

***SUNDAYS RIVER VALLEY
MUNICIPALITY (EC 106)***



BUDGET 2011/2012 AND MTREF

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CHAPTER 1

MAYOR'S REPORT

My fellow councillors, the administrator, municipal officials and the public representatives allow me to express my appreciation and exhilaration for the wonderful journey we travelled together. The journey was not an entirely smooth one. It had some up-hills, down-hills, windings and plain sections. What appeases me most is the fact that we were all equally responsible for the transformation of SRVM into what it is today, a transformed, democratic, integrated and developmentally orientated institution.

Today marks the end of our 5-year term, come the 17th May 2011 at 12 midnight, we will be passing the relay baton to new councillors. We are happy to have crafted a vision and a plan for the new council. In front of us we have the budget, the IDP and a draft SDBIP that the new council will interact with and implement. We are creating a bond between the old and the new council.

Today is the day to celebrate, and it is not my wish to dwell on failures and mistakes. Thanks to someone who has given a good definition of the word **"FAIL"**. The 4-word definition is **First Action In Learning**. We have acquired valuable lessons out of the delivery and relationship choices we made. We must celebrate the victories we made and learn from the mistakes we made. Let me then highlight the achievements we've made.

ACHIEVEMENTS

In our IDP we have set our key performance areas around 5 priorities and I will only highlight a few achievements around these priorities:

1. Provision of infrastructure and basic services
 - All our formal households have yard taps and all others have access to water source within 100-200m
 - All wards have RDP houses/ SRVM won the Vuna awards for housing delivery
 - Paterson Bulk water is progressing well
 - The quality of water is monitored on a regular basis
 - Service level agreements have been signed with Amatola Water board to assist SRVM in addressing water challenges
 - Our 100 days service delivery plan has managed to address some quick-wins service delivery challenges
2. Social and Economic Development
 - The LED forum and LTO were established
 - SRVM is the only municipality in Cacadu that has established cooperative movement (forum)

- 14 youth are employed through the National Rural Youth Service Corps for 2 years to perform community services in their own communities.
 - 2 agro-processing industries have relocated to SRVM thus increasing the competitiveness of local industries
 - We hosted the human rights celebrations for 1000 people in Bersheba
 - We held Elderly day celebration for 200 elderly people
 - The socio-economic profile of the LED Plan is under review
3. Institutional Transformation
- A comprehensive review of the functional and post organogram has been workshopped and is now presented before council for approval.
 - All contract positions at lower level have been converted to permanent positions.
 - We have managed to enter into settlement negotiations with our long outstanding debtors
4. Democratisation and Governance
- Community consultations through budget and IDP processes as well as the Mayor's Indabas and ward committee systems have strengthened the participation of voters in the functioning of the municipality.
 - Audit committees are in place and a detailed checklist and audit action plan have been developed
 - A public participation policy framework was developed and adopted by council
 - The oversight committee was established and enhanced by community members.
 - Decisive and bold actions against corruption was undertaken
5. Financial Management
- 11 finance positions were filled in this financial year
 - The registration of indigents in our data base has improved
 - There is a drastic improvement in payment of creditors from 180 days to now on average of 90 days
 - We are applying stringent credit control measures for councillors and officials
 - Our procurement and supply chain processes have been strengthened

CHALLENGES

Despite the significant achievements, there are still challenges that our IDP 2011/12 reflect. These are among others:

- Reconciliation of our billing system
- Increase revenue collection rate
- Recruitment of specialists is a challenge

BUDGET OVERVIEW

In drafting the budget for 2011/12 our first consideration was to continue in setting the basics right by rectifying our tariffs.

The commitment from officials and councillors in implementing the financial recovery plan is applauded. This has definitely enhanced the credibility of our budget.

The increases in tariffs and charges were considered in light of the standard and cost of services that have been provided to the community over the past year and also with a view to funding resources for the improvement of these services in the coming financial year.

If we want to continue building on a more financially stable municipality and for the benefit of our community, we have to make some hard decisions.

It is a reality that the level of services the municipality is currently providing is not up to the required level, and must be improved. Service level improvement is the key focus of the Turnaround Plan. The SRVM can only improve if it enters into a social contract with the community, which will ensure that we collect the required revenue that will enable us to provide the best services.

1. OPERATING REVENUE INCREASES

In revising our tariffs, we considered the inflation rate as well as affordability to the community. In light of this the tariffs have increased in average with only 6% except for:

- The electricity which increased with 20.38% as prescribed by NERSA
- Refuse and Sewerage which increased by 6% plus an addition R20 per month per household

2. OPERATING EXPENDITURE

Personnel costs are currently representative of 32% of operating revenue for the 2011/2012 financial year.

The huge amount of long outstanding creditors has placed the current year's budget under pressure as monies budgeted for much needed service delivery was used to pay some of the creditors. This has resulted in that the wider community being deprived of funds that should be used for road maintenance, electricity reticulation, refuse collection repairs, and to provide staff with the resources to perform their duties.

We have focused on service delivery in our budget for 2011/12 and has managed to increase repairs and maintenance from 5% to 7% which means that much needed assets for service delivery will be taken care of.

3. CAPITAL EXPENDITURE

The Municipal Capital Budget is R22 827 350 which is mainly funded from grants.

National Government Grants to fund capital projects amounts to R18.5 million. We have also considered in taking up loans to the value of R2.8 million to fund infrastructure and specialized vehicles.

CONCLUSION

It is a reality that we will never be able to satisfy all needs but I can, with great confidence ,say that the 2011/12 budget was an interactive effort between officials, councillors and the community and that the views and comments of our community has not only been noted, but as far as possible been incorporated in our budget.

With this few words, I wish you well in your future endeavours . It is my desire that all of us will stay closely involved in the future of this municipality and continue to encourage our communities to support the future plans of Sundays River Valley municipality.

CHAPTER 2

COUNCIL RESOLUTION

On 13 May 2011 the Council of Sundays River Valley Local Municipality met in the Council Chambers at 30 Middle Street, Kirkwood, to consider the annual budget of the municipality for the financial year 2011/12. The Council approved and adopted the following resolutions:

COUNCIL RESOLVED

1. That in terms of section 24 of the Municipal Finance Management Act, 56 of 2003, the Annual budget of the Sundays River Valley municipality for the financial year 2010/11; and indicative allocations for the two projected outer years 2011/12 and 2012/13; and the multi-year and single year capital appropriations, attached to the report as Annexure A, be approved as set-out in the following tables:
 - 1.1. Budgeted Financial Performance (revenue and expenditure by standard classification);
 - 1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote);
 - 1.3. Budgeted Financial Performance (revenue by source and expenditure by type); and
 - 1.4. Multi-year and single year capital appropriations by municipal vote and standard classification and associated funding by source.

2. 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 Flows;
 - 2.3. Cash backed reserves and accumulated surplus reconciliation;
 - 2.4. Asset management; and
 - 2.5. Basic service delivery measurement.

3. That in terms of section 24(2)(c)(i) and (ii) of the Municipal Finance Management Act, 56 of 2003 and sections 74 and 75A of the Local Government: Municipal Systems Act, Act 32 of 2000 as amended, the tariffs for the supply of water, electricity, waste services, sanitation services and property rates as set out in Annexure A, that were used to prepare the estimates of revenue by source, are approved with effect from 1 July 2010.

4. That in terms of section 5 of the Municipal Property Rates Act, 6 of 2004, the amendments to the rates policy as set out in Annexure A is approved.

5. That in terms of section 24(2)(c)(iii) of the Municipal Finance Management Act, 56 of 2003, the measurable performance objectives 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)(iv) of the Municipal Finance Management Act, 56 of 2003, the amendments to the Integrated development plan as set out in Annexure B is approved.
7. That Council has considered the implication of budgeting for a new building and has determined that it has no effect on the tariffs of the Municipality and that the tariffs have only increased with the 6% as determined by National Treasury.
8. That Council has considered the backlog maintenance of the Municipality as indicated in Annexure D.
9. That the new building to be erected will incorporate the expanded public works model.
10. That the draft SDBIP 2011/12 as contained in Annexure C to the report be approved.

CHAPTER 3

EXECUTIVE SUMMARY

1. INTRODUCTION AND BACKGROUND

The DLGTA S139 1 (B) Intervention in the Sundays River Valley Municipality started effectively from 18th February 2010.

Some of the challenges that faced by the municipality:

- Achieving financial stability in the medium term and long term
- Increasing the debt collection %
- Dependence on grant funding
- Acceptable level of tariff increases – trying to balance financial sustainability and affordability
- Managing cost
- Exploring alternative revenue sources
- Identifying cost savings

On the 25 March 2010, the Turnaround Strategy and plan which integrates the financial recovery plan was adopted by Council.

2. IDP/BUDGET PROCESSES

This current financial year, the IDP/ Budget process was faced with a challenge of being drafted and submitted to Council before 18 May 2011, which marks the day of the local government elections and the end of the current term of office for Councillors.

In response to Treasury advice, the Council resolved that they opted to approve the budget before the end of their term to ensure continued sustainability and integrity of the budget .

An amended budget time schedule was completed and adopted by Council on 16 February 2011. The draft IDP and Budget were tabled in Council on 23 March 2011.

During the period of April 2011, the Council conducted its outreach program consulting the communities and obtaining their inputs into the draft budget and IDP. This was the most difficult time as this consultation coincided with election campaigns, and the focus tended to digress to matters of service delivery, rather than needs identification and consolidation. In one or two communities such consultation did not take place as it was planned due to political protests which were prevailing at the time.

3. IDP AND BUDGET SYNCHRONISATION

A SDBIP for 2010/11 was approved by Council and quarterly reviews were conducted to ensure targets were met.

The Budget has been structured to ensure that there is alignment with the IDP and this is reflected in the SDBIP. Allocation of the budget will ensure that the IDP priorities are met, where possible and the SDBIP will also outline key outputs for each of the IDP priorities.

A graphical analysis of how the allocation is split in terms of the 5 key priorities of local government is herein developed in a budget submission.

4. EQUITY IN THE BUDGET PROCESS

After the IDP and Budget Public Participation process, an extensive engagement with the Administrator, Councillors, Heads of Department, Provincial Treasury, DBSA Municipal Advisor, DLGTA Technical Team and Finance Officials took place to scrutinize the budget framework, departmental requests, and compliance issues to ensure that the budget is credible and balanced.

The municipality has sought advice from different stakeholders on budget related issues and tariff setting; and the major difficulty in drafting 2011-12 budget was the fact that there had to be the rectification of tariffs, some which, were inaccurate for years, before effecting percentage increases to be in line with the trends and guidelines.

5. THE BUDGET 2011/2012 – OPERATING REVENUE

The Municipality's first consideration was to set the basics right by rectifying existing tariffs. The commitment in implementing the financial recovery plan enhanced the credibility of the budget. The increases in tariffs and charges were considered in light of the standard and cost of services that have been provided to the community over the past year and also with a view to funding resources for the improvement of these services in the coming financial year.

Although the intervention yielded some positive results institutionally and administratively, there are still some service delivery challenges due to the poor collection rate and a high number of indigents that exist but not yet registered on our database. With a slight improvement of the cashflow in the first six months of the last financial year, some funds were set aside for the implementation of a service delivery improvement plan which focused on quick win interventions on maintenance and repair of infrastructure. This boosted the community confidence and yet created more expectations that we have to meet and sustain. Sustainability of the short term to medium term service delivery interventions will be depended on the improvement of the collection ratio.

Service level improvement is the key focus of the Turnaround Plan. The SRVM can only improve if it enters into a social contract with the community, which will ensure that we collect the required revenue that will enable us to provide the best services.

6. OPERATING REVENUE INCREASES

- The Property Rates increased by average 6%
- The electricity increase is 20.38%
- Refuse collection increased by 6% plus an addition R20 per month per household
- Water tariffs increased by average 6%
- Rental of municipal buildings
 - Swimming pool – hire of facility increase is 6%
 - Community Hall hire increase is 6%

7. MAJOR SOURCES OF REVENUE

The following table reflects the major sources of revenue for the 2011/12 financial year. This excludes Capital grants:

EC106 Sundays River Valley - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Revenue By Source									
Property rates	5 570	6 761	8 801	9 519	13 019	13 019	14 700	15 435	16 237
Property rates - penalties & collection charges	11	15		16	16	16	19	23	24
Service charges - electricity revenue	3 876	6 127	9 744	8 900	9 900	9 900	11 918	14 302	15 045
Service charges - water revenue	5 473	6 243	3 981	8 246	11 891	11 891	9 937	10 434	10 976
Service charges - sanitation revenue	1 246	1 491	1 484	1 591	1 655	1 655	2 677	2 811	2 957
Service charges - refuse revenue	2 819	3 033	3 254	3 455	3 455	3 455	5 062	5 315	5 592
Service charges - other	166			168	160	160	169	178	187
Rental of facilities and equipment	63	61	62	57	59	59	63	66	70
Interest earned - external investments	733	1 671	233	195	191	191	200	210	221
Interest earned - outstanding debtors	2 598	3 543	3 358	2 602	3 849	3 849	1 860	1 953	2 055
Dividends received	-	-		-	-	-	-	-	-
Fines	2 628	1 280	1 794	3 135	411	411	1 012	1 062	1 117
Licences and permits	3 738	4 628	1 746	846	1 236	1 236	2 614	2 745	2 888
Agency services	-	-		1 057	1 057	1 057	1 107	1 162	1 222
Transfers recognised - operational	30 920	139 317	50 349	32 453	31 549	31 549	36 283	39 962	42 455
Other revenue	1 391	2 851	2 225	2 329	3 327	3 327	4 882	5 026	5 183
Gains on disposal of PPE				-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	61 232	177 020	87 032	74 570	81 775	81 775	92 503	100 683	106 230

8. DEBTORS ARREARS

Council is currently facing an ever increasing debt book. This is due to incomplete registration of indigents, unwillingness of communities to pay and other factors.

Additional staff at Finance have been appointed to enhance the capacity and the required competencies in the section.

Assistance was received from DPLG with regards to registration of indigents. Currently only about 3 000 000 people are registered for indigent subsidy. It is management's believe that at least 60% of

our population is indigent, which should push this figure which has grown from less than 1000 before the intervention to 24 000, if we continue with a robust drive for indigent registration.

Funding was also received from DWA during the 2010/11 financial year to appoint a revenue specialist who will now assist the municipality in scrutinizing its debtors for write off and collection of recoverable debt. This exercise will focus on cleansing of the billing system, reconciliation with the valuation roll and debtors management.

9. BUDGETED OPERATING REVENUE 2011/2012 – SUMMARY

- The Budgeted revenue from grants and subsidies totals to R54 812 151
- The Total budgeted revenue for the 2011/2012 is R111 031 835
- A provision for Doubtful Debts has been budgeted at R12 million

10. OPERATING BUDGET – EXPENDITURE

Personnel costs are currently representative of 32% of operating revenue for the 2011/2012 financial year.

The huge amount of long outstanding creditors has placed the current year's budget under pressure as monies budgeted for much needed service delivery was used to pay some of the creditors. This has resulted in that the wider community being deprived of funds that should be used for road maintenance, electricity reticulation, refuse collection repairs, and to provide staff with the resources to perform their duties.

There must be a concerted effort to increase the O&M allocation, as failure to service our assets results in dissatisfied communities, and huge costs for major repairs and reconstruction.

The following table reflects the main operating expenditure per class:

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Expenditure By Type									
Employee related costs	17 492	22 196	23 679	25 432	25 210	25 210	29 304	31 101	32 941
Remuneration of councillors	2 187	2 617	2 745	2 569	2 922	2 922	3 826	4 056	4 299
Debt impairment	5 193	17 490	16 101	6 000	-	-	-	-	-
Depreciation & asset impairment	3 596	-	-	3 600	6 625	6 625	4 700	7 500	7 500
Finance charges	620	767	1 716	783	705	705	825	859	897
Bulk purchases	3 518	5 089	7 622	7 742	8 754	8 754	10 981	13 705	17 141
Other materials									
Contracted services	216	240	-	438	253	253	352	369	388
Transfers and grants	21 393	121 894	5 275	4 862	1 724	1 724	2 627	2 758	2 902
Other expenditure	15 993	18 910	15 420	22 707	35 135	35 135	38 477	39 078	41 389
Loss on disposal of PPE	28								
Total Expenditure	70 235	189 203	72 558	74 132	81 329	81 329	91 091	99 427	107 457

11. OPERATING EXPENDITURE 2011/2012 – SUMMARY

- Personnel Costs	R29 303 980
- General Expenses	R19 601 147
- Contracted Services	R351 673
- Repairs & Maintenance	R6 443 462
- Provisions	R12 431 906

12. CAPITAL BUDGET 2011/2012

The Municipal Capital Budget is R22 827 350 with funding as follows:

- National Government Grants	R18 537 300
- Internally funded	R1 410 050
- Loan funded	R2 880 000
- Total Capital	R22 827 350

There is not enough funding internally for capital and this must be turned around, as Sundays River Valley Municipality cannot perpetually depend on external grants for capital funding. If the municipality raises more revenue internally, it will be able to allocate funding to all wards on an equitable basis; as currently the municipality cannot, due to the fact that most of the municipal capital budget comes from other departments who also have limited resources.

Ward based allocation should be a key focus area once the revenue inflow improves. During the adjustment process, ward allocations must be considered if the cashflow is good.

The following table reflects the capital expenditure per class :

Program/Project description	Total Project Estimate	Prior year outcomes		2010/11 Medium Term Revenue & Expenditure Framework			Project information	
		Audited Outcome 2009/10	Current Year 2010/11 Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14	Ward location	New or renewal
Waterborne Sewerage (Phase 2)	R 17 536 620.00	R 3 191 104.00	R 3 507 200.00				MOSES MABIDA	NEW
Waterborne Sewerage (Phase 2)	R 12 869 531.00	R 7 214 203.00	R 4 625 704.00				EMSENGENI	NEW
Upgrading of water supply	R 3 278 000.00		R 3 278 000.00				ENON & BEERSHEBA	RENEW
Upgrading of waste water treatment works (Phase 1)	R 1 917 446.00		R 1 917 446.00				ENON & BEERSHEBA	RENEW
Upgrading of waste water treatment works (Phase 2)	R 5 424 645.00			R 4 424 645.00			ENON & BEERSHEBA	RENEW
Sewerage pump station	R 725 000.00		R 725 000.00	R 725 000.00			BERSHEBA	NEW
Various (office equipment & furniture, etc)		R7 245 332.00	R 404 700.00	R 918 550.00	R 30 000.00		ALL	NEW
Upgrading of bulk water supply	R 8 949 000.00			R 7 045 055.00	R22 558 300.00	R23 767 100	ADDO	RENEW
Bulk Water Pipeline	R 36 000 000.00	R 8 755 725.00					PATERSON	NEW
Upgrading of Waste Water treatment works (phase1)	R 7 011 000.00			R 944 100.00			ADDO	RENEW
Rehabilitation and upgrade of 7 sport fields (phase 1)	R 14 729 399			R1 000 000.00			ALL	RENEW
Bulk water supply	R 21 633 000.00						ADDO	NEW
Upgrade of gravel roads	R 19 700 000.00			R 4 390 000.00			ALL	RENEW
Sewerage Pump station	R 500 000.00			R 500 000.00			ALL	RENEW
Specialized vehicles	R 880 000.00			R 1 230 000.00			ALL	NEW
Office buildings	R 650 000.00			R 650 000.00			KIRKWOOD	NEW
Water pumps	R 500 000.00			R 500 000.00			ALL	RENEW
Prepaid water meters	R 500 000.00			R 500 000.00			ALL	NEW
Total Capital expenditure		R26 406 364.00	R 14 458 050.00	R22 827 350.00	R22 588 300.00	R23 767 100.00		

13. IDP AND BUDGET SYNCHRONISATION

The breakdown of the percentages of funds allocated to each activity is as follows:

○ Finance	32.00%
○ Service Delivery	38.20%
○ Local Economic Development	2.45%
○ Governance	8.46%
○ Institutional Building	5.43%
○ Community Services	13.43%

These allocations are to link up with the Service Delivery and Budget Implementation

14. BUDGET CONCLUSION

With the implementation of the Turnaround Plan, including the Financial Recovery Plan, the half yearly report indicated that there was more revenue collected than projected, although the entire collection rate has not improved significantly. This is mainly attributed to slow movement on long outstanding debtors and a number of indigents that should be written off and registered on our database to qualify for free basic services.

SRVM will continue with robust measures of credit control and indigent registration, as this is still a challenge. There are still some service delivery challenges, however with more revenue collection and ring fencing of grant funding that is meant for infrastructure upgrade, the level of service delivery standards will improve in the next financial year. The Council has taken a firm decision to increase its operating and maintenance budget with an aim of improving the standards of service delivery.

With all the challenges that SRVM is facing and currently dealing with this budget has been consolidated with due diligence and there is no doubt that it is indeed balanced and credible. With the technical support from DBSA, DWA and Provincial COGTA, there is no reason why this institution should not be completely turned around. The oncoming Councillors will be inducted on the Financial Recovery Plan, Financial Policies and their role in ensuring that SRVM remains financially viable and administration stable.

V. ZITUMANE
ADMINISTRATOR/ACTING MUNICIPAL MANAGER

CHAPTER 4

ANNUAL BUDGET TABLES

Operating budget (Schedules A1, A2, A3 &A4 – page 49 -53)

When drafting the annual budget for SRVM consideration was given to the fact that the municipality has been placed under partial administration by the MEC of Local Government and Traditional Affairs in accordance with section 139(1) (b) of the Constitution. A conservative approach has been maintained for both income and expenditure budgets to try and assist in the stabilization of the organization.

The operating revenue budget of SRVM amounts to R111 031 835 for 2011/2012 financial year. This represents an increase of R15 203 851 (15.87%). The increase is mainly a result of:

- increased tariffs
- restructuring of tariffs
- Increase in equitable share directly attributable to new demarcation process
- Increase in MIG grants

Although SRVM has determined that it will increase tariffs in general by 6% the municipality reviewed all tariffs to ensure that they are cost-reflective. Electricity was increased 20.38% as prescribed by NERSA.

A review of the tariffs indicated that refuse and sewerage charges were not economically viable for the municipality and was increased with an additional R20 per month each in excess of the 6% overall increase.

Please refer to budget assumptions for more detail. (Chapter 9)

Sundays River Valley Municipality's budgeted expenditure for the 2011/2012 MTREF amounts to R91 090 647. This represents an increase of R9 761 897 (12%)

This increase is mainly a result of increase in:

- Salaries
- Increase in bulk purchases
- Increase in debt impairment
- General price increases

The anticipated salary increase is in accordance with SALGA Salary and Wage Collective agreement 2009/10 to 2011/12. This indicated a wage increase linked to average CPI index for the period 1 February 2010 until 31 January 2011 plus 2 percent. According to National Treasury Circular 55 the average CPI for this period is set at 4.08 percent . This will thus result in a salary increase of 6.08%.

Bulk purchases increased by R2 227 279 (25.44%) which is a result of the increase in bulk electricity which is set to increase with 26.71%.

Debt impairment was decreased by R1 000 000 (7.69%) from R13 000 000 to R12 000 000. The budget is presented on an assumption that debt collection will increase to 60% during the 2011/12 financial year. This was thought to be a realistic approach as a revenue enhancement expert (PSU) has been appointed to implement the revenue enhancement strategy of the municipality which was finalized during the 2009/10 financial year. SRVM applied for grant funding from DWA, who initially funded the revenue enhancement project, to ensure that the strategy is implemented. An amount of R200 000 was received from DWA and a full time representative of the company PSU is now on board to assist with amongst others debt recovery.

Capital budget (Schedule A5 & A9 – page 54-57)

The capital budget of the municipality amounts to R22 827 550. This indicates an increase of R8 329 347 (57.4%) which is mainly a result of:

- Increase in MIG funded projects (R4.5 million)
- Increase in capital acquisition funded by loans (R2.8 mill)

The main projects that are funded in the capital budget are:

- Upgrading of waste water treatment works – Enon/Bersheba - R4 424 645
- Sewerage pump station – Bersheba – R725 000
- Upgrading of bulk water supply – Addo - R7 045 055
- Upgrading of Waste Water treatment works – Addo – R944 100
- Rehabilitation and upgrade of 7 sport fields (phase 1) – All wards – R1 000 000
- Upgrade of gravel roads (phase 1) – All wards – R4 390 000
- Sewerage pumpstations – All wards – R500 000
- Specialized vehicles – Refuse removal, general maintenance & sewerage dept – R1 230 000
- Office buildings – Kirkwood – R650 000
- Water pumps – All wards – R500 000
- Prepaid water meters – All wards – R500 000

These projects are funded by the Municipal Infrastructure Grant and loan funding.

The impact of the new building on the tariffs of SRVM has been evaluated and it can be said that the new building does not impact on our tariff increases as the increases are in line with the proposed increases of National Treasury. Furthermore the backlog repairs and maintenance have been considered and sufficient budget was allocated to cater for the needs of council.

Budgeted Financial position (Schedule A6 – page 58)

Current assets are assets that can be converted in cash within 12 months and mainly consist of cash in the bank, investments and debtors.

The provision for bad debt will decrease with R1 million to R12 000 000 which will be representative of an average collection rate of 60%.

Non-current Assets are assets that has a lifespan of longer than 12 months and mainly consist of fixed assets e.g. infrastructure and moveable assets.

It is anticipated that depreciation of assets will amount to R4 700 000 for 2011/12 (2009/2010: R6 625 000), whilst assets will increase with acquisitions to the value of R 22 827 550 (see capital budget schedule A5 – page 54). This will result in a net increase of assets of R18 127 550 from 2010/2011.

Assets will be funded from own revenue – R1 410 050; grants - R 18 537 500 and loans - R 2 880 000. The raising of new loans will be used to fund capital acquisition relating to sewerage and water pumps that urgently needs to be replaced, the purchase of an additional 500 prepaid water meters to assist with credit control and tractors that needs to be replaced.

Current provisions consist of provisions for leave pay, provision for bonuses and provision for bad debt which increased from R13 682 132 in 2010/2011 to R 12 431 906 in 2011/2012.

Non-current provisions consist of provision for rehabilitation of landfill sites and will increase to R5 061 958 for 2011/2012.

Asset management (table A9 page 56-57)

Capital expenditure is anticipated to increase from R 14 498 003 (2010/2011) to R 22 827 550 (2011/2012). This indicates an increase of 57.45%. The increase in capital acquisition is due to the Increase in MIG funding R4.4 million as well as the assets that will be funded from new loans raised – R2.8 million.

An amount of R5 793 462 has been allocated to repairs and maintenance. Repairs and maintenance will be spent according to the following categories of assets:

• Infrastructure – Road & transport	-	R1 935 000
• Infrastructure – Electricity	-	R740 000
• Infrastructure – Water	-	R686 966
• Infrastructure – Sanitation	-	R1 010 000
• Infrastructure – Other	-	R505 000
• Community & other assets	-	R785 690
• Other assets	-	R780 806

CHAPTER 5

OVERVIEW OF THE ANNUAL BUDGET PROCESS

The entire budget process is prescribed by the Municipal Finance Management Act.

Section 21(1) (b) of the MFMA requires the mayor to table not later than 10 months before the start of the budget year a time schedule outlining the key deadlines and processes for the preparation, tabling and approval of the Annual Budget, the review of the IDP and budget related policies and any consultation process which would be part of the process.

The consultation process involves presenting and eliciting comments from the public by Ward and by placing an advert in the local press requesting budget input.

The following stakeholders are identified:

- 1 community
- 2 senior management
- 3 the work force
- 4 trade unions
- 5 rate payers association
- 6 general public and interested parties
- 7 district municipality
- 8 national and provincial sector departments

Prescribed forms have been developed for both operating and capital inputs.

A presentation is delivered to the communities and responses are recorded. These are considered within the budget realm and capacity. Meetings are arranged by ward and the related Councilor manages the process.

A Draft Budget is prepared, based on budget assumption, and presented to Budget Committee members as a pre-draft budget so as to give an outlook for the year in question. At this stage the budget still needs to be gauged against realistic income and expenditure which translated to budget performance.

Thereafter the eagerly awaited Division of Revenue is received during February and published the grant and subsidy allocation in terms of which budget parameters are set or adjusted. Information from other sources, District Councils and Provincial Authorities are confirmed. Any surplus capacity is consumed.

During this time the IDP process has started with steering committee meetings as well as public consultation to primary confirm and re-affirm priorities as well as to disclose any new development. Critical to this process is capital project funding in terms of MIG. The IDP and Budget, as policy documents are reflected against each for purpose of IDP preparation and budget finalization.

A final meeting with Budget Committee members is held to discuss any changes made and to prepare for final tabling of draft budget to Council.

The draft budget is now table to Council and then council authorizes that the budget is made public for comment. Once this period closes the comments received are once again considered and adjustments are brought about. The draft budget was tabled to Council on 23 March 2011.

The budget is now tabled during May as a final budget for implementation.

Political oversight of the process

The schedule of key deadlines was submitted to management meeting to monitor the progress of the process by officials against the schedule tabled by the Mayor. The Mayor was regularly informed on the progress. The key deadlines were reviewed during February 2011 to accommodate the earlier adoption of the budget due to local government elections. The revised key deadlines were approved by Council on 16 February 2011.

Consultations & advertisements

Advertisements were placed in the local newspapers circulating in the area of jurisdiction and district informing the community of the budget, indicating where they can view a copy and how to lodge comments.

A formal process for consultation has been conducted after the draft budget & IDP has been approved by Council.

This was done by the following methods:

- The budget was made public by making them available at SRVM's offices.
- Notices were published in two newspapers in the area inviting members of the public to submit representations on the budget.

All submissions received were considered and if deemed necessary it was incorporated in the budget being presented for consideration.

Community hearings was conducted at all areas –

- Bergsig
- Aquapark
- Moses Mabida
- Paterson
- Valencia
- Nomathamsanqa
- Kirkwood – Ratepayers Association
- Bersheba
- Glenconner/Kleinpoort

Please also refer to IDP document for details of community participation.

Schedule of key deadlines

The following revised schedule of key deadlines was approved by Council:

PROPOSED AMENDMENTS TO THE BUDGET AND IDP PROCESS PLAN

MILESTONE	ACTIVITIES	RESPONSIBILITY	TIMEFRAME
SITUATIONAL ANALYSIS	Consolidation of sector input on progress made	IDP Unit	18 Jan 2011
	Preparation and distribution of budget guidelines.	Budget & Treasury Office	12 January 2011
	Evaluation of service delivery achievement and identification of gaps.	IDP Steering Committee IDP Rep Forum	14 – 16 January 2011 26 January 2011
	Mid –term performance assessments	Mayor/Administrator	25 January 2011
	Preparation of 2010/11 adjustment budget.	All Departments	14 – 21 January 2011
Special Council	Tabling of Annual Report Tabling of Adjustment Budget 2010/11	Council	31 January 2011
Council sitting	Adoption of Revised/ Amended IDP, PMS & Budget Process Plan.	Council	16 February 2011
PROJECT PRIORITIZATION AND STRATEGIES	Identification of priority projects in 2010/11.	IDP Steering Committee District Sector Forums	21 January 2011 12 – 21 January 2011
	Capital budget preparation and submission to BTO. Operational budget preparation and submission to BTO	All departments All departments	7 February 2011 7 February 2011
	Oversight Roadshows on the Annual Performance Report	Council IDP Rep Forum	21-23 February 2011 01 March 2011
PROJECT PHASE	Outline prioritized development projects and setting of targets and indicators	All Departments	7 – 11 February 2011
	Projects phase session to align projects and programmes of local municipalities, sector departments and parastatals	IDP Steering Committee	21 February 2011
	IDP , PMS & Budget Roadshows	MAYORAL OUTREACH IDP Rep Forum	17 – 25 March 2011 28 March 2011
INTEGRATION	Integrate - interdepartmental & sector projects	All Departments	21 February 2011

PHASE		IDP Steering Committee	
COUNCIL SITTING	Tabling of Draft IDP and Budget for 2011/12. IDP Indaba – for further inputs into the draft IDP before final adoption. Completion of technical work on budget Draft IDP and advertise for comments	Council IDP Unit BTO IDP Unit/ Public Participation office	11 March 2011 4 – 8 April 2011 15 April 2011 11 March 2011
COUNCIL SITTING	Approval of Annual Report, Approval of IDP Approval of Budget	Council	31 March 2011 20 April 2011 20 April 2011

Stakeholders

The following stakeholders are some of the stakeholders consulted, but are not limited to:

- National Treasury
- Provincial Treasury
- Provincial sector departments
- District municipality
- Providers of bulk resources for water & electricity
- Community

CHAPTER 6

ALIGNMENT OF ANNUAL BUDGET WITH INTEGRATED DEVELOPMENT PLAN

AMENDMENT AND ADJUSTMENT TO THE 2011/2012 IDP

The review process focussed on:

- ❖ Improving the **strategic nature** of the document, thereby ensuring effective use of available data, careful consideration of available resources, as well as exploring locally appropriate solutions to complex development issues.
- ❖ Increasing the usefulness of the document during **implementation** and monitoring.

The process was influenced by:

- ❖ Project progress information as provided by Heads of Departments
- ❖ An extensive data search to update the analysis chapter.
- ❖ Inputs from community based planning initiatives

The Reviewed IDP document 2010/2011 reflects the following adjustments:

- 1) Information and analysis were updated to include the following data sources:

Table 1b: Data sources

NAME OF DOCUMENT¹	SOURCE	DATE
Service backlog study	Draft SRVM Water Services Sector Plan	2010
Spatial Development Framework	Sundays River Valley Municipality	November 2007
Integrating the natural environment into land use decisions of municipal level	The Step handbook	
Tourism Sector Plan	LTO minutes	2010
Finance and human resource Policies	Sundays River Valley Municipality	2010
Council Resolutions	Sundays River Valley Municipality	2010/11
The Local Government Turn around Strategy and municipal capacity assessment	CoGTA website	2011
PMS Policies	SRVM	2010

- 2) Data is represented by a ward, wherever possible, to assist with decision making such as prioritization, and to ensure an improved target group orientation.
- 3) Community Based Plans
- 4) New ward demarcations considered (Transitional Facilitation Task Team)
- 5) Reformulation of Foreword by the Mayor
- 6) Updating of priorities, programmes, projects and strategies emanating from CBP and public participation processes
- 7) The list of policies is replaced with an explanatory note that says “all Council adopted policies can be accessible from our website”
- 8) The reviewed institutional risk assessment
- 9) Performance management system as adopted
- 10) The entire budget section is updated and a revised budget summary for the next three years is inserted.
- 11) The five year financial plan is reviewed.
- 12) Alignment of priorities across the three spheres of government.
- 13) Reflections and Contextualization of the State of the Province Address – February 2011
- 14) Inclusion of SDBIP, Turnaround Strategy for SRVM.
- 15) Comprehensive analysis of Roles and Responsibilities in the IDP Process.
- 16) Alignment to Millenium Development Goals

The alignment of the IDP with the budget is illustrated in schedules SA4, SA5, SA6 (page 60 – 62). The schedules are attached.

These allocations are to link up with the Service Delivery and Budget Implementation plan.

A draft Service Delivery and Budget Implementation Plan has been developed and will be tabled with the budget to Council. The final SDBIP needs to be approved within 28 days after the adoption of the budget. KPA’s and KPI’s have been developed and strategic alignment between IDP, Budget and SDBIP is ascertain.

CHAPTER 7

MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

Please refer to the draft SDBIP for details of measurable performance objectives and indicators.

CHAPTER 8

BUDGET RELATED POLICIES

The prioritization of service delivery and the management of council functions is the key to the budget. Sundays River Valley municipality's budget process is guided and governed by legislation regulations and budget related policies.

Sundays River Valley Municipality embarked on a process of reviewing all financial and budget related policies during 2010/11 financial year.

These policies will be enacted into by-laws thereby enabling council to undertake its revenue collection effort to court and further securing income generation.

Tariff Policy

The Municipal Systems Act requires a municipality to have a tariff policy. One of the challenges in setting tariffs is ensuring affordable tariffs whilst maintaining financial stability.

The tariff policy tries to address this issue and creates a foundation for the principles that address social, economic and financial imperatives that the process of tariff setting should take into account.

Changes proposed: None

Rates policy

Sundays River Valley has adopted a rates policy which is line with legislative requirements. The policy became effective 01 July 2009.

The policy provides that properties be rated based on their market value. A new valuation roll is in place.

Changes proposed: None

Indigent Policy

This policy was reviewed and approved during the 2009/2010 financial year.

Sundays River Valley municipality is committed to ensure that all households have access to its services. Due to the fact that Sundays River Valley Municipality has a high level of unemployment and seasonal workers, the municipality decided to adopt an indigent policy. This policy will ensure that poor households have at least access to basic services.

Changes proposed: None

Supply Chain Management Policy

Municipalities are required in terms of section 111 of MFMA to have a supply chain management policy. Sundays River Valley Municipality has a policy within the framework of the legislation. The policy adheres to the following principles:

- Procurement system which is fair, equitable, transparent, competitive and cost effective in terms of section 217 of the Constitution
- Best practice within supply chain management
- Uniformity in supply chain management systems between organs of state in all spheres

Changes proposed: None

Credit control and debt management policy

The credit control and debt management policy of Sundays River Valley Municipality was reviewed during 2009/2010. This policy provides the procedures and mechanisms for credit control and collection of debts. The primary objective is to ensure that all monies due to the municipality are collected efficiently and promptly.

Changes proposed: Changes to accommodate the provisions of the National Credit Act relating to incidental credit.

Banking and Investment policy

As custodians of public funds, the Council has an obligation to see to it that cash resources are managed as effectively as possible. Council has a responsibility to invest public funds with great care and are liable to the community in that regard.

The investment policy should be aimed at gaining the highest possible return without undue risk during those periods when funds are not needed. To bring this about, it is essential to have an effective cashflow management program.

Changes proposed: None

Asset management policy

The Asset Management Policy provides direction for the management, accounting and control of Property, Plant & Equipment (Fixed Assets) owned or controlled by municipality.

Changes proposed: None

Policy on the writing off of irrecoverable debt

Despite strict enforcement of the credit control and indigent policies, Council will continuously be confronted by circumstances requiring the possible write-off of irrecoverable debt. To allow this the Credit Control Policy, inter alia, stipulated that:-

- The Municipal Manager must establish effective administrative mechanisms, processes and procedures to collect money that is due and payable to the municipality.
- In addition, the policy further stipulates that:-
 - Council must appoint a committee in terms of its delegations to review and recommend to Council to approve all bad debt write off cases

The purpose of this policy is to ensure that the principles and procedures for writing off irrecoverable debt are formalized.

Changes proposed: None

Financial management policy

This policy incorporates amongst others regulations relating to:

- General budgeting principles and processes
- Levying of tariffs, fees and charges
- Collection and control of income
- Operating expenditure
- Capital expenditure
- Creditors and payments
- Salaries & Wages
- Petty Cash
- Asset management
- Investments
- Risk management and Insurance
- Loans

Changes proposed: None

CHAPTER 9

BUDGET ASSUMPTIONS

The following list provides an outlook of the budget assumptions used in the compilation of the budget.

Income

1. That the Budget will be funded from realistic income sources

This includes:

- the income generated from patrons of basic services as well as other service rendered
- the income received from grants, subsidies and donated from all spheres of government and public.

2. Income is calculated during the budget process on the principle that current income generated will be proportional and indicative of what income will be realized after considering abnormal events.

These events includes the implementation of new General Valuations or new housing developments.

3. Income is recognized and adjusted according to the above principle and consideration is given to current and prior year collect and payment levels.
4. Income collected from prior years is not consider as a budget funding source as current years Tariffs are intended to fund the budget.
5. Income utilized from the Equitable Share to subsidized basic services is so recorded and turned over to fund expenditure

Expenditure

1. The principle of realistic income mirrors the objective of realistic expenditure against the Background of what is our mandated.
2. Driving expenditure is considered real and thus divided into spending categories:
 - 2.1 the upkeep of basic, existing services
 - 2.2 mandatory and contractual obligations
3. Expenditure is adjusted and dependant on the achievement of realistic income and availability of cash resources
4. Expenditure is divided in two main classes, namely:

- 4.1 Capital
This expenditure budget is mainly funded by grant income and own income
- 4.2 Operating
This budget includes the day-to-day running expenses of the municipality.
- 5. Budget growth is guided by National Treasury guidelines e.g. CPIX predictions as well as actual expenses to be incurred.
- 6. Prior year and current year performance plus the need to improve or reduce expenditure is considered when setting the rand amount with no compromise to point 2.1.
- 7. Cost cutting measures in terms of the financial turnaround plan of the municipality.
- 8. The municipality was placed under administration in accordance with section 139(1)(b) of the Constitution during February 2010. A strategic workshop was conducted of which the outcome was a strategic turnaround plan for the municipality. The objectives of the turnaround plan were taken into consideration with the drafting of the budget.

Tariff

- 1. Tariff increases are guided by National Treasury CPIX predictions as well as affordability.
- 2. Tariff supports income generation and is usually set for the financial year
- 3. A tariff is a derivative of:
 - Basic expenditure
 - divided by
 - No of patrons
 - plus
 - subsidization
- 4. All tariffs are set taking into consideration the cost to provide the service and national trends and regulations.

Municipalities were advised by National Treasury (Circular 51) that they should revise their rates, tariffs and other charges for their 2011/12 budgets and MTREF taking into account the labour (i.e. the wage agreements with unions) and other input costs of services provided by the municipality, the need to ensure financial sustainability, local economic conditions, the affordability of services and their indigent policy.

- 4.1 The following tariffs indicate significant increase due to a review of the tariff structure and/or review of cost of providing the service:
- Sanitation
 - Refuse removal

Please refer to tariff list, Annexure A page 42-48, for further details

Adjustment

1. The budget is adjusted according to performance of both income and expenditure.
2. Inter-budget adjustment also takes place where provisions made proved insufficient and counted by over-provisions or objective change.

External Factors

The Minister of Finance suggested a headline CPI inflation rate of 4.8% (2011/12), 5.3% (2012/13) and 5.5% (2013/14).

These inflation rate expectations have been used for the compilation of this budget

BULK PURCHASES

The municipality budgeted for an increase of 26.71% in bulk electricity purchases - as guided by NERSA

EMPLOYEE COST

The budget is based on a salary increase of 6.08%.

The salary budget for 2011/12 amounts to R29 303 980. This represents a 16.24% increase in employee cost over the previous financial year. This is due to the provision for the post of Municipal Manager and Director Technical services to be filled as well as the following critical posts that have been identified

- 2 x Secretaries for Executive Mayor and Speaker
- 1 x Internal Audit officer
- 1 x Communication/public participation officer
- 1 x Strategic Manager
- 1 x Labour relations officer
- 1 x HR admin officer
- 1 x Electrician
- 2 x Water and Sanitation technicians
- 1 x Secretary for Director Corporate Services

FREE BASIC SERVICES

SRVM's indigent policy currently makes provision for the subsidization of 50 KWH of electricity (pre-paid customers only) and 6 KL of water (for all) per month. The municipality can no longer afford to subsidize all households for the first 6 KL of water and therefore it is proposed to allow the recovery of this subsidy from the tariff for water usage of 25 KL and more. The municipality has budgeted for the following FBS:

- Electricity - R933 152
- Water- R1 500 000
- Sewerage - R 800 000
- Refuse - R243 800

PROVISION FOR BAD DEBT

The municipality has provided for a provision of bad debt to the value of R12 million for 2011/12. The total provision for bad debt as at 30 June 2010 (as reflected in AFS) amounted to R 56 752 027. Council resolved during the 2010/11 budget process that this provision be utilized to write off bad debt. This will be done before year end.

The municipality believes that the R12 million should be adequate especially in light of the revenue enhancement experts now on board.

FINANCIAL SITUATION OF SRVM

The municipality was placed under financial administration by the MEC of Local Government during February 2010. In order to address the financial situation of the municipality a financial turnaround plan was approved by Council on 25 March 2010. Please refer to the IDP document for a copy of the financial turnaround plan. The principle of zero-based budgeting was used and focus areas in turnaround plan enjoyed preference in the budget,

CHAPTER 10

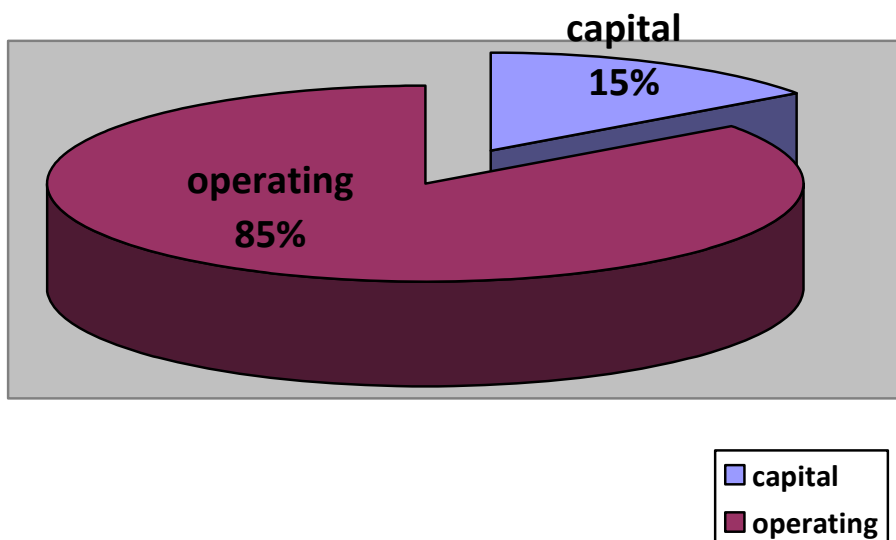
BUDGET FUNDING

The following is a broad overview of the financial outlook of the municipality in the current year and compared to the coming year.

The capital budget represented 17.8 % of the total budget in 2010/2011 and has increased to 20% of budget in 2011/2012. R18 537 500 (81%) of the capital budget for 2011/2012 will be funded by government grants. (2010/2011: 96%)

	2010/2011
capital	14 498 003
operating	81 328 751

Figure1



	2011/2012
capital	22 827 550
operating	91 090 647

Figure 2

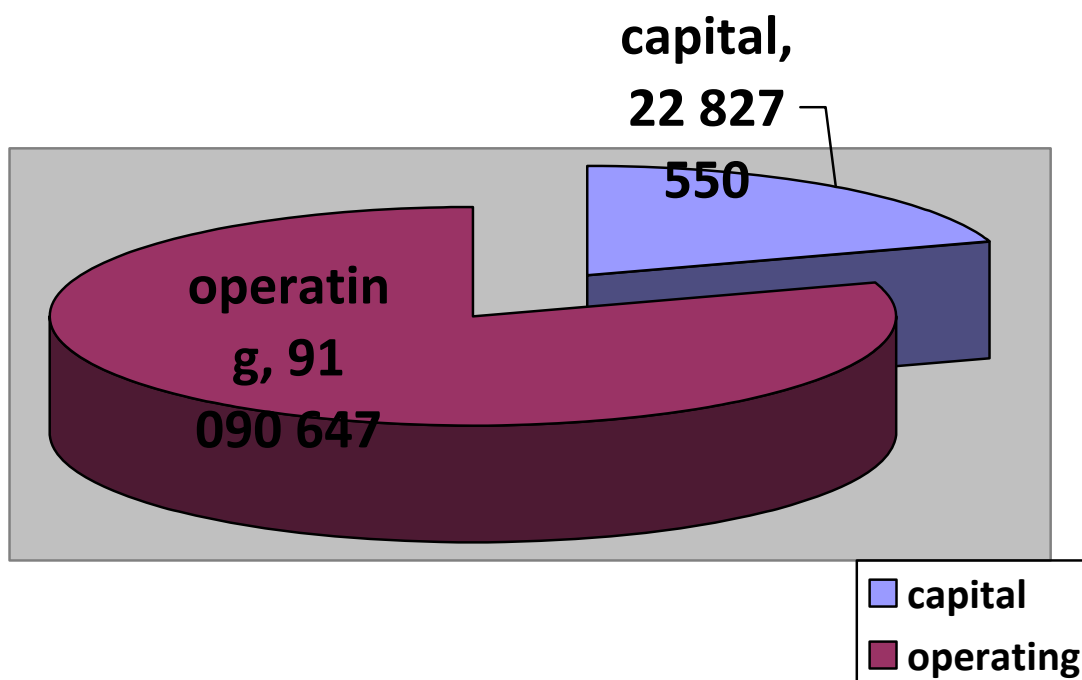
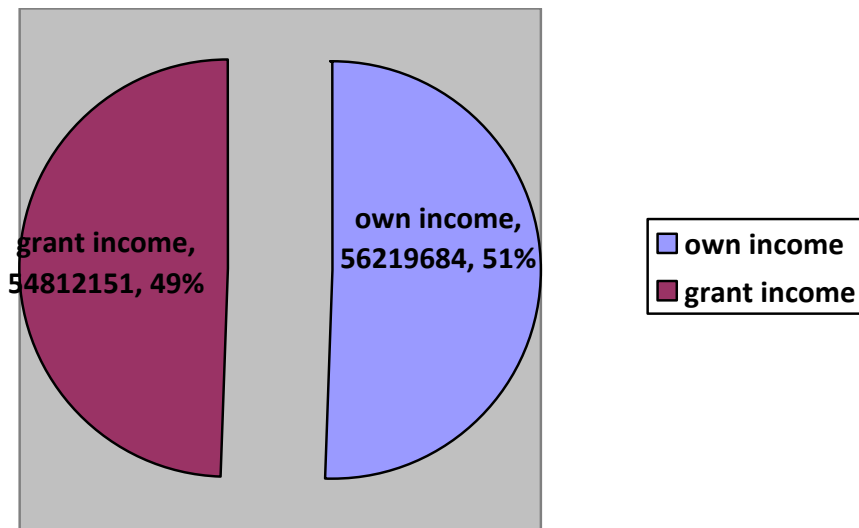


Figure 3

	2011/2012
own income	56 219 684
grant & other	54 812 151



As indicated in the pie, own income account for 51% of total income whilst grant income accounts for 49% of income.

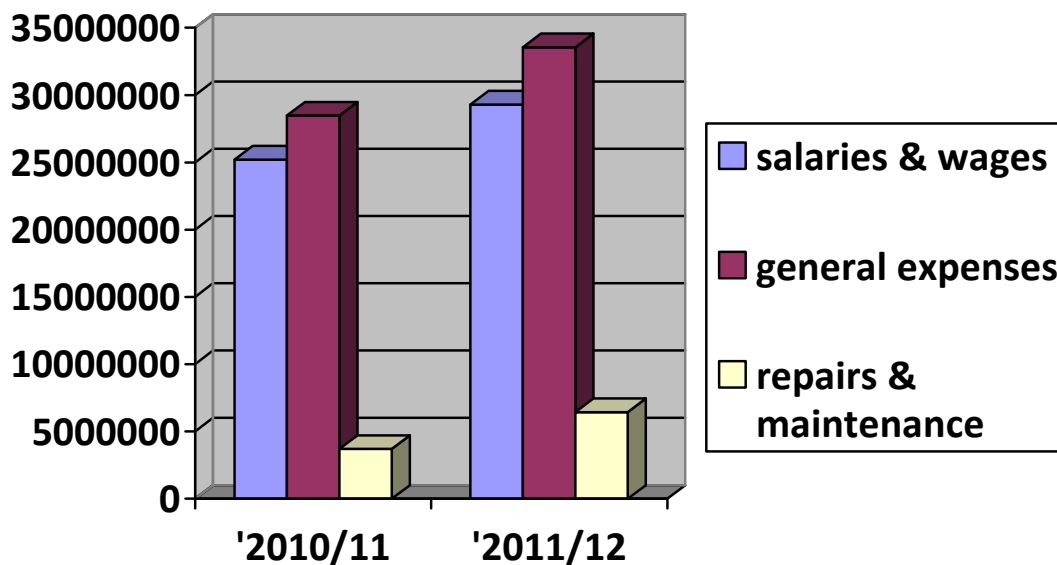
A major source of income still remains the equitable share allocation from National Treasury

Own income increase is funded from:

- 1 Tariff increase
- 2 New billing area from formal and high density residential development
- 3 New property valuations

Graph 4 illustrates the expenditure to be committed in spending types.

	2010/2011 (Adjusted)	2011/12
salaries & wages	25 209 957	29 303 980
general expenses	28 483 069	33 560 755
repairs & maintenance	3 700 811	6 443 432



FINANCIAL CHALLENGES AND CONSTRAINTS

SRVM faces the following financial challenges:

- 1) Achieving financial stability in the medium term and long term
- 2) Increasing the debt collection %
- 3) Dependence on grant funding
- 4) Acceptable level of tariff increases – trying to balance financial sustainability and affordability
- 5) Managing cost
- 6) Exploring alternative revenue sources
- 7) Identifying cost savings

In order to address the first challenge, the municipality was subsequently placed under financial administration during February 2010 after which an administrator was appointed by the MEC of Local

Government. A strategic turnaround plan was developed for the municipality to address key areas that need intervention.

The municipality has also adopted a number of new financial policies as already highlighted. The credit control unit was capacitated with more staff to ensure the functions are performed adequately. The current collection rate of Sundays River Valley municipality is approximately 40%.

FINANCIAL RISKS

Financial risks include:

- Changes in inflation rate and other variables
- Unemployment trends
- Global financial instability

FORECAST FOR FUTURE FINANCING AND PERFORMANCE

The key to a future prediction is stability in two realms, firstly, management and Council and secondly, the service environment. Needs are ever increasing and funding are a challenge.

Trying to kick start development has to be in the way we interact with communities during the IDP and Budget processes. External stakeholders such as provincial departments needs to subscribe to the same developmental ideas as found in local government. We still find sector departments not being financially capable of adequately supporting development. This limits large developments as the municipality is not financial viable enough to service large loans.

The municipality anticipates raising a new long term loans to the value of R2.8 million. This will be used to fund infrastructure items. The repayment has been calculated over 7 years. The municipality currently utilizes a bank overdraft of R1 million. The overdraft is reviewed annually. The revolving fund of R1 million that was used for prepaid water meters in previous financial years will be fully repaid on 30 June 2011.

STATEMENT OF INVESTMENT AND MEDIUM-TERM STRATEGY

Being a small municipality and not having surplus resources, the action of preserving the future value of money is found in a banking practices whereby funds are automatically transferred to a call account bearing a favorable interest rate.

All funds received as "trust funds" are deposited in individual banks accounts for independent transactions.

The success to the indicative future is to ensure that the current year not only uphold current trends and commitments but also act as a precursor to the future. Importantly it is recorded in the IDP for the successive years. Planning capital and service infrastructure to contemplate future services needs ahead of e.g. housing developments are important. This is also towards a commitment for achieving the 2011/12 and 2012/13 objectives.

Consequential to infrastructure development is accommodating the operating budget, which we have. This includes the amendment of the organogram for labor resource needs.

Future development is a denominator of revenue which in turn depends on tariff increase. Due to the poor nature of our inhabitants it is difficult to drive income with tariff as approximately 65% of the consumers are indigent.

GRANTS TO BE RECEIVED

Please refer to schedule SA18 for all grants that will be received by Sundays River Valley Municipality.

INFORMATION ON PROPERTY RATES

Please refer to schedule SA11 for summary of property rates information.

CHAPTER 11

EXPENDITURE ON ALLOCATIONS AND GRANT FUNDING

Please refer to the following schedules

- Schedule SA18 – Transfer and grants receipts (page 63)
- Schedule SA19 – Expenditure on transfer and grants (page 64)

CHAPTER 12

ALLOCATIONS AND GRANTS MADE BY THE MUNICIPALITY

No allocations will be made to any other municipality, any organ of state or any organization or bodies outside any sphere of government as referred to in section 67(1) of the Act.

Please refer to schedule SA21.

CHAPTER 13

ANNUAL BUDGET AND SDBIP – DEPARTMENTS

Please refer to draft SDBIP attached.

CHAPTER 14

CAPITAL EXPENDITURE DETAILS

Total capital expenditure for 2011/2012 will amount to R22 827 350. These acquisitions will be funded as follows:

- R18 537 300 – funded by government grant
- R2 880 000 – funded by loans
- R1 910 050 – funded by own grants

Please refer to Schedules:

- SA34a – Capital expenditure on new assets per class
- SA34b – Capital expenditure on the renewal of existing assets
- SA34c – Repairs and maintenance schedule by class of asset
- SA36 – Detailed capital budget
- SA37 – projects delayed from previous year

CHAPTER 15

CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS

The municipality does not have any contracts which have future budgetary implications beyond the 3 years budgeted for.

Please refer to Schedule SA33

CHAPTER 16

LEGISLATIVE COMPLIANCE

The Municipal Finance Management Act brought about uniformity, accountability and control measures to local government in terms of financial reporting and budgeting. The Act required a high level of transformation financial disciplines and planning.

New budget regulations were published in Gazette nr. 32141 on 17 April 2009. The object of these regulations is to secure sound and sustainable management of the budgeting and reporting practices of municipalities by establishing uniform norms and standards and other requirements for ensuring transparency, accountability and appropriate lines of responsibility in the budgeting and reporting process. The 2010/2011 budgets for all municipalities needs to comply with these regulations.

Challenges experienced:

The financial systems operated by the municipality does not allow for the automatic population of the budget schedules as prescribed and the municipality has to manually convert the information to the new formats.

The MFMA regulates monthly and quarterly reports to be submitted to National Treasury. A significant improvement was noted during the 2010/11 financial year with regards to the submission of S71 reports – all reports were submitted on time except one month where a delay in month end procedures were experienced.

Achievements:

An Administrator was appointed by the MEC to ensure financial turnaround and stability within the organization. An extensive strategic turnaround plan was developed by the Administrator and approved by Council on 25 March 2010.

As a direct result of the turnaround plan the following policies were adopted by Council

- Tariff policy
- Indigent policy
- Credit control and debt collection policy
- Asset management policy
- Financial management policy
- Write off policy
- Investment policy

These policies are all a requirement of the MFMA and the Municipal Systems Act.

The Municipality has adopted GRAP standards and the 2005/06 annual financial statements were prepared in line with GRAP standards. The municipality is however facing challenges with implementation of a number of GRAP standards. To address this problem, a gap analysis was done and an implementation plan developed.

CHAPTER 17

BUDGET – DETAILS PER DEPARTMENT

Please refer to schedule SA2 for details

ANNEXURES