

MBIZANA LOCAL MUNICIPALITY



ANNUAL BUDGET

**2011- 2014
MTREF PERIOD**

E.N.N. Bunguza
Acting Municipal Manager
51 Main Street
Bizana, 4800

MAYORAL BUDGET SPEECH 2011-2014

1.1 Introduction

Honorable Speaker,
Executive Committee members,
Councilors,
Management and members of staff
Members of Public, Ladies and Gentlemen.

I would like to take the opportunity, given to me by you Honorable Speaker, to table the 2011-2012 budget. The budget presents opportunities to reflect on the critical challenges confronting the community of Mbizana and how such challenges are resolved through the utilization of our resources.

Mbizana is amongst municipalities perceived to be having the lowest human development indices. We admit that indeed our area is characterized by high unemployment levels, many people living below the poverty datum line, low levels of functional literacy and high dependency on social grants; information we have amply provided in our IDP. Needless to say this poverty context informs our strategic perspective and programmes which seek to bring a better life to all in our municipality.

Poverty does not affect only the poor, but affects everybody. The poor people are vulnerable to different diseases; HIV/Aids; bullies and unfair treatments by the state institutions and society. This then calls for strategies to ensure that no matter how far the time may be, but it is a must that poverty be eradicated.

What strategies do we have to reduce poverty levels in the Municipality? It is clear that the main strategy is to intensify the economic development as a key strategy to fight poverty and joblessness in the Municipality. We must provide them with the necessary tools to ensure that they benefit from the interventions of the government especially the local government. We have to ensure that they are not vulnerable to all hazards, being natural or human.

Let me therefore present a budget that is a plan to ensure that the community has the maximum benefit through the public assets and their participation in the municipality activities and programmes. The budget that I stand up to present has been developed to ensure that service delivery to the poor will be possible while at the same time we maintain the existence of the Municipality. This means that the Municipality must remain a living entity, despite the scarce resources and weak financial position. The 2011-2012 budget as any previous budget is biased towards delivery of basic services.

I wish to mention that the budget is presented before the elections. If the next coming council is not happy with our proposal, they will then amend through the budget adjustment.

I also wish to mention that the Municipality like all other municipalities of its size is under financial distress with regard to revenue collection.

However, strategies and plans (Revenue Enhancement Strategy) are being developed to ensure that this challenge is tackled. We are confident that the situation will improve as we will be vigilant in detecting such situations in the future.

1.2 THE 2010/2011 PERFORMANCE

Honorable Speaker, let me start with the review of the budget performance in this financial year. I will start on the revenue side.

1.2.1 Revenue

- **Grant funding**

All funds that were expected from grants were received on time except for MIG whose transfers are based on what the municipality has spent. The balance on the equitable share will be transferred by end of March 2011.

	Annual Budget	Year to date Budget	Quarter 1	Quarter 2	January	February	TOTAL	%
Equitable share	75,758,000	44,192,167	31,565,949	25,252,759	-	-	56,818,708	
MSIG	750,000	437,500	750,000	-	-	-	750,000	1
FMG	1,200,000	700,000	1,200,000	-	-	-	1,200,000	1
MIG	24,482,000	14,281,167	10,000,000	5,000,000	-	-	15,000,000	
OR-Tambo Electricification Grant	446,000	260,167	-	445,428	-	-	445,428	1
	10,000,000	5,833,333	10,000,000	3,000,000	-	-	13,000,000	1
TOTAL	112,636,000	65,704,333	53,515,949	30,698,187	-	-	74,214,136	66

- **Own revenue**

This category has also not done well with regards to rates and refuse, but there were revenue items that exceeded the expectations. The Municipality used various strategies to ensure that money due is collected. Cut-offs on electricity were done, and delivery of bills was increased.

1.2.2 Expenditure

In the previous years our weakness have been the under spending. Things need to be turned the other way around in this upcoming financial year so that no roll-overs will be experienced by the end of the financial year.

There was a significant increase in personnel expenditure as expected. Measures to ensure that the accelerated expenditure is regulated have to be put in place so that we don't experience the short falls that we experienced in 2007.

2. THE 2011-2014 ANNUAL BUDGET

The 2011-2014 annual budget is categorized as follows:

	2011/12	2012/13	2013/14
Personnel expenditure	R56,0m	R60,0m	R64,5m
General expenses	R39,9m	R42,4m	R44,8m
Repairs and maintenance	R4,8m	R5,2m	R5,7m
Capital Projects & Acquisitions	R68,7m	R74,3m	R78,7m
Contribution to funds	R4,3m	R4,9m	R5,2m
Total	R173,8m	R186,8m	R198,8m

2.1 THE BUDGET HIGHLIGHTS

2.1.1 Headline Inflation Forecasts

From the guidance provided by Circular 55 regarding Headline inflation forecasts, the following have been utilised to increment the out years.

	2009/10	2010/11	2011/12	2012/13	2013/14
	Actual	Estimate	Forecast		
Headline CPI Inflation	6.3%	4.2%	4.8%	5.3%	5.5%

For Personnel Expenditure, the Circular indicates that for the 2011/12 financial period beginning on July 01, 2011, and **increment of 6.08%** should be provided for. However, **a 12% increment** has been budgeted for to cater for any eventuality. For the outer years, an increase of 5.3% plus 2% and 5.5% plus 2% has been budget for 2012/13 and 2013/14 respectively.

2.1.2 SOURCES OF FUNDING

It has been stated that we have a lean own revenue base. This remains a big challenge to us if one looks at the Community Service Delivery needs. The sources of Revenue are as follows:-

Grants

A total of R151 017 000 is from transfers from the National and provincial governments. This forms 87% of our revenue source.

	Grant	2011/2012
1.	Equitable Share	98,860,000.00
2.	Municipal Infrastructure Grant	29,445,000.00
3.	LG Financial Management Grant	1,450,000.00
4.	Municipal Systems Improvement Grant	790,000.00
5.	Integrated National Electrification grant (INEP)	20,000,000.00

Own Revenue

Our own revenue collections amount to R22 768 703 which is 13% of the source of the total budget.

Refer to annexure A

Tariffs

- As per the guide by circular 55, the **electricity tariff** has been increased by **20.38%**.
- The Refuse Removal tariff has been increased by 10%
- Rates tariff has remain unchanged

EXPENDITURE

Expenditure can be summarized as follows

- Personnel budget constitutes 53% of the operational budget,
- Followed by capital budget which is 39,5%
- General Expenses are 38% and;
- Repairs and maintenance sitting at 4%

3. STRATEGIC OBJECTIVES

Mbizana Local Municipality, like most municipalities in the rural areas, has inherited the administration challenges which cannot be solved overnight. These challenges range from skills development, economic development, social development, financial restraints, etc. Patience and wisdom will be required in dealing with these problems. Mutual co-operation and responsible partnership are indispensable if success will be realised.

Because of limited funds available, not all objectives will be addressed in the 2010/11 financial period. However, we have tried to prioritize on the most important ones.

3.1 Service Delivery

Capital Projects related to service delivery constitute 37% of the total budget

- MIG Projects R29,4m
- Electification Grant R20,0m
- Plant and Equipment R4,5m
- Tarring of Roads R2,0m
- Bus Rank R2,0m
- Sportsfield R1,1m
- Public Toilets R1,0m

Repairs and Maintenance related to service delivery constitute 2% of the total budget

Refuse removal constitute 5%

This gives us a percentage of 44% allocation to service delivery

3.2 Local Economic Development

- LED projects R700k
- Market Stalls R300k
- Anchor Projects R200k
- IGP's R200k

3.3 Financial Viability

An amount of R2,0million has been set aside for Accounting and Audit fees , R1 450 000 for Financial Management, R790 000 for systems improvement.

3.4 Good governance and Public Participation

R3,5m has been set aside for audit committee fees; R140k for audit committees; R200,000 for community based planning; R500,000for public participation; and R700,000 for legal fees

3.5 Institutional Development and Transformation

An amount of R2,1m has been set aside for institutional support, R500 000 for ICT and R650 000 for IT Equipment.

Budget Related Policies

The following policies will remain unchanged and are as follows:-

- **The budget policy** - this policy is covering the following issues; budgeting principles, budget preparation process, funding of capital and operating budget, adjustment budget, budget transfers
- **Credit Control and debt Collection Policy and by-law-** the main purpose of this policy is to make sure that the Municipal Manager and Chief Financial Officer has powers to perform the following functions:-
 - Barring from buying prepayment services by debtors who are in arrears with rates and service charges.
 - Allocating a portion of any payment for prepayment services to arrear debt.
 - Disconnection/restriction of metered services for all overdue rates and service charges
- **Tariff policy**
- **Rates policy and by-law**

Conclusion.

We hope this budget will achieve the best we can as we are facing with many challenges in service delivery. Let me thank the Councillors, management, officials and the community for their contribution in making progress possible for this Municipality.

.....
Hon. Cllr Z. Busuku
Mayor

