

**MATJHABENG  
LOCAL  
MUNICIPALITY**



**DRAFT BUDGET 2011/2012**

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## 1. MAYOR'S REPORT

The new budget cycle for Matjhabeng Local Municipality starts in the 1<sup>st</sup> of July of each year, and ends at 30<sup>th</sup> June the following year.

According to section 24(1) of the Municipal Finance Management Act, a municipal council must at least 30 days before the start of the new financial year, consider approval of the annual budget.

The Matjhabeng Annual Budget includes an Operational Budget that provides for the annual expenditure and revenue estimates for 2011/12, as well as a Capital Budget that provides for the on-going investment in infrastructure necessary to provide the services to the community.

The total Operational Budget for the 2011/12 financial year is R1 491 935 649. The proposed pay rate is based at 62.5%, which was informed by past collection trends. The proposed income to be collected from the budgeted income is R1 136 036 318 based on the aforementioned pay rate of 62.5%. The municipality also made provision for bad debts of R355 899 331 for the financial year 2011/12 but we are positive that we can do more than the anticipated budget.

The Operational budget has been divided into revenue and expenditure sections. The revenue section consists of property rates, electricity, water, sanitation; refuse removal, grants and subsidies, interest and investment income and other revenue such as income on bad debt. The expenditure section includes items such as personnel costs, general expenditure, repairs & maintenance, capital charges, contribution to reserves and contribution to capital.

Due to the present high unit price of water and the present difficult economical situation, there will be a 0% water increase in the water tariffs for the 2011/12 financial year. Sedibeng Water increased its tariffs with 8%. The electricity tariff will increase with 20% as per the Eskom increase. The refuse tariff will increase with 1%, this tariff increase will be for the repairs & maintenance of refuse removal trucks. The sewerage tariff will increase with 0%.

The assessment rates will decrease from R186 625 387 to R136 325 137 and the pay rate for assessment rates will be 90%. Matjhabeng Local Municipality will implement their Property Rates Policy in the 2011/12 financial year.

The factors which have been considered in the increases include the following:

- ✚ CPIX of 4%
- ✚ Increase in Sedibeng Water tariff 8%
- ✚ Eskom tariff approximately 20%
- ✚ Salary increase approximately 8%

The Capital budget for the 2011/12 financial year is R204 637 496. The sources of funds for the capital budget are as follows:

Contribution to Capital Expenditure      R27 455 496

Municipal Infrastructure Grant R164 896 000

Other grant funding R12 286 000

The total budget for the Matjhabeng Local Municipality is R1 696 573 145.

## 2. RESOLUTION

The Municipal Finance Management Act requires that the municipality table and adopt the budget and budget regulations. The format of the budget and supporting documentation is prescribed by the Municipal Budget and Reporting Regulations.

## 3. EXECUTIVE SUMMARY

Annexure A contains the Annual Budget Tables and the supporting documentation. Table A1 contains a summary of the total budget. The total operational budget for the 2011/12 financial year amounts to R1 491 935 649.

Description	Current Year 2010/11				2011/12 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<b>R thousands</b>							
<b>Financial Performance</b>							
Property rates	186,625	-	186,625	186,625	136,325	147,231	159,010
Service charges	768,752	-	768,752	768,752	855,264	923,685	997,580
Investment revenue	-	-	-	-	-	-	-
Transfers recognised - operational	360,650	-	360,650	360,650	392,899	424,331	458,277
Other own revenue	103,315	-	103,315	103,315	107,448	116,044	125,327
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>1,419,343</b>	<b>-</b>	<b>1,419,343</b>	<b>1,419,343</b>	<b>1,491,936</b>	<b>1,611,291</b>	<b>1,740,194</b>
Employee costs	389,163	-	389,163	389,163	414,909	448,101	483,950
Remuneration of councillors	25,589	-	25,589	25,589	15,728	16,986	18,345
Depreciation & asset impairment	-	-	-	-	-	-	-
Finance charges	7,500	-	7,500	7,500	4,500	4,860	5,249
Materials and bulk purchases	498,664	-	498,664	498,664	558,001	602,641	650,853
Transfers and grants	-	-	-	-	-	-	-
Other expenditure	498,427	-	498,427	498,427	498,798	538,701	581,798
<b>Total Expenditure</b>	<b>1,419,343</b>	<b>-</b>	<b>1,419,343</b>	<b>1,419,343</b>	<b>1,491,936</b>	<b>1,611,291</b>	<b>1,740,194</b>
<b>Surplus/(Deficit)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>0</b>
Transfers recognised - capital	-	-	-	-	177,182	191,357	206,665
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-

Surplus/(Deficit) after capital transfers & contributions	-	-	-	-	177,182	191,357	206,665
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	-	-	-	-	177,182	191,357	206,665
<b><u>Capital expenditure &amp; funds sources</u></b>							
Capital expenditure	-	-	-	-	-	-	-
Transfers recognised - capital	-	-	-	-	-	-	-
Public contributions & donations	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-
Internally generated funds	-	-	-	-	-	-	-
Total sources of capital funds	-	-	-	-	-	-	-
<b><u>Financial position</u></b>							
Total current assets	181,569	-	-	181,569	196,095	211,782	228,725
Total non current assets	724,592	-	-	724,592	782,559	845,164	912,777
Total current liabilities	450,875	-	-	450,875	486,945	525,901	567,973
Total non current liabilities	51,595	-	-	51,595	55,723	60,181	64,995
Community wealth/Equity	330,253	-	-	330,253	356,673	385,207	416,023
<b><u>Cash flows</u></b>							
Net cash from (used) operating	1,973,768	-	-	-	2,799,859	-	-
Net cash from (used) investing	140,107	-	-	-	27,455	-	-
Net cash from (used) financing	26,952	-	-	-	-	-	-
Cash/cash equivalents at the year end	2,140,827	-	-	-	2,827,314	2,827,314	2,827,314
<b><u>Cash backing/surplus reconciliation</u></b>							
Cash and investments available	14,896	-	-	14,896	16,088	17,375	18,765
Application of cash and investments	342,423	-	-	467,388	330,706	545,162	588,775
Balance - surplus (shortfall)	(327,527)	-	-	(452,492)	(314,619)	(527,787)	(570,010)
<b><u>Asset management</u></b>							
Asset register summary (WDV)	-	-	-	-	-	-	-
Depreciation & asset impairment	-	-	-	-	-	-	-
Renewal of Existing Assets	-	-	-	-	-	-	-
Repairs and Maintenance	-	-	-	112,360	112,360	-	-

# **ANNEXURE A**

**ANNUAL BUDGET TABLES**

**SUPPORTING DOCUMENTATION**

**MUNICIPAL MANAGER'S QUALITY CERTIFICATE**