



IKWEZI LOCAL MUNICIPALITY

(EC 103)



**FINAL ANNUAL BUDGET
2011/2012**

IKWEZI LOCAL MUNICIPALITY
FINAL BUDGET INDEX (2011/12 – 2013/14)

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MAYOR'S REPORT

In my capacity as the Mayor of Ikwezi and the chairperson of the standing committee on Finance and Corporate Services, I wish to greet you all, as we conclude 2010/11 - the financial year that was and in anticipation of the new financial year.

Local government has a crucial role to play in community development as illustrated in its obligation to promote social and economic development within the municipal environment. 2011 is the year of local government elections and as such the budget process is affected accordingly. This budget is tabled in line with the three developmental objectives as contained in the Constitution :

- the provision of basic services to the communities
- the promotion of social and economic development and
- increasing and encouraging community participation in matters of local government

One of the pillars on which Ikwezi Intergrated Development Plan stands is rural development. The 2010/11 financial year saw Ikwezi municipality being declared a Rural Node by the National Department of Rural Development and Land Reform. This, we view, as one of the highlights of the 2011/12 financial year as its objectives are to release our people from poverty. An area in Klipplaat - Dan Sandi has been identified as a pilot area.

Ikwezi municipality prides itself for transparency and good governance. Public participation and accountability to our constituencies is what sets us apart from other municipalities. We were able to engage with our constituencies during public meetings held throughout Ikwezi. We also acknowledge the challenge brought about by the 2011 Local Government Elections regarding the budget process. The process had to be significantly shortened to mitigate the risk of not approving our budget before 01 July 2011.

Service delivery and infrastructure development

Improving service delivery and infrastructure development is the top priority of Ikwezi Municipality. Service delivery and infrastructure development is fundamental to the eradication of poverty, creation of jobs and the improvement of the quality of life of our residents. In addition, the Municipality is committed and on track to meet all service delivery targets with regard to the quality of water, sanitation, upgrade of electricity infrastructure and provision of low cost housing in line with the 2014 government timelines and this budget has rand figures to address that.

The Municipality continues to provide free basic services to all its qualifying residents. Currently, R2 million has been set aside to subsidise our indigent community for the 2011/12 financial year. We are also aware of the fact that our indigent register does not reveal a true reflection of the status quo in Ikwezi. We, as a collective, have pledged to reach out to the community and urge those who qualify as indigents to register as such. We will continue to pursue the numbers, reach far and wide in servicing the poorest of the poor.

This budget will also fund the following capital projects :

1. Installation of high mast lights in Klipplaat
2. Upgrade of waste water treatment works in Klipplaat
3. Establishment and fencing of cemetery in Jansenville and
4. Upgrade and rehabilitation of College Street in Jansenville

In order to strengthen our efforts on service delivery, this budget will also re-inforce our fleet of service delivery vehicles as the current fleet is aging and becoming a burden to the municipality. As a financially depressed municipality, we are also confronted with a challenge of servicing a new area taken over from Cacadu District Municipality - Wolffontein. The area consists of mainly farming communities and the major challenge will be to levy rates and taxes in line with the policies of Ikwezi Municipality.

Financial Sustainability and Viability

The Municipality continues to experience challenges in terms of improving its revenue collection rates, currently at 46%. However, the Municipality is aware of its obligation to collect maximum revenue in order to sustain itself and we have set ourselves at target of 65% for 2010/2012 we are confident that we will achieve.

A financial recovery plan to turn the situation around is in place and all that must happen is for management to implement. Every effort has to support such an initiative has been made by council in that residents have been engaged at political level and those that can afford to pay for the services have been encourage to do so. High rates of employment , coupled with the prevailing global economic crisis have also hampered progress in this regard. My administration will also find ways to not only collect revenue, but to do so in such a manner that will sustain the municipality. In this regard, cost cutting and avoiding unnecessary expenses is of essence.

We have consulted with our communities during the IDP/Budget during February 2011 .We value the objective to extend such consultation to ensure that residents fully participate in the formulation and adoption of our IDP and Budget. We take this opportunity to encourage our residents to attend and participate in future IDP and Budget processes so as to realize the ideal of a people's IDP and people's Budget.

We further realise the importance of working closely with our communities. The new ward committees will be established after the 2011 elections and those will be our basis for more intense public participation. Once again, it gives me pleasure to present this budget to you and I remain hopeful that the next Council will embrace its objectives and implement accordingly.

I thank you



Clr Sizwe Mngwevu

Mayor : Ikwezi Municipality

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Clr Sizwe Mngwevu

Mayor : Ikwezi Municipality

RESOLUTIONS

When Council moves to consider and adopt the final budget at its meeting on 28 April 2011, it will be necessary to adopt the following resolutions :

1. Council resolves that the annual budget of the Ikwezi Local Municipality for the financial year 2011/2021; and indicative for the two projected outer years 2012/2013 and 2013/2014 be approved as set out in the following schedules :

Operating revenue by source reflected in Budget Statement 2

Operating expenditure by vote reflected in Budget Statement 2

Capital expenditure by vote and associated funding reflected in Budget Statement 2

Budget tables A1 to A10

2. Council resolves that property rates and any other municipal taxes as imposed for the budget year 2011/12.

3. Council resolves that tariffs and charges reflected in budget document are imposed for the budget year 2011/12

4. Council resolves that the measurable performance objectives for revenue from each source reflected in the budget are approved for the budget year 2011/12

5. Council resolves that the measurable performance objectives for each vote approved for the budget year 2011/12

6. Council resolves to adopt the final Integrated Development Plan circulated under separate cover as approved as a working document for the budget year 2011/12

7. Council resolves that the budget related policies circulated under separate cover are approved for the budget year 2011/12

8. Council notes that the Service Delivery and Budget Implementation Plan will be for subsequent approval by the Mayor after final approval of the 2011/2012 annual budget.

EXECUTIVE SUMMARY

Introduction

The 2011/12 budget is presented in the new format that is prescribed by the National Treasury. Although the format seems daunting in size and information, it provides a splendid base for the management of different departments and the monitoring of performance. This budget is also prepared during the year of local government elections and as such, normal budget processes have been severely shortned to take into account election results and changes in Council that may make it impossible to approve the final budget before the beginning of the new financial year.

Councillors and municipal officials had to work hard to accomodate the public participation process which took place in February 2011. We are a municipality that sees value in transparency and public participation.

Budget strategies

Ikwezi, like most typically rural local authorities, has the undesirable task of matching massive demands and expectations with very limited financial resources. This is of particular importance when one considers the capital budget.

The philosophy has to be one that looks to prioritise service delivery in line with municipal functions. These service are offered at basic levels to the entire community. The remaining resources are assigned to address strategic objectives as identified in the Integrated Development Plan. While assistance to the poor is a government policy widely embraced in the Council, it has to take place through a targeted approach and minimize cross-subsidization of those who can afford to pay for services. The recovery of what is due to the municipality for services rendered to the communities has become more critical than ever before. The whole council has taken ownership of this fact, with the political leadership assisting in getting all those that deserve to benefit from indigent programs on board. The administration focuses at revenue collection methods including implementation of credit control policies.

This budget has been compiled in such a way that the municipality recovers basic costs of providing services to its consumers. The municipality has been providing these basic services at a loss and every effort is being made to at least break-even. In those services that we have had to exceed the set 6% standard, we have referred the matter to National Treasury, outlining all components that informed our pricing. In line with the above, the municipality also sees value in keeping other operational costs to a bare minimum and less spending on non-essential items to cushion the consumer from high tariffs.

Past and current performance and challenges

A few other factors have informed this year's budget. The municipality had to take into account the recent economic melt down that dominated economic conditions through out the world. The after effects of such an environment are still felt in a rural economy like ours.

The jobs shed in the big cities all over the country have had a direct impact on Ikwezi. In view of the national priorities, this budget has been fully aligned with the Intergrated Development Plan of the municipality. This budget is also sensitive to the economic conditions of Ikwezi, coupled with massive unemployment - Ikwezi has made every effort to consider those who cannot afford to pay for the services rendered. The serious back log in infrastructure is under consideration. R8.464m will be set aside to continue with capital projects like establishment of a new cemetery in Jansenville, installation of High msat lights in Klipplaat, upgrade of College Street in Jansenville and upgrade of waste water plant in Klipplaat. These projects are funded from our MIG allocation for 2011/12 and the municipality has had to co-fund due to the nature of our infrastructure back log.

Ikwezi municipality does not have municipal entities at this stage. The past financial year has seen major improvements in terms of spending on conditional grant funding. The municipality has worked very hard to partially overcome challenges brought about by lack of staff. We are making it a priority to spend on service delivery. The intervention included the appointment of the Technical Manager and a Senior Foremen within the Infrastructure Department. The establishment of a Supply Chain Management Unit has also ensured that the municipality is assured on matters of compliance. As such, the municipality was able to spend its 2010/11MIG allocation in full. There is no reason why the municipality cannot repeat the same thing during 2011/12.

The internal controls have shown significant improvements as is evident with the unqualified audit opinion issued for 2009/10 by the Auditor General. This is a result of hard work over the past two years in developing systems and policies by management. The audit committee continues to advise council on matters of financial and risk management on a quarterly basis. The next challenge will be to ensure that the municipality fully complies with GRAP by 2013 - which is the end of the exemption period in terms of Directive 4.

The collection rate of 46% is still a hindering factor as it means that more than 50% of our income is from government grants. The municipality has amended its financial recovery plan for the 2011/12 financial year and with the improvement in the audit report, it is hoped that we will be able to secure funding to implement its recommendations.

In order to support the 2011/2012 annual budget, the following increases in rates and services have been approved :

Water has increased by 6%
Refuse removal has increased by 20%
Sewerage has increased by 20%
Assessment rates has increased by 6%
Electricity has increased by 15%

We have properly assessed the economic conditions of our municipal area and have resolved to devise creative ways to transform the municipality from becoming economical depressed. The LED unit has been tasked to look into projects that will provide economic prosperity to the organisation. We believe in competing where we have a competitive advantage.

The Technical services vote deals with the supply and maintenance of water, electricity, sanitation and refuse removal services. This constitutes the heart of service delivery in the municipality. The appointment of a manager has enhanced these functions and sped up the infrastructure project spending. For the 2011/12 budget, the aim is to provide the infrastructure with proper tools of trade. The budget will also fund a fleet of service delivery vehicles to facilitate service delivery. The current fleet is aging and is slowing the process down .

The local economic development unit within the municipality has been established. The 2011/12 financial year will see the implementation of economic projects like the establishment of a solar farm in Jansenville. The aim is to generate energy from the sun, in line with the objective of enhancing renewable energy and also to generate revenue for the municipality.

This budget must also service the new area inherited from Cacadu District Municipality as a result of demarcation. The municipality will also be allocated four wards after the 2011 local government elections. In order to ensure that public participation is enhanced, this budget will also provide the necessary support to ward councillors and committees.

OVERVIEW OF THE BUDGET PROCESS

The budget process started in September 2010 with the tabling of the Schedule of Key Deadlines in Council, being the Budget Schedule for 2011/12 as tabled. The schedule of dates was then tabled by the Mayor in a council meeting in September 2010. A budget meeting with HODs was also convened during March 2011. The budget was also tabled to public meetings in February 2011.

The timetable or schedule as outlined, provided the timeframes for the IDP and Budget preparation process - coupled with the required consultative requirements and production of reports as indicated. The strategic objective is to ensure that a revised IDP and a Budget that is fully compliant to the new format prescribed by National Treasury is achieved, tabled and communicated by end March 2011. The budget and IDP went through a thorough consultative process in February and March 2011. Admittedly, there will be challenges with the process in 2011 due to the upcoming municipal elections. The consultative meetings were held in all the four wards and the meetings were well attended.

The SDBIP (Service Delivery and Budget Implementation Plan) is the mechanism and ultimate management tool/guide, that aims to ensure that the IDP and Budget are fully aligned.

Ultimate objectives from this process is to ensure that the Budget is maintained within the affordability levels outlined, taking into account the identified IDP deliverables posed, and the various Directorates responsibilities to spend the Budget within the frameworks and available funds to the best of their abilities and to the affordability of the Budget. It is from this document that the performance agreements between the municipality and management will be drafted.

OVERVIEW OF BUDGET RELATED POLICIES

The Ikwezi Municipality have operational and Council approved Financial Management Policies in place.

Current Management, under the leadership of the Accounting Officer, have launched the review, development and ultimate compliance with all legislation expected policies. The financial policies have been approved by council and are being reviewed for implementation for the 2011/12 financial year.

Policies in existence, reviewed and being developed are:

- Banking and Investment Policy
- Credit Control and Debt Collection Policy
- Fixed Assets Policy
- Indigents Policy
- Property Rates Policy
- Supply Chain Management Policy
- Tarrif Policy
- Credit card policy
- Budget policy
- Virements policy

The important role of all these financial policies in the implementation of the financial recovery plan cannot be overemphasised. The municipality continues to develop and implement more policies as a need arise.



UMasipala. Municipalities. Municipality

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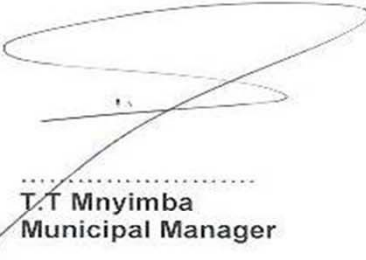
34 Main Street, P.O Box 12, Jansenville, 6265

08 April 2011

QUALITY CERTIFICATE

I, **THANDEKILE MNYIMBA**, Municipal Manager of **IKWEZI MUNICIPALITY EC103**, 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.

The updating of property records and metering of Ikwezi Municipality is still in progress.


.....
T.T Mnyimba
Municipal Manager

08/04/2011.....
DATE

