

Executive Summary **2009/2010 Final Budget**

The budget processes started during September 2008. Numerous IDP meetings, Ward and Ward committee meetings, "Council meets the People" and other meetings were conducted over the financial year.

The budget were prepared in conjunction with the MFMA circulars and other regulations

A. IDP and linkage of IDP to budget (Capital Budget)

Council adopted the Revised IDP during November 2008 and it which will be communicated to various wards during the budget input meetings. Various community and ward needs were identified which forms part of the revised IDP document. However all needs cannot be achieved, realized or addressed in one financial year or over one MTEF period. **The current linkage of the IDP to the budget amount to R16 642 000.**

The Capital budgeted projects are broken down as follows:

- 1. Municipal Infrastructure Grant (MIG)**
 - Construction of Oxidation ponds in Hanover will start in earnest during this financial year.
 - Further development and completion of refuse disposal site
 - Potable Water investigation and provision in Britstown
 - Completion Storm water master plan

- 2. DWAF will be allocating an amount of R7 000 000 towards the realization of the water project from Vander Kloof to various towns in the Pixley Ka Seme District, did not realized during 2008/2009 and has been transferred to current year, but the amount of R1 107 000 will be availed by DWAF for the readiness of this project.**

- 3. Lotto will be donating an amount of R1 905 000 for upgrading of Sporting facilities. These funds were not received in the 2008/2009 financial year but all indications are that the transfer of these funds will occur during 2009/2010.**

- 4. Resealing and construction of Streets will kick off with an R2 000 000 capital programme which will be finance out of own funds. Over the next MTERF more funds will be avail to maintain, reseal, and pave roads in the Emthanjeni municipality.**

- 5. Ward Project allocations for sustainable LED project (s) amounts to R2 100 000, which forms part of the Repair and Maintenance expenditure.**

- 6. The Financial Reforms in terms of the conversion of financial statements presentations from IMFO to GAMAP/GRAP which is being prescribed by the MFMA.**

- 7. The construction and erection of Eating and Lounge facilities for employees of Emthanjeni municipality.**

(Attached you'll find the detailed linkage of IDP projects to the 2009/2010 Budget)

B. OPERATING BUDGET

1. Final Budgeted Income

1.1. Total Expected Rates Income will be R13 580 000

- Total expected budgeted income amounts to R16 422 000
- Property rates penalties imposed arrear accounts amounts to R50 000
- Total estimated Income forgone which are exemptions, discounts, rebates, etc amounts to R2 842 000.
- Rates will be levied on the market valuation of property. All residential properties with a market value of R18 000 will be exempted from paying rates. Farming areas will be part of our income base for the first time on 01 July 2009. The new valuations will be implemented from 01 July 2009.

1.2 Other Estimated Levied Services income are almost R57 828 294

- 1.2.1 -Electricity amount to R28 719 926
- 1.2.2 -Water amounts R13 042 148
- 1.2.3 -Sewerage amounts to R10 001 780
- 1.2.4 -Refuse removal amounts to R6 024 440
- 1.2.5 -Other service charges amounts to R40, 000

1.3 Expected Gross Fines Income will amounts for R5 460 800

1.4 Licenses and permits will be R1, 048 000

1.5 Rental of facilities and equipment expected income will be R150 500

1.6 Interest Income will be R1, 026, 000

- 1.6.1 External Investments amounts to R310 000
- 1.6.2 Interest charged on Arrear accounts amounts to R716 000

1.7 Equitable Share and other Operating Grants and Subsidies amount to R26 056 000

1.8 The Total Budgeted Capital and Operating Income for the 2009/2010 Financial year are R130 215 745

1.9 The total budgeted income consists:

1.9.1	Capital Grants and Donations	-	R 10 467 000
1.9.2	Operating Grants and Subsidies	-	R 26 056 000
1.9.3	Public Contributions and Donations	-	R 1 905 000
1.9.4	Own generation of budgeted income	-	R 91 787 745.

There is an increase in total budgeted income of 18.6% in relation to the previous year. The main reasons for the increase are:

- (i) The increase in grants and subsidies over the past years
- (ii) The donation received from Lotto funding
- (iii) The eradication of the bucket systems will lead to an increase in sewerage income.
- (iv) The traffic fines increment

- (v) The general increment of service tariffs and levies of which electricity contributes 34 %
- (vi) The Gross expected income amount for Fines
- (vii) The implementation of the MPRA with the inclusion of Farming areas.

2. Final Expenditure

2.1 Salary and wages

- The total salary and wages and social contributions for the year amounts R37 735 696
- Annual increase of 14 % has been provided in the final budget since negotiations are currently not finalised Organised Labour and SALGA
- All post per Organisational structure has been budgeted for that includes filled and unfilled posts.
- The salary percentage to the total budget is +- 31 %

2.2 Councilor Remuneration

- Councilor Remuneration amounts for R3 542 467.
- the councilor remuneration percentage to the total budget is between +- 3 and 4%

The total salaries, wages, social contributions and councilor remuneration are between 32 and 34 % in relation to the total budget.

2.3 Provision for Bad Debts amounts to R8 086 875 and working capital reserve are estimated at R331 521.

2.4 Depreciation is stated at R13 531 673, and also reflects the total deficit between the expected income and expected expenditure for 2009/2010.

2.5 Repair and maintenance are estimated at R7 584 000, which includes the ward development projects.

2.6 Collection costs are budgeted for R4 160 000

2.6 Capital Charges for interest on loans amounts to R1 084 530

2.7 Bulk Purchases for Water and Electricity amounts to R22 336 360. This represents an increase of almost R6 500 000 in relation to last year's budgeted amount.

2.8 Operating Grants and subsidy expenditure amounts to R13 663 360, which are mostly sent on the Indigent Households for the subsidized services provide to approved Indigent Households.

2.9 Capital Grants payments amounts to R10 467 000. These amounts are recognized on the income side and also on the expenditure side.

2.10 Capital projects that are finance from own funds amounts to +- R4 270 000. These are the ward projects, etc.

2.11 Other expenditure amounts to R15 158 937 include some of activities that will take place:

- LED Summit will take place.
- Ward development programmes
- Youth Summit
- Mayoral special project
- Telephone, stationery, audit fees, subsistence and travel, etc

The Final Budgeted Expenditure for 2009/2010 are R143 747 418 which comprise of Operating Budget and the Capital budget.

The budget reflects a deficit of R 13 531 673 which also represents the total estimated amount of Depreciation.

C. Tariff Increments

The following tariffs will increase by 8 % during the 2009/2010 financial year as follows:

These are

1. Electricity Basic fee
2. Water
3. Sewerage and sanitation
4. Refuse removal

Electricity consumption tariff will increase by 34 % for the 2009/2010 financial year.

Municipal Rates do not necessary reflect a fixed percentage increase in relation to the previous year, as the last valuation was performed in 1994. The new rates levy will be levied against the market value of all properties. All Residential properties will be exempted for the first R18 000 from paying municipal rates and taxes.

As from 01 July 2009 the primary municipal services for the 2009/2010 financial year will be levied at

Rates and Taxes 0. 012 cents in the Rand

Electricity

- Basic fee R85.92
- Conventional meter consumption 66 cents per kwh (unit)
- Prepaid meter consumption 82 cents per kwh (unit)

Water

- Basic fee R40.13
- 0 to 6 kl R0
- 7 to 15 kl R5,31

-15 to 30kl	R6,03
- 31 kl +	R7,03
Sewerage (Waste water management)	R97,22
Refuse removal	R60, 63

Secondary Tariffs

Secondary Tariffs will increase by 10 % for the 2009/2010 financial year.

Please note that the Tariff schedule is attached and tariffs are exclusive of VAT

D. Indigent households

A total of almost 4000 indigent households are receiving subsidized services every month. The subsidizes services include:

- | | | | |
|-----|---|---|-------------|
| 1. | 50 kwh of electricity | @ | R41, 00 p.m |
| 2. | Basic Water | @ | R40, 13 p.m |
| 2.1 | 6000 liters of water | @ | R0 p.m |
| 3. | monthly sewerage | @ | R97, 22 p.m |
| 4. | Monthly refuse removal | @ | R60, 63 p.m |
| 5. | All property which was valued at R18 000 and below is exempted from paying Rates and Taxes. | | |

The total monthly subsidized services to Indigent Households amount to R238, 98 (VAT excl).

All Indigent Households must re-apply for the subsidy from now to end of September 2009 in order to update our records and registers annually.

E. BUDGET RELATED POLICIES

Council will adopt the following policies that were tabled to Council on 31 March 2009 with the Final Budget. The policies are

- (i) Revised IDP
- (ii) Revised Credit Control Policy
- (iii) Revised Indigent Policy
- (iv) Tariff Policy
- (v) Investment and Cash Management policy
- (vi) Service Delivery and Budget Implementation Plan (SDBIP)
- (vii) Bylaws applicable to enforcement of financial policies.

F. CONCLUSION

The 2009/2010 budget is a developmental budget which will aim to bring sustainability and improvement of service delivery. The various initiatives that Council will be undertaken will cement and concrete their mandate to improve the lives of all residents by focussing on the poor and create conducive environment for local economic development.