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PART 1 – ANNUAL BUDGET

1. Mayoral Budget Speech

**TSWELOPELE LOCAL MUNICIPALITY**

**BUDGET SPEECH**

**BY**

**MAYOR MS KENALEMANG PHUKUNTSI**

**DATE: 31 MAY 2010**

Speaker

Councillors

Members of the alliance

Social partners

Invited Guests

Members of the community

Dumelang!!

Today presents yet another opportunity to the Council to make a commitment to people of Tswelopele for continued service delivery with intended to improve the lives of our people. The presentation of this budget this year is a special one for many reasons. It is special because 2010 is a very special year for Africa in General and South Africa in particular because of the FIFA World Cup. Sitting in these chambers today we all can “feel it” that in ten days time world will be in South Africa – “It is here”. It is our firm belief that the 2010 FIFA World Cup is major opportunity for South Africa and the rest of the continent to showcase Africa’s progress.

Today is also a very special day because it comes 5 days after the celebration of Africa Day on the 25<sup>th</sup> May. Africa Day celebrate the day Organization of African Unity (OAU), the precursor to the African Union (AU) was formed in 1963. Africa day celebrations acknowledge the process that we as Africans have made while reflecting upon the common challenges we face in global environment.

Speaker the African Union is at the centre of the continent’s renewal process, aimed at making a break with the past that is characterized by political instability, poverty and underdevelopment. This year’s Africa Day theme was “Building and Maintaining Peace through Sport in Africa”

The presentation of this budget is also special because it is the penultimate budget before the next municipal election comes immediately after the fourth successful democratic general elections held in April 2009. Declared the year of action, this year is indeed and this budget is for working together to speed up

effective service delivery to the people Tswelopele. Yes more than ever before we are convinced that working together we can do more.

The renewed mandate of the African national Congress will ensure that we consolidative the success we have achieved in the past fifteen years of our democracy. During this electoral period we undertake to;

- Transform the economy to create decent jobs and sustainable livelihoods
- Implement a comprehensive rural development strategy, agrarian reform and measures to ensure food security
- Provide universal, affordable education which empowers our people and promotes self development
- Create health care system which promotes a healthy nation able to participate in a developing society
- Implement a comprehensive strategy to fight crime and corruption

Let me spend few moments in sharing with you what we have achieved as a municipality in the recent past. These achievements should serve as bases and motivation to serve our people with even more dedication and zeal. Chief among our achievements are the following;

- Unqualified reports for three consecutive years
- Awarded the Ambassadorship for clean audit and clean city
- Cleanest Municipality Awards in the Free State for three consecutive years.
- Award for Institutional Arrangement,
- Recognition for effective Financial Management,
- Good Governance and Public Participation.
- Vuna Awards in the Free State.
- The second cleanest local municipality in South Africa with a price of R750 000
- We have won a total of R2.4 million in prizes for our efforts.

Given the above we believe that the sky is the limit, nothing can stop us.

Honourable Speaker, today we are tabling before this house a budget totalling R113 717 870. Of course it is not one of those big budgets which afford the representatives of the people to easily meet people's expectation. Be that as it may, we will, as we did before succeed in ensuring that the poor masses of our people receive services meant to improve their lives.

This is people's budget. In this budget priority is given to infrastructure development, basic services, poverty eradication and deepening democracy through effective participatory democracy. Building from our previous success and breaking with the past as enshrined in the principles of African Union, we intend to bring into being a new sense of doing things. To this end, we have allocated a total of R 20 799 000 for infrastructure development. ;

Sewerage reticulation                      -R 20 799 000

For operational budget we have allocated R92 426 840. The breakdown for this allocation is as follows;

Salaries    -R 34 181 689

Electricity (Bulk purchases)                -R 12 827 000

Water (Bulk purchases) -R 1 500 000

The total revenue for the financial year 2010/2011 is R92 426 840. This the breakdown is as follows;

Grants and Subsidies	-R 50 881 345
Sale of electricity	-R 12 098 100
Sale of water	-R 4 266 200
Rates and taxes	-R 3 808 624

In drawing up this budget, we were mindful of a dire need that is presented by socio economic situation of the people of Tswelopele. We therefore carefully relooked at the budget and 'pruned' where we could so that we could fund special programmes without which the soul of the municipality may not live. For this purpose we have allocated a total of R 585 000. These programmes include;

▶ Local Aids Council	R 10 000
▶ HIV/ AIDS Programs	R 35 000
▶ Youth Development	R 100 000
▶ OR Tambo Games	R 250 000
▶ Campaigns	R 35 000
▶ Poverty Alleviation Program	R 35 000
▶ Gender and Disability	R 20 000
▶ LED Projects	R 50 000
▶ Arts and Culture [Elderly]	R 50 000

As I've said before, we will continue to work hard to make sure the Tswelopele becomes a centre of excellence where corporate governance, commitment and selflessness are the cornerstone of life. Working together nothing is impossible. We have made an individual and collective commitment to achieve this objective. Towards this objective we will continue to be guided by the values we accepted both as public representatives and public servants. These values include professionalism, accountability, responsiveness, ethics and performance in delivery of services to our communities.

We have traversed a long and difficult journey and have learned the twist and turns of the path of service delivery, we can't relent now. As public servants we have made it our business know what works for the people the service is intended for and how we can learn from others in order to achieve better results all the time.

I have said and I say here today that **TSWELOPELE** Local Municipality is surely on its way to become the embodiment of service delivery and a reflection of coexistence and cooperation in South Africa. We have seen the commitment of the people of Tswelopele, black and white, young and old farm workers and farmers, employers and employees. No force can stop us now we are marching forward.

In conclusion, let me quote from the book, Capitalist Nigger, "You cannot let somebody's hatred or dislike deter you from your dream. Their dream is not your dream. See yourself as a warrior and not a victim, a predator and not a prey"

I Thank You

## PART 1 – ANNUAL BUDGET

### BUDGET RESOLUTIONS

#### EXTRACT FROM THE MINUTES OF A SPECIAL COUNCIL MEETING HELD ON 31 MAY 2010 IN THE BOARD ROOM, CIVIC CENTRE, BULTFONTEIN

“SCMM 4 - 31/05/2010

#### FINANCIAL BUDGET 2010 / 2011

- Annexure Page 1: Operational Budget 2010 / 2011
- Annexure Page 2: Capital Budget 2010 / 2011
- Annexure Page 3: Tariff List 2010 / 2011

**BACKGROUND:** Chapter 4 of the Municipal Finance Management Act, Act 56 of 2003, refers to Municipal Budgets.

Section 16 of the Municipal Finance Management Act, Act 56 of 2003, determines as follows:

#### “16. ANNUAL BUDGETS

1. The Council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year.
2. In order for a municipality to comply with subsection [1], 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.
3. Subsection [1] does not preclude the appropriation of money for capital expenditure for a period not exceeding three financial years, provided a separate appropriation is made for each of those financial years.”

Section 24 of the Municipal Finance Management Act, Act 56 of 2003, determines as follows:

#### “24. APPROVAL OF ANNUAL BUDGETS

1. year consider approval of the annual budget.
2. An annual budget -
  - [a] must be approved before the start of the budget year;
  - [b] is approved by the adoption by the council of a resolution referred to in section 17[3][a][i]; and
  - [c] must be approved together with the adoption of resolution as may be necessary-
    - [i] imposing any municipal tax for the budget year;
    - [ii] setting any municipal tariffs for the budget year;

- [iii] approving measurable performance objectives for revenue from each source and for each vote in the budget;
  - [iv] approving any changes to the municipality’s integrated development plan; and
  - [v] approving any changes to the municipality’s budget-related policies.
3. The accounting officer of a municipality must submit the approved annual budget to the National Treasury and the relevant provincial treasury.”

**LEGAL IMPLICATIONS:** Conditions as set out in applicable legislation must be adhered to.

**FINANCIAL IMPLICATIONS:** Councillors or officials, as the case may be, will be held liable for costs resulting from unauthorised, irregular or fruitless and wasteful expenditure in terms of section 32 of the Municipal Finance Management Act, 2003.

PERSONNEL RECOMMENDATION:

**A.] Operational Budget:**

1. The accounting officer and the chief financial officer submit an draft operational budget to council to the amounts of:

Revenue	R 92 426 840
Expenditure	<u>R 92 426 840</u>
Surplus	[R _____ 0]

2. RESOLVED that Council approve the draft operational budget as submitted.

**B.] Capital Budget:**

1. A draft capital budget to an amount of R 21 291 030 is submitted.
2. The budget is financed as follows:

MIG	R 20 799 000
Income	<u>R 492 030</u>
Total	<u>R 21 291 030</u>

3. RESOLVED that council approve the draft capital budget as submitted.

**C.] Tariff List:**

1. The tariff list 2010 / 2011 is submitted.
2. RESOLVED that council approve the draft tariff list as submitted.

**CERTIFIED AS A TRUE EXTRACT**

**NAME : SS RABANYE**

**DESIGNATION : EXECUTIVE MANAGER CORPORATE SERVICES**



## PART 1 – ANNUAL BUDGET

### EXECUTIVE SUMMARY

Tswelopele local municipality budget process started in August 2009, when the council of the municipality approved budget timelines as required by legislation.

Tswelopele local municipality vastly depends on grants from national government as almost 70% of its revenue is made up of equitable shares and some other grants, i.e. Financial management grant, municipal systems improvement grant, Lejweleputswa district municipality grant, and a grant from Public works.

Table SA 19 on the municipality annual budget tables clearly distinguishes between all this different allocations, total operating grant allocated to Tswelopele local municipality is R 51 349 000 (Including a grant from public works)

Tswelopele local municipality budgeted for only one capital project in this fiscal year, because on its own the municipality does not have a financial muscle to initiate and complete the project, the budgeted project is the construction of sewerage network in Phahameng, Bultfontein, the current sewerage network in Phahameng cannot cope with the current capacity and therefore the municipality found it fit to construct another sewerage network, the funding is entirely from Municipal Improvement Grant (MIG), the project will run for three (3) years, and the total value is R 65 million, the budget for 2010/11 is R 20 799 000.

The municipality has 12 000 households of which over 70% are poor, currently the outstanding debtors of the municipality are standing at R 40 million, and the municipality decided not to increase rates and taxes as this will impact negatively on the livelihoods of the community of the municipality, National energy regulator of South Africa (NERSA) advised municipality to use inclining method on increasing their tariffs, however because of the level of poverty in the municipality, the municipality applied for 20% increase in electricity tariff increases.

Tswelopele local municipality has achieved 5 unqualified audit opinion in the last 6 financial years, the latest financial statements of the municipality were prepared in accordance with the principles of Generally Recognised Accounting Practices, the municipality did not fully comply with the GRAP provision particularly on GRAP 17, however the municipality is in the process of compiling its annual financial statements that are fully GRAP compliant in 2010/11 financial year. This is one of the projects in the Municipality integrated development plan.

With the help of Cooperative Governance and Traditional Affairs (COGTA), Tswelopele local municipality prepared the municipal turn-around strategy which was approved in March 2010, the MTAS was also incorporated in the municipal IDP (Attached as Annexure A – MTAS)

The municipality aligned its budget to the national and provincial priorities, mentioned below are some of the National and Provincial priorities:

- ▣ National Priorities
  - ▣ Increase access to basic services
  - ▣ Improve provision of health care
  - ▣ Sustainable employment growth through increased public investment spending
  - ▣ Enhance quality of education
- ▣ Provincial priorities
  - ▣ Fighting Poverty
  - ▣ Reduce Crime

- Implementing a comprehensive response to HIV and Aids

Tswelopele local Municipality prepared its budget with all this priorities in mind, e.g.

- National and Provincial Priority - Improve provision of health care  
In the IDP of the municipality – Provision for new clinic is made – Funding from department of Health
- Sustainable employment – 2008/09 Fin year – over 700 jobs were created through MIG projects; Tswelopele Local Municipality budgeted R 20 799 000 for sewerage network in Phahameng – Over 100 jobs to be created for 3 years
- Provincial priority
  - Fighting Poverty
    - Provision is made in 2010/11 budget for poverty alleviation

Currently the municipality has eradicated all the buckets in its jurisdiction and all households have access to water, mentioned below is the progress made to address any backlogs in the municipality:

- All households have access to water and sanitation
- All households are connected to public sewerage network
- 856 Stands in Phahameng without Electricity and 564 Stands in Tikwana without electricity (Municipality has engaged ESKOM on this matter)
- 1 401 New households with no access to sanitation [837 Phahameng, 499 Tikwana and 65 Hoopstad] (Application has been made to MIG to assist with funding)
- 3 500 Erven in Tikwana with no water meters (Application is made to MIG and DWA to address this)

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**BUDGET SPEECH**

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indeed and this budget is for working together to speed up effective service delivery to the people Tswelopele. Yes more than ever before we are convinced that working together we can do more.

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sense of doing things. To this end, we have allocated a total of R 20 799 000 for infrastructure development. ;

Sewerage reticulation	-R 20 799 000
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For operational budget we have allocated R 90 904 691. The breakdown for this allocation is as follows;

Salaries	-R 34 181 689
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Electricity (Bulk purchases)	-R 12 827 000
------------------------------	---------------

Water (Bulk purchases)	-R 1 500 000
------------------------	--------------

The total revenue for the financial year 2010/2011 is R90 904 961. This is made up as follows;

Grants and Subsidies	-R 49 725 467
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Sale of electricity	-R 12 098 100
---------------------	---------------

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---------------	--------------

Rates and taxes	-R 3 808 624
-----------------	--------------

In drawing up this budget, we were mindful of a dire need that is presented by socio economic situation of the people of Tswelopele. We therefore carefully relooked at the budget and 'pruned' where we could so that we could fund special programmes without which the soul of the municipality may not live. For this purpose we have allocated a total of R 585 000. These programmes include;

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selflessness are the cornerstone of life. Working together nothing is impossible. We have made an individual and collective commitment to achieve this objective. Towards this objective we will continue to be guided by the values we accepted both as public representatives and public servants. These values include professionalism, accountability, responsiveness, ethics and performance in delivery of services to our communities.

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## **PART 2 – SUPPORTING DOCUMENTS**

### **1. Overview of the annual budget process**

Municipal Financial Management Act (MFMA) mentions six (6) steps, i.e. (Planning, Strategising, Preparing, Tabling, Consulting and Finalising/ Adopting) that the municipality must follow in order to prepare the annual budget that is credible, the planning and strategising processes started with the preparation of budget timelines as required by MFMA. The council of the municipality approved the budget timelines during council meeting as stipulated in the MFMA.

As per the budget timelines all the department heads were asked to give their inputs, they were given until the end of November 2010, in order to allow the budget office to prepare the budget.

The budget office of the municipality under the leadership of the Chief Financial Officer prepared the draft budget, which was tabled to council at the end of March 2010 as stipulated in the act.

The annual budget of the municipality is aligned to the municipal integrated development plan and municipal turn-around strategy.

As mentioned in the MFMA section 22, the budget was submitted to Free State provincial on both hard and electronic copies.

MFMA section 23(1) stipulates that after the annual budget of the municipal has been tabled in council the council of the municipality must consider the views of a) local community, b) relevant provincial treasury.

Based on the above, the municipality invited the community to budget consultative meeting, the meeting were scheduled from the 19<sup>th</sup> April 2010 to 28 April 2010, however the first meeting of the 19<sup>th</sup> was disrupted, and the subsequent meetings were postponed until further notice. The meeting were again scheduled for the week of the 17<sup>th</sup> to 21<sup>st</sup> May 2010, the turnout in the Township was good, but the turnout in the towns (i.e. Bultfontein and Hoopstad) was not good as on both meeting less than 20 people attended), it is therefore the assignment of the municipal Public participation officer of the municipality to make sure that white community within the municipal area are as equally interested in all the events that the municipality was preparing especially budget and IDP.

The community inputs were taken into accounts as the youth in particular mentioned that the municipality is not doing anything to make sure the youth of the municipality are developed, in the budget the provision is made for Local Economic Development programs (LED) at an amount of R 50 000, the municipality further made a provision of R 100 000 as part of special programs for youth development.

On the 20<sup>th</sup> May 2010, the municipality was invited by Free State Provincial Treasury to the budget bilateral meeting, attending the meeting were the Accounting Officer, Chief Financial Officer, Budget Officer, Financial Intern, MMC for Finance and the consultant which is helping the municipality for the GRAP implementation. All the comments of the Free State Provincial treasury were taken into account for the preparation of the final budget.

The final step of the budget process is final and approve the budget, the budget of the municipality was approved in May 2010, as per the requirements of MFMA.

## **2. Overview of the alignment of annual budget with integrated development plan**

The budget of the municipality was informed by the IDP as both documents were prepared in tandem, the IDP process plan was approved during council meeting in August 2010 as required by MFMA and systems act, the biggest project in the municipal budget and IDP is the construction of the new sewerage network in Phahameng, this project will run for 3 years, the entire funding for this project is municipal infrastructure grant (MIG), because one of the goals of the municipality is poverty alleviation and job creations, this project will create more or less 100 jobs for 3 years.

Because public participation is one of the important factors in local government, the municipality included in its budget and IDP the improvement in ward consultation, the total project value is R 105 000 and the funding is entirely from municipal systems improvement grant (MSIG).

Another important project included in the IDP is the development of recreational park, this emanated from the community consultation meetings, as a result the municipality included the project in the IDP, however the municipality is yet to secure funding for this project and applications have been made to MIG, this project will be included in the budget once the funding has been secured.

## **3. Overview of budget related policies**

Tswelopele Budget process is guided by and governed by relevant legislation and budget related policies. The main purpose of budget related policies is to govern and guide process and inform the projections of the medium term. Tswelopele Local Municipality has the following budget related policies:

- Credit Control and Debt Collection Policy

As required by the Municipal systems act, section 97, the credit control policy was approved by council

- Property Rates Policy

With the promulgation of the new municipal property rates act, Tswelopele local Municipality reviewed its policy to be in line with the act, the new property rates policy was approved during council meeting on the 27th March 2009.

- Supply Chain Management Policy

The supply chain management policy was approved on the 29th November 2005. This policy reflects and represents the context of a specific government policy that finds expression within the provision of the Municipal Finance Management Act, Act no. 56 of 2003. The municipality is planning to amend this policy.

All this policies are available at the offices of the municipality in both units, i.e. Hoopstad and Bultfontein.



#### **4. Overview of budget assumptions**

The budget was prepared on the incremental budgeting process with the assumption that goods and services as previously budgeted will increase by 10%, which is more than the current CPI and zero based budgeting mainly on Petrol. Rates and taxes were left the same except for electricity as it was inevitable that the municipality must increase its tariffs. The reason for other rates and taxes to be left as they are was that the municipality felt that the community of Tswelopele will not be able to afford them, and the priority of local government is to provide goods and services at a reasonable rate, and because we are not a profit making institution, the municipality budget breaks even.

The budget of the municipality is aligned to the principles of GRAP, however the municipality did not budget for depreciation and amortisation as required by GRAP because of the provisions of directive 4 as issued by the office of Accountant General and accounting standard board.

#### **5. Overview of the funding of the budget**

MFMA section 18 states that the expenditure of the budget may only be funded from:

- Realistically anticipated revenue to be collected
- Cash-backed accumulated funds from previous years' surpluses not committed for other purposes
- Borrowed funds, but only for capital budget referred to in section 17 (2)

Tswelopele local municipality operating budget totals R 92 426 840 and is funded from:

- Grants
- Service Charges
- Other revenue

The capital budget of the municipal totals R 21 291 030, and is funded from:

- MIG – R 20 799 000
- Income – R 492 030

The municipality collection rate is standing at 70 % and included in the municipal turn around strategy is to increase the collection rate from current rate to atleast 80% by December 2010,

The municipality plans to sell its game and include in the budget are proceeds from the sale of game, the value thereof is R 150 000, currently the municipality has two types of investments, ABSA money market investments where it earns interest and Senwes Shares, the total for both investment is R 500 000 and it is included in the budget.

The municipality currently has a long term liability with DBSA and it is planning to raise a new loan, this loan will be used to extent the administrative offices in Bultfontein, the value of the loan is R 7 000 000.

The municipality equitable share were increase by 9% percent to R 48 821 845, the other grants that the municipality is receiving are; Financial management grant (FMG)– R 1 200 000, municipal

systems improvement grant (MSIG) – R 750 000, a grant from Lejweleputswa district Municipality for the redemption of the loan from DBSA – R 50 000, Public works grant – R 527 000 and Municipal Infrastructure Grant – R 20 799 000, Total allocation are clearly distinguished in supporting table SA 20.

The municipality had a bank overdraft but it has since cancelled it as the municipality was not using it.

## **6. Expenditure on Allocations and Grant Programmes**

Total Grants Allocated to Tswelopele Local Municipality is R 72 148 000 including infrastructure grand of R 20 799 000.

- Financial Management Grant

Total allocation to Tswelopele Local Municipality is R 1 200 000, the condition of the grant was that the municipality must appoint five (5) financial interns, the municipality has appointed the interns and the stipends will be R 500 000, the grant is used for training of the municipal budget and treasury office officials, the grant will be used to fund the Generally recognised Accounting Practice fixed asset register.

- Municipal Systems Improvement Grant

Total allocation is R 750 000 which is 2% from last financial years allocation, the condition of the grant are the following:

- Prepare the GRAP compliant Fixed Asset Register
- Improve ward participation
- Implementation of Property Rates

The budget for the above conditions are as follows

- Prepare GRAP compliant fixed Asset Register – R 500 000
- Improve ward Participation – R 105 000
- Implementation of Property rates - R 145 000

- Municipal infrastructure grant

The total allocation is R 20 799 000 and the whole amount will be spend on construction of new sewerage network in Phahameng, the project will run for 3 years

- Grant from Public Works

As per the free state provincial gazette the municipality will receive R 527 000 from Public works for the payment of organs of state account.

- Lejweleputswa District Municipality Grant

Lejweleputswa will give municipality a total of R 50 000 for the redemption of loans taken form DBSA.

#### **7. Allocations made by the Municipality**

Because of the financial constraints of the municipality, the municipality is not giving grants to any institutions or individuals.

#### **8. Councillors allowances and employee benefits**

The full disclosure of the councillors allowance and employee benefits is on Supporting Table SA22 and SA 23 and SA 24 in the budget of the municipality.

#### **9. Monthly target for revenue, expenditure and cash flow.**

Disclosure of the monthly cash flow is on supporting table SA 24, SA 25, SA 26, SA 27, SA 28 and SA 29.

#### **10. Contracts having future budgetary implications**

The municipality do not have any contacts over 3 years,

#### **11. Capital Expenditure Details**

The only capital expenditure beside office equipment is construction of new sewerage network in Phahameng, the total project value is R 20 799 000

#### **12. Supporting Documents**

Breakdown of other expenditure and income.