

ANNUAL BUDGET OF

**VHEMBE DISTRICT
MUNICIPALITY**

2014/15 TO 2016/17

MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS

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2. MAYOR'S REPORT

Council report presented by His Worship the Executive Mayor of Vhembe District Cllr Matibe TB during Council meeting held on Friday the 30th of May 2014

Speaker, Councillor Fungheni M.C

Chief Whip, Councillor Dali TS

Members of the Mayoral Committee and all Councillors

Deputy Chairperson of Local House of Traditional Leaders Khosi Vho Mulima S.E

Mahosi / Tihosi

Administration under the Leadership of the Acting Municipal Manager

Representatives of various Media Houses

Distinguished community members in the gallery,

This Council meeting is taking place some few days after the National and Provincial General Elections. Last week Saturday we have witness the inauguration of the State President Comrade Jacob Zuma. In his acceptance speech the President emphasised the need to accelerate the delivery of basic services to our communities particularly water.

Vhembe is a home of many talented leaders who are playing significant role in both the Provincial and National Government. We are pleased to note that this district for the first time in its history has produce the Speaker of the Legislature Honourable Mme Merriam Ramadwa , The Chief Whip of Limpopo Legislature

Honourable Mdaka Falaza who was also the member of this council ,MECs from this district are Comrade Nwendamutsu, Ndalane N and Ndou J.

We are also pleased by the Appointment of Mr Cyril Ramaphosa as a Deputy President of the Republic of South Africa. He is the product of Mphaphuli Secondary School and a son of Khalavha Village. In the National Cabinet we are happy by the appointments of Collins Chabane the son of Xikundu Village, Faith Muthambi the daughter of Tshimbupfe Tshivhulana and Tshililio Masutha the child of Mapate village.

We have gathered here today after the rest of Africa and Africans in diaspora celebrated the 51 years anniversary of the Organisation of African Unity later known as African Union. It is important to us as leaders to sensitise members of our communities about the importance of African Development Agenda. The geographical location of our district positioned us to play a very important role in advancing the goals and the ideals of the African Union. Vhembe is the entry and the exit point to most African countries. This year Provincial Celebration of Africa Day was held in Mutale Municipality and was also attended by the Vice Chancellor of the University of Zimbabwe.

National Government has adopted the National Development Plan as a strategic document for the next 20 years .This plan is serving as a blue print and guiding document to all spheres of government and state entities. The central objective of the National

Development Plan is to alleviate the triple challenges facing our communities which are poverty, inequality and underdevelopment. The President also recommitments the government to continue implementing the plan. As Vhembe district we have begun to align all our plans with the strategic objectives of the National Development Plan , our obligation now is to go out and begin to sensitise members of communities , particularly Ward Committees about the programmes contained in the National Development Plan . National Development Plan is our bible we must know it and understand its objectives if we want to be part of South Africans who are committed to move South Africa forward and build a better South Africa

Madam Speaker

In strengthening our commitment of continuous interaction with the communities, last week Imbizo was held at Maheni village. Let me take this opportunity to thank and appreciate inputs raised by our communities , together with them we will build Vhembe to become the role model of all the districts in the country . During the month of April we have hosted a number of Ministers visiting our district. We were very much impressed by the support showed by the people of Vhembe. Let us continue to mobilize our communities to play an active role in shaping the policies and programmes of our government.

Madam Speaker

During our last strategic session held in Tshipise Aventura two months ago, we have taken a resolution to build internal capacity so that we can be able to respond to the challenges facing our community particularly on water provision. I am making a commitment to the members of this august house that from this budget we will begin with the process of ensuring that warehouses and store rooms are being revitalised and materials for operations and maintenance are available in all our stores. We must stop this approach of giving all operational and maintenance tasks to service providers. In areas that we have internal capacity we should use them to cut cost. The current strain in the district water infrastructure will be resolved through capacity building in water department.

It is pleasure for me report to you members that Strategic Planning Session convened from 12th to the 14th of March 2014 May was a success .Let me take this time given to me to thank support and cooperation of all stakeholders . All resolutions taken will be submitted to this house for adoption. Nkari wa kubulala u hundzile , sweswi i nkharhi wa ku tirha ,varhnu va rhina va lavha mitirho , Tshifhinga tshau u tavha mikosi ro ima kha tshiuludza wo fhira vhathu vhahashu vha nyanga nyito .

Madam Speaker

Action plan has been developed by the resolutions committee with clear timeframes and responsibilities attached to individuals. Let me take this opportunity to

request members of this house to monitor the implementation of the action plan. Progress report will be submitted to this council on a regular basis. Again let me congratulate the Municipal Manager and his team for organising such a highly successful strategic planning session, what is left now Ms Acting Municipal Manager Mihloti Masuluke is the implementation (Mushumo Kha u shavhe zwanda , hu vhonele nyito) .

In our March council meeting this house has adopted a draft budget; resolution was taken to move around with our local municipalities to ensure that our communities contribute to the finalization of budget. In all our public engagements water related issues were raised sharply. Our communities have spoken and the mandate is clear.

Realising the challenges related to water delivery , more than 85% of our total capital budget is allocated to water .This demonstrates our commitment to face with the challenge head on without passing the blame to other stakeholders.

Let me also appeal to our communities to join hands with us to expose those who are connecting water illegally without following the proper procedures. Government alone cannot defeat these criminals. Yesterday Office of the Premier wrote a letter to Vhembe complaining that the community of Nzhelele Ha - Raliphaswa, Matanda, Funyufunyu and Ha - Rabali don't have water; we acknowledge the challenge but illegal connection is

worsening the situation. South Africa is a water scarce country and water conservation becomes paramount important, let go back to our communities and educate them about the importance of water conservation.

Let me also remind you fellow councillors that one of our major responsibilities is to ensure that we assist the municipality to raise revenue so that we can be able to respond to community issues.

Last year we have indicated to the members of this house that a memorandum of understanding was signed by us and the Department of Water Affairs for Mowkop to Valdezi'a bulk line. It is a pleasure to announce to this house that last week the Department of Water Affairs has recommended to us that this council may utilize Municipal Infrastructure Grant to implement the project. Members of this house will be given a detailed report about the implementation plan of this project during the State of the District Address.

This Council has completed Malamulele West phase 2 water reticulations Project and communities around those areas are benefiting from the project. Malamulele East Project was also completed and communities like Phaphazela, Mudabula and Gumbani are direct beneficiaries of the project. Vondo Water Regional Scheme will be upgraded during the next financial year. We are pleased to inform this gathering that Thohoyandou CBD and other surrounding areas are getting water from Nandoni Dam. However we are aware of the challenges of Budeli and Tshikhudini villages,

these communities are supposed to be serviced by Nandoni . Our technical Department will address the matter. Let me appeal to those communities to be patient and allow the appointed contractors to complete their work.

Madam Speaker

Education is one of the most important priority of our government, in ensuring that Vhembe remain the intellectual hub of our country R3 million is budgeted to assist the needy students from our poor families. During the next financial year we will continue to support students from the disadvantaged background.

We are also intending to mobilise the business communities to supplement our resources to ensure that we cover and assist many students in our district.

We will continue to support the activities of our Local House of Traditional Leaders. Without the support of Traditional Leaders this council will not be able to reach its developmental objectives.

R11 million has been set aside to stimulate the economy of our district and our department of Planning and LED will champion these programmes. It is pleasing to note that many more investors have now developed interests to invest in our district particularly in Musina Municipality. We will continue to interact with various

investors to ensure that Vhembe becomes the home of business development. Let me also take this opportunity to inform this gathering that as from the 11th to 13th of June this council will be convening Land Forum. All stakeholders will be invited.

During the next financial year community services will complete Vuwani fire station with the total cost of R3 million rand and R6.9 million is set aside for procuring of fire engines.

Madam Speaker

2014/2015 budget is R1.425 billion, R721 million is budgeted for operations and R704 million is budgeted for capital projects. Out 704 million rand budgeted for capital projects R605 million is set aside for water issues and R63 Million for sanitation and sewerage.

Let me remind this august house that discussions of all council seating's are very important, minutes of special council also have resolutions that forms part of our packages for effective running of government. Failure to implement resolutions compromise the seating of this house and those responsible for implementation should do their work. I therefore submit the following items for consideration

I thank you

3. RESOLUTIONS

On 29 May 2014 the Council of Vhembe District Municipality meets at Vhembe Council Chamber to consider the annual budget of the municipality for the financial year 2014/15 to 2016/17. The Council approved and adopted the following resolutions:

The Council of Vhembe District Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:

- 3.1 The annual budget of the municipality for the financial year 2014/15 and the multi-year and single-year capital appropriations as set out in the following tables:
- 3.2 Budgeted Financial Performance (revenue and expenditure by standard classification);
- 3.3 Budgeted Financial Performance (revenue and expenditure by municipal vote);
- 3.4 Budgeted Financial Performance (revenue by source and expenditure by type); and
- 3.5 Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source.
- 3.6 The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
- 3.7 Budgeted Financial Position as contained in Table 23.
- 3.8 Budgeted Cash Flows as contained in Table 24;
- 3.9 Cash backed reserves and accumulated surplus reconciliation as contained in Table 25.
- 3.10 Asset management as contained in Table 26 and
- 3.11 Basic service delivery measurement as contained in Table 27.

The Council of Vhembe District Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2014: the tariffs for the supply of water – as set out in

Annexure A

4. BUDGET

4.1 EXECUTIVE SUMMARY

The 2014/15 to 2016/17 medium term annual budget was developed within the municipality budget framework, municipal budget and reporting frameworks and treasury guidelines. A total of **R1,425 742 950** for 2014/15 medium term is proposed comprising of **R721 244 731** for operating budget and **R704 498 219** for capital budget.

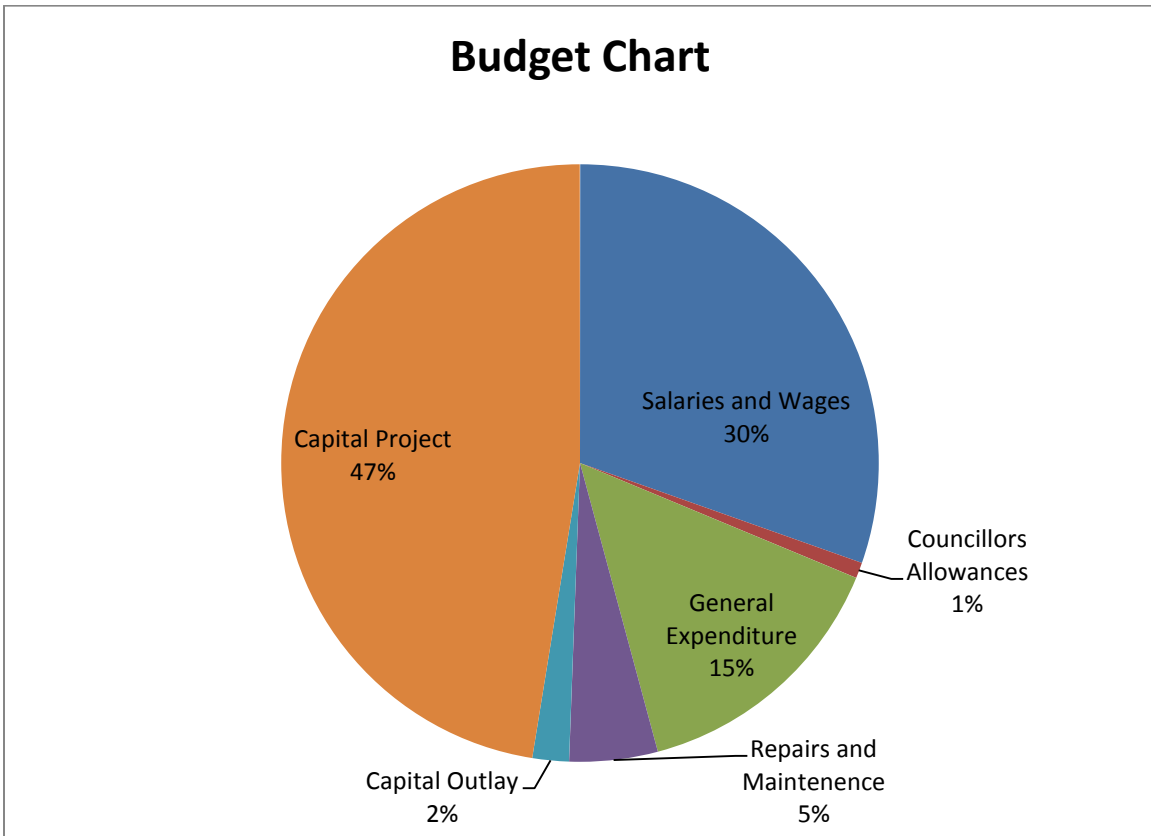
The municipality has experienced a positive budget growth of 7% compared to the 2013/14 financial year. The 85% of the budget funding is based on grants and subsidies provided for by the national government. The grants are utilized to fund both operating and capital expenditure.

The budget was prepared in line with the National, provincial and district priorities to ensure that services are planned according to planning guidelines.

4.2 BUDGET SCHEDULE

Surplus/(Deficit) for the year	753,437	306,588	474,616	41,936	107,976	107,462	-	113,722	36,058	60,105
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4.3 BUDGET RELATED CHARTS AND EXPLANTORY NOTES



5. SUPPORTING DOCUMENTATION

5.1 BUDGET PROCESS OVERVIEW

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 2014/15 financial year started with the development and approval in August 2013 of the “Process Plan for the Budget formulation see below schedule

BUDGET PROCESS PLAN FOR THE 2014/15 FINANCIAL YEAR

FIRST QUARTER		JULY-SEPTEMBER 2013		
ACTIVITY	TASK	RESPONSIBLE PERSON	PARTICIPANTS	TIME-SCHEDULE
1/1 Tabling Budget Process Plan	Tabling Development of Budget Process Plan	C.F.O, Finance Portfolio Chairperson and Executive Mayor	IDP/budget Steering, Portfolio & Mayoral committees and Council	3/16 July 2013
				6/29 Aug 2013
1/2 Revenue Allocation	Determining Draft initial allocation to Votes (Departments)	C.F.O	IDP/Budget Steering Committee & Management Committee	17/18 Sep 2013
	Determining Proposed Rates & Service Charges			07 Oct 2013
SECOND QUARTER		OCTOBER-DECEMBER 2013		
2/1 Report of the previous year Audited statement and Annual Report	Presenting of Auditor General Report and Draft Annual Report	C.F.O & Municipal Manager	IDP/Budget Steering & Management Committees	16/23 Oct 2013
				04/20/26 Nov 2013
2/3 Prepare	Issuing Budget guidelines	C.F.O	IDP Steering	02/11/18 Dec 2013

proposed Budget and Plans for the next Financial year.			Committee and Management.	
	Departmental Presentation of proposed Budget & Plans Presentation of Budget related Policies	All Departments	IDP Steering committee, Management Committees, and Local Labour Forum	
THIRD QUARTER			JANUARY- MARCH 2014	
3/1 Budget Adjustment	Presenting of Budget Adjustment	C.F.O	Budget Steering & Management Committees,	06/21 Jan 2014
3/2 Budget Adjustment	Submission of Budget Adjustment and Annual Report	C.F.O & Portfolio and Executive Mayor	Finance Portfolio & Mayoral Committees, Council and Budget Steering committee	14/17 & 23 Jan 2014
3/3 Reporting of Audited Statement & Annual Report				
3/4 Consolidate Budget and Plans for the next	Tabling of Consolidated Drafts IDP Review & Budget, Budget related Policies, Draft SDBIP and Plans for the	C.F.O, Municipal Manager & Portfolio and Executive	IDP/Budget Steering, Management,	03/07/13/19/20 Mar 2014

Financial year.	next Financial year.	Mayor	Mayoral Committees, IDP Rep Forum and Council	
FOURTH QUARTER		APRIL-JUNE 2014		
4/1 Approval of Budget	Submission of Draft Multi Year Budget to Stakeholders	C.F.O	National & Provincial Treasury and COGTA (DPLGH)	01 Apr 2014
	Public Participation & Consultation Process	Executive Mayor	Public	02-04 Apr 2014
	Consolidation of inputs, Finalization and Submission of Multi Year Budget.	C.F.O, Municipal Manager, Finance Portfolio	IDP/Budget Steering, Management, Mayoral Committees, IDP Rep Forum and Council	07/21 May 2014
	Submission of SDBIP	Chairperson & Executive Mayor		22 May 2014
	Submission of Approved Multi Year Budget to Stakeholders	C.F.O	National & Provincial Treasury and COGTA (DPLGH)	30 May 2014
	Approval and Signing of Performance Agreement	Executive Mayor	Municipal Manager & Section 57 Managers	30 Jun 2014

5.2 OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP

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 macroeconomic 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 multiyear budget is therefore based on the following tariff increase:

See Annexure A Attached:

5.3 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
- Indigents Policy

- Investment Policy
- Asset Management Policy
- Virement Policy

5.4 OVERVIEW OF BUDGET ASSUMPTIONS

In preparation their annual 2014/15 budgets and MTREFs the municipalities are expected to pay particular attention on the following issues when compiling their budgets, as they may have far reaching implications on municipal budgets.

- Ensuring that drinking water and waste water management meets the required quality standards at all the times.
- Protecting the poor
- Supporting meaningful local economic development (LED) initiatives that foster micro and small business opportunities and job creation.
- Securing the health of their asset base by increasing spending on repairs and maintenance.
- Expediting spending on capital projects that are funded by conditional grants and
- Ensuring that borrowed funds are invested in revenue generating assets as part of the capital programme.
- Ensuring that the capital budgets reflect consistent efforts to address the backlogs in basic services and the renewal of the infrastructure of existing network services.

Municipalities are expected to pay particular attention on the following issues when compiling their budgets, as they may have far reaching implications on municipal budgets.

- The local response to the global economic crisis.
- Headline inflation forecasts

- Revision of rates, tariffs and other sundry charges
- Revenue management
- Collection of outstanding debts
- Pricing services correctly
- Under budgeting on repairs and maintenance
- Spending on non-priorities

The minister emphasized on the 2014/15 budget speech that, job creation, reducing of poverty, building infrastructure and expanding the economy is the central priority of the 2014/15 budget. It is therefore expected that municipal budgets should align to these priorities.

5.5 OVERVIEW OF BUDGETING FUNDING

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

Type Of allocation	Column A	Column B	
	2014/15 Allocations Budget	Forward Estimates	
		2015/16 Budget	2016/17 Budget
Conditional grant	622,474,000	806,961,000	992,447,000
Unconditional Grant	592,795,000	631,427,000	691,597,000
Water Sales	117,068,939	123,976,006	130,918,663
SARS- VAT Refund	73,640,736	91,215,649	112,745,193
Interest Receive	9,692,584.00	11,507,104	13,472,352
Other Income	10,071,691.00	6,268,439	6,318,586
	1,425,742,950	1,671,355,198	1,947,498,794

5.6 ALLOCATIONS AND GRANTS MADE BY THE MUNICIPALITY

No allocation will be transferred to Local Municipalities.

5.7 COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

Provision is made for an increase in Councilors by 6.2% and employee benefits Salary was increased in terms of Wage Collective Agreement for the period 1st July to 30 June 2015. The agreement provides for a wage increase based on the average CPI for the period 1st February 2012 and until 31st January 2013, plus 1.25 per cent for the 2014/15 financial year.

5.8 MONTHLY CASH FLOW BY SOURCE

5.9 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

(Copy table SA8 and attach here)

5.10 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 2014/15 has met this entire key requirement.

The following are some of the MFMA areas and relative status

IDP

The 2014/15 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

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.

2.11 SUMMARY OF DETAILED CAPITAL PLAN

CAPITAL PROJECT		
Capital Outlay	28,252,219	2.0%
Water Project	605,646,000	42.5%
Side Walk	1,000,000	0.1%
LED Projects	6,100,000	0.4%
Sewer	18,500,000	1.3%
Rural Sanitation	45,000,000	3.2%
Total	704,498,219	

5.12 BUDGET FINANCIAL STATEMENTS

See schedule A6

2.13 OTHER SUPPORTING DOCUMENTS

See Schedule SA1 to SA7

2.14 MUNICIPAL MANAGER'S QUALITY CERTIFICATION

Municipal Manager Signed off the budget as per attached certificate.