

VHEMBE DISTRICT MUNICIPALITY



2010/11 BUDGET AND THE 2011/13 MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK BUDGET



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PART 1 – ANNUAL BUDGET

1. MAYORS REPORT

EXECUTIVE MAYOR'S REPORT TO THE 2010/11 IDP REVIEW AND BUDGET COUNCIL MEETING 31 MAY 2010

Madam Speaker

Fellow Councillors
Distinguished Guests
Members of the Public

I feel honoured to present the 2010/11 IDP Review draft and the 2010/11 Financial Year budget before council.

In March I tabled before this Council drafts for both IDP Review and 2010/11 Budget. This was before public consultations on both the IDP Review and Budget draft. Since then we have consulted all stakeholders in the four local municipalities of the district. Both documents were made available to the public for inputs and comments as per legislation. What I am presenting today is the consolidated inputted documents.

Before tabling it for consideration and adoption, allow me to highlight some of the activities undertaken since the last Council with impact on the municipality:

- We consolidated the Vhembe District Municipality Turn around Strategy
- We went through the National Local Government salary negotiations.
- The Provincial Human Rights Day was hosted in our District during April month at Rabali Stadium.
- We celebrated 16 years since the first democratic freedom elections during April in Sekhukhune District.
- The Minister of Public and Administration held a Service Delivery consultation Imbizo in Thulamela Municipality during May.
- Salga National Member's Assembly was held during May in Kimberly.

All these activities and others have as their focus seeking mechanisms of effectively implementing satisfactory and sustainable service provision to our people.

Madam Speaker and fellow Councillors

This Council is coming hardly two weeks before the kick off of the much awaited FIFA World Cup Tournament to take place between 11 June and 11 July 2010. The World focus will be on us as the country and the district. It is the time to be at our best as we showcase ourselves to benefit through economic spin offs beyond the tournament (I can feel it)

It is at this most awaited historic time that we are also mourning the loss of one of our own. The loss of Cllr. A. Maluleke a ward Councillor in the Thulamela Municipality who represent the Municipality in the District Municipality.

Madam Speaker

The IDP Review and the Budget I present today marks the final 5 years term of this council. The budget I am presenting is informed by our IDP and addresses key priorities from our communities. The budget also address government 5 key priorities of creating jobs, health, Education, fighting crime and rural development.

The total budget for the financial year 2010/11 amounts to R1 031 992 687-00 which is represent a 6% decrease as compared to the 2009/10 budget.

Budget Description	Amount	%
Operating Budget	R442 365 790	43
Capital Budget	R589 626 897	57

The following are our funding sources

Source	Amount	%
Conditional Grants	R381 176 000	37
Unconditional Grants	R371 246 000	36
Own Revenue	R279 570 687	27

The 2010/11 Capital Budget is as follows:

Description	Amount
Water Projects	R318 749 512
Sanitation Projects	R145 610 000
Road Projects	R23 315 707
LED Projects	R15 850 000
Electricity Projects	R15 000 000
Re-furbishment of Water Scheme	R20 000 000
Community Services Projects	R33 600 000
Social Cohesion	R700 000
Contribution to Capital Outlay	R16 801 678
Total	R589 626 897

Madam Speaker and fellow councilors, my greatest appreciations goes to the great syndicate that made this budget possible. These are the Mayoral Committee Members, Portfolio Councillors and Portfolio Committees, Councillors Community Members through Public Consultation, Management Team and Staff. This has been a good indication and confirmation that indeed, together we can do more.

Madam Speaker allow me to move that Council considers and adopt the 2010/11 IDP Review and the 2010/2013 Budget as tabled, together with items OC: 03/10/7.1.2-7.1.8

I so move Madam Speaker

2. RESOLUTIONS

2. The annual budget of Vhembe District Municipality for the financial year 2010/11, and the indicative allocations for the two projected outer years 2011/12 and 2012/13 and the multi year and single year capital appropriations be approved in accordance with section 16 of the Municipal Finance Management Act , 56 of 2003 as set-out in the following tables:

- 1.1 Budget Financial Performance (revenue and expenditure by standard classification).
- 1.2 Budget Financial Performance (revenue and expenditure by vote).
- 1.3 Multi-year and single year capital appropriations by municipal vote and standard classification and associated funding source.

3. That the financial position, cash flow, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are adopted as set-out in the following tables:

- 2.1 Budgeted Financial Position.
- 2.2 Budgeted Cash flow.
- 2.3 Cash backed reserves and accumulated surplus reconciliation.
- 2.4 Asset management.
- 2.5 Basic service delivery measurement.

4. That in terms of section 24(2)(c)(i) and (ii) of the Finance Management Act, 56 of 2003 and sections 74 and 75A of the Local Government: Municipal Systems Act 32 of 2000 as amended, the tariffs for the supply of bulk , retail water and other services as set out in Annexure

A, that were used to prepare the estimate of revenue by source, are approved with effect from 1 July 2010.

5. That in terms of section 24(2)(c)(iii) of the Municipal Finance Management Act, 56 of 2003, the measurable performance objective for capital and operating expenditure by vote for each year of the medium term revenue and expenditure framework as set out in Supporting Table SA7 are approved.
6. That in terms of section 24(2)(c)(v) of the Municipal Finance Management Act, 56 of 2003, the budget related policies, including any amendments as set out in Annexure B be approved for the budget year 2009/10

3. EXECUTIVE SUMMARY

The 2011/13 medium term revenue and expenditure framework is developed within the framework of the district overall strategy and supports the district's mission and vision. This medium term budget posed many challenges and obstacles which had to be addressed and accommodated by limited financial and other resources-not least of which is the global economic slowdown and the uncertainty going forward.

The budget comprises of both the Operating and Capital Budgets, which is a requirement of the Municipal Finance Management Act (MFMA). The assumptions and principles applied in the compilation of this Budget are mainly based on the guidelines received from National Treasury, the expenditure trend as well as the audited financial results for the past three financial years. These above mentioned principles were considered appropriate to inform the development of the budget.

The tabling of the 2010/2013 budget is a statement of our commitment to provide municipal services to the community of Vhembe District. The operating budget totals R 442, 365, 790. The operating budget consist of the following expenditure items:

Description	Amount	% Allocation to Operating Total Budget
Employee related Costs	159 098 171	36%
Councillor remuneration	7 700 411	2%
General Expenditure	230 093 641	52%
Repairs and Maintenance	45 473 566	10%
TOTAL	442 365 790	100%

Funding of the operating budget is mainly from the Equitable share allocation, Water operating subsidy grant received from Department of Water Affairs (DWA) and a portion of own funds.

To support the 2010/11 operating budget the Tariff structure has been reviewed and in summary, 10 % increase will be effected on the bulk water tariff and 5.7 % increase on the sale of tender documents as well as the rental of Thusong Centre from the 1st July 2010. Provision has been made for the provision of free basic water and sanitation to the poor households. These funds will be transferred to Local municipalities within the District in line with the Service Level Agreement signed for the water provision.

The Capital Budget totals R 589, 626, 897 and is funded mainly through Government Grants and own revenue.

The municipality has also reviewed all the budget related policies to support the implementation of the Service Delivery and Budget Implementation Plan.

3.1 Total Service Delivery Package of the Municipality and associated financial implications

The municipality provides the following services:

Service Provided	Operating Expenditure
Corporate Services	
Budget and Treasury	R 33 014 042
Corporate Services	R 71 110 099
Executive and Council	R 28 131 551

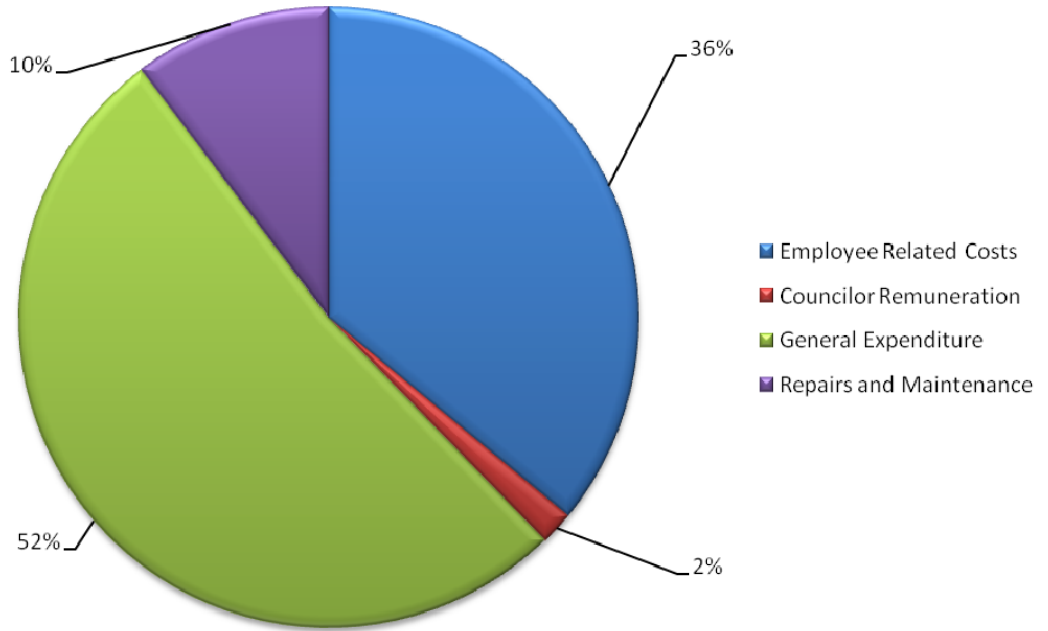
Community Services	
Fire Services	R 30 244 400
Environmental Health	R 13 265 715
Disaster Management	R 10 350 000
Infrastructure Services	
Water and Sanitation	R464 359 512
Roads	R 23 315 707
Special Programmes	R 25 000 000
Total Cost	

3.2 Effects of the Annual Budget

3.2.1 Operating Budget

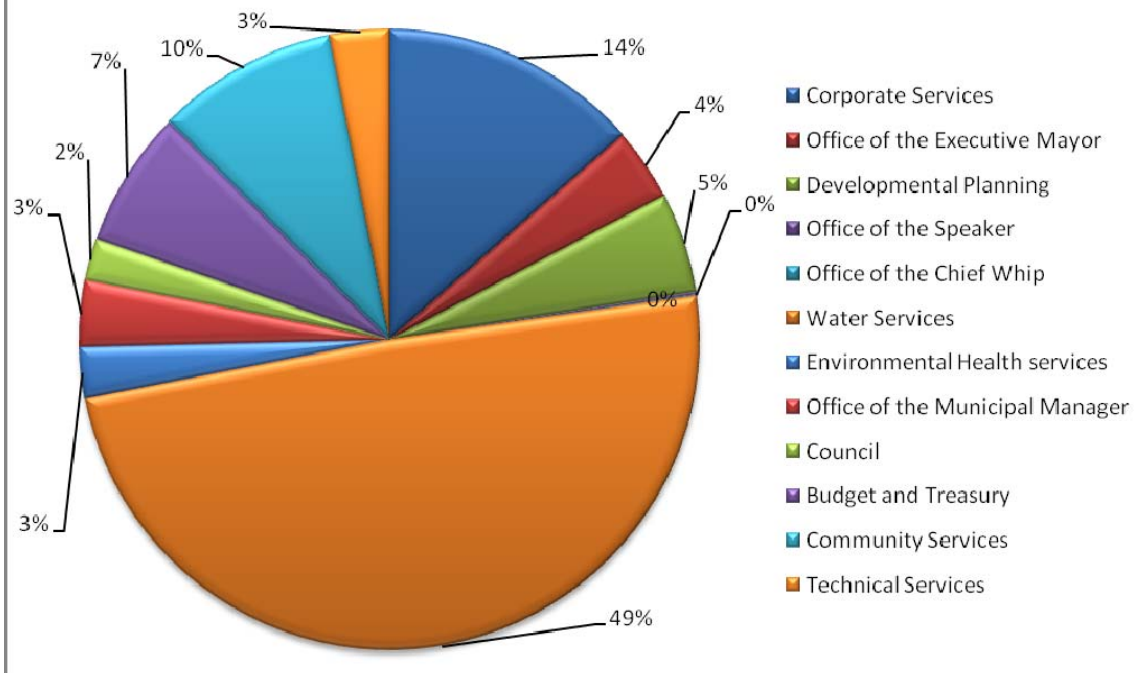
The operating budget amounts to R 442, 365, 790. The graphical presentation of the operating budget is as follows:

Operating Per Budget Per Item



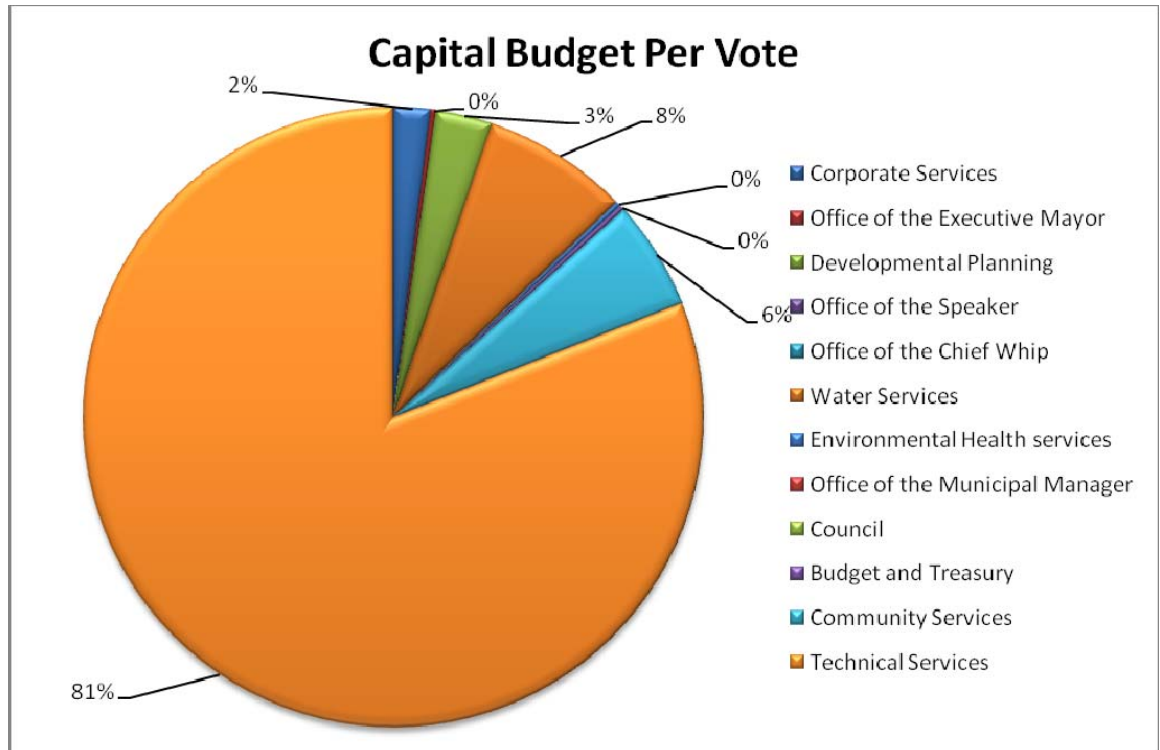
The operating expenditure per vote is as follow:

Operating Exp Budget Per Vote



3.2.2 Capital Budget

Graphical presentation of the capital budget allocation per vote is as follows:



3.2.3 Revenue

The operating and capital budget if funded as follows:

Source#	2010/11#	2011/12#	2012/13
Unconditional Grants#	371 246 000 #	395 258 292#	435 466 735
Conditional Grants#	381 176 000#	379 118 724#	427 333 279
Own Revenue#	279 570 687#	63 099 017#	66 821 858
Grand Total#	1 031 992 687	837 476 033	929 621 872

3.2.3 Priorities and linkages to the IDP

The Integrated Development Plan (IDP) determines and prioritises the needs of the community. The 2010/11 to 2012/13 Operating and Capital Budgets were prepared in accordance with the IDP. The key strategic focus areas of the IDP are as follows:

- Municipal transformation and development
- Service delivery and infrastructure development
- Local Economic development
- Financial sustainability and viability
- Good governance and public participation

The abovementioned strategic focus area informed the preparation of the Budget.

The table below illustrate the link between the Budget and the IDP

Type	Of	Municipal	Service	Local	Financial	Final
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Expenditure	Transformation And Development	Delivery And Infrastructure Development	Economic Development	Sustainability And Viability	
2010/11 BUDGET					
Capital Expenditure	R 48 000 000	R 522 589 847	R 17 508 550	R 1 588 500	R 589 626 897
Operating Expenditure	R 156 321 009	R 231 547 292	R 23 011 944	R 31 485 542	R 442 365 790
Total	R 204 321 009	R 754 137 139	R 40 520 494	R 33 014 042	R 1 031 992 684
2011/12 BUDGET					
Capital Expenditure	R 28 800 000	R 382 197 846	R 168 380	R 571 837	R 411 738 063
Operating Expenditure	R 168 020 141	R 210 069 721	R 25 693 907	R 36 783 176	R 440 566 946
Total	R 196 820 141	R 592 267 567	R 25 862 287	R 37 355 013	R 852 305 009
2011/12 BUDGET					
Capital Expenditure	R 28 900 000	R 453 261 469	R 176 799	R 600 429	R 482 938 697
Operating Expenditure	R 176 606 275	R 220 573 207	R 26 978 602	R 38 622 335	R 462 780 420
Total	R 205 506 275	R 673 834 676	R 27 155 401	R 39 222 764	R 945 719 116

3.2.4 Key amendments to the Integrated Development Plan

The Budget for 2010/20100 is linked to the Integrated Development Plan and evidence of such contained in the IDP document more information on the linkage of the IDP is contained in the attached supporting table 1 (reconcile if IDP and budget revenue) supporting table 2 (reconcile of IDP and budget operating expenditure and supporting table 3 (reconcile of IDP and budget capital expenditure).

5. ANNUAL BUDGET TABLES

PART 2 – SUPPORTING DOCUMENTATION

1. BUDGET PROCESS

The budget process is an effective process that every local government must undertake to ensure good governance and accountability. The process outlines the current and future direction that the district would follow in order to meet legislative stipulations. The budget process enables the district to optimally involve residents and other stakeholders in the budgeting process.

The preparation process is guided by the following legislative, requirements:

- Municipal Finance Management Act
- Municipal Systems Act and
- Municipal Structures Act

Vhembe District Municipality Budget/Integrated Development Plan (IDP) Review processes for the 20010/11 financial year started with the development and approval in August 2009 of the “Process Plan for the Budget formulation see below schedule

PROCESS PLAN BUDGET FOR THE 2010/2011 FINANCIAL YEAR

ACTIVITY	TIME FRAME	Responsibility
Tabling of Budget Process and IDP Process Plan Time Schedule to Council	28 Aug 2009	The Executive Mayor
Issuing of Detailed Financial Planning and IDP Review Guidelines	07 Oct 2009	Finance Department & Dev Planning

Submissions of Departmental business plans, Personnel needs and costs to finance department for inclusion in a line item budget which provides for 3 year budgeting	17 November 2009	All Departments
Departmental Budget hearings	8th – 11 th December 2009	Finance & All Departments
Submission of IDP Projects to Finance Department	13 th January 2010	Development Planning
Determine allocations for IDP projects	17 th February 2010	Finance Department
Finalization of detailed draft Budget	28 TH February 2010	Finance Department
Submission of Draft Multi year budget to Finance Portfolio Committee	9 th March 2010	Chief Financial Officer
Tabling of Draft Multi year budget to Council	26 st March 2010	The Executive Mayor
Submission of Draft Multi year budget to National, Provincial Treasury and Department of Local Government	3rd April 2010	Chief Financial Officer
Public Participation and Consultation Process	7 th – 25 th April 2010	The Executive Mayor
Finalisation of Multi year budget	30 th April 2010	Finance Department
Submission of Final Draft Multi year budget to Finance Portfolio Committee	7 th May 2010	Chief Financial Officer
Approval of Multi year Budget and IDP by Council	28 TH May 2010	Council
Submission of Approved Multi year budget to National, Provincial Treasury and Department of Local Government	5th June 2010	Finance Department

Preparation of and Approval of SDBIP	30 June 2010	Municipal Manager
Submission of Approval IDP to MEC for Local Government, NT and PT	5th Jun 2010	CFO
Approval of Service and Budget Implementation Plan	27th Jun 2010	Executive Mayor
Approval and signing of Performance agreement	27th Jun 2010	Executive Mayor, Municipal Manager And S57 Manager

2. MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

(copy table SA8 and attach here)

3. OVERVIEW OF BUDGET- RELATED POLICIES

The municipality has various policies which relate to budgeting and financial management in the municipality. These Financial policies comply with the MFMA and its promulgated regulations. The following attached budget related policies were amended:

- Credit Control and Debt Collection policy
- Supply Chain Management Policy
- Subsistence and Travelling Policy
- Cell phone and 3G usage Policy

4. OVERVIEW OF BUDGET ASSUMPTIONS

Budget assumptions/parameters are determined in advance of the budget process to allow budgets to be constructed to support the achievements of the longer-term financial and strategic targets. The municipal fiscal environment is influenced by a variety of macro economic control

measures. National Treasury provides guidelines on the ceiling of year-on-year increases in the total operating budget.

The following principles and guidelines directly informed the compilation of the budget:

- The priorities and targets in relation to the key strategic focus areas as determined in the IDP
- The tariff increases to take in to account service provision
- Division of Revenue Act
- An assessment of the capacity to implement the budget
- Expenditure trend of the current and the past three financial year
- The need to enhance the municipality’s revenue base.

The multi year budget is therefore based on the following tariff increase:

Service	2010/11	2011/12	2012/13
	%	%	%
Water and Sanitation	10	10	10
Sale of Tender documents	5.7	6.2	5.9
Rental of Thusong Centre	6.5	6.5	6.5
Fire Brigade services	0	0	0

5. OVERVIEW OF BUDGETING FUNDING

The funding of the operating and capital budget per source is as follows:

Source of Revenue	2010/11 Budget	2011/12 Budget	2012/13 Budget
Regional Service Levy Replacement Grant#	37,809,000 #	41,214,000	44,923,000
Equitable Shares#	333,437,000 #	354,044,292	390,543,735
Department of Water and Forestry Water Operations Subsidy#	120,118,000 #	76,234,000	60,000,000
Municipal Infrastructure Grant#	246,276,000 #	296,276,000	360,245,000
Municipal Systems Improvement Grant#	750,000 #	790,000	1,000,000
Local Government Finance Management Grant#	1,000,000 #	1,250,000	1,250,000
Public Works Programme Incentive Grant #	4,302,000 #	4,568,724	4,838,279
DWA Upgrading of Makhado WWTU Phase 1#	2,350,000 #		
DWA Nandoni to Malamulele Town Bulk Water Supply#	3,190,000 #		
DWA Nandoni , Kutama Sinthumule Bulk Water Supply(Dev of Soutpansberg#	3,190,000 #		
Interest on Investment#	27,459,631 #	29,162,129	30,882,694
Rental of Property#	69,936 #	74,272	78,654
Sale of Tender Documents#	513,306 #	545,131	577,293
Water Sales#	31,351,256 #	33,295,034	35,259,441
SARS Refund#	109,935,715 #		
Surplus from operations#	57,465,733 #		
Unspent funds 2008/9- Additional Roll over for 2009/10- Technical#	52,753,970 #		
Fire Service fee#	21,140 #	22,451	23,775
Retained income#	#	-	-
TOTAL REVENUE BY SOURCE	1,031,992,687	837,476,032	929,621,872

6. EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES

Operating grants and subsidies represent the bulk of the revenue sources of the VDM. With the abolishment of RSC levies , the VDM is totally dependent on National and Provincial grants and subsidies as revenue source.

A breakdown of the grants and subsidies for 2010/11 is as follows

Regional Service Levy Replacement Grant	37,809,000
Equitable Shares	333,437,000
Department of Water and Forestry Water Operations Subsidy	120,118,000
Municipal Infrastructure Grant	246,276,000
Municipal Systems Improvement Grant	750,000
Local Government Finance Management Grant	1,000,000
DWAE	8,730,000
Public Works Programme Incentive Grant	4,302,000
TOTAL	752,422,000

7. ALLOCATIONS AND GRANTS MADE BY THE MUNICIPALITY

The following allocation will be transferred to below mentioned Local Municipalities by 2010/11 financial year

Makhado	R14 154 000
Mutale	R12 469 340
Thulamela	R35 400 756
Musina	R 3 424 680
Total	R65 448 776

8. COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

Provision is made for an increase of 10% in Councillors Allowances bring to an amount of R7 700 411.

See SA 22 Budget table on employee remuneration

9. MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

See Budget Tables SA 27

10. CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS

Description of Contract	2010/11 Budget	2011/12 Budget	2012/13 Budget
Rental of Computers and Office equipment – Meondo	3 000 000	3 000 000	3 000 000
Supply and Delivery of Stationery Supply and delivery of cleaning Material	4 945 474	5 252 093	5 561 967
Supply of Photocopiers	1 243 032	1 320 100	1 375 544
Provision of Security Services	12 011 766	12 756 517	13 292 290
Financial System support (Fijutsi)	500 000	531 000	562329
Repairs and maintenance of two-way radios	1 268 400	1 340 699	866 002
Internal Audit Services	833 180	880 672	935 273
Cost recovery Service	18 000 000	20 000 000	
Travel and Accomodation (Flight Special)	3 267 166	3 469 730	3 674 444
Rental of offices	700 000	743 000	774 622

Rental of vehicle	10 000 000	10 620 000	11 066 040
Micro soft Licences	1 000 000	1 062 000	1 106 040

11. CAPITAL EXPENDITURE DETAILS

Description	Amount
Community Services Projects	33 600 000
LED Projects	15 850 000
Electricity	15 000 000
Roads Projects	23 315 707
Refurbishment of water schemes	20 000 000
Water Projects	318 749 512
Social Cohesion	700 000
Sanitation Projects	145 610 000
Contribution to Capital Outlay	16 801 678
TOTAL	589,626,897

12. LEGISLATION COMPILATION STATUS

Disclosure on implementation of MFMA chapter Legislation

The passing of the MFMA into law was a key milestone that had a fundamental impact on municipal financial management that required transformation in financial discipline and planning processes.

The budget preparation for 20010/11 has met this entire key requirement.

The following are some of the MFMA areas and relative status

IDP

The 2009/10 review process is done, including public consultation as required by legislation

BUDGET

This annual budget has been develop taking the MFMA and national treasury requirements into account budget are being tabled and approved with the required legislative timeframes.

ANNUAL

The annual report has been developed in terms of the MFMA.

IN YEAR REPORT

Reports was done in terms of MFMA and National Treasury and send Electronically copy National and Provincial Treasury

BUDGET AND TREASURY OFFICE

A budget and treasury office has been established in accordance with the MFMA and national treasury requirements

SDBIP

The SDBIP document is at preparation stage taking the MFMA requirements into account.

AUDIT COMMITTEE

An audit committee has been established

13. OTHER SUPPORTING DOCUMENTS

14. MUNICIPAL MANAGER'S QUALITY CERTIFICATION

Quality Certificate of Annual Budget 2010/11

I, **Sigidi Khorommbi Thomas**, Municipal manager of Vhembe District Municipality (DC 34) hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act, and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Regards

Sigidi K.T.M

2010/11 TARIFF STRUCTURE

**TARIFF
STRUCTURE FOR
LOCAL
MUNICIPALITIES**

- . Makhado Local Municipality
- . Musina Local Municipality
- . Thulamela Local Municipality
- . Mutale Local Municipality