

WEST RAND DISTRICT MUNICIPALITY
BUDGET SPEECH
12TH MAY 2011

Madam Speaker

Chief Whip

MMCs

Honourable Councillors

Municipal Manager

Officials

Community members

Media

Ladies and Gentlemen

Council approval of the Budget for 2011/2012 comes when we are less than a week away from the Local Government Elections.

You and I are aware that this is the last Budget to be considered by this Council as our term of office will end on the 17th May 2011. This will also no doubt be the last time that we meet as a Council. I therefore take the opportunity to salute you all and thank you for the co-operation and commitment I have experienced.

In 2006, as the ANC led local government, we committed ourselves in our Manifesto that we will make government work better for all our people. In the State of the District Address we went into detail on the work and achievements of this Council over the last 5 years. We took tough decisions

each year to ensure that our actions are geared towards improving the lives of our people, and especially the poor and vulnerable.

Now that we are approaching Elections we are confident that “The People Shall Speak.” As we roll out this budget during the year to come we will work closely with communities and national & provincial government to defend and promote the goals that we have set ourselves in our West Rand Manifesto 2011-2016.

We also commit ourselves to ensure that our Budget implementation and monitoring systems are strong, so that we avoid over- or under-spending as far as possible.

The preparation of this Budget was done under challenging circumstances. All of us, as politicians, have been campaigning for the Elections. Attendance of workshops to consider the Budget & IDP has been sparse. It seems for many of us our attention is divided. Moreover, we are uncertain of some aspects such as the proposed organisational structure which is still under discussion. Therefore I urge you to approve the budget as is, allowing some flexibility up to the Adjustment Budget next year to start with phasing in a new structure which will lead us to our goal – Vision 2016!

Martin Luther King is quoted as saying: “The time is always right to do what is right.” We know the right time is now! The time is right to put systems in place for the merging of our 5 municipalities into one unicity. The time is right for us to implement the Green IQ Strategy – the commitment to sustainable development of the environment and the economy.

For the environment, later might be too late!

As a Cree Indian Proverb says: "Only when the last tree has died and the last river has been poisoned (or dried up) and the last fish has been caught, will we realise we cannot eat money."

Let us spend our money wisely and ensure the West Rand is sustainable and grows in prosperity for our children and our children's children.

May you all live to see the harvest of amazing possibilities!

I greet you all!

Thank you!

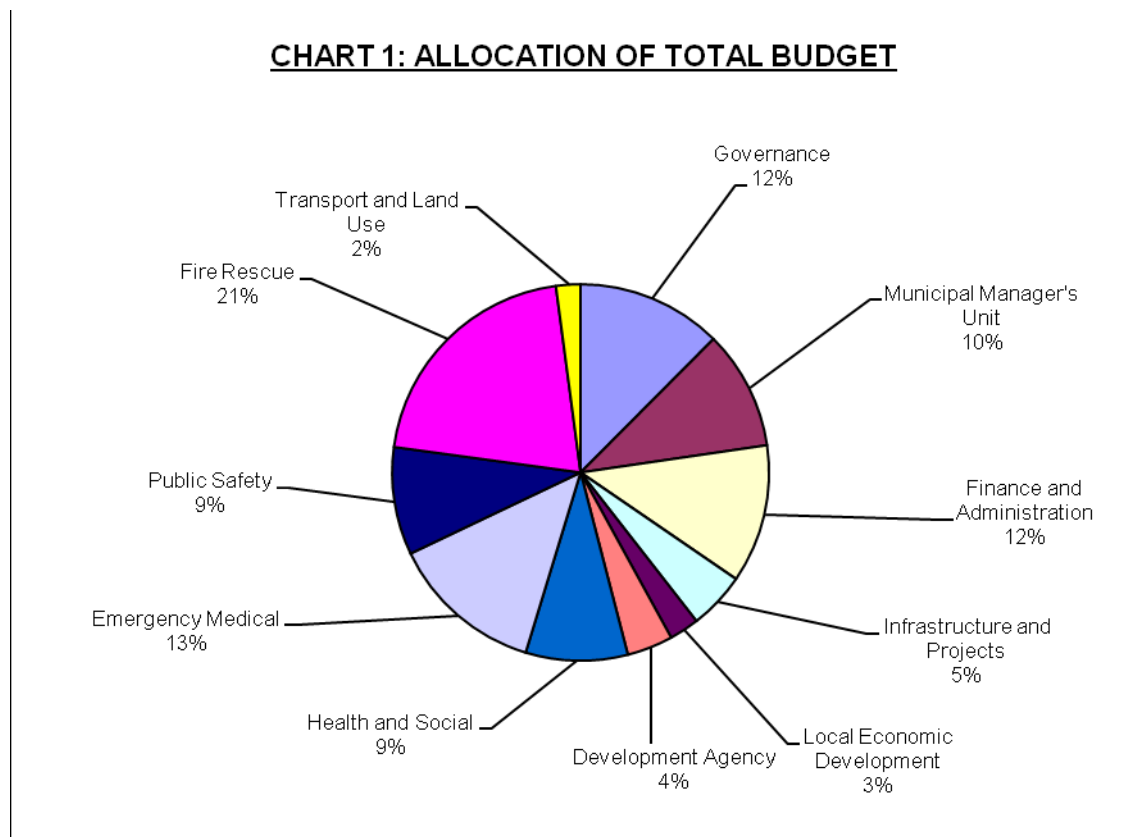
BUDGET REPORT: 2011/2012 FINANCIAL YEAR

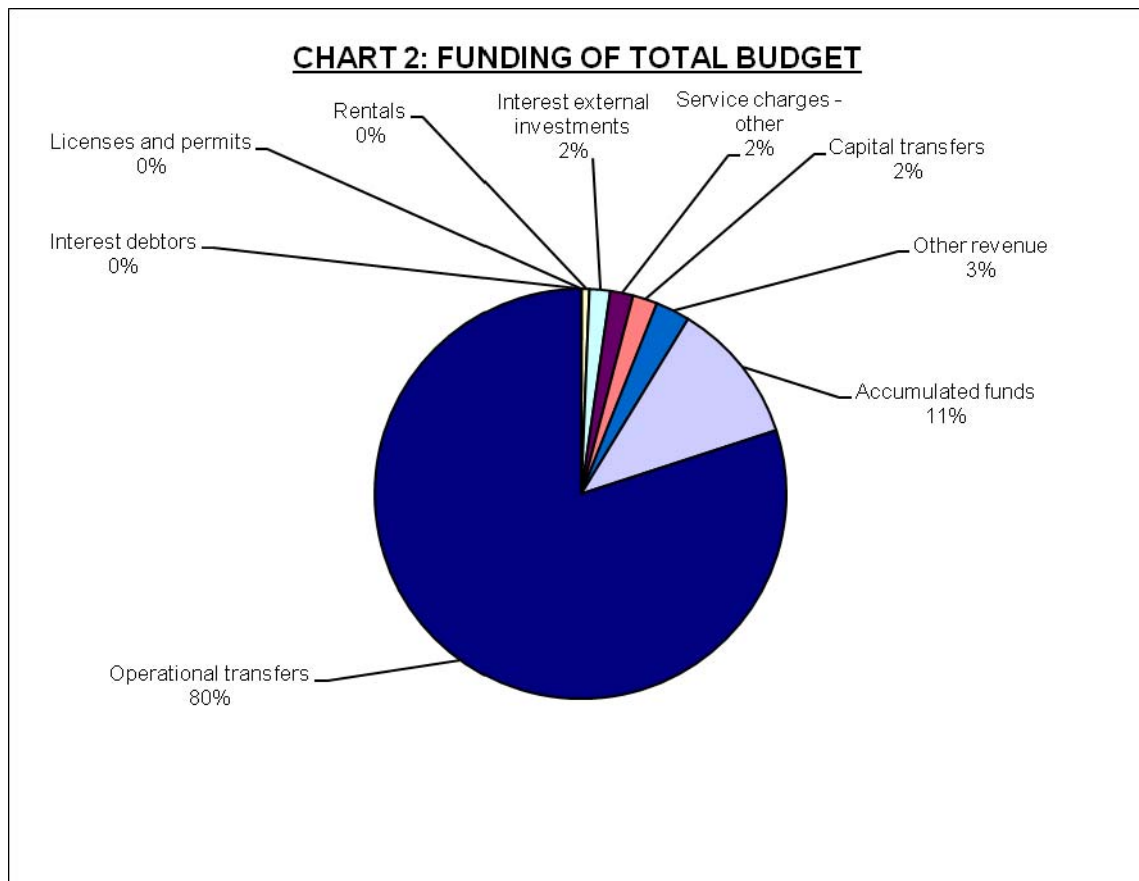
1. EXECUTIVE SUMMARY

The following is a concise summary of the budget for the 2011/2012 financial year, as contained in Table A1 (Budget Summary):

<u>Description</u>	<u>2011/2012</u>
Operating revenue	R252 646 700
Operating expenditure	R252 132 300
Capital transfers (revenue)	R 5 000 000
Share of deficit in the WRDA	R 5 514 400
Capital estimates	R 1 000 000

Chart 1 illustrates the main components on how the total budget will be allocated and **chart 2** indicates the main sources of revenue to finance the budgeted expenditure.





2. OPERATING REVENUE

Total operating revenue amounts to R252,647 million and is contained in Table A4 (Budgeted Financial Performance).

2.1 Property rates

With the transfer of the DMA to Mogale City the WRDM is no longer responsible for the administration of property rates.

2.2 Service charges – other

The main components of revenue from service charges are the rendering of ambulance (R1,6 m) and fire services (R2,2 m) and the sale of electricity to tenants. The budgeted revenue from this source for 2011/2012, amounts to R4,653 million.

2.3 Rent of facilities and equipment

Expected revenue for 2011/2012 amounts to R1,525 million of which the rental of shops (R1,237m) is the biggest contributor.

2.4 Interest earned – external investments

This source of revenue refers to interest earned on the investment of surplus cash. As it is anticipated that the amount of surplus cash will reduce during 2011/2012 with the progress on roll-over projects and non-distributable reserves, interest earned, compared to the adjustments budget for 2010/2011, is also reduced.

2.5 Transfers recognised – operational

Operating grants and subsidies represent the bulk (80%) of the revenue sources of the WRDM. Of significant importance is the reduction of the equitable share allocation by R1 258 000 compared to the 2010/2011 allocation. It is assumed that this reduction is a result of the transfer of the DMA to Mogale City LM.

A breakdown of the grants and subsidies for 2011/2012 is as follows:

RSC Replacement Grant	R 137 747 000 (National)
Equitable Share Allocation	R 25 474 000 (National)
Ambulance Subsidy	R 31 540 000 (Provincial)
Subsidy Payment (WRDA)	R 5 514 400 (WRDM)
Library Networks	R 816 000 (Provincial)
HIV/Aids grant	R 3 030 000 (Provincial)
Finance Management Grant	R 1 250 000 (National)
M S I G	R 800 000 (National)
Total	<u>R206 171 400</u>

2.6 Other own revenue

Other revenue amounts to R35,975 million and consists of the following main elements:

- Sale of Refuse Bags	R 800 000
- Sale of Plants	R 525 000
- Insurance Claims	R 1 290 000
- Recreation Revenue	R 195 000
- Training Fund Refunds	R 400 000
- IDC contribution	R 3 500 000
- Accumulated funds	R29 000 000

2.7 Transfers recognised – capital

Capital grants and subsidies amounts to R5 million and consist of the Neighbourhood Development Grant from National Government.

3. OPERATING EXPENDITURE

Operating expenditure, including the West Rand Development Agency, amounts to R257,647 million and is contained in Table A4 (Budgeted Financial Performance) and supported by information in Supporting Table SA1.

Chart 3 illustrates operating expenditure by sub-vote and **chart 4** reflects operating expenditure by major category.

More information on operating expenditure is included in the attached supporting tables.

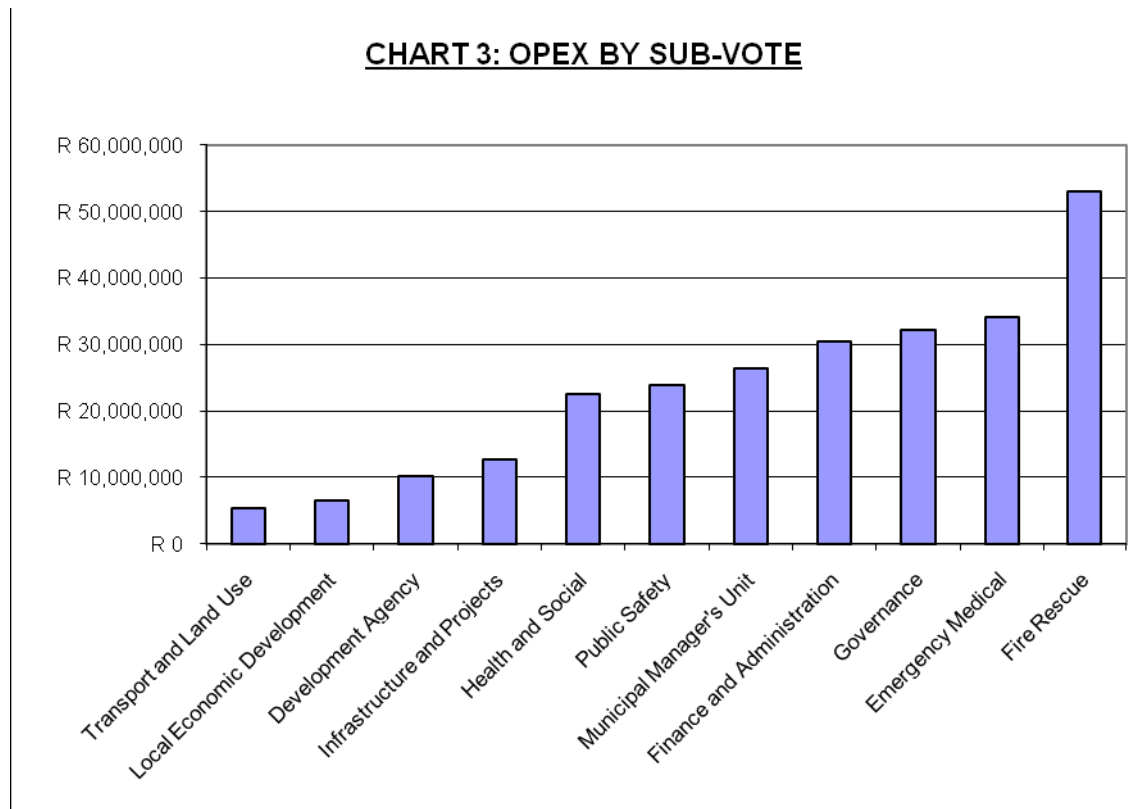
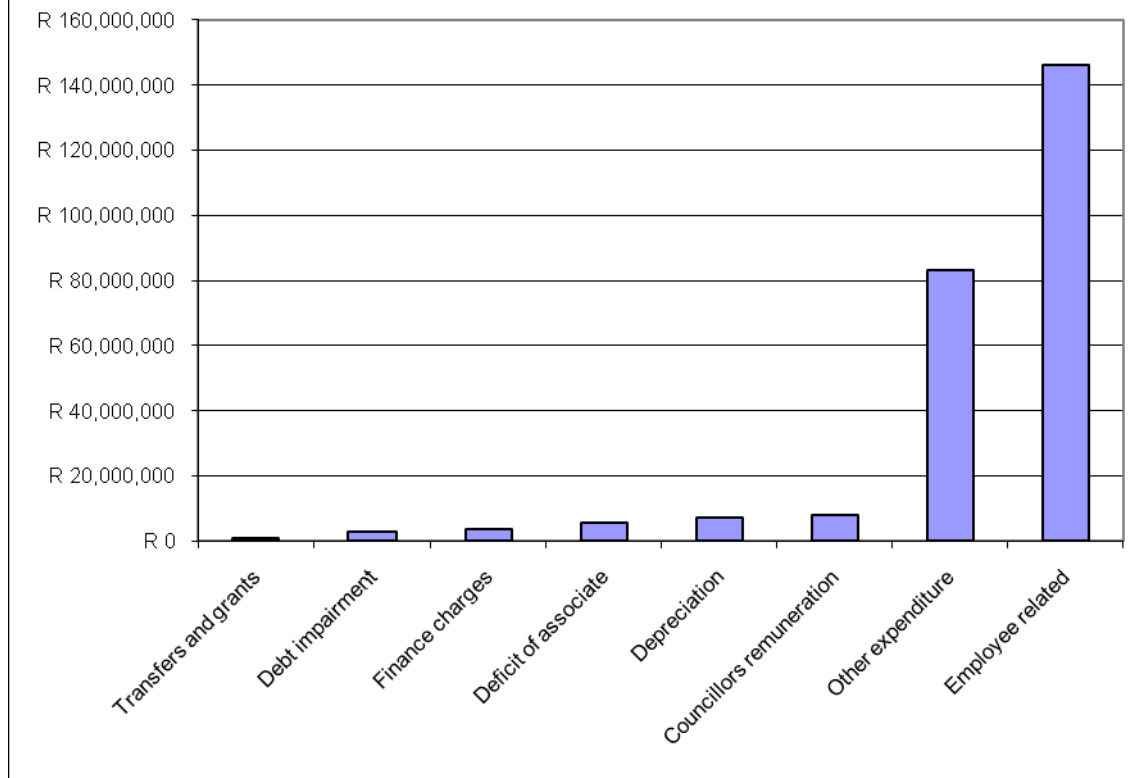


CHART 4: OPEX BY MAJOR CATEGORY



3.1 Employee related costs

Zero-based budgeting, and the current personnel structure (as applicable for the 2010/2011 financial year), was used to determine employee related costs for 2011/2012. The following are included:

- Provisional annual salary increase of 7%.
- Provision for annual notch increases where applicable.
- Estimated increase in medical tariffs of 15%.
- Personnel costs related to Municipal Health Services.

Total personnel costs amounts to R146,147 million and represents 56,7% of total operating expenditure. Personnel costs related to Public Safety amounts to R52,407 million (20,2%) and personnel costs related to Emergency Medical Services amounts to R24,725 million (9,5%). The main components associated with personnel costs are contained in Supporting Table SA1.

3.2 Remuneration of Councillors

Provision is made for an increase of 7% in councillor allowances.

3.3 Debt impairment

Debt impairment relates to the provision for working capital regarding Fire Services and Emergency Medical Services to protect the cash position of the WRDM.

3.4 Depreciation

Provision for depreciation for the 2011/2012 financial year, as per the financial policy of the WRDM, amounts to R7,316 million and makes provision for current assets, assets purchased during 2010/2011 and the capital budget for the 2011/2012 financial year.

3.5 Interest and redemption on external borrowing

This provision is for servicing the current external loan of the WRDM taken up from the Development Bank of South Africa which is redeemable by 30 September 2014. The capital balance of the external loan amounts to R13 455 274 as at 30 June 2010.

3.6 Transfers and grants

Transfers and grants amounts to R1,000 million, representing the contribution from revenue for the purchase of assets.

It is assumed that all transfer and grants to the Local Municipalities, as contained in the 2010/2011 budget, will be spent by 30 June 2011.

3.7 Other general expenditure

Other general expenditure amounts to R80,474 million and represents 31% of total operating expenditure for the 2011/2012 financial year. Detailed information on other general expenditure is provided in Supporting Table SA1.

Included in the above mentioned amount is the provision for repairs and maintenance of municipal assets to the amount of R5,306 million (2% of operating expenditure). With the transfer of the District Management Area to Mogale City Local Municipality, the WRDM do not have any infrastructure assets (roads, electricity, water, sanitation, etc.) to maintain. The provision made for 2011/2012 is for repairs and maintenance to vehicles, buildings, structures, equipment and furniture.

4. CAPITAL EXPENDITURE

Due to severe financial constraints, the capital budget of the WRDM (in-house) is limited to a total amount of R1 000 000. The capital budget for 2011/2012 is allocated in the following manner:

4.1 Capital expenditure

Fire Services (plant and equipment)	R 600 000
Council Building (plant and equipment)	R 300 000
I CT (computer equipment)	<u>R 100 000</u>
TOTAL	<u>R1 000 000</u>

4.2 Funding of capital expenditure

The source of financing the capital budget will be from the operating account.

5. BUDGET ASSUMPTIONS

During the compilation process of the estimates for the 2011/2012 financial year, the following assumptions were made:

- A 7% increase is budgeted for salary adjustment and Councillor Allowances.
- Inflation forecasts as per MFMA circular no. 54.

6. BUDGET RELATED POLICIES

The following budget related policies are applicable in terms of the provisions contained in the MFMA. These policies can be viewed on the web-site of the WRDM.

- 6.1 Asset management policy.
- 6.2 Banking and investment policy.
- 6.3 Credit control and bad debt policy.
- 6.4 Supply chain management policy.
- 6.5 Property rates policy in the DMA.
- 6.6 Credit control and bad debt policy (Property Rates).

7. BUDGET PROCESS

The IDP and budget process started in August 2010 and ended with a final Council meeting that was held on 12 May 2011 during which the IDP and budget were approved. During this process various meetings were held with all

Departments in order to enhance a credible budget. Consultative meetings were also held on a number of occasions with the Budget Steering Committee, Section 80 Committee: Finance, Mayoral Committee and other political forums. Trade Unions, the Community and other Stakeholders were also invited to give comments and inputs on the draft IDP and draft budget of the WRDM. Public participation on the budget was scheduled to take place on Thursday, 21 April 2011.

8. BUDGET RELATED MATTERS

8.1 Included in the budget of the West Rand District Municipality for 2011/2012, is the ring-fenced entity of the West Rand Development Agency (WRDA).

The WRDA consists of Head Office, Donaldson Dam Recreation Resort and the Plastic Recycling Plant, with a

- Operating expenditure budget of R10 210 600,
- Operating revenue budget of R10 210 600, and a
- Capital budget of R0.
- Subsidy payment from the WRDM of R5 514 400.

The main own sources of revenue are the sale of refuse bags in the Plastic Recycling Plant to the amount of R800 000 and a contribution by the Industrial Development Corporation of R3 500 000.

Operating expenditure is directed towards:

Employee related costs	R3 286 m
Board members	R0 650 m
Materials	R0 670 m
Other general expenses	R5 605 m

No provision is made for capital expenditure at the Development Agency.

8.2 Provision is made in the 2011/2012 budget for the rendering of Municipal Health Services in the area of jurisdiction of the West Rand District Municipality. The total amount for rendering this service, as provided by officials from the Local Municipalities (excluding Mogale City), is R13 570 200. No detailed information has yet been received from Mogale City and a provisional amount of R5 000 000 is included in the budget.

The equitable share allocation is the funding source for the total expenditure related to Municipal Health Services. The equitable share allocation was used in

the past to partially finance the rendering of Fire Services with the result that the allocation to Fire Services is reduced with the same amount.

8.3 After performing a cash reconciliation as at 30 June 2010, based on the audited financial statements for the 2009/2010 financial year, the result is as follows:

Audited cash and investments	R123 240 354
Less:	
Audited liabilities and cash backed reserves	R 59 415 320
Contributions 10/11 budget	R 25 000 000
Retained as safety net	<u>R 9 825 034</u>
Surplus cash	<u>R 29 000 000</u>

8.4 Of importance is that the future funding (2012/2013 and 2013/2014) of the budgeted deficit be investigated and addressed before the start of the budget process for the 2012/2013 financial year. In this regard it is recommended that the following options be investigated by the Transformation Committee:

8.5.1 A monetary contribution by Local Municipalities for the rendering of Fire Services in the Region.

8.5.2 Motivation to National Treasury for an increase in the equitable share allocation to the WRDM.

8.5.3 A monetary contribution by Local Municipalities for the rendering of the Emergency Operations Centre.

8.5.4 Contributions by Local Municipalities to enhance the financial viability of the West Rand Development Agency.

8.5 All assets, rights and liabilities pertaining to the District Management Area will be transferred to Mogale City Local Municipality as from 1 July 2011.

9. LINKAGE OF THE BUDGET WITH THE IDP

The budget of the West Rand District Municipality for the 2011/2012 financial year is linked to the Integrated Development Plan and such evidence is contained in the IDP document.

More information on the linkage of the budget with the IDP is contained in the attached supporting tables SA4, SA5 and SA6.