

ANNUAL BUDGET OF

# **VHEMBE DISTRICT MUNICIPALITY**

2011/12 TO 2013/14

MEDIUM TERM REVENUE AND  
EXPENDITURE FORECASTS

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## **1.1 MAYOR'S REPORT**

### **EXECUTIVE MAYOR 'S REPORT TO THE 2011/12 IDP REVIEW AND 2011/12: BUDGET COUNCIL MEETING OF 29 APRIL 2011.**

**Madam Speaker**

**Fellow Councillors**

**Distinguished Guest**

**Members of the public**

Allow me to once more present the consolidated draft IDP Review for 2011/12 together with our draft 2011/2012 draft budget estimates. I do this in terms of the Municipality System Act, 32 of 2000 and the MFMA, 56 of 2003 which guide on the IDP and Budget process and approvals respectively.

Madam Speaker and Fellow Councillors, after tabling the draft IDP Review and Budget Estimates, the Council embarked on Public Consultation processes. This was to seek the input and comments of public. We visited all our four local municipalities. We also distributed copies of the two documents to all our stakeholders including our Traditional Tribal Councils. Public was given the whole April month to submit their inputs and comments. These were consolidated into the two drafts that I am tabling today. What I will be tabling is thus a product of the involvement of all the stakeholders of Vhembe District Municipality.

It is noteworthy to report that the consolidation tabled here has incorporated the content and spirit of the National and Provincial State of the Nation and State of the Province Addresses (SONA and SOPA). The main thrust of both addresses is job creation through the creation of sustainable employment. Labour intensive has been recommended as a tactic that will result in the realization of the strategy of job creation for the development and economic growth of the people of the district, province and the country. Madam Speaker, this will be critical in the leaving of a good legacy by this council whose term is coming to its end.

Madam Speaker, allow me to use this opportunity to congratulate the country for having hosted a successful freedom celebration. This event marks the progress we have made since 1994. It serves to consolidate the continue maturing

democracy of our country. It serves to confirm that the blood of our martyrs like Solomon Mahlangu was not shed in vain. It serves to encourage and deepens our pride and patriotism as South Africans. It indeed confirms that we are on course to transform our society as we continue to work together to improve our communities and so the rest of the country.

During the last Council and this Council meeting I have on behalf of Council executed the following key responsibilities:

- Led the IDP Review and Budget Estimates 2011/2012 Public Consultations in our four(4) Local Municipalities from 06-08 April 2011
- Participated in the handing off of completed projects in the District. 15 April 2011 Mutale Municipality: Masisi Taxi Rank and Awelani Community Resort, etc.
- Participated in the Provincial Freedom Day Celebration in Giyani on the 27 April 2011.

Madam Speaker, and Fellow Councillors, at the same time I have been carrying out my responsibilities as the Chairperson of SALGA in Limpopo.

Madam Speaker and Fellow Councillors, allow me to table the draft IDP Review and the draft Budget Estimates for 2011/2012.

### **Revenue Analysis**

The revenue projected for the 2011/2012 financial year budget amounts to R133348088. This represents an increase of 8% for our current budget. The following is the breakdown of the revenue per source.

<b>SOURCE</b>	<b>AMMOUNT</b>	<b>%</b>
1. Conditional Grant	807 003 000	61%
2. Unconditional Grant	444 669 702	33%
3. Water Sales	20 000 000	2%

4. SARS Fund	43 085 963	3%
5. Interest from Investment	17 000 000	1%
6. Other Income	1 389 423	0,1%
<b>TOTAL REVENUE</b>	<b>1 333 148 088</b>	<b>100%</b>

The following is a summary of the Operational and Capital Budget

Operational Budget	516 578 725	39%
Capital Budget	816 469 363	61%
<b>TOTAL</b>	<b>1 333 148 088</b>	<b>100%</b>

Madam Speaker and Fellow Councillors, allow me to table the following items for considerations:

OC: 03/11/7: 7. 1.1- 7.1. 3.

The following items are for information

OC: 03/11/07: 7.2.1

Madam Speaker and Fellow Councillors I so

## 1.2EXECUTIVE SUMMARY

- 1.3.1 The annual budget of Vhembe District Municipality for the financial year 2010/11, and the indicative allocations for the two projected outer years 2011/12 and 2012/13 and the multi year and single year capital appropriations be approved in accordance with section 16 of the Municipal Finance Management Act , 56 of 2003 as set-out in the following tables:

Budget Financial Performance (revenue and expenditure by standard classification).

Budget Financial Performance (revenue and expenditure by vote).

Multi-year and single year capital appropriations by municipal vote and standard classification and associated funding source.

That the financial position, cash flow, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are adopted as set-out in the following tables:

2.1.1 Budgeted Financial Position.

2.1.2 Budgeted Cash flow.

2.1.3 Cash backed reserves and accumulated surplus reconciliation.

2.1.4 Asset management.

2.1.5 Basic service delivery measurement.

The tabling of the 2011/2014 budget is a statement of our commitment to provide municipal services to the community of Vhembe District. The operating budget totals R 516,578,725. The operating budget consists of the following expenditure items:

<b>Description</b>	<b>Amount</b>
Employee related Costs	129,99,982
Employee related cost- social contribution.	32,187,788
General Expenditure	279,219,065
Repairs and Maintenance	75,179890
<b>TOTAL</b>	<b>516,578,725</b>



Funding of the operating budget is mainly from the Equitable share allocation, Water operating subsidy grant received from Department of Water Affairs (DWA) and a portion of own funds.

To support the 2010/11 operating budget the Tariff structure has been reviewed and in summary, 10 % increase will be effected on the bulk water tariff and 4,8 % increase on the sale of tender documents as well as the rental of Thusong Centre from the 1<sup>st</sup> July 2010. Provision has been made for the provision of free basic water and sanitation to the poor households. These funds will be transferred to Local municipalities within the District in line with the Service Level Agreement signed for the water provision.

The Capital Budget totals R 816,469,363 and is funded mainly through Government Grants and own revenue.

The municipality has also reviewed all the budget related policies to support the implementation of the Service Delivery and Budget Implementation Plan.

### **3.1 Total Service Delivery Package of the Municipality and associated financial implications**

The municipality provides the following services:

<b>Service Provided</b>	<b>Operating Expenditure</b>
<b>Corporate Services</b>	
Budget and Treasury	R 33 014 042
Corporate Services	R 71 110 099
Executive and Council	R 28 131 551

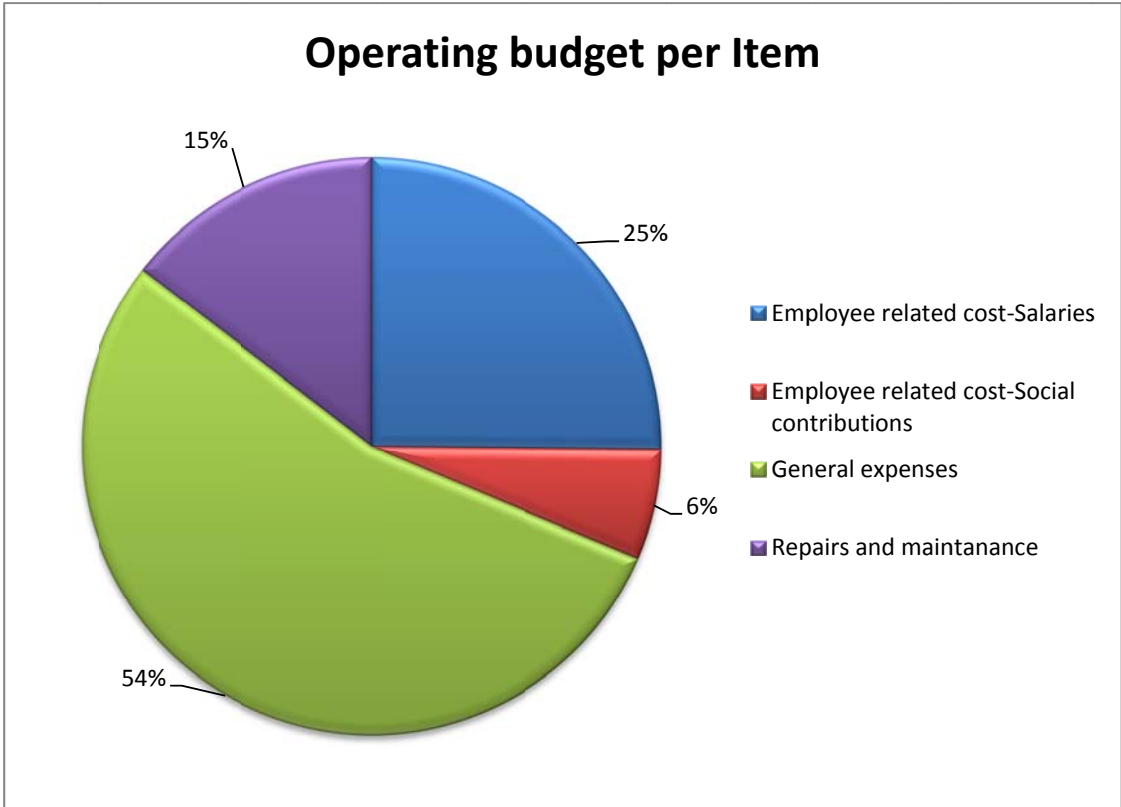
<b>Community Services</b>	
Fire Services	R 30 244 400
Environmental Health	R 13 265 715
Disaster Management	R 10 350 000
<b>Infrastructure Services</b>	
Water and Sanitation	R464 359 512
Roads	R 23 315 707
Special Programmes	R 25 000 000
<b>Total Cost</b>	

### 3.2 Effects of the Annual Budget

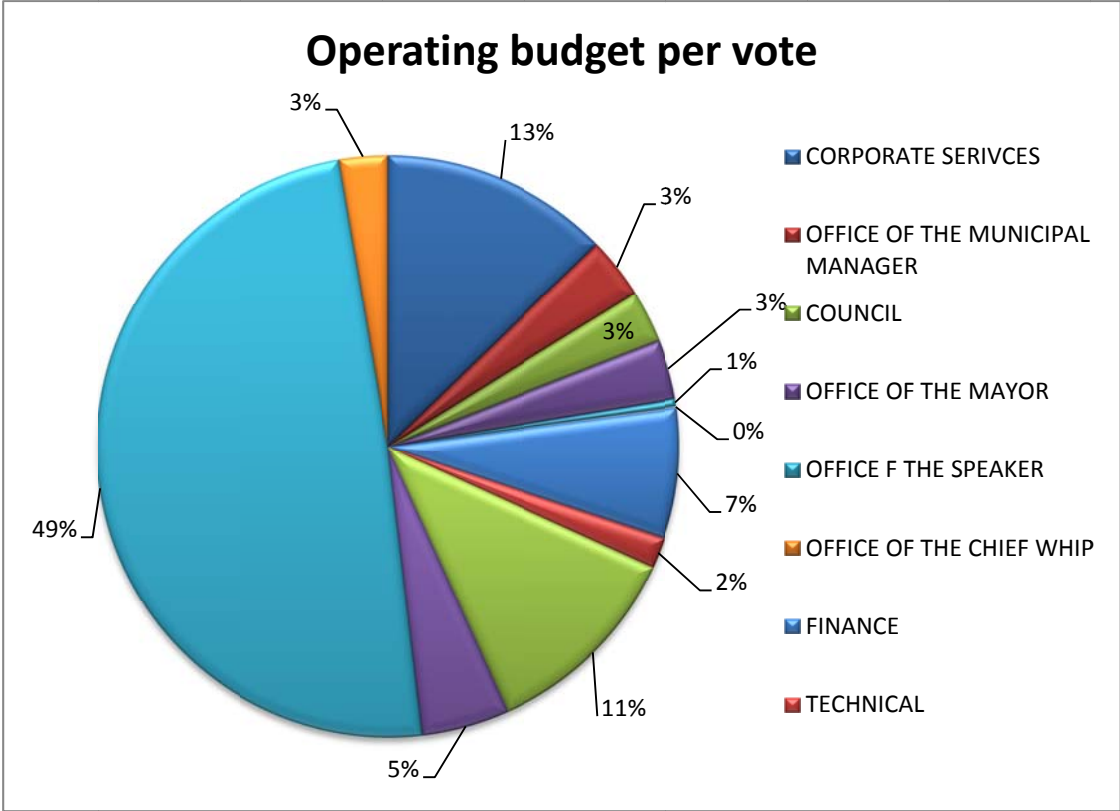
#### 3.2.1 Operating Budget

The operating budget amounts to R 516,678,725. The graphical presentation of the operating budget is as follows:

### Operating budget per Item

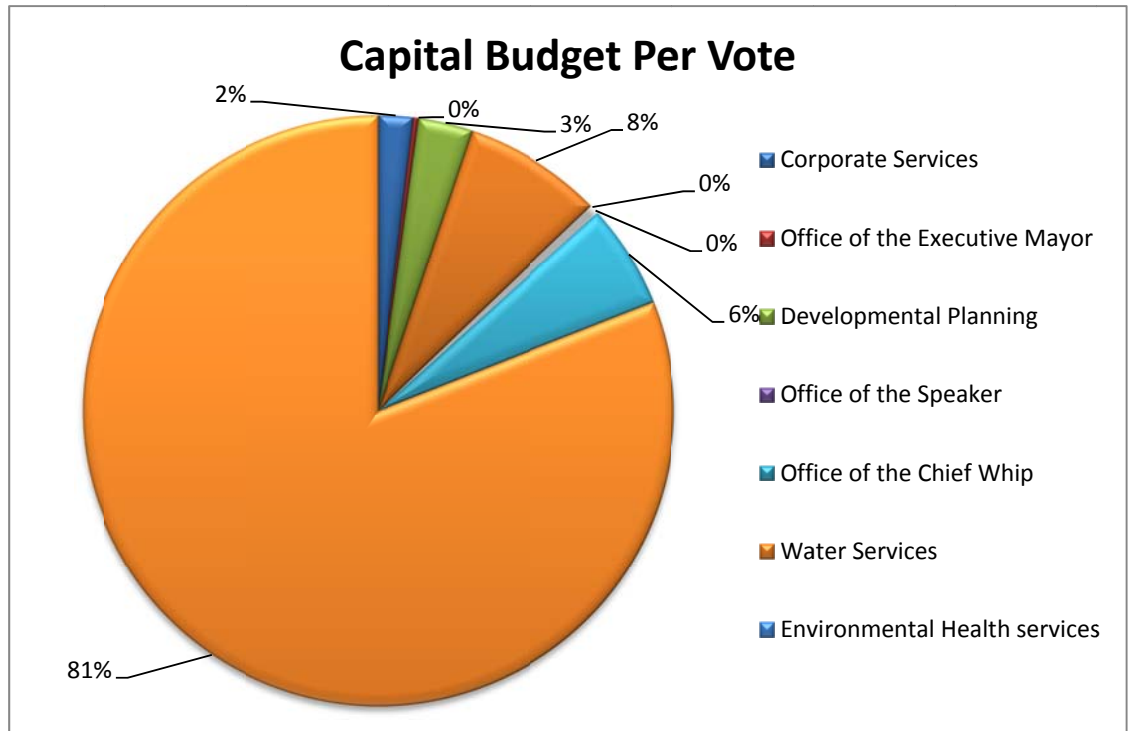


The operating expenditure per vote is as follow:



**3.2.2 Capital Budget**

Graphical presentation of the capital budget allocation per vote is as follows:



### 3.2.3 Revenue

The operating and capital budget if funded as follows:

REVENUE BY SOURCE	2011/12 Budget	2012/13 Budget	2012/13 Budget
Conditional grant	807,003,000	911,871,850	912,830,921
Unconditional Grant	444,669,702	490,802,637	523,917,055
Water Sales	20,000,000	21,000,000	22,260,000
SARS	43,085,963	45,240,261	47,954,677
Interest Receive	17,000,000	17,850,000	18,921,000
Other Income	1,389,423	1,458,894	912,018
<b>TOTAL REVENUE</b>	<b>1,333,148,088</b>	<b>1,488,223,642</b>	<b>1,526,795,671</b>

### 3.2.3 Priorities and linkages to the IDP

The Integrated Development Plan (IDP) determines and prioritises the needs of the community. The 2011/12 to 2013/14 Operating and Capital

Budgets were prepared in accordance with the IDP. The key strategic focus areas of the IDP are as follows:

- Municipal transformation and development
- Service delivery and infrastructure development
- Local Economic development
- Financial sustainability and viability
- Good governance and public participation

The abovementioned strategic focus area informed the preparation of the Budget.

The table below illustrate the link between the Budget and the IDP

#### 3.2.4 Key amendments to the Integrated Development Plan

The Budget for 2011/2012 is linked to the Integrated Development Plan and evidence of such contained in the IDP document more information on the linkage of the IDP is contained in the attached supporting table 1 (reconcile if IDP and budget revenue) supporting table 2 (reconcile of IDP and budget operating expenditure and supporting table 3 (reconcile of IDP and budget capital expenditure).

## **2. ANNUAL BUDGET TABLES**

## **PART 2 – SUPPORTING DOCUMENTATION**

### **1. BUDGET PROCESS**

The budget process is an effective process that every local government must undertake to ensure good governance and accountability. The process outlines the current and future direction that the district would follow in order to meet legislative stipulations. The budget process enables the district to optimally involve residents and other stakeholders in the budgeting process.

The preparation process is guided by the following legislative, requirements:

- Municipal Finance Management Act
- Municipal Systems Act and
- Municipal Structures Act

Vhembe District Municipality Budget/Integrated Development Plan (IDP) Review processes for the 2010/11 financial year started with the development and approval in August 2009 of the “Process Plan for the Budget formulation see below schedule

#### **PROCESS PLAN BUDGET FOR THE 2010/2011 FINANCIAL YEAR**

<b>ACTIVITY</b>	<b>TIME FRAME</b>	<b>Responsibility</b>
Tabling of Budget Process and IDP Process Plan Time Schedule to Council	28 Aug 2009	The Executive Mayor
Issuing of Detailed Financial Planning and IDP Review Guidelines	07 Oct 2009	Finance Department & Dev Planning



Submissions of Departmental business plans, Personnel needs and costs to finance department for inclusion in a line item budget which provides for 3 year budgeting	17 November 2009	All Departments
Departmental Budget hearings	8th – 11 <sup>th</sup> December 2009	Finance & All Departments
Submission of IDP Projects to Finance Department	13 <sup>th</sup> January 2010	Development Planning
Determine allocations for IDP projects	17 <sup>th</sup> February 2010	Finance Department
Finalization of detailed draft Budget	28 <sup>TH</sup> February 2010	Finance Department
Submission of Draft Multi year budget to Finance Portfolio Committee	9 <sup>th</sup> March 2010	Chief Financial Officer
Tabling of Draft Multi year budget to Council	26 <sup>st</sup> March 2010	The Executive Mayor
Submission of Draft Multi year budget to National, Provincial Treasury and Department of Local Government	3rd April 2010	Chief Financial Officer
Public Participation and Consultation Process	7 <sup>th</sup> – 25 <sup>th</sup> April 2010	The Executive Mayor
Finalisation of Multi year budget	30 <sup>th</sup> April 2010	Finance Department
Submission of Final Draft Multi year budget to Finance Portfolio Committee	7 <sup>th</sup> May 2010	Chief Financial Officer
Approval of Multi year Budget and IDP by Council	28 <sup>TH</sup> May 2010	Council
Submission of Approved Multi year budget to National, Provincial Treasury and Department of Local Government	5th June 2010	Finance Department

Preparation of and Approval of SDBIP	30 June 2010	Municipal Manager
Submission of Approval IDP to MEC for Local Government, NT and PT	5th Jun 2010	CFO
Approval of Service and Budget Implementation Plan	27th Jun 2010	Executive Mayor
Approval and signing of Performance agreement	27th Jun 2010	Executive Mayor, Municipal Manager And S57 Manager

## 2. MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

**(copy table SA8 and attach here)**

## 3. OVERVIEW OF BUDGET- RELATED POLICIES

The municipality has various policies which relate to budgeting and financial management in the municipality. These Financial policies comply with the MFMA and its promulgated regulations. The following attached budget related policies were amended:

- Credit Control and Debt Collection policy
- Supply Chain Management Policy
- Subsistence and Travelling Policy
- Cell phone and 3G usage Policy

## 4. OVERVIEW OF BUDGET ASSUMPTIONS

Budget assumptions/parameters are determined in advance of the budget process to allow budgets to be constructed to support the achievements of the longer-term financial and strategic targets. The municipal fiscal environment is influenced by a variety of macro economic control

measures. National Treasury provides guidelines on the ceiling of year-on-year increases in the total operating budget.

The following principles and guidelines directly informed the compilation of the budget:

- The priorities and targets in relation to the key strategic focus areas as determined in the IDP
- The tariff increases to take in to account service provision
- Division of Revenue Act
- An assessment of the capacity to implement the budget
- Expenditure trend of the current and the past three financial year
- The need to enhance the municipality's revenue base.

The multi year budget is therefore based on the following tariff increase:

Service	2010/11	2011/12	2012/13
	%	%	%
Water and Sanitation	10	10	10
Sale of Tender documents	5.7	6.2	5.9
Rental of Thusong Centre	6.5	6.5	6.5
Fire Brigade services	0	0	0

## 5. OVERVIEW OF BUDGETING FUNDING

The funding of the operating and capital budget per source is as follows:

Revenue by Source	2011/12 Budget	2012/13 Budget	2013/14 Budget
Regional Service Levy Replacement Grant	41,214,000	44,923,000	48,966,000
Municipal Systems Improvement Grant	790,000	1,000,000	1,000,000
Municipal Infrastructure Grant	296,276,000	360,245,000	380,058,000
Equitable Shares	389,957,000	431,706,000	459,927,000
Common Wealth			
Local Government Finance Management Grant	1,250,000	1,250,000	1,250,000
Department of Water and Forestry Water Operations Subsidy	152,618,000	132,004,000	89,945,000
Department of Transport	1,688,000	1,780,000	1,869,000
Municipal Disaster Grant	297,964,000	362,025,000	381,927,000
Dwa: RBIG (Regional Bulk Infr Grant)	42,000,000	44,100,000	46,746,000
Environment Affairs: Grant	5,400,000		
Interest on Investment	17,000,000	17,850,000	18,921,000
Rental of Property	73,923	77,619	82,276
Sale of Tender Documents	570,000	598,500	-
EPWP	9,017,000	9,467,850	10,035,921
Water Sales	20,000,000	21,000,000	22,260,000
Roll over: Capital Projects Own Funds		-	-
Roll over: Capital Projects : Grants		-	-
Surplus from operations		-	-
Roll over Refurbishment Grant		-	-

Unspent funds 2008/9 - Additional Roll over for 2009/10 - Technical		-	-
Unspent funds 2008/9 - Additional Roll over for 2009/10 - Planning		-	-
Unspent funds 2008/9 - Additional Roll over for 2009/10 - Community		-	-
Sale of Manure	10,000	10,500	11,130
VAT Refund	43,085,963	45,240,261	47,954,677
Certificate of acceptance	5,500	5,775	6,122
Municipal Health	13,498,702	14,173,637	15,024,055
Interest on outstanding debts	500,000	525,000	556,500
Other Income (SETA)	200,000	210,000	222,600
ACIP Sanitation		-	-
Fire Service fee	30,000	31,500	33,390
<b>TOTAL REVENUE BY SOURCE</b>	<b>1,333,148,088</b>	<b>1,488,223,642</b>	<b>1,526,795,671</b>

## 6. EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES

Operating grants and subsidies represent the bulk of the revenue sources of the VDM. With the abolishment of RSC levies , the VDM is totally dependent on National and Provincial grants and subsidies as revenue source.

A breakdown of the grants and subsidies for 2010/11 is as follows

Regional Service Levy Replacement Grant	41,214,000
Equitable Shares	389,957,000
Department of Water and Forestry Water Operations Subsidy	152,618,000
Municipal Infrastructure Grant	296,276,000

Municipal Systems Improvement Grant	790,000
Local Government Finance Management Grant	1,250,000
DWAE	42,000,000
Municipal Disaster Grant	297,964,000
Environmental Affairs Grant	5,400,000
Department of Transport	1,688,000
EPWP	9,017,000
<b>TOTAL</b>	<b>1,238,174,000</b>

**7. ALLOCATIONS AND GRANTS MADE BY THE MUNICIPALITY**

The following allocation will be transferred to below mentioned Local Municipalities by 2010/11 financial year

Makhado	R14 154 000
Mutale	R12 469 340
Thulamela	R35 400 756
Musina	R 3 424 680
<b>Total</b>	<b>R65 448 776</b>

**8. COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS**

Provision is made for an increase of 10% in Councillors Allowances bring to an amount of R7 700 411.

See SA 22 Budget table on employee remuneration

**9. MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW**

See Budget Tables SA 27

**10. CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS**

Description of Contract	2010/11 Budget	2011/12 Budget	2012/13 Budget
Rental of Computers and Office equipment – Meondo	3 000 000	3 000 000	3 000 000

Supply and Delivery of Stationery	4 945 474	5 252 093	5 561 967
Supply and delivery of cleaning Material			
Supply of Photocopiers	1 243 032	1 320 100	1 375 544
Provision of Security Services	12 011 766	12 756 517	13 292 290
Financial System support (Fijutsi)	500 000	531 000	562329
Repairs and maintenance of two-way radios	1 268 400	1 340 699	866 002
Internal Audit Services	833 180	880 672	935 273
Cost recovery Service	18 000 000	20 000 000	
Travel and Accomodation (Flight Special)	3 267 166	3 469 730	3 674 444
Rental of offices	700 000	743 000	774 622
Rental of vehicle	10 000 000	10 620 000	11 066 040
Micro soft Licences	1 000 000	1 062 000	1 106 040

## 11. CAPITAL EXPENDITURE DETAILS

Description	Amount
Community Services Projects	33 600 000
LED Projects	15 850 000
Electricity	15 000 000
Roads Projects	23 315 707
Refurbishment of water schemes	20 000 000
Water Projects	318 749 512
Social Cohesion	700 000
Sanitation Projects	145 610 000

Contribution to Capital Outlay	16 801 678
<b>TOTAL</b>	<b>589,626,897</b>

## 12. LEGISLATION COMPILATION STATUS

### Disclosure on implementation of MFMA chapter Legislation

The passing of the MFMA into law was a key milestone that had a fundamental impact on municipal financial management that required transformation in financial discipline and planning processes.

The budget preparation for 20010/11 has met this entire key requirement.

The following are some of the MFMA areas and relative status

#### **IDP**

The 2009/10 review process is done, including public consultation as required by legislation

#### **BUDGET**

This annual budget has been develop taking the MFMA and national treasury requirements into account budget are being tabled and approved with the required legislative timeframes.

#### **ANNUAL**

The annual report has been developed in terms of the MFMA.

#### **IN YEAR REPORT**



Reports was done in terms of MFMA and National Treasury and send Electronically copy National and Provincial Treasury

#### **BUDGET AND TREASURY OFFICE**

A budget and treasury office has been established in accordance with the MFMA and national treasury requirements

#### **SDBIP**

The SDBIP document is at preparation stage taking the MFMA requirements into account.

#### **AUDIT COMMITTEE**

An audit committee has been established

### **13. OTHER SUPPORTING DOCUMENTS**

### **14. MUNICIPAL MANAGER'S QUALITY CERTIFICATION**

# 2010/11 TARIFF STRUCTURE

**TARIFF  
STRUCTURE FOR  
LOCAL  
MUNICIPALITIES**

- . Makhado Local Municipality
- . Musina Local Municipality
- . Thulamela Local Municipality
- . Mutale Local Municipality

