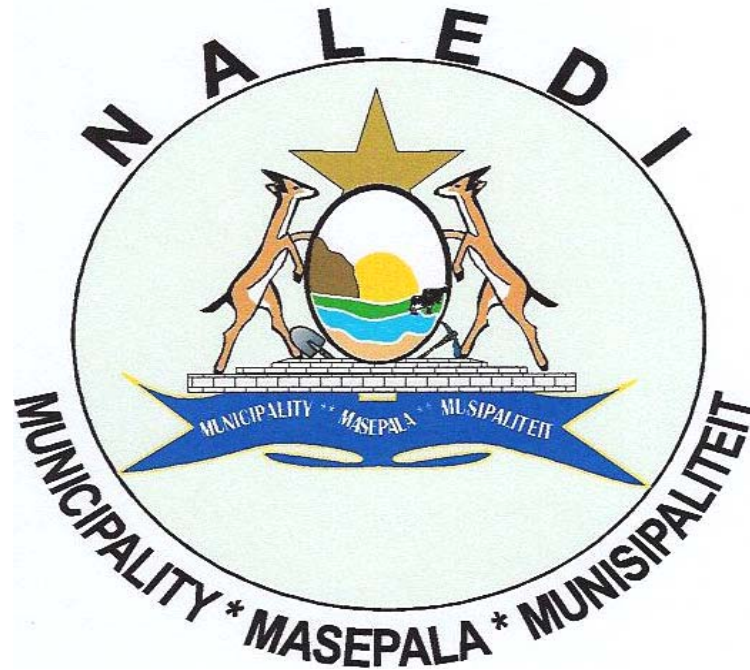


# **NALEDI LOCAL MUNICIPALITY**



## **2011/2012 MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF) FINAL BUDGET DOCUMENT**

**MAY 2011**

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## 2. Mayor Budget Speech

### Foreword

***“You can dodge your responsibilities, but you cannot dodge the consequence of not doing your responsibilities.” – An economist of the sixteen century***

This budget allows us to execute our responsibilities to the community albeit the resources at our disposal are not adequate for the work at hand. Having said that, we cannot use inadequate resources as an excuse to dodge our responsibilities least history will judge us harshly.

This budget is buttressed by our electoral mandate of doing more and better in our quest for building a better life for all. The Premier, in the tabling of the State of the Province Address last in February, reiterated that the five strategic priorities of education, health, decent work together with sustainable livelihoods, rural development and community safety constitute a cardinal programmatic framework of Government. He also indicated that infrastructure development, local government and human settlements will also have significant prominence in our work.

As the Premier correctly highlighted, in the State of the Province Address, Operation Hlasela will be taken to new and greater heights in the 2011/12 financial year. The spirit of Hlasela is that of collaboration, of doing more with the limited available resource. It is the spirit of maximizing the developmental impact of our programmes and increasing service delivery to our communities. This is Budget advances Operation Hlasela that has changed the community of Van Stadensrus as one of its success.

We set ourselves an ambitious target to achieve clean audits in our municipality by 2014. This will require consistent effort on the part of all us to do things correctly according by the book. We have moved from adverse audit opinion to disclaimer. This is not enough we need to strive for excellence.

There can be no doubt that our people’s experience with local government and service delivery is a key contributor in the overall perception of government as a whole. Local government is at the coalface of service delivery, and we cannot be found wanting in our commitment and effort to ensure that this sphere of government operates at maximum

efficiency and effectiveness levels. It worth noting that our provincial government has committed itself for adopting poor municipalities like ours.

We have endeavored that our budget is aligned to the IDP and the turn around strategy that we have adopted as the municipality. The municipality must get the basic right. Consistent maintenance of existing infrastructure must be supported by adequate and appropriate budget allocation and comprehensive planning must be done for infrastructure development.

### **3. Final Budget Related Resolutions**

1. Council takes cognisance of the draft annual budget of the municipality for the financial year 2011/2012 and indicative for the two projected outer years 2012/2013 and 2013/2014 as set-out in the following schedules.
  - 1.1. Operating revenue by source reflected in schedule 1 and 2;
  - 1.2. Operating expenditure by vote reflected in schedule 1 and 2;
  - 1.3. The multi-year capital appropriations by vote and associated funding reflected in schedules 3 of the 2011/2012 MTREF
  
3. Council considered the following tariffs and charges reflected to be implemented for the budget year 2011/2012
  - 3.1 Water (page 37)
  - 3.2 Sewerage (pages 38 and 39)
  - 3.3 Cleansing - Refuse removal (page 40)
  - 3.4 Sundry tariffs (pages 41 to 59)
  
4. Municipal Manager notes that the SDBIP submission and approval of the SDBIP will be dealt with in accordance with sections 69(3)(a) and 53(1)(c)(ii) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).
  
5. The Property Rates Policy on page 20 shall not be amended, with regard to the valuation roll the municipality shall prepare a new valuation roll every after 5 (five) years and supplementary valuation rolls monthly.

## 4. Executive Summary

The 2011/2012 budget preparation and IDP review process were conducted partly in line with the legislative and regulatory frameworks prescribed by the Municipal Finance Management Act (MFMA), Municipal Systems Act (MSA) and National Treasury Guide. The format and contents of this budget document are in accordance with the guidelines contained in *MFMA Circular 51*.

The draft budget was tabled in Council on 30 March 2011 after which an **community consultation** and public participation process was conducted in April 2011. The programme that will follow with the various public meetings held is included on page 21 of the budget document.

The **strategic alignment** between national, provincial and district service delivery priorities was also a critical factor during the IDP review and budget preparation process. Alignment between the Free State Growth and Development Strategy (PGDS), 2008-2015 and the Motheo District Municipality were important considerations and inputs during the process.

Free State PGDS (2008-2015) Priority Areas for Intervention	Motheo District Municipality Integrated Goals
<ul style="list-style-type: none"> <li>▪ Economic Growth, Development and Employment</li> <li>▪ Justice and Crime Prevention</li> <li>▪ Social and Human Development</li> <li>▪ Efficient Governance and Administration</li> </ul>	<ul style="list-style-type: none"> <li>▪ Effective, sustainable accountable governance</li> <li>▪ High level financial performance and management</li> <li>▪ Efficient and effective service delivery</li> <li>▪ Promotion of public participation and awareness</li> <li>▪ Strategic economic and social role playing in the District</li> </ul>

The Key Performance Areas of the Naledi Local Municipality, in line with provincial and district priorities and goals are:

- Governance and Administration
- Economic and Development
- Social and Human Development
- Safety and Security

Further details on objectives and strategies are shown on pages 26-27 of the budget document.

The following are the main benefits offered to registered indigents for which a threshold of a monthly household income of R1 100.00 has been set.

- 6 kiloliters of free basic water
- Free sanitation
- Free refuse removal

The average tariff increases (including expected growth in consumption levels and corrections in certain cases) are reflected in the table below.

<b>Service</b>	<b>% tariff increase</b>
Property rates	6
Electricity	N/A
Water	6
Sanitation	6
Refuse removal	6

A summary of the operating and capital budget proposals over the medium-term, in terms of the attached budget schedules, is provided in the table below.

	<b>Medium Term Revenue and Expenditure Framework</b>		
	<b>2011/2012</b>	<b>2012/2013</b>	<b>2013/2014</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Operating revenue	48,789,000	52,769,000	55,824,000
Operating expenditure	48,721,000	52,696,000	55,747,000
Capital expenditure	15,598,000	17,203,000	18,150,000

It should be noted that the ***Service Delivery and Budget Implementation Plan*** (SDBIP) will be submitted to the Mayor 14 days after the approval of the budget in accordance with section 69(3)(a) of the MFMA. The approval of the SDBIP by the Administrator will be done as per the provisions of section 53(1)(c)(ii) of the MFMA, that is 28 days after the approval of the budget.

#### **4.1 Key assumptions**

- Inflation is budgeted at 6% slightly 0.8% more the rate that is in terms of National Treasury circular No. 51
- 35% water loss
- 40% non payment rate
- 8% increase on Councillors allowance
- Impairment and bad debt provision estimated at t 25 million
- Additional increase in revenue from the implementation of the Property rates Act 2011/2012 financial year is estimated at 7,5 million
- In terms of the Salary Agreement provision is made for an 8% increase



## 5. Budget Schedules

### 5.1 Revenue and expenditure

FS171 Naledi (Fs) - Table A4 Budgeted Financial Performance (revenue and expenditure)

FS171 Naledi (Fs) - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	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	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<b>Revenue By Source</b>											
Property rates	2	2 739	3 041	3 002	2 355	2 355	2 355	-	2 547	2 590	2 690
Property rates - penalties & collection charges											
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	3 598	11 800	5 540	2 936	2 936	2 936	-	3 230	3 300	3 500
Service charges - sanitation revenue	2	3 039	3 466	3 019	3 165	3 165	3 165	-	3 355	3 500	3 610
Service charges - refuse revenue	2	2 199	2 105	2 043	2 121	2 121	2 121	-	2 248	2 300	2 390
Service charges - other											
Rental of facilities and equipment									331	340	352
Interest earned - external investments									-	-	-
Interest earned - outstanding debtors									167	170	175
Dividends received									10	10	10
Fines									5	5	5
Licences and permits											
Agency services											
Transfers recognised - operational		15 678	18 976	25 769	32 165	35 625	35 625	-	35 528	39 103	41 554
Other revenue	2	4 534	1 621	7 781	2 205	2 190	2 190	-	1 369	1 451	1 538
Gains on disposal of PPE											
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>31 787</b>	<b>41 008</b>	<b>47 153</b>	<b>44 947</b>	<b>48 392</b>	<b>48 392</b>	<b>-</b>	<b>48 789</b>	<b>52 769</b>	<b>55 824</b>
<b>Expenditure By Type</b>											
Employee related costs	2	12 224	16 708	17 795	20 441	22 534	22 534	-	25 178	27 712	28 714
Remuneration of councillors		719	650	3 450	1 564	1 564	1 564	-	1 662	1 761	1 867
Debt impairment	3	5 387	993	4 058	3 865	3 865	3 865	-	718	761	806
Depreciation & asset impairment	2	-	-	-	4 000	4 500	4 500	-	1 500	1 650	1 815
Finance charges									48	50	53
Bulk purchases	2	4 989	3 735	5 346	2 000	4 721	4 721	-	6 000	6 600	7 260
Other materials	8										
Contracted services		-	-	-	-	-	-	-	-	-	-
Transfers and grants											
Other expenditure	4, 5	17 451	20 170	31 637	25 482	23 833	23 833	-	13 664	14 212	15 285
Loss on disposal of PPE											
<b>Total Expenditure</b>		<b>40 770</b>	<b>42 257</b>	<b>62 286</b>	<b>57 352</b>	<b>61 017</b>	<b>61 017</b>	<b>-</b>	<b>48 769</b>	<b>52 747</b>	<b>55 801</b>

Surplus/(Deficit) Transfers recognised – capital Contributions recognised – capital	6	(8) 983	(1 249)	(15 133)	(12 405)	(12 625)	(12 625)	–	20	22	23	
Contributed assets				13 433	12 634	12 634	12 634		15 598	17 203	18 150	
Surplus/(Deficit) after capital transfers & contributions		(8) 983	(1 249)	(1 700)	229	9	9	–		15 618	17 225	18 173
Taxation												
Surplus/(Deficit) after taxation		(8) 983	(1 249)	(1 700)	229	9	9	–		15 618	17 225	18 173
Attributable to minorities												
Surplus/(Deficit) attributable to municipality	7	(8) 983	(1 249)	(1 700)	229	9	9	–	15 618	17 225	18 173	
Share of surplus/(deficit) of associate												
Surplus/(Deficit) for the year		(8) 983	(1 249)	(1 700)	229	9	9	–	15 618	17 225	18 173	

## 5.2 Revenue and Expenditure per Department

FS171 Naledi (Fs) - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	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
<b>Revenue by Vote</b>	1									
Vote1 - The Council		6 472	8 133	8 131	7 209	10 669	10 669	7 776	8 242	8 737
Vote2 - Budget And Treasury Office		3 606	2 058	5 697	12 886	12 924	12 924	14 180	15 031	15 933
Vote3 - Corporate and Social Services		4 834	6 246	7 559	6 288	6 988	6 988	12 765	13 531	14 343
Vote4 - Technical Services		32 486	38 003	38 360	30 567	29 815	29 815	28 891	30 624	32 461
Vote5 - Planning and Development		–	–	840	631	631	631	776	822	872
Example 6 - Vote6		–	–	–	–	–	–	–	–	–
Example 7 - Vote7		–	–	–	–	–	–	–	–	–
Example 8 - Vote8		–	–	–	–	–	–	–	–	–
Example 9 - Vote9		–	–	–	–	–	–	–	–	–
Example 10 - Vote10		–	–	–	–	–	–	–	–	–
Example 11 - Vote11		–	–	–	–	–	–	–	–	–
Example 12 - Vote12		–	–	–	–	–	–	–	–	–
Example 13 - Vote13		–	–	–	–	–	–	–	–	–
Example 14 - Vote14		–	–	–	–	–	–	–	–	–
Example 15 - Vote15		–	–	–	–	–	–	–	–	–
<b>Total Revenue by Vote</b>	2	<b>47 399</b>	<b>54 440</b>	<b>60 587</b>	<b>57 581</b>	<b>61 027</b>	<b>61 027</b>	<b>64 387</b>	<b>68 251</b>	<b>72 346</b>
<b>Expenditure by Vote to be appropriated</b>	1									
Vote1 - The Council		9 394	18 441	10 222	7 101	13 232	13 232	11 119	11 786	12 493
Vote2 - Budget And Treasury Office		9 883	6 740	5 813	9 964	8 937	8 937	8 151	8 640	9 158
Vote3 - Corporate and Social Services		3 095	5 351	7 547	5 854	6 294	6 294	12 911	13 686	14 507
Vote4 - Technical		18 888	13 457	37 865	34 104	32 274	32 274	31 796	33 704	35 726





Sport and recreation				1 600					6 222		
Public safety				-							
Housing				900							
Health											
<i>Economic and environmental services</i>											
Planning and development	26	40		4 317	4 564	6 283	6 283	-	1 750	5 000	-
Road transport	-	-		517	-	-	-		-	-	
Environmental protection	-	30		3 320	4 564	6 283	6 283		1 750	5 000	
<i>Trading services</i>											
Electricity	26	10		480	-	-	-		-	-	
Water	-	-		11 652	7 200	5 481	5 481	-	6 975	12 203	18 150
Waste water management				1 828	-	-	-		-	-	-
Waste management				5 280	4 200	5 481	5 481		2 698	12 203	15 400
<i>Other</i>				2 074	3 000	-	-		4 277	-	2 750
				2 470	-	-	-		-	-	-
									650		
<b>Total Capital Expenditure - Standard</b>	3	26	6	18 539	12 744	12 151	12 151	-	15 598	17 203	18 150
<b>Funded by:</b>											
National Government		26	824	13 433	12 634	12 634	12 634		15 598	17 203	18 150
Provincial Government				6 834							
District Municipality											
Other transfers and grants											
Transfers recognised - capital	4	26	824	20 267	12 634	12 634	12 634	-	15 598	17 203	18 150
Public contributions & donations	5										
Borrowing	6										
Internally generated funds											
<b>Total Capital Funding</b>	7	26	824	20 267	12 634	12 634	12 634	-	15 598	17 203	18 150

The Total capital budget is R 15,598,000 million.

Table A1: Budget summary

FS171 Naledi (Fs) - Table A1  
Budget Summary

Description	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue & Expenditure Framework			
	R thousands	Audited Outcome	Audited Outcome	Audited Outcome	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>Financial Performance</b>											
Property rates	2 739	3 041 17	3 002	2 355	2 355	2 355	-	2 547	2 590	2 690	
Service charges	8 836	370	10 602	8 222	8 222	8 222	-	8 833	9 100	9 500	
Investment revenue	-	-	-	-	-	-	-	-	-	-	
Transfers recognised - operational	15 678	18 976	25 769	32 165	35 625	35 625	-	35 528	39 103	41 554	
Other own revenue	4 534	1 621	7 781	2 205	2 190	2 190	-	1 882	1 976	2 080	
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>31 787</b>	<b>41 008</b>	<b>47 153</b>	<b>44 947</b>	<b>48 392</b>	<b>48 392</b>	<b>-</b>	<b>48 789</b>	<b>52 769</b>	<b>55 824</b>	
Employee costs	12 224	708 16	17 795	20 441	22 534	534 22	-	25 178	712 27	28 714	
Remuneration of councillors	719	650	3 450	1 564	1 564	1 564	-	1 662	1 761	1 867	
Depreciation & asset impairment	-	-	-	4 000	4 500	4 500	-	1 500	1 650	1 815	
Finance charges	-	-	-	-	-	-	-	48	50	53	
Materials and bulk purchases	4 989	3 735	5 346	2 000	4 721	4 721	-	6 000	6 600	7 260	
Transfers and grants	-	-	-	-	-	-	-	-	-	-	
Other expenditure	22 838	21 163	35 695	29 347	27 698	27 698	-	14 382	14 973	16 091	
<b>Total Expenditure</b>	<b>40 770</b>	<b>257 42</b>	<b>62 286</b>	<b>57 352</b>	<b>61 017</b>	<b>61 017</b>	<b>-</b>	<b>48 769</b>	<b>747 52</b>	<b>55 801</b>	
<b>Surplus/(Deficit)</b>	<b>(8 983)</b>	<b>249 (1)</b>	<b>(15 133)</b>	<b>(12 405)</b>	<b>(12 625)</b>	<b>625 (12)</b>	<b>-</b>	<b>20</b>	<b>22 17</b>	<b>23</b>	
Transfers recognised - capital	-	-	13 433	12 634	12 634	634 12	-	15 598	203	18 150	
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-	
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>(8 983)</b>	<b>(1 249)</b>	<b>(1 700)</b>	<b>229</b>	<b>9</b>	<b>9</b>	<b>-</b>	<b>15 618</b>	<b>17 225</b>	<b>18 173</b>	







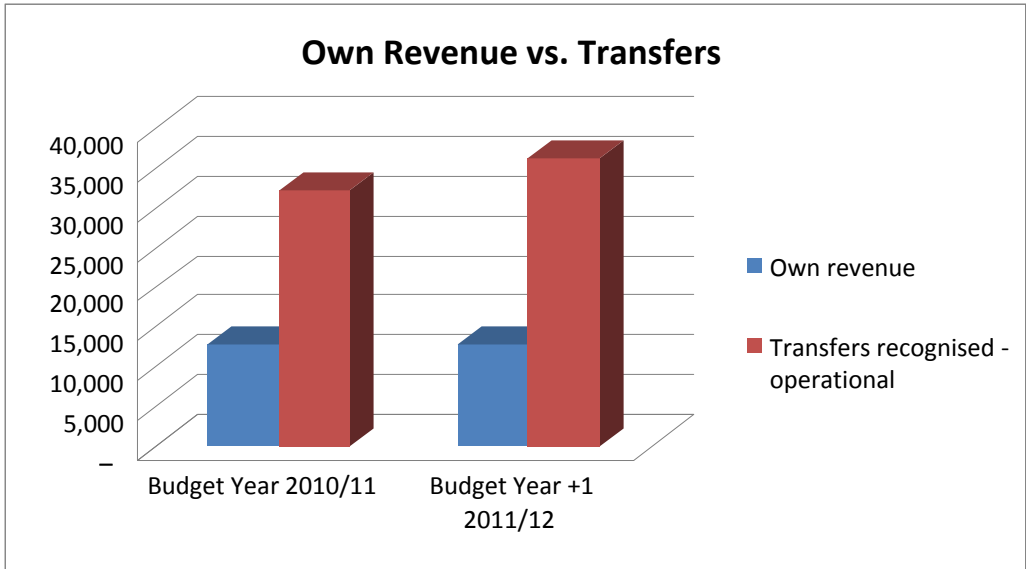
non-current assets											
Total non current assets		-	34 320	34 452	46 252	46 252	46 252	46 252	57 252	69 452	82 452
TOTAL ASSETS		(8 879)	50 884	64 174	58 545	58 554	58 563	82 118	138 482	146 753	156 832
LIABILITIES											
Current liabilities											
Bank overdraft	1										
Borrowing	4	113	113	113	113	113	113	113	113	113	113
Consumer deposits			351	378	410	410	410	410	490	510	540
Trade and other payables	4	-	27 769	45 318	30 000	30 000	30 000	61 366	30 000	20 000	15 000
Provisions			1 285	1 587	2 000	2 000	2 000	2 000	2 200	2 250	256 2
Total current liabilities		113	29 519	47 397	32 523	32 523	32 523	63 889	32 803	22 873	17 909
Non current liabilities											
Borrowing		879	765	651	538	538	538	538	425	311	198
Provisions		-	-	-	-	-	-	-	-	-	-
Total non current liabilities		879	765	651	538	538	538	538	425	311	198
TOTAL LIABILITIES		992	30 284	48 048	33 061	33 061	33 061	64 427	33 228	23 185	107 18
NET ASSETS	5	(9 871)	20 600	16 125	25 483	25 492	25 501	17 691	105 254	123 568	138 725
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)			25 356	28 008	28 237	28 237	28 237	28 237	28 306	31 000	33 000
Reserves	4	4 992	4 992	-	-	-	-	-	-	-	-
Minorities' interests											
TOTAL COMMUNITY WEALTH/EQUITY	5	4 992	30 348	28 008	28 237	28 237	28 237	28 237	28 306	31 000	33 000



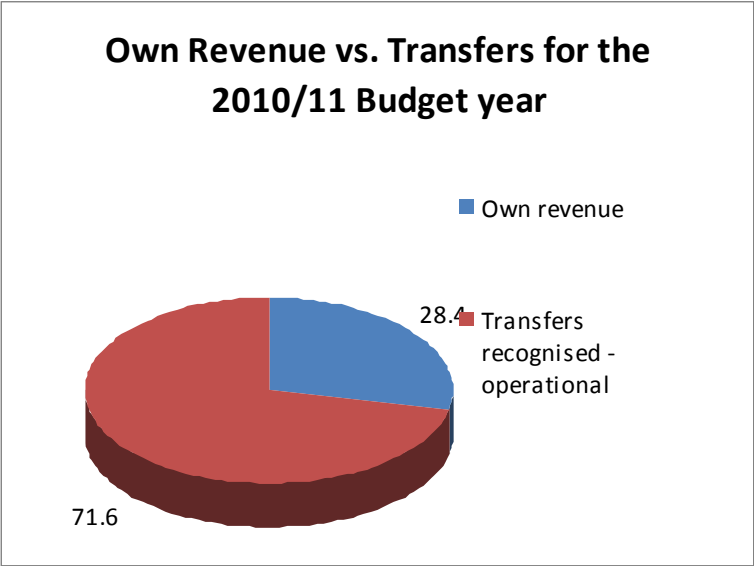
debtors											
Decrease (increase) other non-current receivables											
Decrease (increase) in non-current investments											
Payments											
Capital assets	-	-	(13 433)	(12 634)	(12 634)	(12 634)	-	(15 598)	(17 203)	(18 150)	
NET CASH FROM/(USED) INVESTING ACTIVITIES	-	-	(13 433)	(12 634)	(12 634)	(12 634)	-	(15 598)	(17 203)	(18 150)	
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans											
Borrowing long term/refinancing											
Increase (decrease) in consumer deposits											
Payments											
Repayment of borrowing											
NET CASH FROM/(USED) FINANCING ACTIVITIES	-	-	-	-	-	-	-	-	-	-	
NET INCREASE/(DECREASE) IN CASH HELD	(8 983)	(1 249)	(1 700)	229	9	9	-	69	73	77	
Cash/cash equivalents at the year begin:	2	(8 983)	(10 232)	11 932	12 161	12 170	12 161	12 161	12 230	12 303	
Cash/cash equivalents at the year end:	2	(8 983)	(10 232)	12 161	12 170	12 179	12 161	12 230	12 303	12 380	

## 6. Budget Related Charts

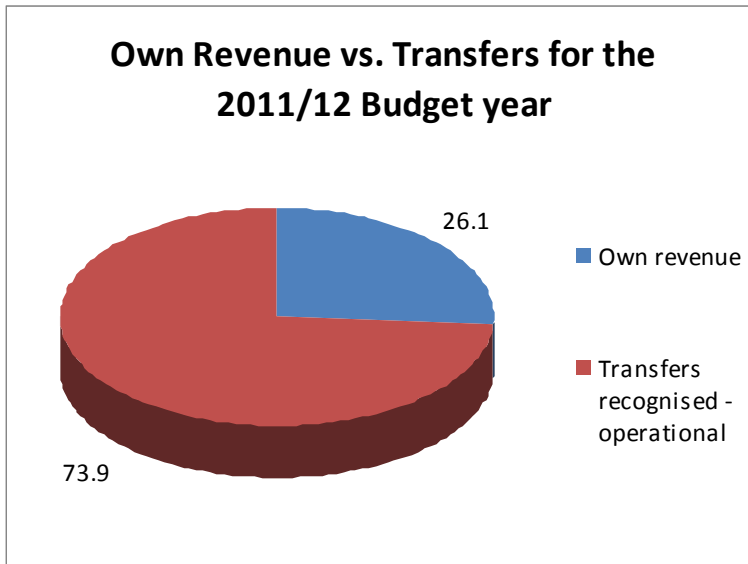
### Chart 1: Revenue by Major source



Bar Chart in Rand Value.

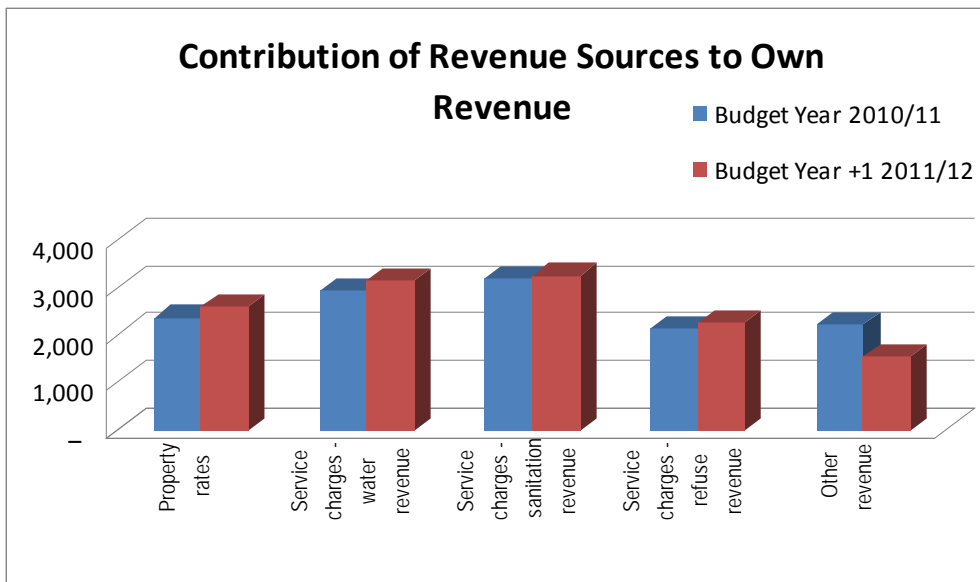


2010/2011 Pie Chart in percentile

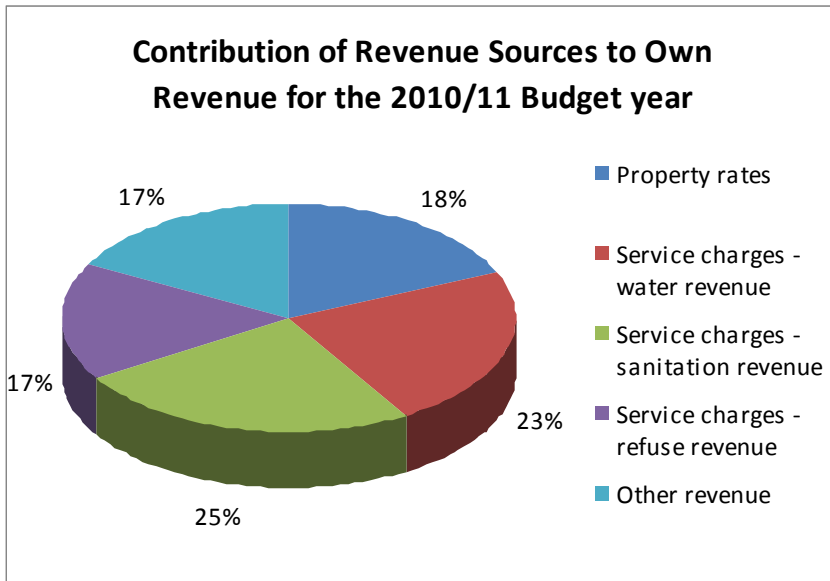


2011/12 Pie Chart in percentile.

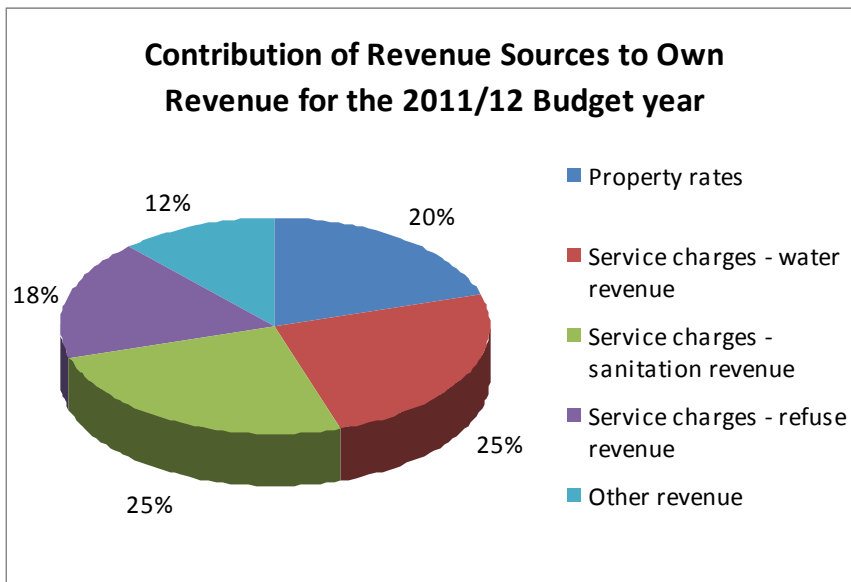
Revenue from own source represents R 12,8 million which is 22.2% of total revenue in 2010/2011 it increases to R 13.3 which is 26.1% in 2011/12. This indicates that there is no increase in own revenue except the increase in allocated grants. The situation illustrates the municipality's reliance on government grant is between 77.2% and 65.5% for 2010/11 and 2011/2012



Bar Chart in Rand Value



2010/2011 Pie Chart in percentile.



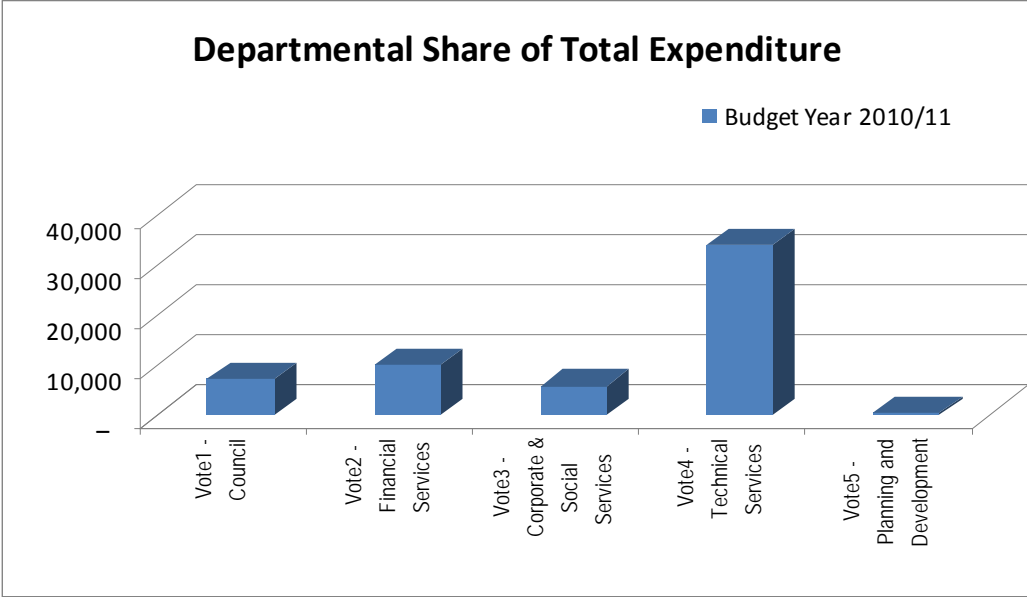
2011/2012 Pie Chart in percentile.

Water and Sanitation remain the major revenue sources in 2011/2012 and 2012/2013 with water revenue increase by 2% between years and sanitation remaining at 25%.

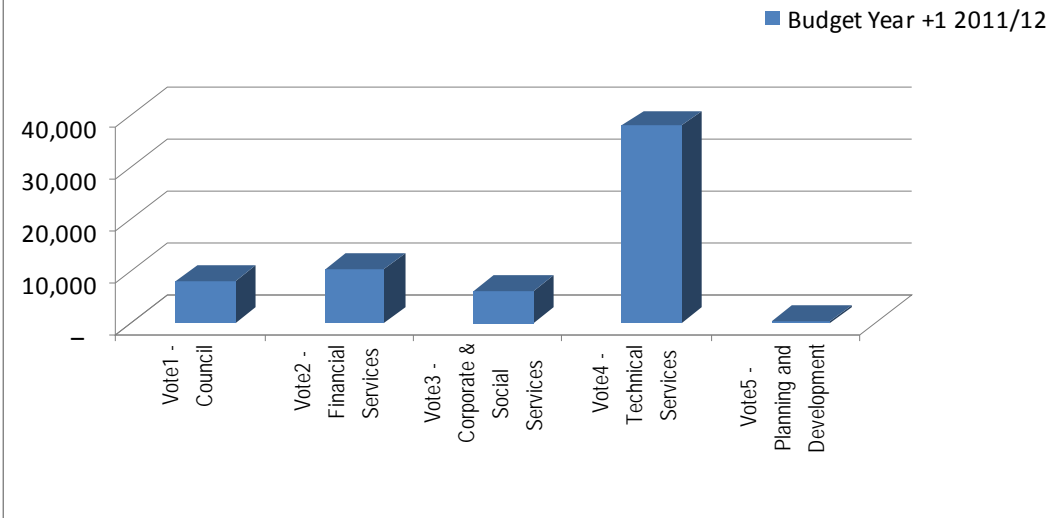
The electricity revenue is not reflected on due to the situation explained with regard to the Service Delivery Agreement between the municipality and service provider. It is within the municipality's intended plans to consider the electricity tariffs, revenue and expenditure for the adjustment budget should the clear understanding on the

Service Delivery Agreement (SDA) be developed between the two parties. The inclusion of the electricity revenue into the budget of the municipality will boost the revenue base.

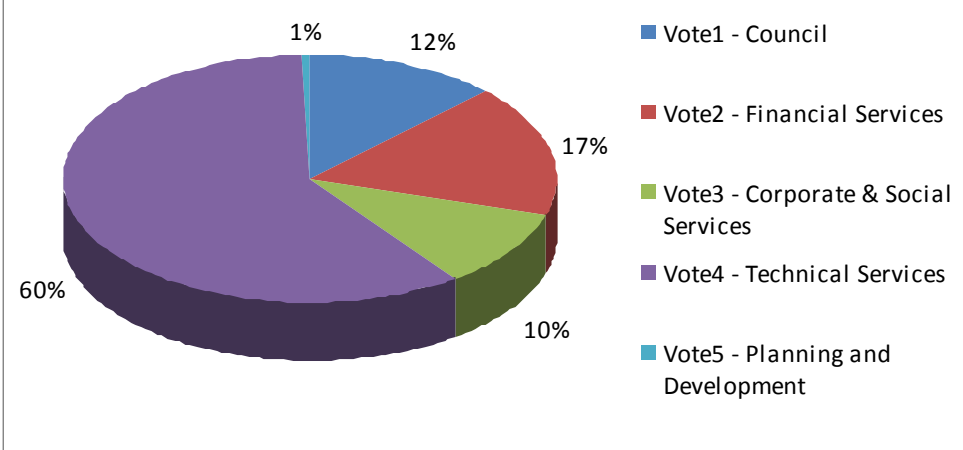
**Chart 2: Revenue by Minor Source**



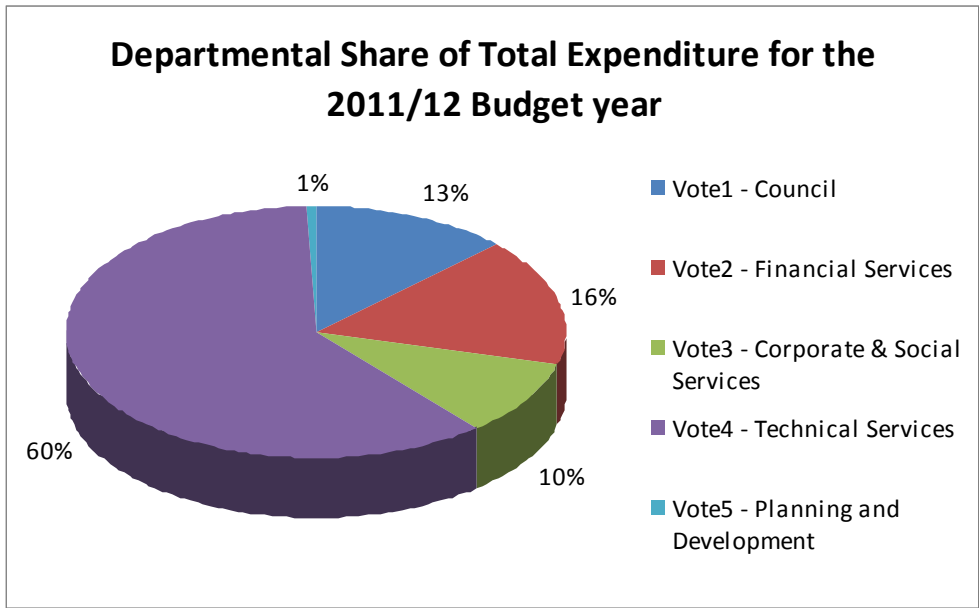
### Departmental Share of Total Expenditure



### Departmental Share of Total Expenditure for the 2010/11 Budget year

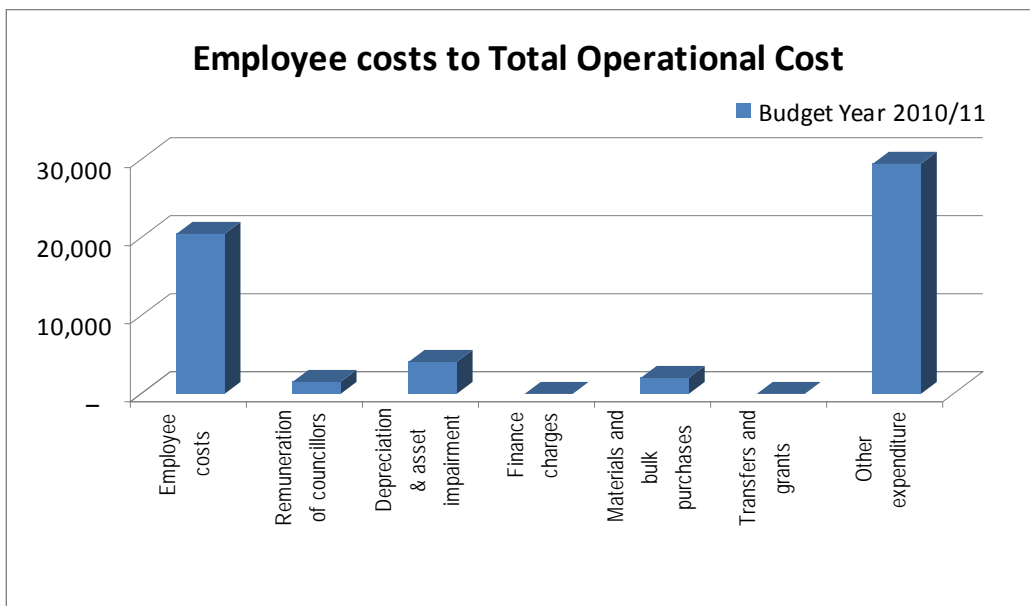


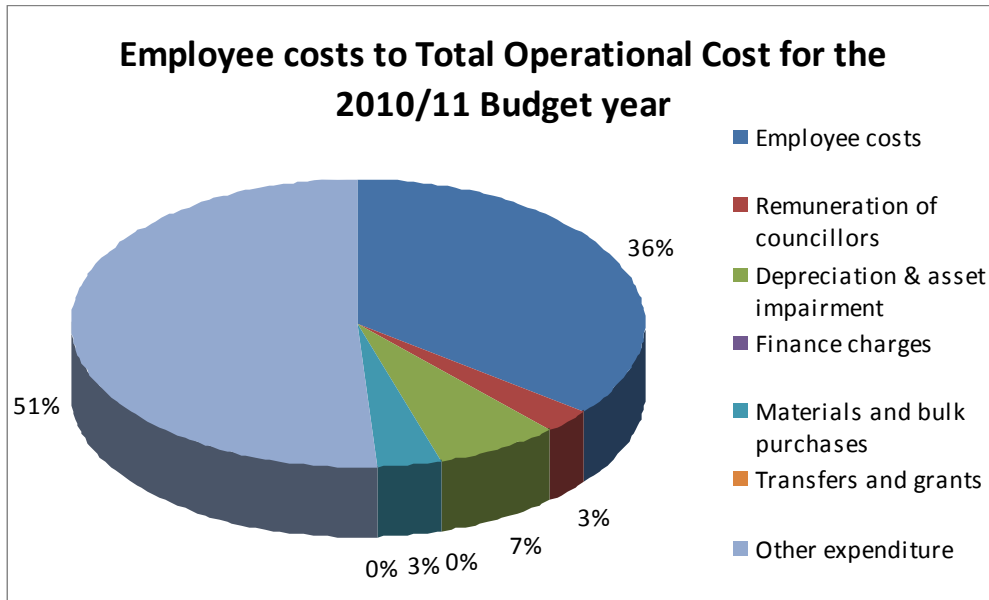
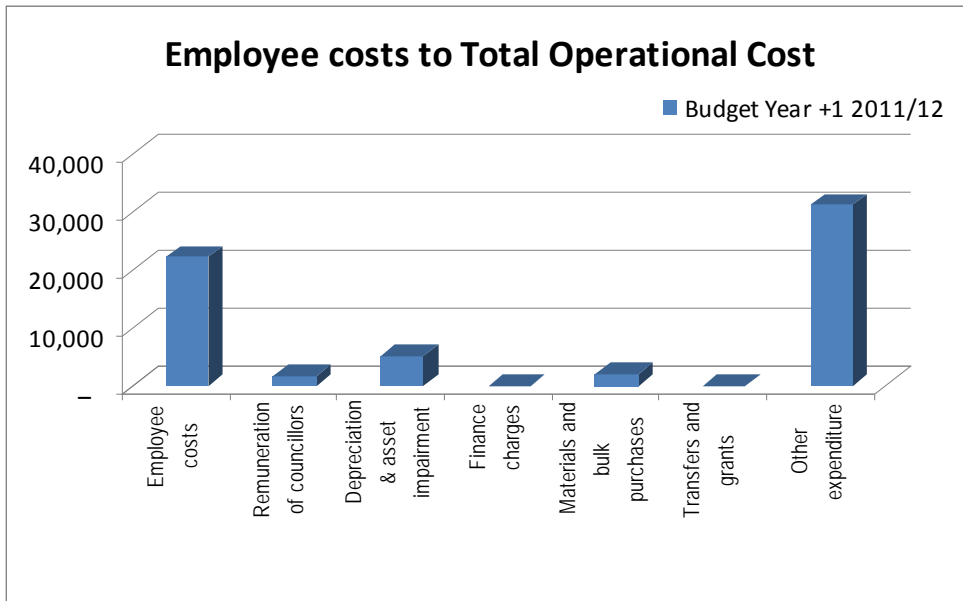


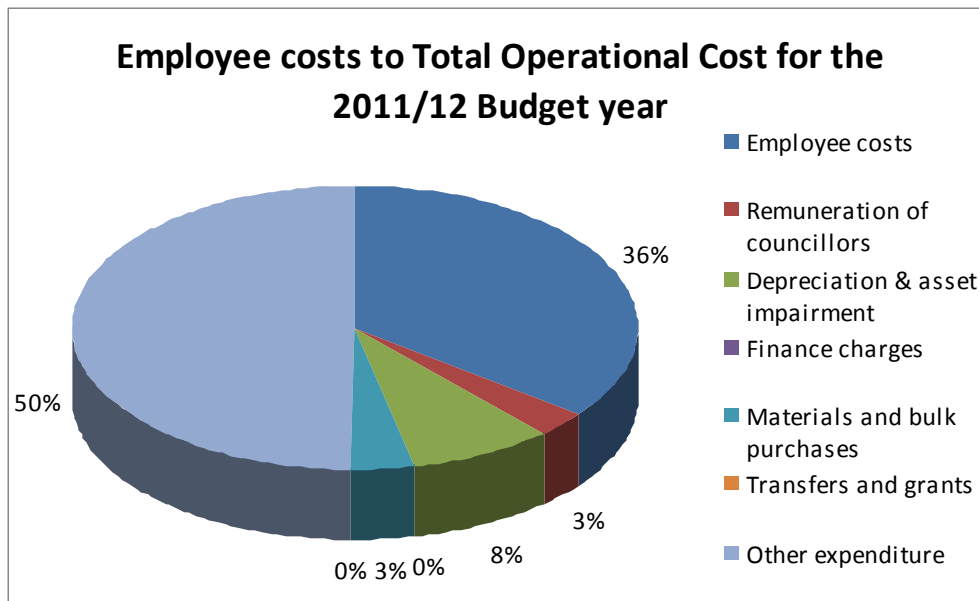


Revenue from sanitation tariffs represents on average 30% of total revenue while revenue from refuse tariffs represents on average 20% of total revenue.

**Chart 3: Operating Expenditure by Vote**







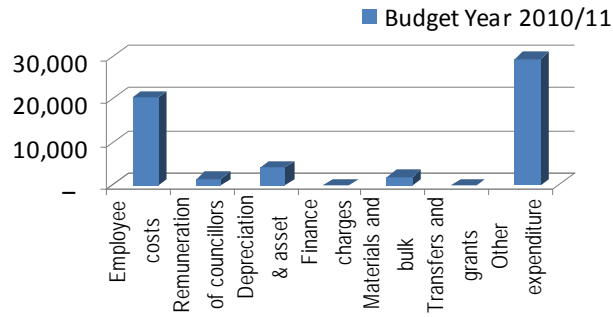
The expenditure relating to the Technical Services (Electricity, Water, Sanitation and Roads) is the biggest component at 60% in 2011/2012 this is due to municipality's prioritization of service delivery.

Financial Services, which includes Revenue Management, Financial Management Services and Financial Support Services is the second biggest component at 18% in 2011/2012. The prioritization of the Directorate: Financial Services is informed by the process of building finance department that should be able to meet the current financial reforms by ensuring that the department is beefed up with necessary staff. The other priority is at the customer care service in response to the principles of Batho Pele.

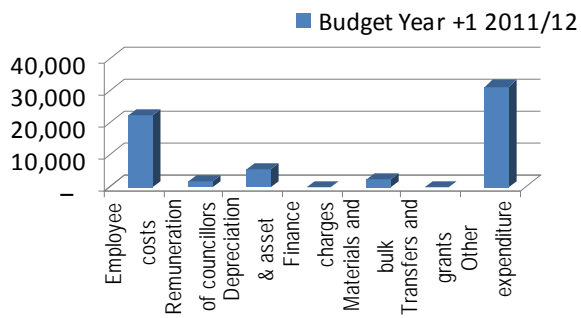
Expenditure relating to political office and the office of Municipal Manager i.e. Council, the Office of the Mayor/Speaker and Municipal Manger shares 12% of total expenditure. The municipality is in the process of aligning the budget allocations to the definition of the municipality in terms of section 2 of the Local Government: Municipal Systems Act. The alignment will ensure that the budget of the office of Municipal Manager is reported under Directorate: Corporate Services not within the political structure.

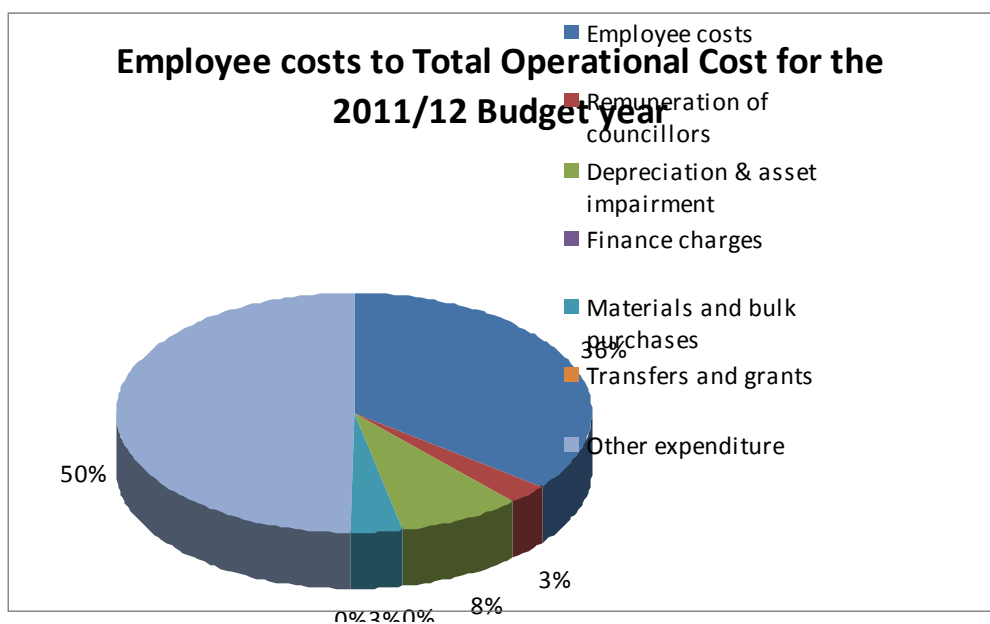
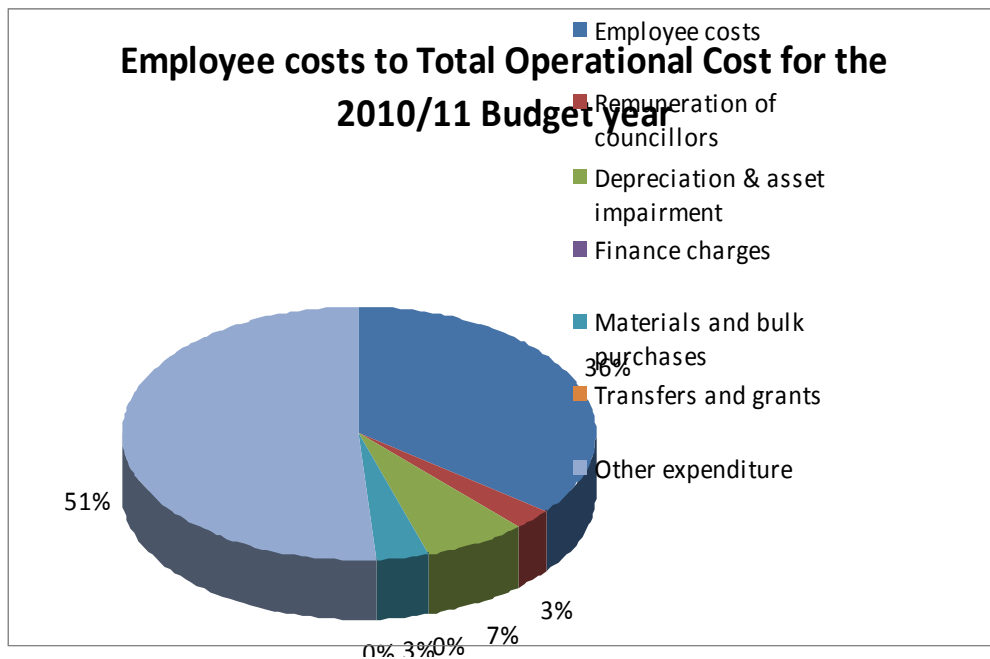
**Chart 4: Operating Expenditure by Major Type**

### Employee costs to Total Operational Cost



### Employee costs to Total Operational Cost

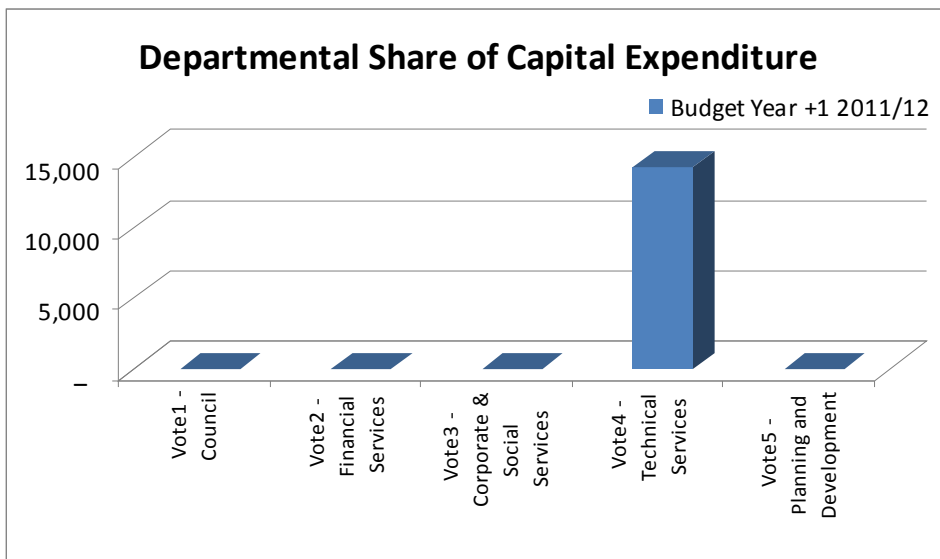
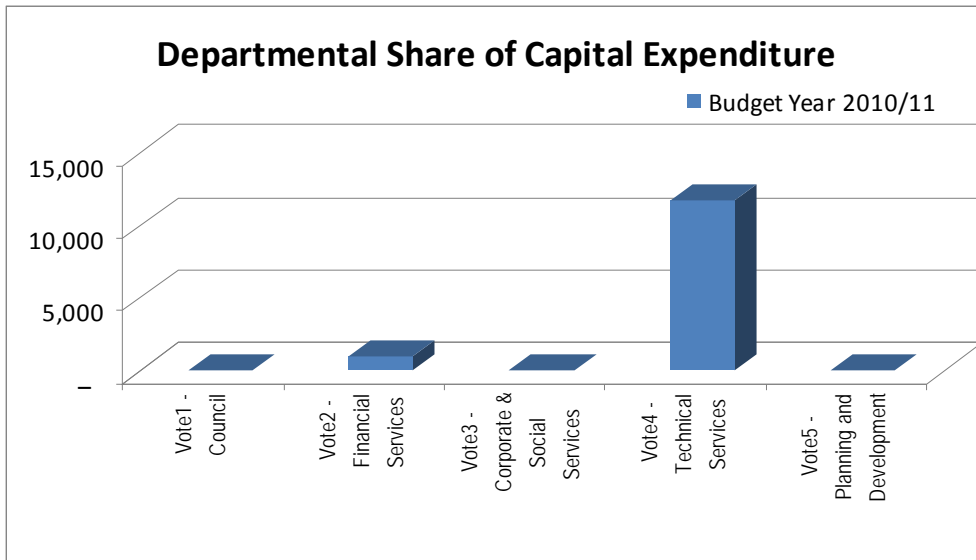


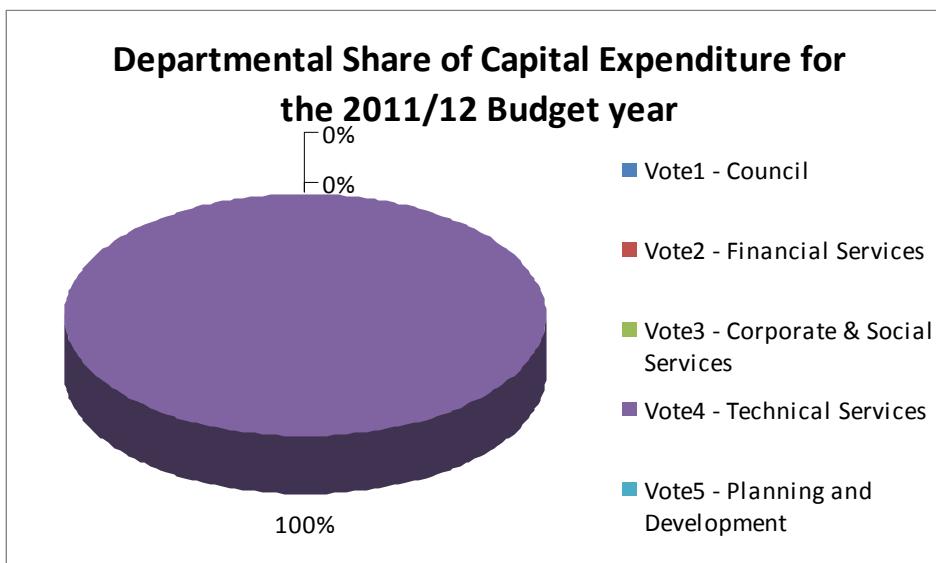
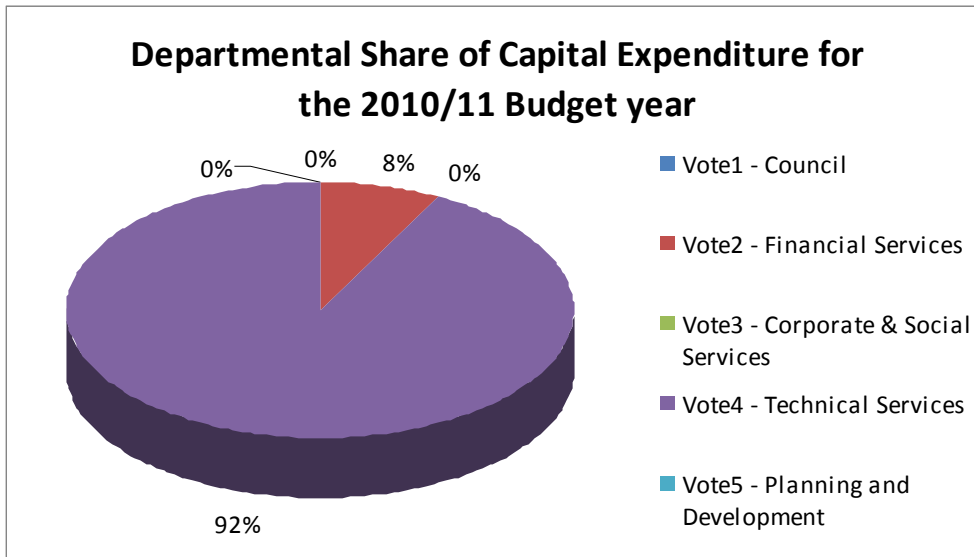


Employee related cost constitute 25 178,000 which is 38.4% of total expenditure in 2011/2012. The amount includes the councillor's allowance. Like in the case of the expenses related to the Municipal Manager, the future budget will separate the political structure expenses from the administration.

General expenditure amount to R13,664,000 million in 2011/2012 increasing to R14,212,000 million in 2012/2013.

**Chart 5: Capital Expenditure by Vote**

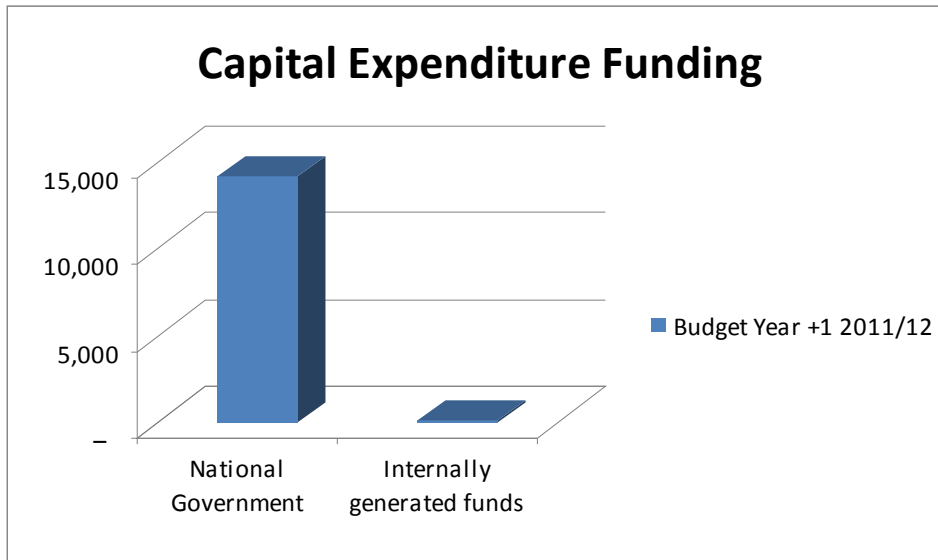
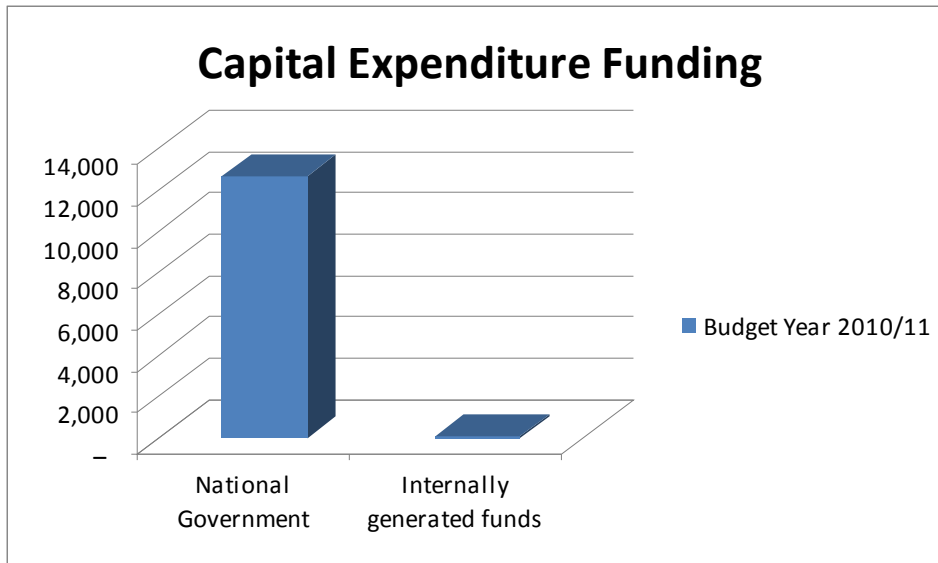




The biggest single portion of capital expenditure is allocated to Technical Services which amounts to R 14 149,000 million in 2011/2012 increasing to R17, 203,000 million in 2012/2013

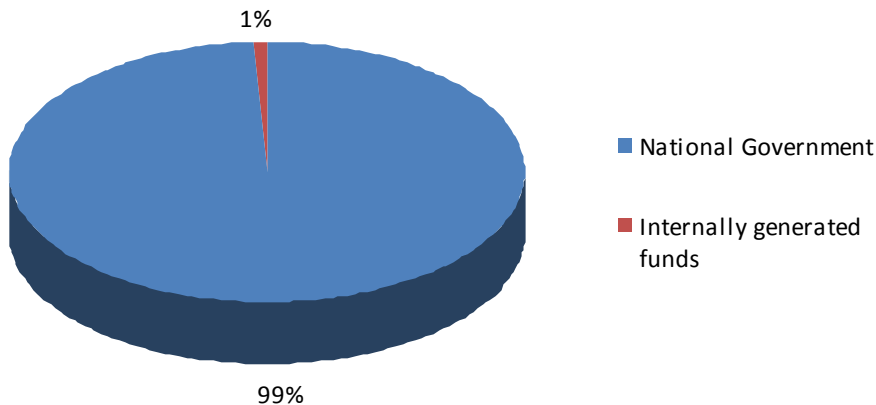
It is projected that capital expenditure will be increasing over the next three years i.e. , R 14,149,000 million in 2012/2013 and R 17,203,000 million in 2012/2013. This is due increase on the grants received from the National Government.

**Chart 6: Capital Expenditure Funding**

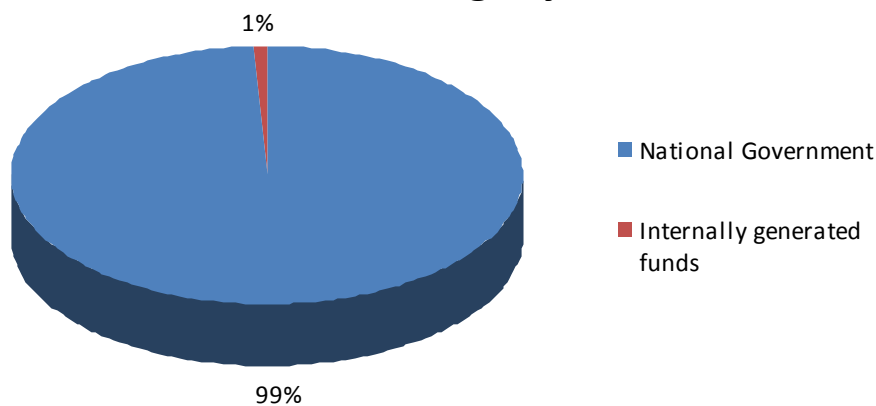




### Capital Expenditure Funding for the 2010/11 Budget year



### Capital Expenditure Funding for the 2011/12 Budget year



The graph indicates that the municipality is reliant for funding from government grants and subsidies to sustain its capital investment and infrastructure delivery programme.

## 7. Budget Process Overview

MFMA, Chapter 4, as well as Circular **54/55** provide guidance on the steps in the annual budget process. Critical to the development of a credible budget are: the manner in which the strategic planning process is integrated; the input of policy directions; and consultation with the community and other stakeholders, as summarised below:

- Political oversight and management of the budget process
- Time schedule relating to the budget process

- Process used to integrate the review of the IDP and preparation of the budget
  - Process for tabling of budget and community consultations
- **Schedule of Key Deadlines relating to budget process [MFMA s 21(1)(b)]**

The following time schedule of key deadlines for the preparation of the budget for the 2011/2012 medium term period was tabled in Council in 29 October 2011.

## 8 PROCESS PROGRAMME & TIMEFRAME

The Following is a process programme and timeframe for 2011 -12 IDP/BUDGET Review

Process that Naledi Local Municipality is going to follow:

### 8.1 Preparation [Pre-Planning] Phase

DELIVERABLE	ACTION(S) TO BE TAKEN	RESPONSIBLE PARTIES	TIME-FRAME(S)
Consider comments and/or proposals received from MEC, if any, MSA s 32	Convene an IDP Steering Committee and analyse MEC's comments and/or proposals, if any.	IDP Steering Committee	Aug - Sep 2010
Consider comments and/or proposals from Councillors, Ward Committees and other key-role players that may have been received	Convene an IDP Steering Committee and analyse comments and/or proposals, if any.	IDP Steering Committee	Aug - Sep 2010
Establish method(s) of gathering of data and processing into decision-making	Convene an IDP Steering Committee	IDP Steering Committee	Aug - Sep 2010

information and Municipal turn around strategy 2010/2011			
Presentation on Constitutional obligation powers and functions of the district to Council	Presentation on Constitutional obligation powers and functions of the district to Council	Provincial department / Municipal Manager	Aug - Sep 2010

## 8.2 Phase 1: Analysis

DELIVERABLE	ACTION(S) TO BE TAKEN	RESPONSIBLE PARTIES	TIME-FRAME (S)
Obtain adoption of IDP Review Process Plan	Convene a Special Council Meeting	Municipal Manager & Mayor	Aug - Sep 2010
Status Quo Analysis	Present status quo (incl Spatial Development Framework) report on Community and Municipal-wide issues	IDP Steering Committee	Sep - Oct 2010
Progress Report on 2010/2011 IDP Implementation	Present Outcome & Impact of 2010/2011 IDP Implementation	IDP Steering Committee	Sep - Oct 2010
Validation of existing level of development dynamics	Present existing level of development dynamics Representative	IDP Steering Committee	Sep - Oct 2010

	Forum		
Document all Outputs	Deskwork	Manager: IDP & OPM Unit	Sep - Oct 2010
Development and alignment of IDP Sector plans & programmes as per the legislative requirements including Performance Management System	*Conduct an Audit of Existing Sector Plans and Programmes and Align to IDP *Develop Outstanding Sector Plans and Programmes and Align to IDP *Conduct an Audit of existing PMS and Align to IDP( move to analysis phase)	IDP Steering Committee	Sep - Oct 2010

### 8.3 Phase 2: Strategies

DELIVERABLE	ACTION(S) TO BE TAKEN	RESPONSIBLE PARTIES	TIME-FRAME(S)
Review of Naledi vision, Mission & Values	Facilitate a meeting with IDP Steering Committee & Rep Forum	Manager: IDP & OPM Unit	Oct - Nov 2010

Review of Development Objective & Strategies	Facilitate a meeting with IDP Steering Committee & Rep Forum	Rep Forum : IDP & OPM Unit	Oct – Nov 2010
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1.1.

#### 8.4 Phase 3: Projects

DELIVERABLE	ACTION(S) TO BE TAKEN	RESPONSIBLE PARTIES	TIME-FRAME(S)
Review of IDP projects & programmes	Facilitate a meeting with IDP Steering Committee & Rep Forum	Manager: IDP & OPM Unit	Oct – Nov 2010
Designing of IDP projects & programmes	Establish Project/Programme and Sectoral Task teams and assign responsibilities to design projects/programmes with clear deliverables	IDP Steering Committee	Oct – Nov 2010

#### 8.5 Phase 4: Integration

DELIVERABLE	ACTION(S) TO BE TAKEN	RESPONSIBLE PARTIES	TIME-FRAME(S)
Integration & Alignment of IDP to Motheo IDP, Provincial and	1.Develop Financial strategies [Medium Term Expenditure	IDP Steering Committee	Feb - Mar 2011

National Plans and Programmes	Framework] including 2011/2012 Annual Budget		
Integration & Alignment of IDP to Motheo IDP, Provincial and National Plans and Programmes	<p>2. Align to Spatial development framework (Motheo DM &amp; Free State)</p> <p>3. Align to Free State Growth Development Strategy</p> <p>4. Align to National Spatial Development Perspective</p>	IDP Steering Committee	Feb - Mar 2011

1.2. Phase 4: Integration (Continues)

DELIVERABLE	ACTION(S) TO BE TAKEN	RESPONSIBLE PARTIES	TIME-FRAME(S)
Document Output and Incorporate Budget Process as per applicable MFMA Circular	<p>Deskwork</p> <p>Internal Consultation</p> <p>External Consultation</p> <p>Adjust to Approved Budget Process</p>	<p>Manager: IDP&amp; OPM Unit</p>	Feb - Mar 2011
Tabling of	Convene a	Municipal	March 2011

draft IDP 2011/12 & 2011/12 Annual Budget for final Approval	Special Council Meeting	Manager & Mayor	
Publication of draft IDP 2011/12 & 2011/12 Annual Budget for public comment	Advertise through Express, Volksblad and Municipal Notice Boards for 21 days	Manager: IDP & OPM Unit	Mar - April 2011

## 8.6 Phase 5: Approval

DELIVERABLE	ACTION(S) TO BE TAKEN	RESPONSIBLE PARTIES	TIME-FRAME (S)
Obtain approval of Final IDP 2011/12 & 2011/12 Annual Budget	Convene a Special Council Meeting	Municipal Manager & Mayor	30 June 2011
Development and submission of Service Delivery & Budget Implementation Plan & Annual Performance Agreements by Municipal Manager to the mayor for consideration	Develop and Implement Support Systems and Mechanisms, Commit Resources (Capital, Human and Physical) Build Capacity of Council and Officials	Municipal Manager	May 2011
IDP Implementation,	Constantly Implement,	All	Immediately

Monitoring and Review	Monitor and Review Implementation of Naledi IDP then Report to Relevant Stakeholders and the Public		
			Ongoing

- **Process used to integrate the review of the IDP and preparation of the budget**

The IDP Steering Committee consisting of key political office bearers and senior management ensured that issues relating to the IDP and budget preparation are managed and dealt through an integrated and holistic approach.

All IDP related matters having an impact on resource allocations and the budget in general are therefore handled more appropriately by the Steering Committee.

- **Strategic alignment with National, Provincial and District Governments**

Free State Growth and Development Strategy

In terms of Section 24(1) of the Municipal Systems Act “The planning undertaken by a municipality must be aligned with, and complement, the development plans and strategies of other affected municipalities and other organs of state so as to give effect to the principles of co-operative government contained in section 41 of the Constitution”.

In the case of the Naledi Local Municipality the most important (although not the only) directives in this regard are the National Spatial Development Perspective (NSDP), Free State Growth and Development Strategy (PGDS) and the Integrated Development Plan of Motheo District Municipality.



The PGDS (2007-2014) is the strategic framework for the Free State Provincial Government that sets the tone and pace for growth and development in the province. It addresses the key and most fundamental issues of development spanning the social, economic and the political environment.

The PGDS is considered a strategic document in as far as it ties provincial policies with national policies while it spells out strategies on a sectoral level. Moreover, the PGDS also serves as guideline to provincial departments and local government/organisations when they lay out their budget allocations in the light of key growth and development priorities at the beginning of each budgeting cycle. It is thus essential that the issues and programmes emanating from IDPs be compatible with the priority areas of the PGDS.

Free State Province identified several priority areas of intervention as part of the Provincial Growth and Development Strategy, namely:

- Economic Growth, Development and Employment
  - Justice and Crime Prevention
  - Social and Human Development
- Efficient Governance and Administration

**Integrated Goals for the Motheo District Municipality are:**

- Effective, sustainable accountable governance
- High level financial performance and management
  - Efficient and effective service delivery
- Promotion of public participation and awareness
- Strategic economic and social role playing in the District

Care was taken during the Naledi IDP process that all actions and initiatives proposed by the municipality are in line with these Provincial and District Priority Areas for Intervention as highlighted above.

**8. Alignment of Budget with IDP**

This section provides a good understanding of what is contained in the IDP and how that guides the allocations in the budget. The budget documentation provides a good high-level overview of the IDP and reference is being made to the detailed IDP documentation.

The following information obtained from the IDP is included in the budget document for ease of reference.

<b>VISION</b>
<p>The vision of the municipality has been defined through the Integrated Development Process (IDP) by the IDP Representative Structure and adopted by the Council as follows:</p> <p><i>“A constantly progressive municipality where <u>quality, a healthy and safe environment empowers the harmonized community to develop their own economic security in a sustainable local future for all.</u>”</i></p>

<b>MISSION</b>
<p>Based on the Vision the following Mission statement was formulated during the workshop:</p> <p><i>“To work as a committed team towards achieving the Municipalities objectives by means of the following:</i></p> <ul style="list-style-type: none"><li>• <i>Improve our capacity in terms of resources</i></li><li>• <i>Ensure effective communication and consultation between all stakeholders</i></li><li>• <i>Absolute commitment towards the implementation of our plans/programs and strategies</i></li><li>• <i>Strengthening our institutional capacity</i></li><li>• <i>To develop a clear understanding and interpretation of Local Government Legislation and Policies</i></li></ul> <p><i>Ensure proper accountability relating to clear roles and responsibilities</i></p>

## **MUNICIPAL KEY PERFROMANCE AREAS AND IDP PRIORITY ISSUES**

Based on the above, the following are the Key Performance Areas (KPAs) of the Naledi Local Municipality:

<b>KEY PERFORMANCE AREAS</b>
<b>KEY STRATEGIC PRIORITIES</b>
<p>Based on all the strategic issues identified it was decided to concentrate on the seven most important strategic priorities that will be able to make a significant impact on the performance of the municipality. The seven strategic priorities identified during the workshop were as follows:</p> <ol style="list-style-type: none"> <li><b>1. Financial Viability</b></li> <li><b>2. Implementation of Council Resolutions</b></li> <li><b>3. Implementation of the IDP</b></li> <li><b>4. Address the lack of Resources</b></li> <li><b>5. Improve communication both internal and external</b></li> <li><b>6. Clarify roles and responsibilities</b></li> <li><b>7. Good Governance and Public Participation</b></li> </ol>

Following from these, and informed by inputs provided by the community during consultation processes, as well as an analysis of technical information pertaining to the area, the following Objectives or Clustered Priority Issues have been identified in the Naledi Local Municipality Area:

<p><b>Governance and Administration</b></p> <ul style="list-style-type: none"> <li>▪ Monitoring</li> <li>▪ Governance</li> <li>▪ Performance Management and Implementation</li> </ul>	<p><b>Safety and Security</b></p> <ul style="list-style-type: none"> <li>▪ National Crime Prevention Strategy</li> <li>▪ Disaster Management</li> </ul>
<p><b>Economic and Investment</b></p> <ul style="list-style-type: none"> <li>▪ Local Economic Development               <ul style="list-style-type: none"> <li>▪ Poverty Alleviation</li> <li>▪ Acquisition of Land                   <ul style="list-style-type: none"> <li>▪ Housing</li> </ul> </li> <li>▪ Water Provision</li> </ul> </li> </ul>	<p><b>Social and Human</b></p> <ul style="list-style-type: none"> <li>▪ Improved Level of Health Services               <ul style="list-style-type: none"> <li>▪ Education</li> </ul> </li> <li>▪ Youth Development</li> <li>▪ Welfare Service Provision</li> </ul>

- Sanitation Provision
- Streets and Storm Water
- Electricity Provision
  - Refuse Removal
    - Cemeteries
- Telecommunication
  - Public Transport
    - Environment
    - Land Reform

- Culture Enhancement
- Safety and Security
- Disaster Management
  - Gender Equity
    - HIV / AIDS

## 9. Budget Related Policies: Overview and Amendments

The following policies relating to the budget

9.1 Indigent Policy

9.2 Supply Chain Policy

9.3 Property Rates Policy

9.5 Credit Control and Debt Collection Policy

## 10. Fiscal Overview and Source of Funding (Tariffs)

### Revenue Trends

	Medium Term Revenue and Expenditure Framework					
	2011/2012		2012/2013		2013/2014	
	R'000	2.7%	R'000	2.5%	R'000	3.5%
Own revenue	<b>1,369</b>		<b>1,451</b>		<b>1,538</b>	
Government grants	51,126	97.3%	56,306	97.48%	69,704	96.5%
<b>Total revenue</b>	<b>52,495</b>	<b>100%</b>	<b>57,757</b>	<b>100%</b>	<b>72,242</b>	<b>100%</b>

### Trends in major sources of own revenue

	Medium Term Revenue and Expenditure Framework					
	2011/2012		2012/2013		2013/2014	
	R'000	%	R'000	%	R'000	%
Property rates	2,547	<b>19</b>	2,590	<b>19</b>	2,690	<b>19</b>
Electricity	0	<b>0</b>	0	<b>0</b>	0	<b>0</b>
Water	3,230	<b>25</b>	3,300	<b>24</b>	3,500	<b>25</b>
Sanitation	3,355	<b>25</b>	3,500	<b>26</b>	3,610	<b>25</b>
Refuse removal	2,248	<b>17</b>	2,300	<b>17</b>	2,390	<b>17</b>
Interest	0	<b>0</b>	0	<b>0</b>	0	<b>0</b>
Other	<b>1,882</b>	<b>14</b>	<b>1,976</b>	<b>15</b>	<b>2,080</b>	<b>15</b>
	<b>13,262</b>	<b>100</b>	<b>13,666</b>	<b>100</b>	<b>14,270</b>	<b>100</b>

## Tariff Overview

The municipality has succeeded in most of the services to maintain tariff increases within the growth limits set by National Treasury in line with the inflation target band of the Reserve Bank of between 3 and 6 per cent. However, the average increases include an allowance for growth in consumption levels and corrections in certain tariffs. The average tariff increases are reflected in the table below.

Service	% tariff increase
Property rates	6
Water <sup>1</sup>	6
Sanitation	6
Refuse removal	6

## Proposed Tariff Increases

The tables below indicate the proposed tariff increases for the main consumer services and sundry services for the 2011/12 financial year.

## Assessment Rates

The municipality's right to impose municipality rates is implemented in terms of the Property Rates Policy of the municipality which is in line with the Local Government: Municipal Property Rates Act [Act 6 of 2004].

Item No	Description	Tariffs July 2010 - 11	Tarrifs July 2011-2012
1.	<i>Assesment Rates</i>  RESIDENTIAL	0.015975	0.0110

---

All residential properties with a market value of less than the amount as annually determined by the municipality are exempted from paying rates. **For the 2009/2010 financial year the maximum reduction is determined as R35 000.** The impermissible rates of R15 000 contemplated in terms of section 17(1) (h) of the Property Rates Act is included in the amount referred to above as annually determined by the municipality. The remaining R20 000 is an important part of the council's indigent policy and is aimed primarily at alleviating poverty.

Retired and Disabled Persons Rate Rebate. For the 2009/2010 financial year the total monthly income and corresponding rebate is determined as follows:-

R0 to R2 500 per month - 100%

R2 501 to R5 000 per month - 50%

R5 001 to R8 000 per month - 20%

Indigent owners and child headed families will receive a 100% rebate from rates

BUSINESS/INDUSTRIAL/COMMERCIAL

0.01677375

0.0110

STATE OWNED-GOVERNMENT

0.03195

0.0220

AGRICULTURAL

0.015975

0.0006875

Standard rebate to all agricultural properties

- Ratio of 1:0.25 (75% rebate) on tariff of R0.0150 as promulgated by the Minister of Provincial and Local Government

Additional rebnate if qualified and applied for

- 2,5% for the provision of accommodation in a permanent structure to farm workers and their dependants

- 2,5% if such residential properties are provided with potable water.

- 2,5% if the farmer for the farm workers electrifies such residential properties.

- 2,5% for the provision of land for burial to own farm workers and educational and recreational purposes to own farm workers as well as people from surrounding farms.

Additional income at 6% tariff increase of assessment rates.

### **Water**

Basic charges for others than households will increase:

	2010-2011	2011-2012
AVERAGE ACCOUNT FOR SMALL HOUSEHOLD		
SEWER	50.32	53.34
REFUSE	40.40	42.82
SITE LEVY	31.19	33.06
WATER	15.88	16.83
Consumption 10	42.63	45.18
	0	
	<u>180.41</u>	<u>191.23</u>
Without site levy	<u>149.22</u>	<u>158.18</u>

6kl free water will be given to all households. This will be financed from the Equitable Share. Total amount of R 2.3 million is allocated from Equitable Share.

### ***Water consumption tariff***

	2010-2011	2011-2012
13. <b><i>WATER CONSUMPTION</i></b>		
Consumers		
Service levy	15.59	16.53



Service levy - Commerce.governm,sport & schools	92.14	97.67
Per KI usage ( 1 -6)	0.00	0.00
Per KI usage (>6 KI -30KI)	7.73	8.20
>30KL + COMMERCE,GOVERNMENT CONTRACTORS	8.27	8.77
BREAKAGE		
BREAKAGE UNREPORTED		
<b>Sport Clubs and Departmental</b>		
Per KI usage	7.35	7.79
<b>Irrigation</b>		
Flood irrig / cycle - V/Stadensrus	17.72	18.78
<b>Lost Water Tokens</b>	257.73	273.19
<b>Connections</b>		
Reconnection - 1 <sup>st</sup>	177.19	187.82
Reconnection - 2 <sup>nd</sup>	425.25	450.77
Reconnection - 3 <sup>rd</sup>	850.51	901.54
New connections		
Test meter	212.63	225.38
<b>Private Work</b>		
Labour per hour - Supervisor	93.72	99.34
Labour per hour - General worker	52.72	55.88
Saturday and weekdays - after hours		
Public holidays, Sundays		
Material costs		

Guest houses are operated as businesses and are levied as businesses. In terms paragraph 9 of the property rates policy the municipality shall levy the property in accordance with the dominant use of the property.

## Sewerage Service

### Tariffs

		2010-2011	2011-2012
10.	<i>Sewerage and Sanitation</i>		
	Sewerage connected at network or suction tank		
	Boarding houses	141.94	150.45
	Houses per month	47.99	50.87
	Offices per month	85.16	90.27
	Offices per month - Suction	85.16	90.27
	Shops & Sport Clubs per month	91.92	97.44
	Large businesses per month	191.95	203.47
	SAP and hotel/guest house per month	912.46	967.21
	School per month	2 433.23	2 579.22
	Correction Services per month	2 027.69	2 149.35
	Spoornet per month	91.92	97.44
	Churches/crèches	47.99	50.87
	Suctions - Domestic	47.99	50.87
	Amandelhof & Stiilehawe	375.80	398.35
	Flats - i.e. More than 3 flats on one site /flat	47.99	50.87

A tariff increase of 6% is proposed. The alteration is on the renting of municipality own houses and flats where municipal officials renting the property will pay like ordinary members of the community who occupy the property on rental arrangement

Guest houses, Lodges e.t.c are operated as businesses and are levied as businesses. In terms paragraph 9 of the property rates policy the municipality shall levy the property in accordance with the dominant use of the property.

### Sundry Tariffs

		2009-2010	2010-2011
6.	<i>Properties</i>		
	Camps	3500p/a per camp minimum of 4000	4000p/a per camp minimum of 5000
	Cow( including calf)	40.00	42.40

	Horse( including Colt/Foal)	55.00	58.30
	Sheep( including lamp)	35.00	37.10
	Goat(including young Goat/Kit )	30.00	31.80
	Biological Assets disposal	600.00	636.00
	Private rental - Mc Donald and 20 Spiestreet (garden service included)	1185.67	1 256.81
	Private rental - 16 Spiestreet	0.00	
	Private rental - 18 Spiestreet	0.00	
	Personnel Housing - If qualified (Postlevel 1-6)	0	
	Municipal flat	600 fixed amount	600.00
	Municipal House	950 fixed amount	950.00
7.	<b><i>Public Works</i></b>		
	General workman per hour - Supervisor	93.75	99.38
	General workman per hour	3.52	3.73
	Illegal dumping on pavement - per load	187.51	198.76
	Garden refuse removal - per load	Per actual cost	
	Construction equipment - per hour (fuel included)	351.58	372.67
	Transport - per kilometer (load km)	17.58	18.63
	Clearing of erven with machinery - per erf per hour (min: 1 hour)	199.23	211.18
	Whole area - Per hand per square meter (Not removal)	1.17	1.24
	GRAVEL		
8.	<b><i>Licences per annum</i></b>		
	Business Licences	175.79	186.34

	Informal tuck shop	58.60	62.11
	Street hawker	12.89	13.66
9.	<i>City Hall and Offices</i>		
	<b>Rental Town Hall</b>		
	<b>Wepener</b>		
	Side Hall	148.70	157.62
	Main hall	297.39	315.24
	Kitchen and cutlery	216.29	229.26
	All	675.90	716.45
	<b>Qibing &amp; Ebenhaeserhoogte halls</b>		
	Friday - Sunday	175.73	186.28
	Monday - Thursday	175.73	186.28
	<b>Mapuding hall</b>		
	<b>Dewetsdorp</b>		
	Rental Town Hall		
	Side Hall	148.70	157.62
	Main hall	297.39	315.24
	Halls for churches	120.00	127.20
	Kitchen and cutlery	216.29	229.26
	Table and Chair	250.00	265.00
	All	675.90	716.45
	<b>Morojaneng Hall</b>		
	Rental	159.76	169.34
	<b>Vanstadensrus</b>		
	Hire: Community hall	175.73	186.28
	Refundable deposit payable on all cutlery hire	614.45	651.32
	<b>Deposits</b>		
	<i>Wepener</i>		
	City Hall	921.68	976.98
	Annex and kitchen	337.95	358.23
	<b>Ebenhaezerhoogte/Qibing Halls</b>	614.45	651.32

<i>Dewetsdorp</i>		
Morojaneng Hall -	614.45	651.32
Morojaneng Hall - Non residents	614.45	651.32
Dewetsdorp Town Hall	921.68	976.98
Van Stadensrus	614.45	651.32

## 11. Disclosure on Salaries, Allowances and Benefits

Disclosure of Salaries, Allowances & Benefits 1.	Salary
Rand per annum	
<b><u>Councillors</u></b>	
Speaker and Councillors	1 662 000.00
Chief Whip	
Executive Mayor	
Deputy Executive Mayor	
Executive Committee	
Total for all other councillors	
<b>Total Councillors</b>	<b>1 662 000.00</b>
<b><u>Senior Managers of the Municipality</u></b>	
Senior Managers	2 808 000.00
<i>List of each official with packages &gt;= senior manager</i>	
Head: Internal Audit & Performance Management	
Head: Geographical Information & Policy	
Head Office of Intergovernmental & Governance Relations	
<b>Sub - Total</b>	<b>2,808,300</b>
<b><u>Other Municipal Staff</u></b>	
Salaries and Wages	21 031 000.00
Pension Contributions	
Medical Aid Contributions	
Motor vehicle allowance	
Cell phone allowance	
Housing allowance	
Overtime	
Performance Bonus	
Other benefits or allowances	
In-kind benefits	
<b>Sub Total - Other Municipal Staff</b>	<b>21 031 000.00</b>
<b>Total Parent Municipality</b>	<b>25 501 000.00</b>

## NOTES

1. Total package must equal the total cost to the municipality.
2. Contributions included pensions, medical aid, etc.

## **2. Measurable Performance Objectives and SDBIP's**

**This section will be completed after approval of the Final budget.**

Included in this section is a summary of annual measurable performance objectives for votes (directorates). Annual performance objectives are converted into quarterly targets for the Service Delivery and Budget Implementation Plan (SDBIP) and will be audited in terms of the annual performance report required by the Systems Act (refer also to chapters 2 and 5 of the annual report as per MFMA circular 11).

## **13. Disclosure on Implementation of MFMA**

This section provides disclosure regarding progress in implementing various related legislation including the MFMA and how this affects the budget and budget process.

### **MFMA Implementation and Monitoring Checklist**

The municipality is generally complying for the majority of the implementation priorities as per the National Treasury implementation and monitoring checklist. This checklist is updated quarterly and submitted to National Treasury.

Below is a summary of progress against the plan.

No.	Implementation priority as per NT template	Progress
1	Preparing an implementation plan	100%
2	Allocating appropriate responsibilities under the MFMA to Accounting Officer	100%
3	Establishing a top (senior) management team	100%
4	Implementing appropriate controls over municipal bank accounts and cash management	100%
5	Meeting of financial commitments	90%
6	Reporting revenue and expenditure	90%
7	Supply chain management	50%
8	Implementing reforms in relation to municipal entities and long-term contracts	100%
9	Completing financial statements and advising National Treasury	100%
10	Completing and tabling annual report	75%
11	Complying with provisions for tender committees, boards of municipal entities and in relation to forbidden activities	80%
12	Complying with provisions for internal audit and audit committees	70%
13	Complying with provisions for budgets	80%
14	Information to be placed on website	90%

#### MFMA returns

All MFMA and DORA returns are submitted by the municipality as required monthly, quarterly and annually.

Name of return	Submitted to
<b>MONTHLY</b>	
Financial Management Grant	NT/PT
Age Analysis Debtors (AD) and Creditors (AC), Cash Flow, Operating Statement Actual (OSB)	NT/PT
Section 71 Budget Statements	PT/NT
Supply Chain Management	NT/PT
MIG returns	NT/PT
Equitable Share	NT/PT
Conditional Grants returns	NT/PT
Debt returns	PT
<b>QUARTERLY</b>	
MFMA Implementation and monitoring checklist	NT/PT
Municipal entities	NT/PT
Public Private Partnerships	NT/PT
Long-term contracts	NT/PT
Borrowing	NT/PT
<b>ANNUALLY</b>	
Budget tables return	NT/PT
Operating Statement Budget (OSB)	NT/PT

## **Implementation of SCM**

The Supply Chain Management policy of the municipality was adopted by the council on the 29<sup>th</sup> August 2010, and the policy is in line with the MFMA and national treasury prescripts although the policy has not been adhered to in many instances. Some of the few critical decision of the Municipal Manager has been to take the Supply Chain Management out of the section 81 Local Government: Municipal Finance Management roles of the CFO and place it under Directorate: Corporate Services with effect from January 2010, the SCM committees convened in exclusion of the CFO but consisting the committees, particularly the Adjudication Committee with persons who are not municipality employees when the same person has also compiled the specification and participated in bid evaluation process.

## **Reduction of short-term debt**

This regulation is not applicable to the municipality as overdraft facilities are managed within the context of section 45 of the MFMA relating to short-term debt.

## **Tabling of section 71 reports**

Section 71 reports are submitted to the Municipal Manager and also forwarded to provincial treasury on a monthly basis. The reports were not submitted to the Mayor for the account of council.

## **Delegations**

Developed but not submitted for council approval.

## **Performance agreements (PA)**

Only the following three Performance Agreements in place while the agreement between the PA for the CFO was still to be signed after the contract of employment was finalised:

- Performance Agreement for the Municipal Manager
- Performance Agreement for the Director: Corporate & Social Services
- Performance Agreement for the Director: Technical Services

## **Implementation of GRAP/GAMAP**

The key challenges for implementation of GRAP/GAMAP requirements are the following:

- Capacity challenges and funds to appoint the Service Provider;



- Asset Register. Full compliance to IAS and GRAP not achieved, to be compliant 1 June 2012.
- Impairment of assets not yet done - 30 June 2011
- Investment property guidelines not yet implemented - 30 June 2011
- Employee benefits not fully captured. 30 June 2010 (Medical Aid and Pension).
- Not all stands are transferred in terms of housing scheme - needs to be sorted out for inventories 30 June 2011
- All lease information not yet available for asset register 30 June 2011
- Long term loans and Debtors impaired.
- Billing information to be updated to accurate information for statements.
- Debtors and creditors to be discounted/fair valued. Insufficient information is available on system to make this possible 30 June 2010

### **Cost implications**

Cost implications have been investigated and the following major costs need to be incurred.

1	Asset Register - Fully GRAP compliant	R2, 7 million	
6	Accurate Billing information	R2, 4 million	Data Clean partly financed by FDDM

### **Development of accounting policies**

Several accounting policies need to be developed to ensure the requirements of Circular 36 are complied with.

### **Inventories - unsold water**

It is not possible to clearly state the inventories of unsold water due to lack of inventory control measures and the continuous loss or unaccounted for water and capacity challenges from the Technical Section responsible.

**NALEDI LOCAL MUNICIPALITY**

**PROPERTY RATES POLICY  
(FINAL)**

**FOR IMPLEMENTATION**

**ON**

**1<sup>st</sup> JULY 2011**

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## NALEDI LOCAL MUNICIPALITY

### PROPERTY RATES POLICY

#### 2. 1. LEGISLATIVE CONTEXT

- 1.1 This policy is mandated by Section 3 of the Local Government: Municipal Property Rates Act, 2004 (No. 6 of 2004), which specifically provides that a municipality must adopt a Rates Policy.
- 1.2 In terms of Section 229 of the Constitution of the Republic of South Africa, 1996 (No.108 of 1996), a municipality may impose rates on property.
- 1.3 In terms of the Local Government: Municipal Property Rates Act, 2004 (No. 6 of 2004) a local municipality in accordance with-
- a. Section 2(1), may levy a rate on property in its area; and
  - b. Section 2(3), must exercise its power to levy a rate on property subject to-
    - i. Section 229 and any other applicable provisions of the Constitution;
    - ii. the provisions of the Property Rates Act and the regulations promulgated in terms thereof; and
    - iii. the rates policy.
- 1.4 In terms of Section 4 (1) (c) of the Local Government: Municipal Systems Act, 2000 (No. 32 of 2000), the Council of a municipality has the right to finance the affairs of the municipality by imposing, *inter alia*, rates on property.
- 1.5 In terms of Section 62(1)(f)(ii) of the Local Government: Municipal Finance Management Act, 2003 (No. 56 of 2003) the municipal manager must ensure that the municipality has and implements a rates policy.
- 1.6 This policy must be read together with, and is subject to the stipulations of the Local Government: Municipal Property Rates Act, 2004 (No. 6 of 2004) and any regulations promulgated in terms thereof.

#### 3. 2. DEFINITIONS

- 2.1 “**Act**” means the Local Government: Municipal Property Rates Act, 2004 (Act No. 6 of 2004) and any amendment thereof;
- 2.2 “**Agent**”, in relation to the owner of a property, means a person appointed by the owner of the property-
- (a) to receive rental or other payments in respect of the property on behalf of the owner; or
  - (b) to make payments in respect of the property on behalf of the owner;

- 2.3 **“Agricultural purpose”** in relation to the use of a property, includes the use of a property for the purpose of eco-tourism or for the trading in or hunting of game;
- 2.4 **“Annually”** means once every financial year;
- 2.5 **“Business and commercial property”** – means -
- (a) property used for the activity of buying, selling or trading in commodities or services and includes any office or other accommodation on the same property, the use of which is incidental to such activity; or
  - (b) property on which the administration of the business of private or public entities take place;
- 2.6 **“Category”**
- (a) in relation to property, means a category of properties determined in terms of Section 7 of this policy; and
  - (b) in relation to owners of properties, means a category of owners determined in terms of Section 8 of this policy.
- 2.7 **“Child-headed household”** means a household where the main caregiver of the said household is younger than 18 years of age. Child-headed household means a household headed by a child as defined in terms of section 28(3) of the Constitution.
- 2.8 **“Definitions, words and expressions”** as used in the Act are applicable to this policy document where ever it is used;
- 2.9 **“Exclusion”** – in relation to a municipality’s rating power, means a restriction of that power as provided for in sections 16 and 17 of the Act;
- 2.10 **“Exemption”** - in respect of the calculation of a rate means an exemption granted in terms of section 15(1)(a) of the Act;
- 2.11 **“Farm property or small holdings used for agricultural purpose”** – means property that is used for the cultivation of soils for purposes of planting and gathering in of crops; forestry in the context of the planting or growing of trees in a managed and structured fashion; the rearing of livestock and game or the propagation and harvesting of fish, but excludes the use of a property for the purpose of eco-tourism; and in the respect of property on which game is reared, trade or hunted, it excludes any portion that is used for commercial or business purposes;
- 2.12 **“Farm property not used for any purpose”** – means agricultural property which is not used for such purpose, regardless of whether such portion of such property has a dwelling on it which is used as a dwelling and must be regarded as residential property;
- 2.13 **“Financial year”** – the period starting from 1 July in a year to 30 June the following year;

- 2.14 **“Industrial property”** – means property used for a branch of trade or manufacturing, production, assembly or processing of finished or partially finished products from raw materials or fabricated parts on such a large scale that capital and labour are significantly involved, and includes any office or other accommodation on the same property, the use of which is incidental to such activity;
- 2.15 **“Land reform beneficiary”**, in relation to a property, means a person who -
- (a) acquired the property through -
    - (i) the Provision of Land and Assistance Act, 1993 (Act No. 126 of 1993); or
    - (ii) the Restitution of Land Rights Act, 1994 (Act No. 22 of 1994);
  - (b) holds the property subject to the Communal Property Associations Act, 1996 (Act No 28 of 1996);
  - (c) holds or acquires the property in terms of such other land tenure reform legislation as may pursuant to section 25(6) and (7) of the Constitution (Act No.108 of 1996) be enacted after this Act has taken effect;
- 2.16 **“Land tenure right”** means an old order right or a new order right as defined in section 1 of the Communal Land Rights Act, 2004 (Act No.11 of 2004);
- 2.17 **“Municipality”** means the Local Municipality of Naledi;
- 2.18 **“Newly Rateable property”** means any rateable property on which property rates were not levied before the end of the financial year preceding the date on which this Act took effect, excluding –
- (a) a property which was incorrectly omitted from a valuation roll and for that reason was not rated before that date; and
  - (b) a property identified by the Minister by notice in the Gazette where the phasing-in of a rate is not justified;
- 2.19 **“Occupier”** – in respect of a property means a person in actual occupation of a property, whether or not that person has a right to occupy the property;
- 2.20 **“Open space”** - means land that is used as a park, garden, for passive leisure or maintained in its natural state;
- 2.21 **“Owner”**-
- (a) in relation to a property referred to in paragraph (a) of the definition of “property”, means a person in whose name ownership of the property is registered;
  - (b) in relation to a right referred to in paragraph (b) of the definition of “property”, means a person in whose name the right is registered;
  - (c) in relation to a land tenure right referred to in paragraph (c) of the definition of “property”, means a person in whose name the right is registered or to whom it was granted in terms of legislation; or

- (d) in relation to public service infrastructure referred to in paragraph (d) of the definition of “property”, means the organ of state which owns or controls that public service infrastructure as envisaged in the definition of “publicly controlled”,

provided that a person mentioned below may for the purposes of this Act be regarded by a municipality as the owner of a property in the following cases:-

- (i) a trustee, in the case of a property in a trust excluding state trust land;
- (ii) an executor or administrator, in the case of a property in a deceased estate;
- (iii) a trustee or liquidator, in the case of a property in an insolvent estate or in
- (iv) a judicial manager, in the case of a property in the estate of a person under
- (v) a curator, in the case of a property in the estate of a person under curatorship;
- (vi) a person in whose name a usufruct or other personal servitude is registered, in the case of a property that is subject to a usufruct or other personal servitude;
- (vii) a lessee, in the case of a property that is registered in the name of a municipality and is leased by it; or
- (viii) a buyer, in the case of a property that was sold by a municipality and of which possession was given to the buyer pending registration of ownership in the name of the buyer;

2.22 **“Privately open space”** means land that is privately owned and used for practising of sport, play- or leisure facilities or used as a botanical garden, cemetery or nature area;

2.23 **“Privately owned towns serviced by the owner”** means single properties, situated in an area not ordinarily being serviced by the municipality, divided through sub division or township establishment into (ten or more) full title stands and/ or sectional units and where all rates related services inclusive of installation and maintenance of streets, roads, sidewalks, lighting, storm water drainage facilities, parks and recreational facilities are installed at the full cost of the developer and maintained and rendered by the residents of such estate.

2.24 **“Property”** means -

- (a) immovable property registered in the name of a person, including, in the case of a sectional title scheme, a sectional title unit registered in the name of a person;
- (b) a right registered against immovable property in the name of a person, excluding a mortgage bond registered against the property;
- (c) a land tenure right registered in the name of a person or granted to a person in terms of legislation; or
- (d) public service infrastructure.

2.25 **“Public service infrastructure”** means publicly controlled infrastructure of the following kinds:

- (a) national, provincial or other public roads on which goods, services or labour move across a municipal boundary;

- (b) water or sewer pipes, ducts or other conduits, dams, water supply reservoirs, water treatment plants or water pumps forming part of a water or sewer scheme serving the public;
- (c) power stations, power substations or power lines forming part of an electricity scheme serving the public;
- (d) gas or liquid fuel plants or refineries or pipelines for gas or liquid fuels, forming part of a scheme for transporting such fuels;
- (e) railway lines forming part of a national railway system;
- (f) communication towers, masts, exchanges or lines forming part of a communications system serving the public;
- (g) runways or aprons at national or provincial airports;
- (h) breakwaters, sea walls, channels, basins, quay walls, jetties, roads, railway or infrastructure used for the provision of water, lights, power, sewerage or similar services of ports, or navigational aids comprising lighthouses, radio navigational aids, buoys, beacons or any other device or system used to assist the safe and efficient navigation of vessels;
- (i) any other publicly controlled infrastructure as may be prescribed; or
- (j) rights of way, easements or servitudes in connection with infrastructure mentioned in paragraphs (a) to (i).

2.26 **“Residential property”** means improved property that:-

- (a) is used predominantly (60% or more) for residential purposes, including any adjoining property registered in the name of the same owner and used together with such residential property as if it were one property. Any such grouping shall be regarded as one residential property for rate rebate or valuation reduction purposes;
- (b) is a unit registered in terms of the Sectional Title Act and is used predominantly for residential purposes;
- (c) is owned by a share-block company and is used predominantly for residential purposes;
- (d) is a residence used for residential purposes situated on a property used for educational purposes;
- (e) is property which is included as residential in a valuation list in terms of section 48(2)(b) of the Act;
- (f) are retirement schemes and life right schemes used predominantly (60% or more) for residential purposes;

vacant properties (empty stands), hotels, hostels, old-age homes and accommodation establishments, irrespective of their zoning or intended use, have been specifically excluded from this property category;

2.27 **“Rural communal settlements”** means the residual portion of rural communal land excluding identifiable and rateable entities within the property and excluding State Trust Land and land reform beneficiaries as defined in the Act.



- 2.28 **“Small holding”** - means
- (a) all agricultural zoned land units situated within an urban region with an area of one to three hectares; or
  - (b) any agricultural zoned land unit situated outside an urban region with an area of three hectares or less;
- 2.29 **“State owned property”** – excludes any property included in the valuation roll under the category ‘residential property’ or ‘vacant land’.
- 2.30 **“state trust land”** means land owned by the state-
- (a) in trust for persons communally inhabiting the land in terms of a traditional system of land tenure;
  - (b) over which land tenure rights were registered or granted; or
  - (c) which is earmarked for disposal in terms of the Restitution of Land Rights Act, 1994 (Act No. 22 of 1994).

#### 4. 3. POLICY PRINCIPLES

- 3.1 Rates are levied in accordance with the Act as an amount in the rand based on the market value of all rateable property contained in the municipality’s valuation roll and supplementary valuation roll.
- 3.2 As allowed for in the Act, the municipality has chosen to differentiate between various categories of property and categories of owners of property as contemplated in clause 7 and 8 of this policy. Some categories of property and categories of owners are granted relief from rates. The municipality however does not grant relief in respect of payments for rates to any category of owners or properties, or to owners of properties on an individual basis.
- 3.3 There would be no phasing in of rates based on the new valuation roll, except as prescribed by legislation and in accordance with clause 16 of this policy.
- 3.4 In accordance with section 3(3) of the Act, the rates policy for the municipality is based on the following principles:
- (a) Equity  
The municipality will treat all ratepayers with similar properties the same.
  - (b) Affordability  
The ability of a person to pay rates will be taken into account by the municipality. In dealing with the poor/indigent ratepayers the municipality will provide relief measures through exemptions, reductions, rebates and cross subsidy from the equitable share allocation.

(c) Sustainability

Rating of property will be implemented in a way that it:-

- i. Supports sustainable local government by providing a stable and buoyant revenue source within the discretionary control of the municipality;
- ii. Supports local, social and economic development; and
- iii. Secures the economic sustainability of every category of ratepayer.

(d) Cost efficiency

Rates will be based on the value of all rateable property and will be used to fund community and subsidised services after taking into account profits generated on trading (water, electricity) and economic (refuse removal, sewerage disposal) services and the amounts required to finance exemptions, rebates, reductions and phasing-in of rates as approved by the municipality from time to time.

**5. 4. SCOPE OF THE POLICY**

4.1 This policy document guides the annual setting (or revision) of property rates tariffs. It does not necessarily make specific property rates tariff proposals. Details pertaining to the applications of the various property rates tariffs are annually published in the Provincial Gazette and the municipality's schedule of tariffs, which must be read in conjunction with this policy.

**6. 5. APPLICATION OF THE POLICY**

5.1 In imposing the rate in the rand for each annual operating budget component, the municipality shall grant exemptions, rebates and reductions to the categories of properties and categories of owners as allowed for in this policy document.

**7. 6. PRINCIPLES APPLICABLE TO FINANCING OF SERVICES**

6.1 The municipal manager or his/her nominee must, subject to the guidelines provided by the National Treasury and the Executive Committee of the municipality, make provision for the following classification of services:-

(a) Trading services

- i. Water
- ii. Electricity

(b) Economic services

- i. Refuse removal.
- ii. Sewerage disposal.

(c) Community and subsidised services

These include all those services ordinarily being rendered by the municipality excluding those mentioned in 6.1 (a) and (b).

6.2 Trading and economic services as referred to in clauses (a) and (b) must be ring fenced and financed from service charges while community and subsidised services referred to in clause (c) will be financed from surpluses on trading and economic services, regulatory fees, rates and rates related income.

## **8. 7. CATEGORIES OF PROPERTY**

7.1 Subject to section 19 of the Act, Naledi Municipality may, in terms of the criteria set out in its rates policy, levy different rates for different categories of rateable properties, which may include categories determined according to the: –

- (a) use of the property;
- (b) permitted use of the property; or
- (c) geographical area in which the property is situated.

7.2 Categories of rateable property that may be determined in terms of paragraph 7.1 include the following: –

7.2.1 residential (improved property);

7.2.2 property that is vacant (empty stands) with zoning or proposed use earmarked for residential;

7.2.3 property that is vacant (empty stands) with zoning or proposed use earmarked for industrial, business or commercial;

7.2.4 industrial;

7.2.5 business and commercial;

7.2.6 farm properties used for –

- (i) agricultural purposes;
- (ii) other commercial or business purposes;
- (iii) residential purposes; or
- (iv) purposes other than those specified in subparagraphs (i) to (iii);

7.2.7 farm properties not used for any purpose;

7.2.8 smallholdings used for –

- (i) agricultural purposes;
- (ii) residential purposes;
- (iii) industrial purposes;
- (iv) commercial and business purposes; or
- (v) purposes other than those specified in subparagraphs (i) to (iv).

- 7.2.9 state-owned property;
- 7.2.10 municipal property;
- 7.2.11 public services infrastructure;
- 7.2.12 properties used for any specific public benefit activities listed in Part 1 of the Ninth Schedule to the Income Tax Act, 1962 (Act No 58 of 1962);
- 7.2.13 such other categories as may be determined by the council from time to time.
- 7.3 In determining the category of a property referred to in 7.2 the municipality shall take into consideration the dominant use of the property, regardless the formal zoning of the property.
- 7.4 Properties used for multiple purposes shall be categorised and rated as provided for in section 9 of the Act and as more fully described in clause 9 of this policy.

## **9. 8. CATEGORIES OF OWNERS**

- 8.1 For the purpose of granting exemptions, reductions and rebates in terms of clause 11, 12 and 13 respectively the following categories of owners of properties are determined:-
- 8.1.1 Those owners who qualify and who are registered as indigent in terms of the adopted indigent policy of the municipality;
- 8.1.2 Owners of properties situated within an area affected by: –
- (a) a disaster within the meaning of the Disaster Management Act, 2002 (Act No 57 of 2002); or
  - (b) any serious adverse social or economic conditions.
- 8.1.3 Owners of properties situated in “privately owned townships” serviced by the owner as referred to in clause 13(1)(b) of this policy;
- 8.1.4 Owners of agricultural properties as referred to in clause 13(1)(c) of this policy;
- 8.1.5 Owners of farm properties that are used for residential purposes;
- 8.1.6 Owners of farm properties that are used for industrial, commercial and business purposes;
- 8.1.7 Owners of smallholdings used for residential purposes;
- 8.1.8 Owners of smallholdings used for industrial, commercial and business purposes; and
- 8.1.9 Owners of developed properties not yet sold and transferred.

## 10. 9. PROPERTIES USED FOR MULTIPLE PURPOSES

9.1 Rates on properties used for multiple purposes will be levied in accordance with the “dominant use of the property”.

## 11. 10. DIFFERENTIAL RATING

10.1 Criteria for differential rating on different categories of properties will be according to:-

- (a) The nature of the property including its sensitivity to rating e.g. agricultural properties used for agricultural purposes.
- (b) The promotion of local, social and economic development of the municipality.

10.2 Differential rating among the various property categories will be done by way of:-

- (a) setting different cent amount in the rand for each property category; and
- (b) by way of reductions and rebates as provided for in this policy document.

## 12. 11. EXEMPTIONS AND IMPERMISSIBLE RATES

### 11.1 Categories of properties

11.1.1 The following categories of property are exempted from rates:-

#### 11.1.1.1 Municipal properties

Municipal properties are exempted from paying rates as it will increase the rates burden or service charges to property owners or consumers. However, where municipal properties are leased, the lessee will be responsible for the payment of determined assessment rates in accordance with the lease agreement.

#### 11.1.1.2 Residential properties

All residential properties with a market value of less than the amount as annually determined by the municipality are exempted from paying rates. **For the 2011/2012 financial year the maximum reduction is determined as R30 000.** The impermissible rates of R15 000 contemplated in terms of section 17(1) (h) of the Property Rates Act is included in the amount referred to above as annually determined by the municipality. The remaining R15 000 is an important part of the council’s indigent policy and is aimed primarily at alleviating poverty.

#### 11.1.1.3 Public Service Infrastructure

Is exempted from paying rates as allowed for in the Act as they provide essential services to the community.

#### 11.1.1.4 Right registered against a property

Any right registered against a property as defined in clause 2.14(b) of this policy is exempted from paying rates.

#### 11.1.1.5 Public Benefit Organisations

Public Benefit Organisation Property means property owned by public benefit organisations and used for any specified public benefit activity listed in item 1 (welfare and humanitarian), item 2 (health care), and item 4 (education and development) of part 1 of the Ninth Schedule to the Income Tax Act.

11.1.2 Exemptions in 11.1.1.1 to 11.1.1.5 will automatically apply and no application is thus required by the owners of such property.

11.1.3 All possible benefiting organisations in clause 11.1.1.5 must apply annually, by 31 August, for exemption for the financial year in respect of which the application is made. If the exemption applied for is approved the exemption will be valid for the full financial year. Applications received after 31 August for the financial year in respect of which the application is made will only be applied for the remainder of that financial year if approved.

11.1.4 A rate-exemption certificate as issued by the South African Revenue Service (SARS), as contemplated in terms of Part 1 of the Ninth Schedule to the Income Tax Act, 1962 (Act No 58 of 1962), must be submitted together with the application.

11.1.5 The municipality retains the right to refuse the application for exemption if the details supplied in the application were incomplete, incorrect or false.

## 11.2 Impermissible Rates

11.2.1 In terms of section 17(1) of the Property Rates Act the municipality may, inter alia, not levy a rate:-

11.2.1.1 On those parts of a special nature reserve, national park or nature reserve within the meaning of the National Environmental Management: Protected Areas Act, 2003 (Act No. 57 of 2003) or of a national botanical garden within the meaning of the National Environmental Management: Biodiversity Act, 2004, which are not developed or used for commercial, business, or residential agricultural purposes.

11.2.1.2 On mineral rights within the meaning of paragraph (b) of the definition of “property” in section 1 of the Act.

11.2.1.3 On a property belonging to a land reform beneficiary or his or her heirs, provided that this exclusion lapses ten years from the date on which such beneficiary’s title was registered in the office of the Registrar of Deeds.

11.2.1.4 On a property registered in the name of and used primarily as a place of public worship by a religious community, including an official residence registered in the name of that community which is occupied by an office-bearer of that community who officiates at services at that place of worship.

## 13. 12. REDUCTIONS

12.1 Reductions as contemplated in section 15 of the Act will be considered on an *ad-hoc* basis in the event of the following:-

12.1.1 Partial or total destruction of a property.

12.1.2 Disasters as defined in the Disaster Management Act, 2002 (Act 57 of 2002).

12.2 The following conditions shall be applicable in respect of clause 12.1:-

12.2.1 The owner referred to in clause 12.1.1 shall apply in writing for a reduction and the onus will rest on such applicant to prove to the satisfaction of the municipality that his property has been totally or partially destroyed. He/ she will also have to indicate to what extent the property can still be used and the impact on the value of the property.

12.2.2 Property owners will only qualify for a rebate if affected by a disaster as referred to in the Disaster Management Act, 2002 (Act No. 57 of 2002).

12.2.3 A maximum reduction to be determined on an annual basis shall be allowed in respect of both clauses 12.1.1 and 12.1.2. For the 2011/2012 financial year the maximum reduction is determined as 80%.

12.2.4 An ad-hoc reduction will not be given for a period in excess of 6 months, unless the municipality gives further extension on application.

12.2.5 If rates were paid in advance prior to granting of a reduction the municipality will give credit to such an owner as from the date of reduction until the date of lapse of the reduction or the end of the period for which payment was made whichever occurs first.

## 14. 13. REBATES

### 13.1. Categories of property

#### (a) Business, commercial and industrial properties

i. The municipality may grant rebates to rateable enterprises that promote local, social and economic development in its area of jurisdiction. The following criteria will apply:-

- a. job creation in the municipal area;
- b. social upliftment of the local community; and
- c. creation of infrastructure for the benefit of the community.

ii. A maximum rebate as annually determined by the municipality will be granted on approval, subject to:-

- a. a business plan issued by the directors of the company indicating how the local, social and economic development objectives of the municipality are going to be met;

- b. a continuation plan issued by the directors and certified by auditors of the company stating that the objectives have been met in the first year after establishment and how the company plan to continue to meet the objectives; and
  - c. an assessment by the municipal manager or his/her nominee indicating that the company qualifies.
- iii. Council will consider all LED requests on an individual basis according to merits.

(b) Privately owned towns serviced by the owner

The municipality grants an additional rebate, to be determined on an annual basis, which applies to privately owned towns serviced by the owner qualifying as defined in clause 2.13 of this policy.

All applications must be addressed in writing to the municipality by 31 August for the financial year in respect of which the rate is levied. If the rebate applied for is granted the rebate will apply for the full financial year. Applications received after 31 August for the financial year in respect of which the application is made will only be applied for the remainder of that financial year if approved. For the 2011/2012 financial year the rebate is determined as 20%.

(c) Agricultural property rebate

- i. When considering the criteria to be applied in respect of any exemptions, rebates and reductions on any properties used for agricultural purposes the municipality must take into account:-
  - a. the extent of rates related services rendered by the municipality in respect of such properties.
  - b. the contribution of agriculture to the local economy.
  - c. the extent to which agriculture assists in meeting the service delivery and developmental objectives of the municipality; and
  - d. the contribution of agriculture to the social and economic welfare of farm workers.
- ii. In terms of section 84 of the Act the Minister for Provincial and Local Government, and in concurrence with the Minister of Finance as required through section 19 of the Act, may determine that a rate levied by the Council on a category of non residential property may not exceed the ratio to the rate on residential property. In the absence of any such promulgation the municipality will apply the standard ratio for agricultural properties as 1:0.25 (75% rebate on the tariff for residential properties). For the 2008/2009 financial year the minister has promulgated a ratio of 1:0.25 which remains unchanged for the 2011/2012 financial year.
- iii. An additional rebate (based on the total property value) of maximum 10% will be granted by the municipality in respect of the following:-
  - a. 2,5% for the provision of accommodation in a permanent structure to farm workers and their dependants.
  - b. 2,5% if these residential properties are provided with potable water.
  - c. 2,5% if the farmer for the farm workers electrifies these residential properties.
  - d. 2,5% for the provision of land for burial to own farm workers or educational or recreational purposes to own farm workers as well as people from surrounding



farms.

- iv. The granting of additional rebates is subject to the following:-
- a. All applications must be addressed in writing to the municipality indicating how service delivery and development obligations of the municipality and contribution to the social and economic welfare of farm workers were met. This application will be required as a once-off requirement.
  - b. Any new applications must be addressed in writing to the municipality by 31 August of the financial year in respect of which the application is made. If the rebate applied for is granted the rebate will apply for the full financial year and such application will again be regarded as a once-off requirement. Applications received after 31 August for the financial year in respect of which the application is made will only be applied for the remainder of that financial year if approved.
  - c. Council reserves the right to send officials or its agents on an annual basis to premises/households receiving relief for the purposes of conducting an on-site audit of the details supplied. The onus also rests on recipients to immediately notify Council of any changes in their original applications.
  - d. The municipality retains the right to refuse applications for rebates if the details supplied in the application form were incomplete, incorrect or false.
- v. No other rebates will be granted to properties that qualify for the agricultural rebate. For the avoidance of doubt, properties that qualify for the agricultural rebate will not be entitled to the residential rate exemption as set out in clause 11.1(b) of this policy.

d. Farm properties and smallholdings used for residential purposes

The municipality annually grants an additional rebate to owners of farm properties and smallholdings that are used for residential purposes. Such a rebate is in relation to the extent of rate-funded services that the municipality renders in respect of such properties. For the 2011/2012 financial year the rebate is determined as 10%.

e. Farm properties and smallholdings used for industrial, commercial and business purposes

The municipality annually grants an additional rebate to owners of farm properties and smallholdings that are used for industrial, commercial and business purposes. Such a rebate is in relation to the extent of rate-funded services that the municipality renders in respect of such properties. For the 2011/2012 financial year the rebate is determined as 10%.

### 13.2 Categories of owners

Indigent owners and child headed families will receive a 100% rebate from payment of property tax:-

(a) Indigent owners

Owners who qualify and who are registered as indigents in terms of the adopted indigent policy of the municipality. If qualifying in terms of the indigent policy this 100% rebate will automatically apply and no further application is thus required.

(b) Child headed families

- i. Families headed by children will receive a 100% rebate for paying property tax, according to monthly household income. To qualify for this rebate the head of the family must:-
  - a. occupy the property as his/her normal residence;
  - b. not be older than 18 years of age;
  - c. still be a scholar or jobless; and
  - d. be in receipt of a total monthly income from all sources not exceeding an amount to be determined annually by the Municipality. For the 2011/2012 financial year this amount is determined as R3 000 per month.
- ii. The family head must apply on a prescribed application form for registration as a child headed household and must be assisted by the municipality with completion of the application form. If qualifying, this rebate will automatically apply and no further application is thus required.

(c) Retired and Disabled Persons Rate Rebate

- i. Retired and Disabled Persons, not registered as indigents, qualify for special rebates according to monthly household income. To qualify for the rebate a property owner must:-
  - a. occupy the property as his/her normal residence;
  - b. be at least 60 years of age or in receipt of a disability pension from the Department of Welfare and Population Development;
  - c. be in receipt of a total monthly income from all sources as annually determined by the municipality (including income of spouses of owner);
  - d. not be the owner of more than one property; and
  - e. provided that where the owner is unable to occupy the property due to no fault of his/her own, the spouse or minor children may satisfy the occupancy requirement.
- ii. Property owners must apply on a prescribed application form for a rebate as determined by the municipality. Applications must be accompanied by-
  - a. a certified copy of the identity document or any other proof of the owners age which is acceptable to the municipality;
  - b. sufficient proof of income of the owner and his/her spouse;
  - c. an affidavit from the owner;
  - d. if the owner is a disabled person proof of a disability pension payable by the state must be supplied; and
  - e. if the owner has retired at an earlier stage for medical reasons proof thereof must be submitted.
- iii. All applications must be addressed in writing to the municipality by 31 August for the financial year in respect of which the rate is levied. If the rebate applied for is granted the rebate will apply for the

full financial year. For the 2011/2012 financial year the total monthly income and corresponding rebate is determined as follows:-

- a. R0 to R2 500 per month - 100%.

- b. R2 501 to R5 000 per month - 50%.
  - c. R5 001 to R8 000 per month - 20%.
- iv. The municipality retains the right to refuse the exemption if the details supplied in the application form were incomplete, incorrect or false.

13.3 Properties with a market value below a prescribed valuation level of a value to be determined annually by the Municipality may, instead of a rate being determined on the market value, be rated a uniform fixed amount per property.

13.4 The extent of the rebates granted in terms of clauses 13.1 and 13.2 must annually be determined by the municipality and included in the annual budget.

## **15. 14. PAYMENT OF RATES**

14.1 The rates levied on the properties shall be payable:-

- (a) on a monthly basis; or
- (b) annually, before 30 September each year.

14.2 Ratepayers may choose paying rates annually in one instalment on or before 30 September each year. If the owner of property that is subject to rates, notify the municipal manager or his/her nominee in writing not later than 30 June in any financial year, or such later date in such financial year as may be determined by the municipality that he/she wishes to pay all rates annually, such owner shall be entitled to pay all rates in the subsequent financial year and each subsequent financial year annually until such notice is withdrawn by him/her in a similar manner.

14.3 The municipality shall determine the due dates for payments in monthly installments and the single annual payment and this date shall appear on the accounts forwarded to the owner/ tenant/ occupants/ agent.

14.4 Rates payable on an annual basis will be subject to a discount of 5% if paid in full on or before 30 September of each year.

14.5 Interest on arrears rates, whether payable on or before 30 September or in equal monthly installments, shall be calculated in accordance with the provisions of the Credit Control and Debt Collection Policy of the Municipality.

14.6 If a property owner who is responsible for the payment of property rates in terms of this policy fails to pay such rates in the prescribed manner, it will be recovered from him/her in accordance with the provisions of the Credit Control and Debt Collection By-law of the Municipality.

14.7 Arrears rates shall be recovered from tenants, occupiers and agents of the owner, in terms of section 28 and 29 of the Act and the Municipality's credit control and debt collection by-law.

- 14.8 Where the rates levied on a particular property have been incorrectly determined, whether because of an error or omission on the part of the municipality or false information provided by the property owner concerned or a contravention of the permitted use to which the property concerned may be put, the rates payable shall be appropriately adjusted for the period extending from the date on which the error or omission is detected back to the date on which rates were first levied in terms of the current valuation roll.
- 14.9 In addition, where the error occurred because of false information provided by the property owner or as a result of a contravention of the permitted use of the property concerned, interest on the unpaid portion of the adjusted rates payable shall be levied at the maximum rate permitted by prevailing legislation.
- 14.10 In the event of rates levied emanating from a supplementary valuation, payment thereof will be according to the date determined by the Municipality and payment thereof may not be withheld pending an objection or appeal as determined by section 78(2) of the Act.
- 14.11 In the event that a property has been transferred to a new owner and rates emanating from a supplementary valuation become due and payable, the owner on date of the levy will be held responsible for the settlement of the interim rates account.
- 14.12 Rates Clearance Certificates will be valid for up to 60 days. No extension on a certificate will be granted. If it expires a new application for clearance must be made.

## **16. 15. ACCOUNTS TO BE FURNISHED**

- 15.1 The municipality will furnish each person liable for the payment of rates with a written account, which will specify:-
- (i) the amount due for rates payable,
  - (ii) the date on or before which the amount is payable,
  - (iii) how the amount was calculated,
  - (iv) the market value of the property, and
  - (v) rebates, exemptions, reductions or phasing-in, if applicable.
- 15.2 A person liable for payment of rates remains liable for such payment, whether or not such person has received a written account from the municipality. If the person concerned has not received a written account, he/she must make the necessary enquiries with the municipality.
- 15.3 In the case of joint ownership the municipality shall consistently, in order to minimise costs and unnecessary administration, recover rates from one of the joint owners only provided that it takes place with the consent of the owners concerned.

## **17. 16. PHASING IN OF RATES**

16.1 The rates to be levied on newly rateable property shall be phased in as explicitly provided for in section 21 of the Act.

16.2 The phasing-in discount on the properties referred to in section 21 shall be as follows:-

- First year : 75% of the relevant rate;
- Second year : 50% of the relevant rate; and
- Third year : 25% of the relevant rate.

16.3 No rates shall be levied on newly rateable properties that are owned and used by organisations conducting activities that are beneficial to the public and that are registered in terms of the Income Tax Act for those activities, during the first year. The phasing-in discount on these properties shall be as indicated below:-

- First year : 100% of the relevant rate;
- Second year : 75% of the relevant rate;
- Third year : 50% of the relevant rate; and
- Fourth year : 25% of the relevant rate.

## **18. 17. FREQUENCY OF VALUATION**

17.1 The municipality shall prepare a new valuation roll at least every 4 (four) years.

17.2 In accordance with the Act the municipality, under exceptional circumstances, may request the MEC for Local Government and Housing in the province to extend the validity of the valuation roll to 5 (five) years.

17.3 Supplementary valuations may be done on a continual basis but at least on an annual basis.

## **19. 18. COMMUNITY PARTICIPATION**

18.1 Before the municipality adopts the rates policy, the municipal manager will follow the process of community participation envisaged in chapter 4 of the Municipal Systems Act and comply with the following requirements:-

18.1.1 Council must establish appropriate mechanisms, processes and procedures to enable the local community to participate and will provide for consultative sessions with locally recognised community organisations and where appropriate traditional authorities.

18.1.2 Conspicuously display the draft rates policy for a period of at least 30 days (municipality to include period decided on) at the municipality's head and satellite offices, libraries and on the website.

18.1.3 Advertise in the media a notice stating that the draft rates policy has been prepared for submission to council and that such policy is available at the various municipal offices and on the website for public inspection.

- 18.1.4 Property owners and interest persons may obtain a copy of the draft policy from the municipal offices during office hours at a fee as determined by Council as part of its annual tariffs. Property owners and interest persons are invited to submit written comments or representations to the municipality within the specified period in the notice.
- 18.1.5 Council will consider all comments and/or representations received when considering the finalisation of the rates policy.
- 18.1.6 The municipality will communicate the outcomes of the consultation process in accordance with section 17 of the Municipal Systems Act 32 of 2000.

## **20. 19. REGISTER OF PROPERTIES**

- 19.1 The municipality will compile and maintain a register in respect of all properties situated within the jurisdiction of the municipality. The register will be divided into Part A and Part B.
- 19.2 Part A of the register will consist of the current valuation roll of the municipality and will include all supplementary valuations done from time to time.
- 19.3 Part B of the register will specify which properties on the valuation roll or any supplementary valuation roll are subject to:
- i. Exemption from rates in terms of section 15 of the Property Rates Act,
  - ii. Rebate or reduction in terms of section 15,
  - iii. Phasing-in of rates in terms of section 21, and
  - iv. Exclusions as referred to in section 17.
- 19.4 The register will be open for inspection by the public at the municipal main offices during office hours or on the website of the municipality.
- 19.5 The municipality will update Part A of the register during the supplementary valuation process.
- 19.6 Part B of the register will be updated on an annual basis as part of the implementation of the municipality's annual budget.

## **21. 20. BY-LAWS TO GIVE EFFECT TO THE RATES POLICY**

- 20.1 The municipality will adopt By-laws to give effect to the implementation of the Rates Policy and such By-laws may differentiate between different categories of properties and different categories of owners of properties liable for the payment of rates.

## **22. 21. REGULAR REVIEW PROCESSES**

- 21.1 The rates policy must be reviewed on an annual basis to ensure that it complies with the Municipality's strategic objectives as contained in the Integrated Development Plan and recent legislation.

**23. 22. ENFORCEMENT/IMPLEMENTATION AND ENQUIRIES**

22.1 This policy has been approved by the Municipality in terms of Council resolution ..... dated ..... and takes effect on the effective date of the first valuation roll on 1 July 2011.



# PROPERTY RATES BY-LAW (FINAL)

(20 FEBRUARY 2011)

FOR IMPLEMENTATION ON 1 JULY 2011

**NALEDI LOCAL MUNICIPALITY**  
**PROPERTY RATES BY-LAW**

The Municipal Manager of Naledi Local Municipality hereby, in terms of Section 6 of the Local Government: Municipal Property Rates Act, 2004 (No. 6 of 2004), publishes the Property Rates By-law for the Naledi Local Municipality, as approved by its Council as set out hereunder.

**PURPOSE OF BY-LAW**

To allow Council to exercise its power to value and impose rates on immovable properties located within its area of jurisdiction in such a manner that it will contribute to effective and economic service delivery to the entire community.

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**1. Definitions**

For the purpose of these by-laws any word or expression to which a meaning has been assigned in the Local Government: Municipal Property Rates Act, 2004 (Act No. 6 of 2004) shall bear the same meaning in these by-laws and unless the context indicates otherwise-

1.1 **“Act”** means the Local Government: Municipal Property Rates Act, 2004 (Act No. 6 of 2004) and any amendment thereof;

1.2 **“Agent”**, in relation to the owner of a property, means a person appointed by the owner of the property-

(a) to receive rental or other payments in respect of the property on behalf of the owner; or

(b) to make payments in respect of the property on behalf of the owner;

1.3 **“Agricultural purpose”** in relation to the use of a property, includes the use of a property for the purpose of eco-tourism or for the trading in or hunting of game;

1.4 **“Annually”** means once every financial year;

1.5 **“Business and commercial property”** – means -

- (a) property used for the activity of buying, selling or trading in commodities or services and includes any office or other accommodation on the same property, the use of which is incidental to such activity; or
- (b) property on which the administration of the business of private or public entities take place;

1.6 **“Category”**

- (a) in relation to property, means a category of properties determined in terms of Section 7 of this policy; and
- (b) in relation to owners of properties, means a category of owners determined in terms of Section 8 of this policy.

1.7 **“Child-headed household”** means a household where the main caregiver of the said household is younger than 18 years of age. Child-headed household means a household headed by a child as defined in terms of section 28(3) of the Constitution.

1.8 **“Definitions, words and expressions”** as used in the Act are applicable to this policy document where ever it is used;

1.9 **“Exclusion”** – in relation to a municipality’s rating power, means a restriction of that power as provided for in sections 16 and 17 of the Act;

1.10 **“Exemption”** - in respect of the calculation of a rate means an exemption granted in terms of section 15(1)(a) of the Act;

1.11 **“Farm property or small holdings used for agricultural purpose”** – means property that is used for the cultivation of soils for purposes of planting and gathering in of crops; forestry in the context of the planting or growing of trees in a managed and structured fashion; the rearing of livestock and game or the propagation and harvesting of fish, but excludes the use of a property for the purpose of eco-tourism; and in the respect of property on which game is reared, trade or hunted, it excludes any portion that is used for commercial or business purposes;

1.12 **“Farm property not used for any purpose”** – means agricultural property which is not used for such purpose, regardless of whether such portion of such property has a dwelling on it which is used as a dwelling and must be regarded as residential property;

1.13 **“Financial year”** – the period starting from 1 July in a year to 30 June the following year;

1.14 **“Industrial property”** – means property used for a branch of trade or manufacturing, production, assembly or processing of finished or partially finished products from raw materials or fabricated parts on such a large scale that capital and labour are significantly involved, and includes any office or other accommodation on the same property, the use of which is incidental to such activity;

1.15 **“Land reform beneficiary”**, in relation to a property, means a person who -

- (a) acquired the property through -

- (i) the Provision of Land and Assistance Act, 1993 (Act No. 126 of 1993); or
- (ii) the Restitution of Land Rights Act, 1994 (Act No. 22 of 1994);
- (b) holds the property subject to the Communal Property Associations Act, 1996 (Act No 28 of 1996);
- (c) holds or acquires the property in terms of such other land tenure reform legislation as may pursuant to section 25(6) and (7) of the Constitution (Act No.108 of 1996) be enacted after this Act has taken effect;

1.16 **“Land tenure right”** means an old order right or a new order right as defined in section 1 of the Communal Land Rights Act, 2004 (Act No.11 of 2004);

1.17 **“Municipality”** means the Local Municipality of Naledi;

1.18 **“Newly Rateable property”** means any rateable property on which property rates were not levied before the end of the financial year preceding the date on which this Act took effect, excluding –

- (a) a property which was incorrectly omitted from a valuation roll and for that reason was not rated before that date; and
- (b) a property identified by the Minister by notice in the Gazette where the phasing-in of a rate is not justified;

1.19 **“Occupier”** – in respect of a property means a person in actual occupation of a property, whether or not that person has a right to occupy the property;

1.20 **“Open space”** - means land that is used as a park, garden, for passive leisure or maintained in its natural state;

1.21 **“Owner”**-

- (a) in relation to a property referred to in paragraph (a) of the definition of “property”, means a person in whose name ownership of the property is registered;
- (b) in relation to a right referred to in paragraph (b) of the definition of “property”, means a person in whose name the right is registered;
- (c) in relation to a land tenure right referred to in paragraph (c) of the definition of “property”, means a person in whose name the right is registered or to whom it was granted in terms of legislation; or
- (d) in relation to public service infrastructure referred to in paragraph (d) of the definition of “property”, means the organ of state which owns or controls that public service infrastructure as envisaged in the definition of “publicly controlled”, provided that a person mentioned below may for the purposes of this Act be regarded by a municipality as the owner of a property in the following cases:-
  - (i) a trustee, in the case of a property in a trust excluding state trust land;
  - (ii) an executor or administrator, in the case of a property in a deceased estate;
  - (iii) a trustee or liquidator, in the case of a property in an insolvent estate or in
  - (iv) a judicial manager, in the case of a property in the estate of a person under
  - (v) a curator, in the case of a property in the estate of a person under curatorship;
  - (vi) a person in whose name a usufruct or other personal servitude is registered, in the case of a property that is subject to a usufruct or other personal servitude;
  - (vii) a lessee, in the case of a property that is registered in the name of a municipality and is leased by it; or

(viii) a buyer, in the case of a property that was sold by a municipality and of which possession was given to the buyer pending registration of ownership in the name of the buyer;

1.22 “**privately open space**” means land that is privately owned and used for practising of sport, play- or leisure facilities or used as a botanical garden, cemetery or nature area;

1.23 “**Privately owned towns serviced by the owner**” means single properties, situated in an area not ordinarily being serviced by the municipality, divided through sub division or township establishment into (ten or more) full title stands and/ or sectional units and where all rates related services inclusive of installation and maintenance of streets, roads, sidewalks, lighting, storm water drainage facilities, parks and recreational facilities are installed at the full cost of the developer and maintained and rendered by the residents of such estate.

1.24 “**Property**” means -

- (a) immovable property registered in the name of a person, including, in the case of a sectional title scheme, a sectional title unit registered in the name of a person;
- (b) a right registered against immovable property in the name of a person, excluding a mortgage bond registered against the property;
- (c) a land tenure right registered in the name of a person or granted to a person in terms of legislation; or
- (d) public service infrastructure.

1.25 “**Public service infrastructure**” means publicly controlled infrastructure of the following kinds:

- (a) national, provincial or other public roads on which goods, services or labour move across a municipal boundary;
- (b) water or sewer pipes, ducts or other conduits, dams, water supply reservoirs, water treatment plants or water pumps forming part of a water or sewer scheme serving the public;
- (c) power stations, power substations or power lines forming part of an electricity scheme serving the public;
- (d) gas or liquid fuel plants or refineries or pipelines for gas or liquid fuels, forming part of a scheme for transporting such fuels;
- (e) railway lines forming part of a national railway system;
- (f) communication towers, masts, exchanges or lines forming part of a communications system serving the public;
- (g) runways or aprons at national or provincial airports;
- (h) breakwaters, sea walls, channels, basins, quay walls, jetties, roads, railway or infrastructure used for the provision of water, lights, power, sewerage or similar services of ports, or navigational aids comprising lighthouses, radio navigational aids, buoys, beacons or any other device or system used to assist the safe and efficient navigation of vessels;
- (i) any other publicly controlled infrastructure as may be prescribed; or
- (j) rights of way, easements or servitudes in connection with infrastructure mentioned in paragraphs (a) to (i).

1.26 “**Residential property**” means improved property that:-

- (a) is used predominantly (60% or more) for residential purposes, including any adjoining property registered in the name of the same owner and used together with such residential property as if it were one property. Any such grouping shall be regarded as one residential property for rate rebate or valuation reduction purposes;
  - (b) is a unit registered in terms of the Sectional Title Act and is used predominantly for residential purposes;
  - (c) is owned by a share-block company and is used predominantly for residential purposes;
  - (d) is a residence used for residential purposes situated on a property used for educational purposes;
  - (e) is property which is included as residential in a valuation list in terms of section 48(2)(b) of the Act;
  - (f) are retirement schemes and life right schemes used predominantly (60% or more) for residential purposes;
- vacant properties (empty stands), hotels, hostels, old-age homes and accommodation establishments, irrespective of their zoning or intended use, have been specifically excluded from this property category;

1.27 **“Rural communal settlements”** means the residual portion of rural communal land excluding identifiable and rateable entities within the property and excluding State Trust Land and land reform beneficiaries as defined in the Act.

1.28 **“small holding”** - means

- (a) all agricultural zoned land units situated within an urban region with an area of one to three hectares; or
- (b) any agricultural zoned land unit situated outside an urban region with an area of three hectares or less;

1.29 **“state owned property”** – excludes any property included in the valuation roll under the category ‘residential property’ or ‘vacant land’.

1.30 **“state trust land”** means land owned by the state-

- (a) in trust for persons communally inhabiting the land in terms of a traditional system of land tenure;
- (b) over which land tenure rights were registered or granted; or
- (c) which is earmarked for disposal in terms of the Restitution of Land Rights Act, 1994 (Act No. 22 of 1994).

1.31 In this by-law, words used in the masculine gender include the feminine, the singular includes the plural and vice versa.

## 24. 2. Principles

2.1 Rates will be levied in accordance with the Act as an amount in the rand based on the market value of all rateable property contained in the municipality’s valuation roll and supplementary valuation roll.

2.2 The municipality will differentiate between various categories of property and categories of owners of property as contemplated in clause 5 and 6 of this by-law.

2.3 Some categories of property and categories of owners will be granted relief from rates.



2.4 The municipality will not grant relief in respect of payments for rates to any category of owners or properties, or to owners of properties on an individual basis.

2.5 There will be no phasing in of rates based on the new valuation roll, except as prescribed by legislation and in accordance with clause 14 of this by-law.

2.6 The municipality's rates policy will be based on the following principles:

(a) Equity

The municipality will treat all ratepayers with similar properties the same.

(b) Affordability

The ability of a person to pay rates will be taken into account by the municipality. In dealing with the poor/indigent ratepayers the municipality will provide relief measures through exemptions, reductions or rebates and cross subsidy from the equitable share allocation.

(c) Sustainability

Rating of property will be implemented in a way that:

- i. it supports sustainable local government by providing a stable and buoyant revenue source within the discretionary control of the municipality;
- ii. Supports local, social and economic development; and
- iii. Secures the economic sustainability of every category of ratepayer.

(d) Cost efficiency

Rates will be based on the value of all rateable property and will be used to fund community and subsidised services after taking into account surpluses generated on trading (water, electricity) and economic (refuse removal, sewerage disposal) services and the amounts required to finance exemptions, rebates, reductions and phasing-in of rates as approved by the municipality from time to time.

## 25. 3. Application of By-law

3.1 Where this by-law contradicts national legislation, such legislation has preference over this by-law. The Municipal Manager shall bring such conflicts immediately to the attention of the municipality once he becomes aware of such conflicts and will propose changes to the municipality's by-laws to eliminate such conflicts.

3.2 If there is any conflict between this by-law and the Property Rates policy of the municipality, this by-law will prevail.

3.3 In imposing the rate in the rand for each annual operating budget component, the municipality shall grant exemptions, rebates and reductions to the categories of properties and categories of owners.

## 26.

## 27. 4. Principles applicable to financing services

4.1 The municipal manager or his/her nominee must, subject to the guidelines provided by the National Treasury and Executive Committee of the municipality, make provision for the following classification of services:-

(a) Trading services

i. Water

ii. Electricity

(b) Economic services

i. Refuse removal.

ii. Sewerage disposal.

(c) Community and subsidised services

These include all those services ordinarily being rendered by the municipality excluding those mentioned in 4.1 (a) and (b).

4.2 Trading and economic services as referred to in clauses (a) and (b) must be ring fenced and financed from service charges while community and subsidised services referred to in clause (c) will be financed from surpluses on trading and economic services, regulatory fees, rates and rates related income.

## 28. 5. Categories of property

5.1 Different rates may be levied in respect of the categories of rateable properties as determined by the municipality's rates policy.

5.2 Such rates will be determined on an annual basis during the compilation of the municipality's budget.

5.3 In determining the category of a property referred to in 5.1 the municipality shall take into consideration the dominant use of the property regardless the formal zoning of the property;

5.4 Properties used for multiple purposes shall be categorised and rated as provided for in section 9 of the Act and as more fully described in clause 7 of this by-law.

**29. 6. Categories of owners**

6.1 For the purpose of granting exemptions, reductions and rebates in terms of clause 9, 10 and 11 respectively, different categories of owners of properties will be determined in the municipality's rates policy.

**30. 7. Properties used for multiple purposes**

7.1 Rates on properties used for multiple purposes will be levied by the "dominant use of the property".

**31. 8. Differential rating**

**32.**  
8.1 Criteria for differential rating on different categories of properties will be according to-

(a) The nature of the property including its sensitivity to rating e.g. agricultural properties used for agricultural purposes.

(b) The promotion of social and economic development of the municipality.

8.2 Differential rating among the various property categories will be done by way of setting different cent amount in the rand for each property category; and

8.3 by way of reductions and rebates as provided for in the municipality's rates policy document.

**33. 9. Exemptions and Impermissible Rates**

9.1 Categories of property and categories of owners as determined by the municipality's rates policy on an annual basis will be exempted from paying rates.

9.2 Conditions determined by the rates policy will be applied accordingly.

9.3 Exemptions will automatically apply where no applications are required.

9.4 Rates may not be levied by the municipality on properties prescribed in Section 17(1) of the Municipal Property Rates Act, 2004.

9.5 Public Benefit Organisation Property owned by public benefit organisations and used for any specified public benefit activity listed in item 1 (welfare and humanitarian), item 2 (health care), and item 4 (education and development) of part 1 of the Ninth Schedule to the Income Tax Act, may apply for exemption of property rates, on conditions as determined by the municipality's rates policy.



9.6 The municipality retains the right to refuse the exemption if the details supplied in the application form were incomplete, incorrect or false.

9.7 The extent of the exemptions implemented will annually be determined by the municipality and it must be included in the annual budget.

#### **34. 10. Reductions**

10.1 Reductions as contemplated in section 15 of the Act will be considered on an *ad-hoc* basis in the event of the following:

10.1.1 Partial or total destruction of a property.

10.1.2 Disasters as defined in the Disaster Management Act, 2002 (Act 57 of 2002).

10.2 The following conditions shall be applicable in respect of 10.1:-

10.2.1 The owner referred to in 10.1.1 shall apply in writing for a reduction and the onus will rest on such applicant to prove to the satisfaction of the municipality that his property has been totally or partially destroyed. He/she will also have to indicate to what extent the property can still be used and the impact on the value of the property.

10.2.2 Property owners will only qualify for a rebate if affected by a disaster as referred to in the Disaster Management Act, 2002 (Act No. 57 of 2002).

10.2.3 A maximum reduction determined annually by the municipality will be allowed in respect of both

10.1.1

and 10.1.2.

10.2.4 An ad-hoc reduction will not be given for a period in excess of 6 months, unless

the municipality gives further extension on application.

10.2.5 If rates were paid in advance prior to granting of a reduction the municipality will give credit to such an owner as from the date of reduction until the date of lapse of the reduction or the end of the period for which payment was made whichever occurs first.

#### **35. 11. Rebates**

11.1. Categories of property

11.1.1 The municipality may grant rebates to categories of property as determined in the municipality's rates policy.

11.2 Categories of owners

11.2.1 The municipality may grant rebates to categories of owners as determined annually in the municipality's rates policy.

11.3 Conditions determined by the rates policy will be applied accordingly.

11.4 Applications for rebates must reach the municipality before the date determined by the property policy, preceding the start of the new municipal financial year for which relief is sought.

11.5 The municipality retains the right to refuse rebates if the details supplied in the application form were incomplete, incorrect or false.

11.6 Properties with a market value below a prescribed valuation level of an amount determined annually by the Municipality may, instead of a rate being determined on the market value, be rated a uniform fixed amount per property.

11.7 The extent of the rebate in terms of 11.1, 11.2 and 11.6 will annually be determined by the municipality and it must be included in the annual budget.

#### **36.**

#### **37. 12. Payment of rates**

12.1 Council may levy assessment rates: -

(a) On a monthly basis or less regular as determined by the Municipal Finance Management Act,(No.56 of 2003) or

(b) Annually, as agreed with the owner of the property.

12.2 The municipality shall determine the due dates for payments in monthly installments and the single annual payment and this date shall appear on the accounts forwarded to the owner/ tenant/ occupants/ agent.

12.3 Rates payable on an annual basis, will be subject to a discount of 5% if paid in full on or before 30 September of each year.

12.4 Interest on arrears rates, whether payable on or before 30 September or in equal monthly instalments, shall be calculated in accordance with the provisions of the Credit Control and Debt Collection Policy of the Municipality.

12.5 If a property owner who is responsible for the payment of property rates in terms of the rates policy, fails to pay such rates in the prescribed manner, it will be recovered from him/her in accordance with the provisions of the Credit Control and Debt Collection By-law of the Municipality.

12.6 Arrears rates shall be recovered from tenants, occupiers and agents of the owner, in terms of section 28 and 29 of the Act and the Municipality's credit control en debt collection by-law.

12.7 Where the rates levied on a particular property have been incorrectly determined, whether because of an error or omission on the part of the municipality or false information provided by the property owner concerned or a contravention of the permitted use to which the property concerned may be put, the rates payable shall be appropriately adjusted for the period extending from the date on which the error or omission is detected back to the date on which rates were first levied in terms of the current valuation roll.

12.8 In addition, where the error occurred because of false information provided by the property owner or as a result of a contravention of the permitted use of the property concerned, interest on the unpaid portion of the adjusted rates payable shall be levied at the maximum rate permitted by prevailing legislation.

12.9 In the event of rates levied emanating from a supplementary valuation, payment thereof will be according to the date determined by the Municipality and payment thereof may not be withheld pending an objection or appeal as determined by section 78(2) of the Act.

12.10 In the event that a property has been transferred to a new owner and rates emanating from a supplementary valuation become due and payable, the owner on date of the levy will be held responsible for the settlement of the interim rates account.

12.11 Rates Clearance Certificates will be valid for up to 60 days. No extension on a certificate will be granted. If it expires a new application for clearance must be made

### **38. 13. Accounts to be furnished**

13.1 The municipality will furnish each person liable for the payment of rates with a written account, which will specify:

- (i) the amount due for rates payable,
- (ii) the date on or before which the amount is payable,
- (iii) how the amount was calculated,
- (iv) the market value of the property, and
- (v) rebates, exemptions, reductions or phasing-in, if applicable.

13.2 A person liable for payment of rates remains liable for such payment, whether or not such person has received a written account from the municipality. If the person

concerned has not received a written account, he/she must make the necessary enquiries with the municipality.

13.3 In the case of joint ownership the municipality shall consistently, in order to minimise costs and unnecessary administration, recover rates from one of the joint owners only provided that it takes place with the consent of the owners concerned.

#### 39. 14. Phasing in of rates

14.1 The rates to be levied on newly rateable property shall be phased in as explicitly provided for in section 21 of the Act.

14.2 The phasing-in discount on the properties referred to in section 21 shall be as follows:

- First year: 75% of the relevant rate;
- Second year : 50% of the relevant rate; and
- Third year : 25% of the relevant rate.

14.3 No rates shall be levied on newly rateable properties that are owned and used by organisations conducting activities that are beneficial to the public and that are registered in terms of the Income Tax Act for those activities, during the first year. The phasing-in discount on these properties shall be as indicated below:-

- First year :100% of the relevant rate;
- Second year : 75% of the relevant rate;
- Third year : 50% of the relevant rate; and
- Fourth year : 25% of the relevant rate.

#### 40. 15. Frequency of valuation

15.1 The municipality shall prepare a new valuation roll every 4 (four) years.

15.2 The municipality, under exceptional circumstances, may request the MEC for Local Government and Housing in the province to extend the validity of the valuation roll to 5 (five) years.

15.3 Supplementary valuations will be done at least on an annual basis to ensure that the valuation roll is properly maintained.

#### 41. 16. Community participation

16.1 Before the municipality adopts the rates by-law, the municipal manager will follow the process of community participation envisaged in chapter 4 of the Municipal Systems Act and comply with the following requirements:

16.1.1 Council must establish appropriate mechanisms, processes and procedures to enable the local community to participate and will provide for consultative sessions with locally recognised community organisations and where appropriate traditional authorities.

16.1.2 Conspicuously display the draft rates by-law for a period of at least 30 days (municipality to include period decided on) at the municipality's head and satellite offices and libraries (and on the website).

16.1.3 Advertise in the media a notice stating that the draft rates by-law has been prepared for submission to council and that such by-law is available at the various municipal offices and on the website for public inspection.

16.1.4 Property owners and interest persons may obtain a copy of the draft policy from the municipal offices during office hours at a fee as determined by Council as part of its annual tariffs. Property owners and interest persons are invited to submit written comments or representations to the municipality within the specified period in the notice.

16.1.5 The municipality will consider all comments and/or representations received when considering the finalisation of the rates policy and by-law.

16.1.6 The municipality will communicate the outcomes of the consultation process in accordance with section 17 of the Municipal Systems Act 32 of 2000.

#### **42. 17. Register of properties**

17.1 The municipality will compile and maintain a register in respect of all properties situated within the jurisdiction of the municipality. The register will be divided into Part A and Part B.

17.2 Part A of the register will consist of the current valuation roll of the municipality and will include all supplementary valuations done from time to time.

17.3 Part B of the register will specify which properties on the valuation roll or any supplementary valuation roll are subject to:

- i. Exemption from rates in terms of section 15 of the Property Rates Act, 2004,
- v. Rebate or reduction in terms of section 15 of the Act,
- vi. Phasing-in of rates in terms of section 21 of the Act, and
- vii. Exclusions as referred to in section 17 of the Act.

17.4 The register will be open for inspection by the public at the municipal main offices during office hours or on the website of the municipality.

17.5 The municipality will update Part A of the register during the supplementary valuation process.

17.6 Part B of the register will be updated on an annual basis as part of the implementation of the municipality's annual budget.

#### **43. 18. Regular review processes**

18.1 The municipality's rates policy must be reviewed on an annual basis to ensure that it complies with the Municipality's strategic objectives as contained in the Integrated Development Plan and with relevant legislation.

#### **19. Short title**

19.1 This by-law is the rates by-law of the Naledi Local Municipality.

#### **20. Commencement**

20.1 This by-law comes into force and effect on 1 July 2011.

**ANNEXURE: Table A1: BUDGET SUMMAR**

FS171 Naledi (Fs) - Table A1 Budget Summary											
Description	2007/8		2008/9		Current Year 2009/10			2010/11 Medium Term Revenue & Expenditure Framework		Budget Year +1 2011/12	Budget Year +2 2012/13
	R thousands	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2010/11			
<b>Financial Performance</b>											
Property rates	2,524	2,739	3,041	3,002	1,038	1,038	-	2,355	2,589	3,192	
Service charges	6,827	8,836	17,370	10,602	7,823	10,157	-	8,222	8,661	10,149	
Investment revenue	-	-	-	-	-	-	-	-	-	-	
Transfers recognized – operational	13,492	15,678	18,976	25,769	25,769	25,769	-	32,165	36,191	36,564	
Other own revenue	1,459	4,534	1,621	7,781	-	4,248	-	2,205	1,537	1,998	
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>24,301</b>	<b>31,788</b>	<b>41,008</b>	<b>47,153</b>	<b>34,631</b>	<b>41,212</b>	<b>-</b>	<b>44,947</b>	<b>48,978</b>	<b>51,903</b>	
Employee costs	12,489	12,224	16,708	17,795	19,627	19,627	-	20,441	22,287	24,438	
Remuneration of councilors	756	719	650	3,450	632	632	-	1,564	1,720	1,893	
Depreciation & asset impairment	-	-	-	-	-	-	-	4,000	5,257	5,950	
Finance charges	-	-	-	-	-	-	-	-	-	-	
Materials and bulk purchases	1,327	4,989	3,735	5,346	1,779	1,779	-	2,000	2,170	2,354	
Transfers and grants	-	-	-	-	-	-	-	-	-	-	
Other expenditure	3,449	22,838	21,164	35,696	26,003	11,012	-	29,348	31,192	33,720	
<b>Total Expenditure</b>	<b>18,022</b>	<b>40,770</b>	<b>42,258</b>	<b>62,287</b>	<b>48,042</b>	<b>33,049</b>	<b>-</b>	<b>57,352</b>	<b>62,627</b>	<b>68,354</b>	
<b>Surplus/(Deficit)</b>	<b>6,279</b>	<b>(8,982)</b>	<b>(1,250)</b>	<b>(15,133)</b>	<b>(13,411)</b>	<b>8,163</b>	<b>-</b>	<b>(12,405)</b>	<b>(13,649)</b>	<b>(16,451)</b>	
Transfers recognized – capital	9,200	-	-	13,433	13,433	13,433	-	12,634	14,149	17,203	
Contributions recognized - capital & contributed assets	-	-	-	-	-	-	-	-	-	-	
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>15,479</b>	<b>(8,982)</b>	<b>(1,250)</b>	<b>(1,700)</b>	<b>22</b>	<b>21,596</b>	<b>-</b>	<b>229</b>	<b>500</b>	<b>752</b>	
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-	
<b>Surplus/(Deficit) for the year</b>	<b>15,479</b>	<b>(8,982)</b>	<b>(1,250)</b>	<b>(1,700)</b>	<b>22</b>	<b>21,596</b>	<b>-</b>	<b>229</b>	<b>500</b>	<b>752</b>	
<b>Capital expenditure &amp; funds sources</b>											
Capital expenditure	18	26	824	19,500	13,370	1,063	-	12,744	14,274	17,353	
Transfers recognized – capital	18	26	824	20,267	16,832	4,743	-	12,634	14,149	17,203	
Public contributions & donations	-	-	-	-	-	-	-	-	-	-	
Borrowing	-	-	-	-	-	-	-	-	-	-	
Internally generated funds	-	-	-	333	857	984	-	110	125	150	

<b>Total sources of capital funds</b>	18	26	824	20,600	17,690	5,727	-	12,744	14,274	17,353
<b>Financial position</b>										
Total current assets	31,296	104	60,764	122	122	122	122	132	143	155
Total non current assets	29,955	-	34,709	19,600	13,370	6,264	13,370	12,744	11,841	13,092
Total current liabilities	14,966	-	29,443	-	-	-	-	-	-	-
Total non current liabilities	992	-	-	-	-	-	-	-	-	-
Community wealth/Equity	33,606	-	28,134	-	-	-	-	229	500	752
<b>Cash flows</b>										
Net cash from (used) operating	16,442	43,792	52,382	96,998	52,891	55,253	-	57,581	63,127	72,106
Net cash from (used) investing	-	-	-	-	-	-	-	-	-	-
Net cash from (used) financing	-	-	-	-	-	-	-	-	-	-
Cash/cash equivalents at the year end	16,442	60,234	112,616	96,998	52,891	55,253	-	57,581	120,708	192,814
<b>Cash backing/surplus reconciliation</b>										
Cash and investments available	2,672	104	(317)	122	122	122	122	132	143	155
Application of cash and investments	(9,009)	-	(17,374)	-	-	-	-	-	-	-
Balance - surplus (shortfall)	11,681	104	17,056	122	122	122	122	132	143	155
<b>Asset management</b>										
Asset register summary (WDV)	146,471	166,231	166,514	-	-	-	-	-	-	-
Depreciation & asset impairment	-	-	-	-	-	-	4,000	4,000	5,257	5,950
Renewal of Existing Assets	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	309	646	1,138	1,739	942	585	1,395	1,395	1,500	1,613
<b>Free services</b>										
Cost of Free Basic Services provided	0	-	-	-	-	-	-	-	-	-
Revenue cost of free services provided	-	-	-	-	-	-	-	-	-	-
<b>Households below minimum service level</b>										
Water:	-	1,007	1,007	1,007	1,007	1,007	1,000	1,000	1,000	1,000
Sanitation/sewerage:	-	2,371	2,371	2,371	2,371	2,371	1,000	1,000	1,000	1,000
Energy:	-	1,701	1,701	1,701	1,701	1,701	1,000	1,000	1,000	1,000
Refuse:	-	-	-	-	-	-	-	-	-	-

**BUDGET FINANCIAL PERFORMANCE( STANDARD CLASSIFICATION)**

FS171 Naledi (Fs) - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2006/7	2007/8	2008/9	Current Year 2009/10			2010/11 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
<b>Revenue - Standard</b>										
<b><i>Governance and administration</i></b>		8,194	10,191	10,756	18,655	19,072	14,319	24,109	25,349	27,393
Executive and council		6,140	6,472	8,133	8,131	7,399	7,399	7,209	7,954	8,276
Budget and treasury office		1,943	3,606	2,058	5,697	7,030	1,648	12,886	13,000	14,327
Corporate services		110	112	565	4,828	4,643	5,272	4,014	4,395	4,790
<b><i>Community and public safety</i></b>		1,196	1,313	4,300	6,756	3,682	2,206	4,224	4,954	5,519
Community and social services		1,056	1,176	1,922	4,272	2,251	736	2,436	2,940	3,284
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		86	10	36	587	514	587	81	89	96
Housing		49	85	112	1,218	180	247	207	225	239
Health		5	42	2,229	679	737	636	1,500	1,700	1,900
<b><i>Economic and environmental services</i></b>		954	1,465	1,469	7,666	2,929	840	9,178	10,594	11,372
Planning and development		-	-	-	840	568	840	631	729	805
Road transport		954	1,465	1,469	6,826	2,361	-	8,547	9,865	10,567
Environmental protection		-	-	-	-	-	-	-	-	-
<b><i>Trading services</i></b>		10,456	30,824	35,858	27,510	22,360	10,159	20,070	22,230	24,822
Electricity		222	7,108	491	2,398	2,122	-	345	500	690
Water		6,050	13,407	25,363	14,216	10,055	4,791	9,888	10,980	11,550
Waste water management		3,860	6,536	5,913	6,133	5,508	3,100	6,703	7,250	8,015
Waste management		325	3,774	4,090	4,763	4,676	2,268	3,134	3,500	4,567
<b><i>Other</i></b>	4	-	-	-	-	-	-	-	-	-
<b>Total Revenue – Standard</b>	2	20,800	43,792	52,382	60,587	48,042	27,524	57,581	63,127	69,106
<b>Expenditure - Standard</b>										
<b><i>Governance and administration</i></b>		9,555	20,314	28,968	20,850	19,072	19,486	20,490	22,374	23,508
Executive and council		7,495	9,394	18,441	10,222	7,399	7,399	7,101	7,950	8,243
Budget and treasury office		1,956	9,883	6,740	5,813	7,030	7,445	9,964	10,324	11,000
Corporate services		104	1,037	3,787	4,815	4,643	4,642	3,426	4,100	4,265
<b><i>Community and public safety</i></b>		1,783	2,208	3,754	6,767	3,682	3,705	4,490	5,180	5,813
Community and social services		1,730	2,138	2,791	4,283	2,251	2,249	2,723	3,213	3,636
Sport and recreation		-	-	-	-	-	-	-	-	-

Public safety	1	72	34	587	514	540	81	110	125	
Housing	-	5	116	1,218	180	180	231	258	287	
Health	53	(7)	813	679	737	736	1,456	1,599	1,765	
<i>Economic and environmental services</i>	<b>1,778</b>	<b>2,175</b>	<b>2,223</b>	<b>7,667</b>	<b>2,928</b>	<b>3,059</b>	<b>7,822</b>	<b>8,504</b>	<b>9,498</b>	
Planning and development	-	-	195	840	567	697	330	347	365	
Road transport	1,778	2,175	2,028	6,827	2,361	2,362	7,492	8,157	9,133	
Environmental protection	-	-	-	-	-	-	-	-	-	
<i>Trading services</i>	<b>5,207</b>	<b>16,563</b>	<b>9,239</b>	<b>27,004</b>	<b>22,360</b>	<b>6,800</b>	<b>24,550</b>	<b>26,569</b>	<b>29,535</b>	
Electricity	61	7,251	228	2,398	2,122	294	340	368	397	
Water	2,668	6,724	6,519	14,217	10,055	3,326	13,572	14,810	16,598	
Waste water management	1,481	1,531	1,628	5,626	5,508	2,103	7,466	7,950	8,390	
Waste management	997	1,057	864	4,763	4,676	1,077	3,171	3,441	4,150	
<i>Other</i>	4	-	-	-	-	-	-	-	-	
<b>Total Expenditure – Standard</b>	<b>3</b>	<b>18,323</b>	<b>41,259</b>	<b>44,183</b>	<b>62,288</b>	<b>48,042</b>	<b>33,050</b>	<b>57,352</b>	<b>62,627</b>	<b>68,354</b>
<b>Surplus/(Deficit) for the year</b>		<b>2,477</b>	<b>2,533</b>	<b>8,199</b>	<b>(1,701)</b>	<b>1</b>	<b>(5,526)</b>	<b>229</b>	<b>500</b>	<b>752</b>



**TABLE A6: FINANCIAL POSITION**FS171 Naledi (Fs) - Table A6 Budgeted  
Financial Position

Description	Ref	2006/7	2007/8	2008/9	Current Year 2009/10				2010/11 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
<b>ASSETS</b>											
<b>Current assets</b>											
Cash		2,579		-							
Call investment deposits	1	-	104	-	122	122	122	122	132	143	155
Consumer debtors	1	25,692	-	48,517	-	-	-	-	-	-	-
Other debtors		1,358		11,233							
Current portion of long-term receivables		-		-							
Inventory	2	1,667		1,014							
<b>Total current assets</b>		<b>31,296</b>	<b>104</b>	<b>60,764</b>	<b>122</b>	<b>122</b>	<b>122</b>	<b>122</b>	<b>132</b>	<b>143</b>	<b>155</b>
<b>Non current assets</b>											
Long-term receivables		-									
Investments		93		113							
Investment property		-									
Investment in Associate		-									
Property, plant and equipment	3	29,743	-	34,320	19,600	13,370	6,264	13,370	12,744	11,841	13,092
Agricultural		-									
Biological		-									
Intangible		-									
Other non-current assets		120		276							
<b>Total non current assets</b>		<b>29,955</b>	<b>-</b>	<b>34,709</b>	<b>19,600</b>	<b>13,370</b>	<b>6,264</b>	<b>13,370</b>	<b>12,744</b>	<b>11,841</b>	<b>13,092</b>
<b>TOTAL ASSETS</b>		<b>61,251</b>	<b>104</b>	<b>95,473</b>	<b>19,722</b>	<b>13,491</b>	<b>6,386</b>	<b>13,491</b>	<b>12,876</b>	<b>11,984</b>	<b>13,246</b>
<b>LIABILITIES</b>											
<b>Current liabilities</b>											
Bank overdraft	1	-		430							
Borrowing	4	114	-	114	-	-	-	-	-	-	-
Consumer deposits		317		350							
Trade and other payables	4	13,400	-	27,264	-	-	-	-	-	-	-
Provisions		1,136		1,285							
<b>Total current liabilities</b>		<b>14,966</b>	<b>-</b>	<b>29,443</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Non current liabilities</b>											
Borrowing		992	-	-	-	-	-	-	-	-	-

Provisions		-	-	-	-	-	-	-	-	-	-
Total non current liabilities		992	-	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>		<b>15,959</b>	<b>-</b>	<b>29,443</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET ASSETS</b>	5	<b>45,292</b>	<b>104</b>	<b>66,031</b>	<b>19,722</b>	<b>13,491</b>	<b>6,386</b>	<b>13,491</b>	<b>12,876</b>	<b>11,984</b>	<b>13,246</b>
<b>COMMUNITY WEALTH/EQUITY</b>											
Accumulated Surplus/(Deficit)		30,940		25,199					229	500	752
Reserves Minorities' interests	4	2,666	-	2,935	-	-	-	-	-	-	-
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	5	<b>33,606</b>	<b>-</b>	<b>28,134</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>229</b>	<b>500</b>	<b>752</b>

References

**TABLE A7: BUDGET CASH FLOW**

FS171 Naledi (Fs) - Table A7  
Budgeted Cash Flows

Description	Ref	2006/7	2007/8	2008/9	Current Year 2009/10				2010/11 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
Receipts											
Ratepayers and other		16,369	41,522	52,243	60,504	16,397	18,759		12,782	12,787	15,339
Government - operating	1				25,769	25,769	25,769		32,165	36,191	39,564
Government - capital	1				10,605	10,605	10,605		12,634	14,149	17,203
Interest		73	2,270	139	120	120	120				
Dividends		-	-	-	-	-	-				
Payments											
Suppliers and employees											
Finance charges											
Transfers and Grants	1	-	-	-	-	-	-		-	-	-
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>16,442</b>	<b>43,792</b>	<b>52,382</b>	<b>96,998</b>	<b>52,891</b>	<b>55,253</b>	<b>-</b>	<b>57,581</b>	<b>63,127</b>	<b>72,106</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
Receipts											
Proceeds on disposal of PPE											
Decrease (Increase) in non-current debtors											
Decrease (increase) other non-current receivables											
Decrease (increase) in non-current investments											
Payments											
Capital assets											
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
Receipts											
Short term		-	-	-	-	-	-		-	-	-

loans											
Borrowing long term/refinancing											
Increase											
(decrease) in consumer deposits											
Payments											
Repayment of borrowing											
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>											
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>											
Cash/cash equivalents at the year begin:	2	16,442	43,792	52,382	96,998	52,891	55,253	-	57,581	63,127	72,106
Cash/cash equivalents at the year end:	2	16,442	60,234	112,616	96,998	52,891	55,253	-	57,581	120,708	192,814