OVERVIEW OF BUDGET RELATED POLICIES.

Section 18 of the MFMA states that the budget can only be funded by realistically anticipated revenue to be collected and cash-backed accumulated funds from previous years, not committed for other purposes. In addition, NT Circular 42 stipulates that the budget is to be managed in a full accrual manner, reflecting a transparent budget and accounting system approach.

Council is required to adopt budgetary provisions based on realistic anticipated revenue for the budget year from each revenue source as per the requirements of the MFMA (Chapter 4, S17 (1) (a) & (3) (b)).

General Tariff policy

The Municipal System Act requires Council to adopt a Tariff Policy. The general financial management functions covered in section 62 of the MFMA includes the implementation of a tariff policy.

Credit Control and Debt Collection Policy

This Policy has been formulated in terms of section 96 (b) and 98 of the Local Government: Municipal Systems Act, 2000 and the Credit Control and Debt Collection By-Law. The Indigent policy is also implemented in preparation of the budget in determining the budget for the poor households.

Budget related policies

The following budget related policies have been approved by Council, or have been

reviewed / amended and / or are currently being reviewed / amended, in line with National Guidelines and Legislation.

Supply Chain Management Policy

Section 111 of the MFMA requires each Municipality and municipal entity to adopt and implement a supply chain management policy, which gives effect to the requirements of the Act.

Rates Policy

A Draft Rates Policy was reviewed by the Budget Steering Committee during February and March 2010. A draft Rates Policy in accordance with Section 3 of the MPRA is attached and is to be approved.

Cash Management, Investment and banking Policy

The Municipality's Investment Policy, which ensures that the municipality's cash resources are managed effectively and effectively was approved by Council in March 2010.

Virement Policy included in the budget policy

The Virement Policy aims to empower senior managers with an efficient financial- and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the City's System of Delegations. While no limits were placed on the amount of the virement certain limitations are placed in terms of the Municipality's System of Delegation. It furthermore provides for budgetary flexibility to be effected, per motivation and financial stipulations, within votes. The budget policy was adopted by Council on 24 March 2010.

FINANCIAL CHALLENGES, ASSUMPTIONS

The biggest challenge this year more so than previous years, is that the Municipality's needs to do more within its existing resource envelope and come up with implementable revenue strategies in order to maintain a financial position that will be sustainable. The Municipality faced budgetary constraints in preparing its 2010/11 budget and it meant that the municipality had to apply a combination of cost-saving interventions and slightly higher than headline CPI revenue increases to ensure an affordable, credible and sustainable budget over the 2010/2011 MTREF.

Lower than planned revenue collection ratios are currently achieved, which in turn required strict implementation of the debt and credit control policy. The collection ratios of major revenue sources were consequently adjusted downwards to reflect realistic and sustainable flows over the 3-year MTREF period.

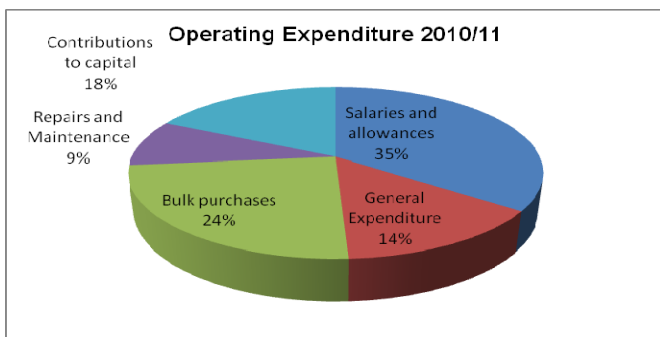
The Nxuba municipal area is surrounded by a high number of indigent households resulting in a relatively high unemployment rate. The high financial dependency for the municipality is the grants and subsidy income. The high dependence on grants and subsidies is of great concern and the situation would be disastrous, if ever these grants would fail to materialize for unknown reasons. This matter has been reflected on our reports – section 71 as well as to the council and relevant departments and thereafter after interventions made to the local government department in order to assist the municipality in the position that it finds itself in. Despite the implementation of the debt and collection policy, the arrear debt situation is yet of major concern and the following figure indicates the debt situation as at end March 2010. This is the challenge that the municipality continues to endeavor to address in the upcoming financial year and also continue ensuring that those who are indigent and poor are assisted through the municipality's indigent policy.

Looking from the figure below, it can be noted that Electricity is the only service whose collection rate is higher, which results from the fact that ratepayers prioritise electricity more than other services, such as property rates.

The other financial challenge to be attended to is the issue of percentage spending on the maintenance of municipal assets, specifically those that are benefiting the municipality – income generating. The percentage spending of 5% is still very much low against the budget. Strategies around capital, investment and infrastructure plans will have to be devised in order to ensure that a percentage of the income raising services is ploughed back into the repairs and maintenance of those services. The budget that is to be approved by council gives projected increase of both capital and operating budget for the next financial years as follows.

FINANCIAL YEAR	OPERATING BUDGET	CAPITAL BUDGET
2010/11	53,963,542	9,629,000
2011/12	57,309,281	10,225,998
2012/13	60,690,529	10,829,332

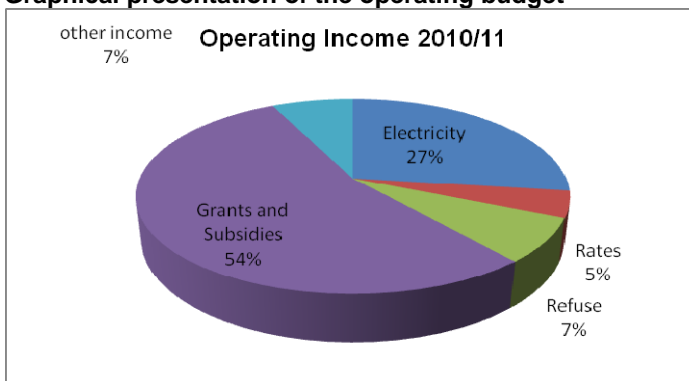
Table 1.1



The funding sources for the 2010/11 can be demonstrated as follows:

Graph 1.1

Graphical presentation of the operating budget



Graph 1.1.2 Graphical presentation of the income sources to fund the operating budget 2010/11

Specific budget amendments incorporated in the MTREF included the following:

- general expenses reduction
- Vacancy provision had to be prioritized- only positions to be funded by the relevant sources- e.g. tourism, pmu section funded by MIG , were budgeted for as the municipality is in no position to appoint more personnel
- travelling and subsistence provisions' reduction
- Furniture, equipment and computer equipment provisions' had to be reduced.

General expenses

Items within the general expenses category were increased in proportion to the projected CPI increases over the MTREF. However, as part of the initiative to attain an affordable Budget, general expenses were reduced.

Repairs and Maintenance

The National Treasury Municipal Budget Circular 51 for the 2010/2011 MTREF stated, amongst other, that municipalities must "secure the health of their asset base (especially the Municipality's revenue generating assets) by increasing spending on repairs and maintenance". The Municipality has identified this as an important budget requirement and has increased the budget , however above the CPI , the municipality is yet faced with challenges in addressing the backlogs.

Rates: With the backdrop of the current economic climate and other cost pressures negatively impacting the budget, the rates revenue increase was proposed at quiet a high rate .This was however rejected by the communities and other representatives stating the factors of the high unemployment rate , the effect of drought relating to farmers and other economic factors, the municipality highlighted that the payment of these was essential in ensuring effective service delivery . The communities proposed an increase in the rate tariff of 9% which would be discussed and a final decision be implemented by council. This above-CPI increase was required to achieve affordable and balanced rates budget and improved outputs in service delivery.

Electricity: The initial Electricity revenue parameter was based on the draft Eskom Multi Year Price Determination (MYPD) that proposed an annual 35% increase over the period 2010/2011 – 2012/2013. To ensure affordability to the customers the Municipality's parameter increase were set at 26%, 9% lower than the Eskom proposed increase. Subsequent to the approval of the MTREF parameters by the council and comments from the public, the Electricity service's revenue estimations were amended based on the NERSA statement on Eskom's proposed tariff increases; i.e. 24.8%, 25.1% and 25.9% for the financial years respectively. The Municipality subsequently amended its revenue parameter to 22% for 2010/2011.

Refuse Removal: This revenue parameter increase was modelled at 60%; the increase is as a result of the impact of actual cost of running the service with the tariff being relatively low to sustain an adequate delivery of this service to the communities.

TARRIFF INCREASES FOR THE 2010/11 FINANCIAL YEAR

The tariffs have been set at the following percentages

Electricity – 22% subject to NERSA'S approval of electricity increases.
 Refuse -60% and other general tariffs, community halls, cemeteries etc.
 Rates 9% farmers
 10% - residential and businesses.

All the listed miscellaneous are listed as a separate Annexure to the budget document.

CATEGORISED OPERATING INCOME

The main sources of revenue for the municipality can be demonstrated as follows:

Electricity	15,135,682
Rates	2,452,356
Refuse	4,073,041
Grants and Subsidies	30,247,465
Other income	<u>4,054,998</u>
	<u>55,963,542</u>

CATEGORISED OPERATING EXPENDITURE

The operating expenditure is broken down as follows:

Salaries and allowances	20,763,017
General Expenditure	7,671,814
Bulk purchases	13,068,970
Repairs and Maintenance	4,176,500
Contributions to capital	<u>9,629,000</u>
	<u>53,963,542</u>

Municipal Infrastructure Grant

The municipality will be receiving an amount of 8,039,000 in 2010/2011, 8,537,419 in 2011/12 and 9,041,126 from national allocations as stipulated in Division of Revenue Act. The municipality has indicated its plans on how to spend this funding up to the second outer financial year, It is imperative that the municipality ensures that the spending is aligned with the specific plans as this funding comes with strict conditions as well as the fact that the spending patterns is one of the key barometers.

DISCLOSURE OF SALARIES, WAGES AND ALLOWANCES

As required in terms of Section of the Municipal Finance Management Act, the budget document must also disclose the budget salaries of section 57 managers as well as well of those municipal councillors . It has been mentioned that all salary allowances have been budgeted for at proposed 12.5% Increase whilst awaiting the final resolutions from other structures such as SALGABC

Attached hereto is Supporting Table SA22, supporting this requirement.

EC128 Nxuba - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration R thousand	Ref	2006/7	2007/8	2008/9	Current Year 2009/10			2010/11 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
		A	B	C	D	E	F	G	H	I
<u>Councillors (Political Office Bearers plus Other)</u>	1									
Salary		1,471			1,035	1,507	1,507	1,757	1,866	1,977
Pension Contributions					108		108	-	-	-
Medical Aid Contributions					19		19	-	-	-
Motor vehicle allowance					387		387	35	37	39
Cell phone allowance					94		94	146	156	165
Housing allowance										
Other benefits or allowances										
In-kind benefits										
Sub Total - Councillors		1,471	-	-	1,644	1,507	2,116	1,938	2,059	2,180
% increase	4		(100.0%)	-	-	(8.3%)	40.4%	(8.4%)	6.2%	5.9%
<u>Senior Managers of the Municipality</u>	2									
Salary		1,079			1,879	1,614	1,614	993	1,054	1,116
Pension Contributions					-		-	-	-	-
Medical Aid Contributions					-		-	-	-	-
Motor vehicle allowance								188	200	212
Cell phone allowance									-	-
Housing allowance									-	-
Performance Bonus									-	-
Other benefits or allowances								841	893	945
In-kind benefits										
Sub Total - Senior Managers of Municipality		1,079	-	-	1,879	1,614	1,614	2,021	2,147	2,273
% increase	4		(100.0%)	-	-	(14.1%)	-	25.2%	6.2%	5.9%
<u>Other Municipal Staff</u>										
Basic Salaries and Wages					14,110	9,484	14,110	12,887	13,686	14,493
Pension Contributions					1,735		1,735	1,433	1,522	1,612
Medical Aid Contributions					738		738	569	604	640

Motor vehicle allowance				-		-	90	95	101	
Cell phone allowance				-		-		-	-	
Housing allowance				37		37	37	40	42	
Overtime							-	-	-	
Performance Bonus								-	-	
Other benefits or allowances In-kind benefits							209	222	235	
Sub Total - Other Municipal Staff				16,621	9,484	16,621	15,225	16,169	17,123	
% increase	4			-	(42.9%)	75.2%	(8.4%)	6.2%	5.9%	
Total Parent Municipality		2,551	-	-	20,143	12,605	20,351	19,185	20,375	21,577
			(100.0%)	-	-	(37.4%)	61.4%	(5.7%)	6.2%	5.9%
<u>Board Members of Entities</u>										
Salary										
Pension Contributions										
Medical Aid Contributions										
Motor vehicle allowance										
Cell phone allowances										
Housing allowance										
Board Fees										
Other benefits and allowances In-kind benefits										
Sub Total - Board Members of Entities										
% increase	4			-	-	-	-	-	-	
<u>Senior Managers of Entities</u>										
Salary										
Pension Contributions										
Medical Aid Contributions										
Motor vehicle allowance										
Cell phone allowances										
Housing allowance										
Performance Bonus										
Other benefits or allowances In-kind benefits										
Sub Total - Senior Managers of Entities										
% increase	4			-	-	-	-	-	-	
<u>Other Staff of Entities</u>										
Basic Salaries and Wages										
Pension Contributions										
Medical Aid Contributions										
Motor vehicle allowance										
Cell phone allowances										
Housing allowance										
Overtime										
Performance Bonus										
Other benefits or allowances In-kind benefits										
Sub Total - Other Staff of Entities										
% increase	4			-	-	-	-	-	-	

Total Municipal Entities		-	-	-	-	-	-	-	-	-
TOTAL SALARY, ALLOWANCES & BENEFITS		2,551	-	-	20,143	12,605	20,351	19,185	20,375	21,577
% increase	4		(100.0%)	-	-	(37.4%)	61.4%	(5.7%)	6.2%	5.9%
TOTAL MANAGERS AND STAFF	5	1,079	-	-	18,499	11,098	18,235	17,247	18,316	19,397

PROPOSED TARRIFFS 2010/11

<u>NXUBA MUNICIPALITY</u>						
<u>TARIFFS FOR 2010/2011</u>						
ELECTRICITY	1.25			1.22		
	2009/2010			2010/2011		
	Tarriff	Vat	Total	Tarriff	Vat	Total
SCALE 1 : CONVENTIONAL HOUSE HOLDS						
Basic charge	24.23	3.39	27.63	25.93	3.63	29.50
10-25 ampere	3.02	0.42	3.45	3.24	0.45	3.70
26-40 ampere	3.41	0.48	3.89	3.65	0.51	4.15
41 or additional	4.28	0.60	4.88	4.58	0.64	5.22
Consumption: Block 1: 1 - 50 kWh	0.56	0.08	0.64	0.59	0.08	0.67
Block 2: 51 - 350 kWh				0.60	0.08	0.68
Block 3: 351 - 600 kWh				0.76	0.11	0.87
Block 4: > 600 kWh				0.85	0.12	0.97
SCALE 2 : 0-5000 BUSINESSES USAGE						
Basic charge	99.78	13.97	113.75	106.77	14.95	122.00
amperage	6.41	0.90	7.31	6.86	0.96	7.80
Consumption (Kwh)	0.71	0.10	0.81	0.87	0.12	0.99
SCALE 3 : 5001-7500 BUSINESS USAGE						
Basic charge	99.78	13.97	113.75	106.77	14.95	122.00
Amperage	8.12	1.14	9.26	8.69	1.22	9.90
Consumption (Kwh)	0.82	0.11	0.93	1.00	0.14	1.14
SCALE 4: 7501 AND ABOVE BUSINESS USAGE						
Kva				75.00	10.50	85.50
Consumption (Kwh)	0.71	0.10	0.81	0.71	0.10	0.81
SCALE 5 : SCHOOLS, HOSTELS, HOSPITALS AND RETIREMENT VILLAGE						
KVA (IF USAGE > 7501)				75.00	10.50	85.50
Consumption (Kwh) OR				0.71	0.10	0.81
Amperage	5.70	0.80	6.50	6.10	0.85	6.95
Consumption (Kwh)	0.71	0.10	0.81	0.87	0.12	0.99
SCALE 6 : PRE-PAID ELECTRICITY						
Consumption (Kwh)	0.79	0.11	0.90	0.96	0.13	1.10
SCALE 7: Municipal Consumption						
Street light	4.14	0.58	4.72	0.69	0.10	0.79
Consumption	0.55	0.08	0.62	0.67	0.09	0.76
ELECTRICITY SUPPLY:						
Temporary disconnection and Reconnection Fees	165.75	23.21	188.96	177.35	24.83	202.00
Test of Metres	165.75	23.21	188.96	177.35	24.83	202.00
Special Meter Reading	65.64	9.19	74.83	70.23	9.83	80.00
New metre installation - Pre paid	437.50	61.25	498.75	468.13	65.54	533.00
- RDP Houses (as per NER reg)	131.58	18.42	150.00	140.79	19.71	160.50
- Conventional meters are charged as per the cost of installation						
Conversion from Conventional meter to Pre-paid	988.68	138.4	1,127.1	1,057.8	148.10	1,205.0
		2	0	9		0
DEPOSITS: Every consumer						
on scale 1 pays a security in terms of section 17	812.51	113.7	926.26	991.26	138.78	1,130.0
		5				0
Business	3,250.0	455.0	3,705.0	3,965.0	555.10	4,520.0
	3	0	3	3		0
AVAILABILITY: Payable by the owner of any stand with or without improvements, not connected to the electricity network but who can in the opinion of the Council reasonably be connected per month per erf						
	24.38	3.41	27.80	26.09	3.65	29.75
REPLACEMENT OF MAIN CIRCUIT BREAKER:						

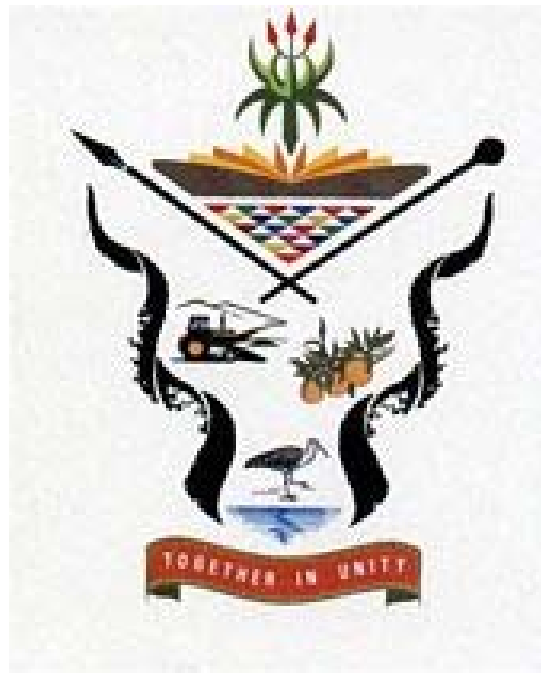
For the replacement of an existing circuit breaker with a higher or lower ampere factor circuit breaker						
0-30 mps	129.72	18.16	147.88	138.80	19.43	160.00
31-60 mps	195.29	27.34	222.63	208.96	29.25	240.00
3 Phase Breakers						
		102.3				
10-30 mps	731.26	8	833.63	782.44	109.54	890.00
	1,381.2	193.3	1,574.6	1,477.9		1,685.0
31-60 mps	6	8	4	5	206.91	0
60 mps and above is as per quotation						
TAMPERING						
	4,062.5	568.7	4,631.2	4,956.2		5,650.0
1st offence	3	5	9	9	693.88	0
	5,037.5	705.2	5,742.8	6,145.8		7,010.0
2nd offence	4	6	0	0	860.41	0
	6,500.0	910.0	7,410.0	7,930.0	1,110.2	9,040.0
3rd offence	5	1	6	6	1	0
REFUSE						
DOMESTIC AND OTHER REFUSE						
Charge removal once a week - Residential and churches	34.31	4.80	39.12	52.64	7.37	60.00
Business	51.47	7.21	58.67			
small , government, old age homes				219.30	30.70	250.00
medium and schools				350.88	49.12	400.00
large				657.89	92.11	750.00
ABANDONED AND OTHER MOTOR WRECKS:						
Removal of abandoned other motorwrecks, per load	286.06	40.05	326.10	306.08	42.85	350.00
BUILDING WASTE AND OTHER WASTE:						
Removal of building rubble	286.06	40.05	326.10	306.08	42.85	350.00
Garden refuse per load or part thereof	171.63	24.03	195.66	183.65	25.71	210.00
OTHER SERVICES						
RENTAL MUNICIPAL VEHICLE						
Tractor per hour	411.87	57.66	469.53	440.70	61.70	502.40
TLB - business per hour				192.98	27.02	220.00
- private per hour				135.96	19.04	155.00
LIBRARY FINES						
Late return per day	0.50	0.07	0.57	0.54	0.08	0.60
Registration fees						
Adults	1.34	0.19	1.53	1.44	0.20	4.00
Children	3.43	0.48	3.91	3.67	0.51	2.00
PHOTOSTATS						
A4	0.70	0.10	0.80	0.75	0.10	0.80
A3	1.40	0.20	1.60	1.50	0.21	1.50
CRECHE						
Monthly rental	228.84	32.04	260.88	244.86	34.28	280.00
BUILDING PLAN FEES						
Basic fee	131.58	18.42	150.00	140.79	19.71	160.50
Plus per square metre	4.73	0.66	5.39	5.06	0.71	5.77
Building sand per cubic metre	116.71	16.34	133.05	124.88	17.48	145.00
Plastering sand per cubic metre	116.71	16.34	133.05	124.88	17.48	145.00
Concrete sand per cubic metre	116.71	16.34	133.05	124.88	17.48	145.00
REZONING, CONSOLIDATION & SUBDIVISIONS						
Application fee	393.45	55.08	448.54	420.99	58.94	480.00
Advertising costs	457.69	64.08	521.77	489.73	68.56	560.00
Supply of Valuation Certificate per erf	221.75	31.04	252.79	237.27	33.22	270.00
	1,540.5	215.6	1,756.2	1,648.4		1,880.0
Application for consent use	7	8	5	1	230.78	0
	1,820.6	254.8	2,075.5	1,948.1		2,220.0
Application for rezoning	8	9	7	2	272.74	0
Application for rezoning requiring amendments of structure plan	3,384.5	473.8	3,858.4	3,621.5		4,130.0
	9	4	3	1	507.01	0

Section 15(1)(a)(ii) departures from the land use restrictions- Building line etc						
Erven smaller than 250 m ²	175.07	24.51	199.57	187.32	26.22	214.00
Erven smaller than 500 m ²	490.18	68.63	558.81	524.49	73.43	600.00
	1,015.3	142.1	1,157.5	1,086.4		1,240.0
Erven larger than 500m ²	8	5	3	5	152.10	0
Enchroachment per square meter	116.71	16.34	133.05	124.88	17.48	145.00
Subdivision						
		117.6				1,025.0
Into two portions/erven	840.31	4	957.96	899.13	125.88	0
Plus per additional portion/erf	81.70	11.44	93.13	87.42	12.24	100.00
	1,207.9	169.1	1,377.0	1,292.5		1,474.0
Removal of Restrictions	5	1	6	0	180.95	0
Amendment of condition of approval s43(2) of Ord. 15 of 1985	869.49	121.7				1,060.0
		3	991.22	930.35	130.25	0
Approval of Architectural Design Manual, Homeowners Constitution, Environmental Management Plan	869.49	121.7				1,060.0
		3	991.22	930.35	130.25	0
SIGNAGE CONTROL						
	1,807.8	253.1	2,061.0	1,934.4		2,935.0
Estate agents- Show house boards (per board per annum)	9	1	0	5	270.82	0
Estate agents- Show house boards: removal fees(Where estate agents boards not removed within the time allowed	175.44	24.56	200.00	187.72	26.28	214.00
Application fee for advertising signs smaller than 2 m ²	350.88	49.12	400.00	375.44	52.56	428.00
Trailer signs (per board)	350.88	49.12	400.00	375.44	52.56	428.00
Removal of charges for loose portable signs						
1) First offence (per sign)	131.58	18.42	150.00	140.79	19.71	160.00
2) Second offence (per sign)	219.30	30.70	250.00	234.65	32.85	267.00
3) Third offence (per sign)	350.88	49.12	400.00	375.44	52.56	428.00
MAIN SPORT COMPLEX						
Deposit	401.48	56.21	457.69	429.59	60.14	490.00
Hire per day	102.98	14.42	117.40	110.19	15.43	125.00
TOWN, COMMUNITY HALLS, SUPPER ROOM AND KITCHEN						
Deposit Town Hall	401.48	56.21	457.69	429.59	60.14	490.00
Deposit Community Hall	286.06	40.05	326.10	306.08	42.85	350.00
Deposit-Supper room	116.71	16.34	133.05	124.88	17.48	145.00
Deposit- kitchen	116.71	16.34	133.05	124.88	17.48	145.00
Hiring Fees - Town Hall						
Entertainment/Social Gathering	401.48	56.21	457.69	429.59	60.14	490.00
Funeral/Meeting	171.63	24.03	195.66	183.65	25.71	210.00
Superroom	91.34	12.79	104.12	97.73	13.68	115.00
Kitchen	116.71	16.34	133.05	124.88	17.48	145.00
Hiring Fees - Community Hall						
Entertainment/Social Gathering	343.27	48.06	391.32	367.30	51.42	420.00
Funeral	68.63	9.61	78.23	73.43	10.28	150.00
UTENSILS						
Crockery - deposit	343.27	48.06	391.32	367.30	51.42	420.00
- hire per day	228.84	32.04	260.88	244.86	34.28	280.00
Wooden/Steel Tables - Deposit per table	572.11	80.10	652.21	131.58	18.42	150.00
- hire One Table per day	57.19	8.01	65.19	17.54	2.46	20.00
Chair - deposit per chair	228.84	32.04	260.88	244.86	34.28	10.00
- hire per Chair	116.71	16.34	133.05	124.88	17.48	4.50
RATES						
Cents per total Rand Value of erven and improvements	0.005		0.005			
Residential	0.005	0.00	0.005	0.0055	0.0000	0.0055
Farmers	0.005	0.00	0.005	0.0055	0.0000	0.0055
Businesses	0.005	0.00	0.005	0.0055	0.0000	0.0055
CEMETERY CHARGES						
Nyarha/Lingelethu/Goodwinpark/Bezville	165.61	23.19	188.80	177.20	24.81	200.00
Bedford/Adelaide Town	276.02	38.64	314.66	295.34	41.35	400.00
Nyarha/Lingelethu/Goodwinpark/Bezville Residents buying town plots				877.19	122.81	1,000.0
						0

BOOKED PLOTS ONLY DECEASED PLUS ONE						
For Council to dig 6ft grave	686.53	96.11	782.65	734.59	102.84	850.00
	1,029.8	144.1	1,173.9	1,101.8		1,260.0
For Council to dig 9ft grave	0	7	7	9	154.26	0
RENTAL OF MUNICIPAL PROPERTIES						
		120.1		1,315.7		1,500.0
3 Bedroomed house per month	858.17	4	978.31	9	184.21	0
				1,052.6		1,200.0
2 Bedroomed house per month	572.11	80.10	652.21	3	147.37	0
	1,716.3	240.2	1,956.6	1,836.4		2,095.0
Town clerk room	4	9	2	8	257.11	0
						1,000.0
Offices	572.11	80.10	652.21	657.89	92.10	0
OTHER RENTALS						
Brickfields	228.84	32.04	260.88	244.86	34.28	280.00
Advice office	343.27	48.06	391.32	367.30	51.42	420.00
Nyarha offices	343.27	48.06	391.32	367.30	51.42	420.00
Bakery	286.06	40.05	326.10	306.08	42.85	350.00
		109.5				
Abattoir	782.64	7	892.21	837.43	117.24	955.00
COMMONAGE						
GRAZING TARIFFS						
Cow	6.02	0.84	6.87	6.44	0.90	7.50
Calf	2.51	0.35	2.86	2.68	0.38	3.00
Goat	2.51	0.35	2.86	2.68	0.38	3.50
Sheep	2.51	0.35	2.86	2.68	0.38	3.50

NXUBA MUNICIPALITY

PROPERTY RATES POLICY
reviewed



TOGETHER IN UNITY

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PREAMBLE

WHEREAS the Constitution entitles municipalities to impose rates on property in their areas, subject to regulation in terms of national legislation;

AND WHEREAS the Constitution enjoins local government to be developmental in nature, in addressing the service delivery priorities of our country and promoting the economic and financial viability of our municipalities;

AND WHEREAS there is a need to provide local government with access to a sufficient and buoyant source of revenue necessary to fulfill its developmental responsibilities

AND WHEREAS income derived from property rates is a critical source of revenue for municipalities to achieve their constitutional objectives, especially in areas that have been neglected in the past due to racially discriminatory laws;

AND WHEREAS it is essential that municipalities exercise their power to impose rates within statutory framework that not only enhances certainty, uniformity and simplicity across the nation, but also takes into account historical imbalances and the rates burden on the poor;

AND WHEREAS the Constitution confers on Parliament the power to regulate the exercise by municipalities of their fiscal powers.

In applying this rates policy, the council shall adhere to all the requirements of the Property Rates Act no. 6 of 2004 including any regulations promulgated in terms of that Act.

1. INTRODUCTION

The Local Government: Municipal Property Rates Act (2004) requires municipalities to develop and adopt rates policies consistent with the Act on the levying of rates on rateable property in the municipality.

The municipality needs a reliable source of revenue to provide basic services and perform its functions. Property rates are the most important source of general revenue for the municipality. Revenue from property rates is used to fund services that benefit the community as a whole as opposed to individual households. These include installing and maintaining streets, roads, sidewalks, lighting, and storm drainage facilities; and building and operating clinics, parks, recreational facilities and cemeteries. Property rates revenue is also used to fund municipal administration, such as computer equipment and stationery, and costs of governance, such as council and community meetings, which facilitate community participation on issues of Integrated Development Plans (IDPs) and municipal budgets.

Municipal property rates are set, collected, and used locally. Revenue from property rates is spent within a municipality, where the citizens and voters have a voice in decisions on how the revenue is spent as part of the Integrated Development Plans (IDPs) and budget processes, which a municipality invites communities to input prior municipal council adoption of the budget.

2. DEFINITIONS

"Act" means the Local Government Municipal Property Rates Act, 2004 (Act No. 6 of 2004);

"Agricultural Purposes" in relation to the use of a property, excludes the use of a property for the purpose of eco-tourism or for the trading in or hunting of game,

"Agricultural Property" means a property used for forestation, animal husbandry or for the production of crops for human and animal consumption. In relation to the use of property, excludes the use of a property for the purpose of eco-tourism or for the trading in or hunting of game.

"**Eco-tourism**" means a property used for the business of engaging in tourism that is focused on bringing visitors to its destination to view its cultural, traditions, land and marine environment with a minimal or intrusive effect.

"**Game Farm**" means a property used for propagating, breeding, raising or producing game in captivity for the purpose of marketing the game or its products, and captivity means having the game under positive control, as in a pen, pound, or an area of land or water which is completely enclosed by a generally escape – proof barrier.

"Business" means the activity of buying, selling or trade in goods or services and includes any office or other accommodation on the same erf, the use of which is incidental to such business, with the exclusion of the business of mining, agriculture, farming, or inter alia, any other business consisting of cultivation of soils, the gathering in of crops or the rearing of livestock or consisting of the propagation and harvesting of fish or other aquatic organisms.

"Industrial" means a branch of trade or manufacturing, production assembling or processing of finished or partially finished products from raw materials or fabricated part, on such a large scale that capital and labour are significantly involved.

"Mining" means any operation or activity for the purpose of extracting any mineral on, in or under the earth, water or any residue deposit, whether by underground or open working or otherwise and includes any operation or activity incidental thereto;

"Multiple use properties" means properties that are situated within the urban areas, that cannot be assigned to a single category due to different uses

"Municipal properties" means those properties of which the municipality is the owner.

"Newly rateable property" means any rateable property on which property rates were not levied by 30 June 2005, excluding a property that was incorrectly omitted from a valuation roll and for that reason was not rated before that date.

"Protected area" means an area that is or has to be listed in the register referred to in section 10 of the National Environmental Management: Protected

Areas Act, 2003.

"Public Benefits Organization" means an organization conducting specified public benefit activities as defined in the Act and registered in terms of the Income

Tax Act for tax reductions because of those activities.

"Public Service Infrastructure" means publicly controlled infrastructure of the

Following kinds:

- (a) National, provincial or other public roads on which goods, services or labour move across a municipal boundary;
- (b) Water or sewer pipes, ducts or other conduits, dams and water supply reservoirs, water treatment plants or water pumps forming part of a water or sewer scheme serving the public;
- (c) Power stations, power substations or power lines forming part of an electricity scheme serving the public;
- (d) Gas or liquid fuel plants or refineries or pipelines for gas or liquid fuels, forming part of a scheme for transporting such fuels;
- (e) Railway lines forming part of a national railway system;
- (f) Communication towers, masts, exchanges or lines forming part of a communications system serving the public;
- (g) Runways or aprons at national or provincial airports;
- (h) Breakwater, sea walls, channels, basin, quay walls, jetties, roads, railway or infrastructure used for the provision of water, lights, power, sewerage or similar services of ports, or navigational aids comprising light houses, radio navigational aids, buoys, beacons or any other device or system used to assist the safe and efficient navigation of vessels;
- (l) Any other publicly controlled as may be prescribed; or
- (j) Rights of way, easements or servitudes in connection with infrastructure mentioned in paragraphs (a) to (i);

“Land reform beneficiary” in relation to a property, means a person who-

- a) Acquired the property through –
 - i. The Provision of Land and Assistance Act, 1993; or
 - ii. The Restitution of Land Rights Act, 1994
- b) Holds the property subject to the Communal Property Associations Act, 1996; or
- c) Holds or acquires the property in terms of such other land tenure reform legislation as may pursuant to section 25 (6) and (7) of the Constitution be enacted after this Act has taken effect;

"Residential" means a suite of rooms which forms a living unit that is exclusively used for human habitation purposes, or a multiple number of such units on a property, excluding a hotel, commune, boarding and under taking, hostel and place of instruction.

"State-owned properties" means properties owned by the State, which are not included in the definition of public service infrastructure in the Act. These state-owned properties are classified as follows:

- (a) State properties that provide local services.
- (b) State properties that provide regional/municipal district-wide/metro-wide service.
- (c) State properties that provide provincial/national service.

"Vacant land" means a land where no immovable improvements have been erected.

"Market Value" the amount the property would have realized if sold on the date of valuation in the open market by a willing seller to a willing buyer

3. PRINCIPLES

The following principles will ensure that the municipality treats persons liable for rates equitably:

- Equity

The municipality will treat ratepayers with similar properties the same

- Affordability

The ability of a person to pay rates will be taken into account by the municipality. In dealing with the poor/indigent ratepayers the municipality will provide relief measures through exemptions, reductions or rebates. In order to minimize major shocks to ratepayers the market values in the new valuation roll will be phased -in over the entire period of the valuation cycle.

4. IMPOSITION OF RATES

The council shall as part of each annual operating budget component impose a rate in the rand on the market value of all rateable property as recorded in the municipality's valuation roll and supplementary valuation roll. Rateable property shall include any rights registered against such property.

The council pledges itself to limit each annual increase as far as practicable to the increase in the consumer price index over the period preceding the financial year to which the increase relates, except when the approved integrated development plan of the municipality provides for a greater increase.

The council shall, in imposing the rate for each financial year, take proper cognisance of the aggregate burden of rates and service charges on representative property owners, in the various categories of property ownership, and of the extent to which this burden is or remains competitive with the comparable burden in other municipalities within the local economic region.

The council shall further, in imposing the rate for each financial year, strive to ensure that the aggregate budgeted revenues from property rates, less revenues forgone and less any contributions to the provision for bad debts, equal at least 25% (twenty five percent) of the municipality's aggregate budgeted net revenues for the financial year concerned. By doing so, the municipality will ensure that its revenue base and the collectability of its revenues remain sound.

5. CATEGORIES OF PROPERTY

5.1 CRITERIA FOR CATEGORIES OF PROPERTY FOR THE PURPOSE OF LEVYING DIFFERENT RATES

The municipality has determined categories of properties based on the following criteria:

5.2 USE OF THE PROPERTY

The following are the determined categories of properties by the municipality:

- Residential properties
 - Residential 1: one standard residential unit on a stand
 - Residential 2: residential unit with additional flats on the same stand
 - Residential 3: RDP houses
- Business properties
- Industrial properties
- Mining properties
- Public service infrastructure
- Public Benefits Organization
- Agricultural properties used for agricultural purposes
- Agricultural properties used for eco-tourism or conservation
- Agricultural properties used for the trading in or hunting of game
- State owned properties:
 - State properties that provide local services
 - State properties that provide regional/municipal district-wide/ metro-wide service.
 - State properties that provide provincial/ national service.
- Protected properties
- Municipal properties
- Multiple use properties
- Vacant land

6. CRITERIA FOR RATING MULTIPLE USE PROPERTY

The following criterion is proposed by the municipality:

- By apportioning the market value of a property to the different purposes for which the property is used, for
- Applying the relevant cent amount in the Rand to the corresponding apportioned market value.

7. CRITERIA FOR EXEMPTIONS, REBATES AND REDUCTION

A) In imposing the rate in the rand for each annual operating budget component, the council shall grant the following exemptions, rebates and reductions to the categories of properties and categories of owners indicated above, but the council reserves the right to amend these exemptions, rebates and reductions if the circumstances of a particular annual budget so dictate.

B) The following will be taken into consideration for the purpose of granting exemptions, rebates and reductions:

- Indigent status of the owner of a property.
- Sources of income of the owner of a property.
- Market value of residential property below a determined threshold
- Social or economic conditions of the area where the owners of property is located e.g. an area declared by the national or provincial government to be a disaster area within the meaning of Disaster Management Act,2002, to the extent that the significantly negatively affected.

8. GRANTING OF EXEMPTIONS, REBATES AND REDUCTIONS

The exemptions, rebates and reductions will be considered after an application accompanied by relevant documents (SARS status, pension or social grant proofs) including affidavit has been lodged with the municipality on an annual basis. These applications must reach the municipality before the end of October preceding the start of the new municipal financial year for which relief is sought.

9. REBATES

Indigent household and owners depending on pensions or social grants for their livelihood:

- Household income between R0-R1080 pm will qualify for a 100% rebate
- Household income between R1081-R2160 pm will qualify for a 50% rebate

Further the Following Rebates will be given in terms of Section 17 (1) of the Act;

(a) On the first 30% of the market value of Public Service infrastructure;

(b) On a property belonging to a land reform beneficiary or his or hers or heirs, provided that this exclusion lapses ten years from the date on which such beneficiary's title was registered in the office of the Registrar of Deeds

(c) On the first R15000 of the market value of a property assigned in the valuation roll of a Municipality to a category determined by the Municipality –

(i) For residential properties

(ii) For properties used for multiple purposes, provided on or more components of the property are used for residential purposes; or

(d) On a property registered in the name of and used solely as a place of public worship by a religious community, including an official residence registered in the name of that Community which is occupied by an office – bearer of that community who officiates at service at that place of worship.

9.1 FURTHER REBATES ON PROPERTIES USED FOR AGRICULTURAL PURPOSE, ECO – TOURISM, GAME HUNTING

Taking into account the following factors:

A) The extent of municipal services provided to agricultural properties

The following rebates are proposed:

- 7.5% rebate, if there are no municipal roads next to the property.
- 7.5% rebate, if there is no municipal sewerage to the property.
- 7.5% rebate, if there is no municipal electricity to the property.
- 15% rebate, if water is not supplied by the municipality.
- 7.5% rebate, if there is no refuse removal that is provided by the municipality.
- These proposals also apply to the mining sector.

B) The contribution of agriculture to the local economy

The rebate of 7.5% be granted to agricultural property, Eco-tourism and Game hunting that contributes substantially to job creation, and the salaries/wages of farm workers are reasonable, e.g. if they meet minimum standards set by government or if they are in line with the sector's average.

C) The extent to which agriculture assists in meeting service delivery and development obligations of the municipality and contribution to the social and economic welfare of farm workers.

The following rebates will be granted:

- 7.5% rebate, if the owner is providing permanent residential property to the farm workers and such property is registered in the name of these farm workers, proof must be provided.
- 7.5% rebate, if such residential properties are provided with portable water.
- 7.5% rebate, if the farmer electrifies such residential properties for the farm workers
- 7.5% rebate, if the farmer is availing his land/buildings to be used for cemetery, education and recreational purposes of the farm workers' children and near by community in general, etc.

10. REDUCTIONS

Management of shocks (Newly Rateable properties)

A municipality will limit rates shocks to property owners due to the increase in the market value of their properties as a result of the compilation and implementation of a new valuation roll. This will be done by phasing-in of the new market value as reflected in the valuation roll over a period of four years. The table below makes the point clear:

Valuation Cycle	Value on a roll without phasing-in (in Rand)	Rates payable assuming 1Cent/Rand	Value on a roll after phasing-in (in Rand), assuming 25% phasing in	Rates payable assuming 1Cent/Rand
Last Year of cycle	60 000	600	60 000	600
1st Year in new cycle	70 000	700	62 500	625
2nd Year in new cycle	70 000	700	65 000	650
3rd Year in new cycle	70 000	700	67 500	675
4th (last) Year in cycle	70 000	700	70 000	700

Property A's market value has increased from R60 000 to R70 000 due to a compilation of a new general valuation roll. Rates payable by property A to the municipality will increase from R600 to R700 if the market value of this property is not phased-in and the Cent amount in a Rand is constant at one Cent.

To minimise rates shocks from R600 to R700, the phasing-in of market values over a period of four years is used in the manner illustrated on the above table and outlined below:

Year 1: the market value of R62 500 at one Cent will yield rates payable of R625 instead R700 if the phasing-in was not used.

Year 2: the market value of R65 000 and at one Cent will yield rates payable of R650 instead of R700 if the phasing-in was not used. The same principle applies for year 3 and year 4. This means a municipality has spread the rates burden over a period of four years based on the life cycle of its valuation roll.

As the table illustrates although the phasing-in is effected on the market values of properties as listed in the valuation roll, the effect works itself to the total rates liabilities of property owners as well as the property rates income in the municipal budget.

No rate may be levied during the first year on newly rateable property owned and used by organisations conducting specified public benefit activities. Thereafter the phasing in discount shall apply as for other newly rateable property except that the 75% discount shall apply to the second year, the 50% to the third year, and the 25% to the fourth year.

A rate levied on newly rateable property may not be higher than the rate levied on similar property or categories of property in the municipality

11. EXEMPTIONS

11.1 EXEMPTION OF RATES ON PUBLIC BENEFIT ORGANISATION

Taking into account the effects of rates on Public Benefits Organisations performing a specific public benefits activity and registered in terms of the Income Tax Act for tax reduction because of those activities, Public Benefits Organisations (POBs) performing the following specified public benefits activities be exempted from rating (upon provision of proof from SARS)

- Welfare and humanitarian, for example POBs providing disaster relief.
- Health Care, for example counseling and treatment of person afflicted with HIV and AIDS including the care of their families and dependents in this regard.
- Education and Development, for example a POBs providing early childhood development services for pre- school children.

11.2 EXEMPTION OF RATES ON PUBLIC SERVICE INFRASTRUCTURE

All components of Public Service Infrastructure, except for Land and Buildings are exempted from payment of rates as they provide essential service to the community.

12. OTHER EXEMPTIONS

- On a property registered in the name of and used solely as a place of public worship by a religious community, including an official residence registered in the name of that community which is occupied by an office bearer of that community who officiates at services at that place of worship in terms of section 17(1)(i) of the Act. The exemption is applicable also on a property registered in the name of and used solely as a place of public worship by a religious community that does not erect buildings.

- Municipal properties that are not leased or rented out by the municipality

13. RATES INCREASES/DECREASES

13.1 CRITERIA FOR INCREASING OF RATES

The following will be taken into account for the purpose of increasing/decreasing rates:

- Priorities of municipality reflected in its Integrated Development Plan.
- The revenue needs of the municipality.
- A need for management of rates shocks.
- Affordability of rates to ratepayers.

14. LIABILITY FOR RATES

14.1 LIABILITY FOR RATES BY PROPERTY OWNERS

A rate levied by a municipality on property must be paid by the owner of the property.

Joint owners of a property are jointly and severally liable for the amount due for rates on that property.

In the case of agricultural property owned by more than one owner in undivided shares, the municipality will consider whether in the particular circumstances it would be more appropriate for the municipality to:

- hold any one of the joint owners liable for all rates levied in respect of the agricultural property, or
- to hold any joint owner only liable for that portion of the rates levied on the property that represent that joint owners undivided share in the agricultural property.

14.2 RECOVERY OF RATES IN ARREARS FROM TENANTS AND OCCUPIERS

- If an amount due for rates levied in respect of a property is unpaid by the owner of the property after the date determined in terms of section 26 (2), the municipality may recover the amount in whole or in part from a tenant or occupier of the property, despite any contractual obligation to the contrary on the tenant or occupier.

14.3 RECOVERY OF RATES FROM AGENTS

- A municipality may, despite the Estate Agents Affairs Act, 1976 (Act No. 112 of 1976), recover the amount due for rates on a property in whole or in part from the agent of the owner, if this is more convenient for the municipality.

(b) Method and time of payment

- The municipality will recover rates on annual basis.
- **The municipality makes provision for the recovery of rates on a monthly basis if the owner communicates such a wish through application, subject to the conditions outlined in the credit control policy of the municipality**

15. AMOUNT DUE FOR RATES

A rate (Cent amount in a Rand) will be reflected in the budget.

16. ANNUAL REVIEW OF RATES POLICY

The municipality will annually review, and if necessary amend its rates policy taking into account public comments and inputs.

17. THE EFFECTIVE DATES OF THE RATES POLICY

The rates policy takes effect from the 1st of July the year 2009.