

INKWANCA TABLED BUDGET 2010/2011

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1. Mayoral budget speech

BUDGET SPEECH FOR 2010/2011: MAYOR CLR. M.E, YEKANI

Introduction

Councillors. Municipal Manager, managers, members of the community present here today, ladies and gentlemen. Allow me once more to greet you this morning. I always feel humbled and honored to stand in front of you as servant and elected representative of this community.

Ladies and gentlemen, on 11th February 2010, the rest of the world joined hands with South Africans to celebrate a significant milestone in the history of this country, the 20th anniversary since the release from incarceration of the first democratically elected president of the Republic of South Africa, our former President, President Nelson Rholihlahla Mandela. That day brought hope and joy and gave true meaning to the word freedom to the majority of the people of this country. It will always be remembered as special day in the hearts and minds of the people, a day that ushered in a new chapter in the history of South Africa the rest of the continent and the world.

The beauty about these occasions is that they always bring about fond memories and serve as a visible reminder to ourselves concerning the ideals that Tata Madiba committed himself to fight for. For these ideals Tata Madiba sacrificed his comfort, family and loved ones and his entire life. He fought for a united, non-sexist, non-racial democratic, prosperous and free society, a society in which all people must live together in harmony with equal opportunities. These are ideals that he preached and continued to inculcate in the minds of all the people of South Africa when he became the president of the new democratic government in 1994. Madiba thought us one thing, that we must all love this country, its citizens and as leaders, we must always put the interests of the people first and in his own words he said, 'we must be the servant of the people'. We must dare not to fail him.

Ladies and gentlemen, towards the end of 2009, my self and municipal manager attended a meeting of mayors and municipal managers convened by the president of South Africa, President Jacob Zuma as well as the National Indaba on the state of Local government which led to the adoption of Local Government Turnaround Strategy.

The assessment conducted by COGTA on the state of Local government revealed many challenges faced by municipalities in this country. Challenges which relate to service delivery, governance, Financial Management, Local Economic Development, Labour Relations and Spatial Development.

We must first and foremost be honest to ourselves and admit that, Inkwanca Local Municipality is not immune to these challenges. Even though this council has taken significant strides in its collective endeavor to address some of these challenges.

We must learn from our successes and failures in order to plan for the future. We must never bask in the comfort of our past achievements, what has been achieved in the past is not enough, given today's needs. It is a fact, ladies and gentlemen that we really struggling to get into grip with the realities of Financial Management and to a larger extent Local Economic Development.

The Turnaround strategy requires that each municipality should conduct an honest reflection and self introspection regarding its own performance and come up with its own 'tailor-made turnaround strategy which will reflect on the following;

- Stable council with a visionary leadership
- Professional administration that supports the political vision contained in the electorate mandate
- Proper constituted corporate services, and technical services
- Provision of basic services and ensuring every cent spent is well considered and accounted for—value for money
- Work towards sustaining clean audit outcomes by 2014. Those that can achieve the target must do so. (I strongly believe ladies and gentlemen that Inkwanca will be able to achieve the target)
- Lastly, improve public participation and communication including effective complaint management and feedback systems.

We must understand that the focus has shifted from the national and provincial spheres of government and is now on local government. In his State of the Nation Address, President Jacob Zuma said, "turnaround strategy for local government must ensure that local government has the correct management, administrative and technical skills'.

The turnaround strategy included in the IDP to be adopted today, explicitly reflect on the above issues and how we the council, our communities and those that have shown interest in assisting us in our endeavors, propose to change the lives of our people for the better. We must categorically state that one of the key weaknesses that has been identified by the local government report which is acknowledged by the majority of stakeholders, has to be addressed as a matter of urgency, is the lack of strategic attributes such as critical skills and key competencies at the top management level, administrative and above all technical skills. Our strategy calls for a drastic and vigorous programme of action to turn this situation around.

Ladies and gentlemen in an occasion like this we are always expected to reflect on the past achievements and also to consider on what the future holds for us. It is also the time when people expect the council to positively respond to all the challenges they are confronted with.

While we don't dispute the right of the electorate to have high hopes, the reality is access to resources place a limitation and undermines the capacity of this council to achieve more. We want to assure you that though that is the case we will not abandon the poor, we will do everything in our power to make sure that we live up to our constitutional mandate.

Corporate Services

Ladies and gentlemen, you will recall that in our 2009/10 budget speech we mentioned fact that, while we are committed to staff development but our staff challenges are further exacerbated by two realities i.e. the age of our core staff and health. Heeding this call the

council resolved that all employees who are 60 years and above should be encouraged to retire. Corporate Services was then mandated to implement this resolution and we proud to report to you today that about twelve employees have been identified and will retire before the start of the new financial year immediately meet with affected employees. We are glad that this decision has been understood and supported by all stakeholders. We must salute them for the serving this municipality with dignity and respect. This municipality is where it is today because of the unwavering support and commitment. We state categorically clear that while we fully support those young men and women are dedicated, commitment and passionate of their work, but we will not tolerate ill-discipline and corruption. Corruption is like a cancer and we must all together with our partners fight it to the core.

Technical Services

We are still confronted by rising levels of unemployment especially among the youth, the prevalence of HIV/AIDS, dilapidated and ageing infrastructure as well as roads and storm water. It is a fact that with have managed to do more with the little that we have. As we stand in front of you today, we are pleased to say that all households have access to electricity, clean portable water and water borne sewerage system. This financial year, we tarred 1,5km of roads at Masakhe in Sterkstroom and graveled 4,5km at Nkululeko and at some parts of Phumlani and J Sections. It is a reality ladies and gentlemen that with the little funding we get from MIG, it will take years for this municipality to address these huge challenges it confronted with. The criterion currently used for resource allocation by the national government doesn't favor small municipalities at all. We must again as we did in the past, in the spirit of cooperative governance call for an urgent meeting of great minds as a ploy to find solutions to our challenges.

Community Services

The community services as the responsible for waste management has been in the previous years faced with a number of challenges such as illegal dumping, shortage of staff, old staff who because of age and ill health are unable to deliver as expected by the department and old tractors that continuously need repairs that cost the council a lot. During the Chris Hani month we received 1500 wheelie bins. This leaves the council with a back log of 5122 households without bins. We have instructed the municipal manager to come up with plan of where and how the council will get additional funding to address this backlog. Nevertheless, the 1500 wheelie bins will be distributed as soon as the truck from CHDM arrives. We strongly believe that with the involvement of our partners we will overcome this challenge.

Local Economic Development

Our IDP's socio-economic analysis reveals that the majority of households (70,2%) have an income of less than R38 400-00 per year. Of all households, 20% have no income at all, while 43% earn between R1 and R 800-00 per month. This shows that against the national average income of R2 400-00 a month, the average person at Inkwanca municipal area earns R600-00. Agriculture is the major economic driver. Our economic analysis further, indicates high levels of dependency on social grants and other subsidies. Both Census 2001 and Community Survey 2007 depicts low economic growth and high levels of unemployment and high levels of poverty. This is surely, a cause for great concern.

This coming financial year we have vowed to turn this sorry state of affairs by developing an appropriate response to deal with Local Economic Development. Such a response will be capsulated in our LED strategy which will be approved by Council in Se 2010. The council has set aside R230 000-00 for 2010/11 to drive LED programme. Special focus will be given to support for SMME and skills development so as to make sure that our communities are both self-reliant and able to fend for themselves.

Budget and Treasury Office

We still have a problem with the under collection of revenue. there are still people who are not paying their municipal accounts including the farming community, therefore as this council we are appealing as we have engaged with the stakeholders before to encourage your members to pay.

As the council during this budget year we have budgeted R700 000 for the revenue enhancement strategy and to add an additional staff member that will assist in ensuring that what is due to the council is collected. We will no longer tolerate people who have decided not to pay their accounts as we will explore other legal avenues.

It cannot be over emphasized that this municipality depends on your positive co-operation for it to go forward. for people who are in arrears that can settle their arrear accounts before 30th September the council will waive interest. Also for people who will be settling their current rates accounts before 30th September will be allowed 10% discount.

People who are indigent are encouraged to come forward and register with the municipality. The municipality will be reporting in terms of GRAP as from the 1st July 2010 we have he just completed the compilation of a GRAP compliant asset register.

Budget for 2010/2011

This financial year 2010/2011 a council has taken after considering suggestions and views of our people to increase all services including property rates. Water has increased by 12,8% and sanitation has also increased by 12,5%. We are mindful of the 7% increase of water and sanitation that CHDM as the authority is proposing for all municipalities but due to the following which CHDM is also..... we have no choice but to increase the as such.

Refuse and property rates will go up by 8% except agricultural farms which will be reduced from R0.O134 to R0.OO50, a decrease of 168%. This due to Circular 51 issued by CoGTA regarding ratios in relation to property rates. Electricity will go up by 19%.

Our operational budget has grown from R27,106,630 to R33,754,032 million which is an increase of 24.5%. The reason for this drastic change is the increase of our Equitable share from R10,985,000 to R13,503,000 this financial year and the financing of water and sanitation services by CDHM of R7,777,500.

In an attempt to fight unemployment and as a contribution to the call by the president of South Africa, President Jacob Zuma for all the spheres of government to create jobs through Expanded Public Works Programme, we have set aside a sum of R300,000 to kick start this progamme by the 1st July 2010. Management will table in the next council meetings more details on the number of jobs to be created as well as focus areas.

Our capital budget is R6,8million which is already committed to the two projects which currently underway i.e. the streetlight and Masakhe community hall. If our efforts to get more funds fail our IDP wont be implemented as expected by our communities.

2.Budget resolutions

Inkwanca Local Municipality resolved on the motion of and seconded bythe Draft Annual budget for 2010/2011 be approved as presented by the Municipal Manager, Mr. Ncube on

There were no opposing motions.

- Operating Budget R 33 454 042
- Capital Budget R 6 848 000
- **TOTAL BUDGET R 40 302 042**

3.The budget

The complete 2010/2011 budget is attached as Annexure 1. Please refer to page 1 of Annexure 1 for the Table of Contents.

4.Executive summary

The Municipal Finance Management Act (MFMA) and the related Circulars that have been distributed by the National Treasury require that the Mayor table a three year medium term budget strategy and expenditure framework to the Inkwanca Municipal Council by the end of March 2010 for the financial year beginning July 1, 2010 and ending June 30, 2013. The first year of this expenditure framework (2010/2011) constitutes the recommended budget for adoption for the coming financial year

The tabled budget is to be taken out to the public for consultation and then with all revisions be brought back to the entire municipal council for approval before the beginning of the new financial year as required in the MFMA. This final budget to be brought back to council will incorporate any of the submissions and changes that are deemed required by the Mayor.

Most of the requirements of the MFMA concerning the budget content and documentation are in place for this budget process and were incorporated into this budget document. Major requirements of the MFMA include:

- 1) the budget must set out 'realistically anticipated revenues' for the year by each revenue source:
- 2) the budget must be generally divided between capital and operating expenditures and each must be set out by 'vote'
- 3) expenditures can only be funded by 'realistic' revenues, surplus cash carried forward and not committed to any other expenditure or borrowed funds (borrowed funds can only be used to fund capital projects).

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There are many other format requirements for the budget that are too numerous to mention here, however, a complete listing can be found in section 17 of the MFMA

The budget and financial policies used to develop this budget are focused on making Molteno financially sustainable in the long run. One of the biggest challenges facing the municipality in the near future is maintaining an operating year end cash balance to allow for positive operating cash flows and unexpected contingencies. We must not only have sufficient cash available to pay all the creditors that we owe as required by the MFMA but also to allow for a cash reserve to even out sporadic cash flows during the operating year. We have worked diligently toward this goal over the past few years and have finally reached the point where we will not be operating on an overdraft.

As presented, the Budget for 2010/11 balances expenditures with revenues as required by the MFMA. In addition, we anticipate moving toward our goal of maintaining an operating cash reserve of 30 days.

Operational Revenues are anticipated to reach **R 33 434 032** (including currently known grants received for operational expenditures): **operational expenditures** funded from operating revenues are proposed at **R 33 434 032**

OPERATING REVENUE FOR 2010/2011

Property Rates	R 2 222 891
Water & Sanitation	R 1 200 000
Electricity	R 3 992 020
Refuse	R 265 121
Subsidies/Grants	R 25 403 000
Sundry	<u>R 482 000</u>
	<u>R 33 454 032</u>

The **Equitable Share** Allocation from the National Treasury is **R 13 503 000**, which is up from the current budget of R 10 985 000.

TARRIF INCREASES

Rates	8%
Refuse	8%
Water	53%
Sanitation	12.54%
Electricity	19%

REBATES ON RATABLE PROPERTIES

Government Properties	30%
Senior Citizens	50%
Indigents	50% -100%
Newly erected Structures for Business for the First year of its operation	50%

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Newly erected Structures for residential for First Year 75%
Farms/Agricultural Properties (phase-in over 3 years) 75%, 50%, 25%
All other Rebates, Exemptions and Discounts will be effected according to Municipal Rates Policy.

OPERATING EXPENDITURE FOR 2010/2011

Salaries/Wages/Allow.	R	15 044 549
Bulk Water Purchase	R	350 000
Bulk Electricity Purchases	R	3 602 000
General Expenditure	R	7 512 573
Repairs & Maintenance	R	1 514 355
	R	<u>33 454 032</u>

The Capital Budget is funded from MIG Grants.

CAPITAL BUDGET 2010/2011

<u>PROJECT NAME</u>	<u>AMOUNT</u>
Completion Masakhe Community Hall	R 2 348 000
Streetlighting for Molteno and Sterkstroom	R 4 500 000
	<u>R 6 848 000</u>

5. Budget process overview

The MFMA requires that the municipalities should innovate and introduce changes which are designed and intended to enhance the budget and treasury reforms. The envisaged reforms demand among other a different approach to budget development and budget implementation. The MFMA requires municipalities to approve budget which clearly indicate the desire to achieve specific and measurable objectives. These objectives should be clearly linked to the integrated development plan (IDP), the service delivery and budget implementation plan (SDBIP), the performance agreement and performance targets of the senior managers, among others. The system further requires that the budget of the municipality be build upon specific assumptions. These assumptions should clearly chart direction, set financial milestones regarding how the budget would be realised, identify and recognise in the budget all secured sources of funding, how revenue is derived and from which sources, provide a clear indication of the strength of the local revenue base, and recognise all the factors which have a potential to enhance or inhibit the realisation of the municipal budget.

Section 16 of the MFMA requires that the council must for each year approve an annual budget before the start of the annual financial year. The Act further requires that Mayor must table the annual budget at a council meeting at 90 days before the start of the budget year. In our case the mayor managed to table the draft budget in a council meeting on the March, 2010. The final budget was subsequently tabled by the Mayor in a council meeting on the

Section 17 (1) (2) (3) of the MFMA states that among other the council of a municipality must approve a budget scheduled in prescribed format. To date the council of Inkwanca

has sought to introduce changes through reforms in the budget process by insisting on approving a budget and the related budget schedules which conforms to circular 28 & circular 51. The budget further recognizes budget estimates for the subsequent two financial years, 2011/2012 and 2012/2013 respectively.

DRAFT BUDGET AND IDP PUBLIC HEARINGS

Ward	Venue	Date	Team
Ward 1	Nomonde Community Hall	14 May 2010	Team A
Ward 2 (Part 1)	Sterkstroom Library	14 May 2010	Team B
Ward 3	Masakhe Community Hall	14 May 2010	Team B
Ward 4	Nkululeko (Tent Site)	14 May 2010	Team B

6.Alignment of budget with IDP

Each year the IDP must be reviewed as required by the Municipal Systems Act and MFMA. It should be reviewed in terms of performance in achieving outcomes and outputs, since the current financial positions and the future fiscal outlook for the municipality will have a direct bearing on delivery. The review should ensure that the plans are still within the financial capacity of Inkwanca.

VISION

A Municipality that provides an equal opportunity for economic development and social upliftment for all residents.

MISSION

To create an environment that will ensure equal opportunity for economic development and social upliftment through integrated stakeholder involvement, multi-skilling of communities, sustainable economic growth, good governance and provision of efficient and quality services.

VALUE

In addition to the Batho Pele principles, our municipality commits itself to upholding the following set of values:

- Good Governance

- Accountability
- Public Accountability
- People Development
- Teamwork
- Integrity
- Tolerance
- Honesty
- Responsibility
- Trust

OBJECTIVES & STRATEGIES.

The following tables outline key objectives and strategies identified for implementation in 2010/11

Key Performance Area No. 1 – Spatial Development Framework
Environmental Management and Nature Conservation

Spatial Planning			
Strategic Objective	Operational Objectives	Strategies	Projects & Targets
Cross cutting.	To ensure that planning and development decisions have a legal basis & are spatially considered.	Review and implementation of the SDF	Adoption of SDF by Council by December 2010
	To establish a Land Use Management System in comprising zoning maps and scheme clauses.	Partner with DLGTA – send new applications for assessment before endorsed.	Develop zoning guidelines in partnership with DLGTA by December 2010
Environmental Management	To adhere to sound environmental practices and to protect	Adhere to demarcation of areas that have been	Develop principles and procedures in partnership with

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	environmentally sensitive areas.	identified for biodiversity conservation in the SDF	DEDEA
		Lobby for funding for the development of an Environment Management Plan.	Submit Business Plan to DEDEA

KEY PERFORMANCE AREA 2: BASIC SERVICES AND INFRASTRUCTURE

Inkwanca will continue to canvas for more funding through the MIG programme, the district municipality, sector departments and donor organizations. Service delivery areas that have been prioritized are:-

- Provision of water and sanitation;
- The construction and maintenance of municipal roads;
- Provision of electricity;

Water and Sanitation			
Strategic Objective	Operational Objectives	Strategies	Projects & Targets
Improve service deliver quality and meet basic needs.	To ensure that old water and sanitation infrastructure is rehabilitated by 2011 and maintained	Identify sources (donors) that can realistically be approached for additional funding.	Negotiate with MIG, DLGTA, Sector depts., CHDM DM and DBSA for additional funds.
		Lobby for additional funding for the replacement of old water pipe	Approach WSA to priorities and plan for the replacement of obsolete water pipes.
	To develop infrastructure in terms	Allocate funds to service delivery areas	Bulk water supply; and maintenance &

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	of identified priority areas	prioritized for development.	operation budget provision. Investigate water provision options to deal with restrictions during drought.
Grow labour intensive and pro-poor programme.	To maximize job opportunities and skill development.	Implement EPWP guidelines with targets	Monitor the implementation of EPWP and report on job creation.
Roads and streets			
Strategic Objective	Operational Objectives	Strategies	Projects & Targets
Improve service deliver quality and meet basic needs.	To ensure improved roads and storm water drainage	Lobby additional funding to upgrade and maintain roads	
Meet basic needs.	To improve the management of municipal and access roads.		Submit business plan to DoR&T for support or pilot project.
Electricity and Energy Provision			
Strategic Objective	Operational Objectives	Strategies	Projects
Improve service deliver quality; basic needs and economic development.	To provide and effective electricity service	Allocate sufficient funds to upgrade the power station.	Upgrade existing Power Station at Molteno Upgrade street lighting.

Solid Waste Management

Solid Waste Management			
Strategic Objective	Operational Objectives	Strategies	Projects & Targets
Improve service deliver quality and environmental management.	To effectively manage waste management and to operate legally	Allocate funding towards the rehabilitation of solid waste disposal sites	Fencing of sites; Continue with the Clean-up campaign;
	Compliant waste disposal sites. To undertake waste collection and disposal efficiently		Purchase protective clothing for workers.
Housing			

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Strategic Objective	Operational Objectives	Strategies	Projects& Targets
Improve service deliver quality and meet basic needs.	Ensure efficient housing delivery is supervised and managed by skilled personnel	Capacitate existing staff members and employ staff with the necessary skills	Identify staff for training in Project Management. Employ housing staff as per the new organogram.

KEY PERFORMANCE AREA 3 – LOCAL ECONOMIC DEVELOPMENT

Strategic Objective	Operational Objectives	Strategies	Projects & targets
Grow agriculture and agro-processing	To ensure improved roads	Lobby additional funding to upgrade and maintain roads	
		Develop SMME value chain analysis model	
	To promote better Land Use Management	Lobby funding to invest in Land Care initiatives	Negotiate with DoA to fund Land Care initiatives
		Increase awareness on better land use management practices	Development of Land Use Management Plan

KEY PERFORMANCE AREA 4 – GOOD GOVERNANCE & PUBLIC PARTICIPATION

Community and Public Participation

Strategic Objective	Operational Objectives	Strategies	Projects & Targets
Improve capacity of government and communities	To ensure that communities are involved in the IDP and prioritization process.	Table an inclusive process plan/IDP time schedule – publish and create public awareness.	August 2010
	Improve functionality of the Area Committees.	Alignment of area committees with the demarcated wards Render administrative support to the CDWs.	Monitor reports from area Committees and CDWs and follow up quarterly
Meet basic needs and Service Delivery Quality.	To improve coordination of planning initiatives by various Depts. Involved in Development in the area	Schedule IGR meetings in Process Plan/Time Schedule. Submit the IDP process Plan to the DLGTA by the end of July 2010 for circulation in other government department to include	As per the process plan.

		in their plans	
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KEY PERFORMANCE AREA 5 – FINANCIAL VIABILITY

KPA	IDP OBJECTIVES	STRATEGIES
REVENUE ENHANCEMENT	<p>IMPROVE REVENUE COLLECTION AND ENSURE WHAT IS DUE TO THE COUNCIL IS COLLECTED.</p> <p>ENSURE THAT REVENUE LOSSES ARE PROPERLY ACCOUNTED FOR</p>	<p>DEVELOP AND IMPLEMENT REVENUE ENHANCEMENT STRATEGY</p> <p>REVIEW AND IMPLEMENT THE DEBT COLLECTION STRATEGY</p> <p>PROPER IDENTIFICATION OF REVENUE SOURCES FOR THE MUNICIPALITY</p>
REVENUE MANAGEMENT & EXPENDITURE	ENSURE SOUND FINANCIAL MANAGEMENT PRACTICES	<p>DEVELOP AND IMPLEMENT STRONG FINANCIAL CONTROL SYSTEMS IN LINE WITH MFMA REQUIREMENTS</p> <p>ADHERENCED TO THE SCM POLICY & IMPLEMENTATION OF</p>

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		THE SCM POLICY
IMPLEMENTATION OF THE MFMA	IMPROVE ACCOUNTABILITY AND FINANCIAL GOVERNANCE	ENSURE ADHERENCE TO THE MFMA REQUIREMENTS AND REPORTING
AUDITOR GENERAL REPORT	IMPROVEMENT OF THE OVERALL CONTROL & CORPORATE GOVERNANCE ENVIRONMENT.	ENSURE THE MUNICIPALITY GETS AN UNQUALIFIED AUDIT REPORT

Financial Viability			
Strategic Objective	Operational Objectives	Strategies	Projects
Improve capacity of government and community	Improve financial liquidity and viability	Implementation of Council's Policies:- credit control policy & Indigent policy.	Monthly reports to Council on implementation results; Update Indigent register for 2010/11;
		Community awareness campaign.	Use budget time-schedule to promote awareness to report illegal connections, leakages and payment returns.
Grow labour intensive and pro-poor		Provide Free Basic Services to Households in need.	Update Indigent Register.
ANNUAL FINANCIAL STATEMENTS	COMPLY WITH APPLICABLE LAWS AND REGULATIONS	PREPARE GRAP COMPLIANT AFS FROM THE 2009/10 FINANCIAL YEAR	

KEY PERFORMANCE AREA 6 – INSTITUTIONAL DEVELOPMENT

Skills Development			
Strategic Objective	Operational Objectives	Strategies	Projects & Targets
1. Human Resource Development	1. Achieve a highly motivated and capacitated staff. 2. Ensure that the municipality retains its capacitated staff Ensure that policies and Bylaws are in compliance with legislation.	1. Develop skills development plan which will focus more on designated groups by December 2010. 2. All posts that have been budgeted for be filled before the end of the financial year. 3. Develop staff retention plan by December 2010.	1. WSP Submission No. of vacant post filled.
1. Policies and By	To insure that policies	→Review existing	No. of Policies

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Laws	and by-laws are in compliance with legislation, and implemented by 2010	policies and by-laws before the end of the financial year and →Develop new by – laws and policies by 2010	Reviewed →No. of new policies developed
Performance Management	To provide Quality Services in Accordance With Key Performance Areas	To Review PMS Annually	Reviewed PMS

The council of Inkwanca has also through this budget sought ensure the approved budget for the financial year 10/11 is prepared and takes into consideration the results of the IDP review processes , the related budget policies, and any revisions of the IDP, and any revisions of the budget related policies. The mayor also managed to table the final budget in council on the

7. Budget related policies overview and amendments

The detailed policies are not included in the budget documentation, however they are available on request to councilors and are to be made publicly available when the budget is tabled for consultation, tabled for consideration of approval and finally approved.:

- Revenue related policies (tariffs, credit control, revenue collection, indigents, etc)
- Free basic services including levels, households benefiting and cost
- Investment of funds, reserves and cash management
- Supply chain management policy

Revenue Related Policies

In 2010/11 the municipality approved several revised revenue related policies.

Credit Control and Debt Collection Policy

This policy lays out the framework and the principles by which the municipality deals with those citizens that either want to connect to the municipal services or fall into arrears on the municipal services for which they are provided service.

This policy set out the application process, the billing process and the mechanism to be used when performing the debt collection function.

Free Basic Services

No revisions to free basic services are planned for this financial year. The free basic services policy is written in line with national directives and recommendations and states

that those households registered as indigent within the municipality will receive 50 kw of electricity and 6 kl of water each month free of charge for the provision of basic service.

Investment of Funds and cash Management

In accordance with the MFMA ch 8 s.60, the council approves this policy where excess funds are not being used ,to invest public funds responsibility, and have an effective cash flow management program.

Supply Chain Management Policy

The MFMA required the municipality to adopt and implement a new supply chain policy by January 1st 2006. We now have a detailed policy of council and a set of procedures to follow. The Supply Chain unit has been established within the Finance Directorate and is operating. The Policy set limits for the various methods of procurement used within the municipality and delegated authority to implement the policy to the Accounting Officer as required in the MFMA.

Arrangements Policy

This policy creates the framework to guide staff in entering into arrangements for payment with municipal customers that have problems paying their accounts.

The policy differentiates between indigent, domestic and business type customers. The policy also basis repayment schedules based upon the income levels of households and sets guidelines to use when dealing with indigents.

8.Budget assumptions

Budgets are prepared in a environment of uncertainty. To prepare meaningful budgets, assumptions need to be made about internal and external factors that could influence the budget. General inflationary pressure is expected to remain in the moderate range as per the National Treasury forecasts. We have used the guidelines as per circular 51 from National Treasury for the next three years when preparing this medium term budget.

A review of the BTO organogram, segregation of duties and functions as well as the strengthening of the internal controls were taken into account with the establishment of the budget unit.

- The recognition of the budget function in the BTO structure and the organogram of the municipality has ushered in a new dimension in budget monitoring in the municipality. Cash Flows projections and monitoring will now be performed on a weekly and very strict measures control will be applied. If no budget is available, expenditure will not be authorised.

REVENUE

This budget takes into consideration the local revenue base, other sources of funding such as transfers from national, provincial and district..

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- **Rates.** In 09/10 the collection rate was 52.62% of the budgeted amount. and we are basing our assumptions on a 60% collection rate for 09/10.
- **Electricity** In 09/10 the collection rate was 91.89% of the budgeted amount, and we are confident that 100% of what was budgeted for will be collected in 10/11. Electrical service is dependent on bulk electric purchases from ESKOM. As a result the tariffs charges to customers show an increase of 16%. Indigent customers will be subsidized as follows;

0 - 50 kw	free
51kw onwards	19%
- **Refuse.** The collection rate was 91%, therefore we are confident that R265 121 will be collected in the next financial year
- **Water & Sanitation.** The amount in DORA that has been gazetted will be used to finance this function.

EXPENDITURE

- The Salary Bill has increased by 18.38% but salaries have increased by 8%. Under Cemetery we have budgeted for 16 Casual Workers. The following posts have been budgeted for:
 - S. 57 PAS Manager**
 - Debtors Clerk Strekstrom**
 - Monitoring & Evaluation Officer**
 - Electrician**
 - Legal Officer**
 - Senior Housing Clerk.**
- General Expenditure has increased by R132 987. Under this provision for bad debts are R100 000 and provision for leave are R429 328 .
- 16% increase has been budgeted for bulk electricity purchases.
- Decrease in Water Purchases has been budgeted for, because we are not buying water from Carnarvon.
- Repairs & Maintenance will also increase by R 211 233. This is as a result of the money received under the WSSP Grant. This will put us in a position for effect repairs and maintenance on these functions.
- Vehicle installments have also been budgeted for under the relevant departments.
- MSIG and FMG have also been budgeted under general expenditure. For the year under review it amounts to R 735 000 & R2 000 000 respectively.

IMPLEMENTATION OF THE BUDGET

- The budget office will be strategically positioned and equipped to interact with departments on a continuous basis, where the examination of the departmental budget and the implementation thereof is continuously under the scrutiny of the unit.
- The unit will monitor departmental spending and ensure alignment to the IDP and performance targets.
- Compare the cost recovery rate and spending by individual departments and track these to the departmental budget first and eventually to the municipal budget and ultimately link the process to the SDBIP.
- The budget office will be responsible for developing a management report where senior management and the council are able to timorously implement corrective interventions and measures to ensure that the service delivery and budget implementation plan of the municipality is realisable.

KEY DELIVERY AREAS

- Produce monthly budget reports and summary for each budget vote.
- Produce a consolidated budget report for all budget votes
- Produce an extensive analysis of the budget in relation to implementation and demonstrate linkages and adherence to the performance audit and the SDBIP.
- Take into consideration the key performance areas for each department.
- Link departmental performance to key priorities in the IDP
- Identify gaps and challenges and bring these to the attention of the respective managers and council.

9. Funding the budget

- That the budget is based on the assumption that all identified sources and funds are secured in the DORA.
- Review of the tariff structure for the budget year 09/10.
- Review of the valuation roll to determine the revenue base of the municipality
- Review of the indigent register.
- Review of the electricity tariff by applying to NERSA to approve the electricity tariff increase.

10. Disclosure on implementation of MFMA & other legislation

The MFMA (Municipal Finance Management Act) became effective July 1st of 2004. Most of the requirements of the act took effect immediately: however, various delays were given to certain sections of the act based on the 'capacity' of the municipality as was determined by National Treasury. All local municipalities were classified as either a high, medium or low capacity municipality with each level given different implementation dates for the various delayed sections.

Inkwanca is classified as a low capacity municipality and was required to meet the implementation dates put forth for low capacity municipalities.

Many of the major changes required by the act have already been implemented by the municipality. Some of these include , the establishment of a budget and treasury office within the finance directorate, the adoption of various policies and procedures including policies for cash and investments, establishment of a new audit committee, and other administrative requirements.

The budget and how it must be designed, funded and reported on is a very big part of MFMA implementation. Requirements include funding the budget only from realistic revenue, surplus cash or borrowing (but only for capital projects) The budget must also be prepared and tabled to council much earlier than was previously required (by March 31st) and must be voted on in its final form before the end of May.

Much of the implementation of the MFMA involves new and sometimes complex budgetary and financial reporting requirements. Detailed monthly budgetary reports must be delivered to the Mayor along with quarterly performance indicators. The Mayor is required to make quarterly reports to the council on all aspects of the budgets implementation and any problems that that need to be addressed. A mid year performance report is to be delivered to council along with recommendations on needed mid year adjustments that need to be made. Annual, quarterly and monthly reports are required to be to be delivered to National Treasury in very specific formats. All of these reporting requirements are already being met.

11. Summary of budgets and Service Delivery and Budget Implementation Plan (SDBIP)

The SDBIP has not been completed and will be submitted at a later stage.

12. Summary of detailed capital plan

CAPITAL BUDGET 2010/2011

PROJECT NAME

Completion Masakhe Community Hall
Streetlighting for Molteno and Sterkstroom

AMOUNT

R 2 348 000
R 4 500 000
R 6 848 000

13. Budgeted Financial Statements

The budgeted Financial Statements have not been completed and will be submitted at a later stage.

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