

ITEM: 1

TO: COUNCIL

REPORT BY THE EXECUTIVE MAYOR

DRAFT ANNUAL BUDGET 2008/2009

Purpose of the report

The purpose of the report is to table the draft multi-year budget of the Waterberg District Municipality to Council for approval.

Statutory/Legal Requirement

In terms of Section 24(1) of the Municipal Finance Management Act (MFMA) No. 56 of 2003, that reads as follows:

“The municipal council must at least 30 days before the start of the budget year consider approval of the annual budget.”

In terms of Section 16(2) of the Municipal Finance Management Act (MFMA) No. 56 of 2003, that reads as follows:

“...the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.”

Discussion

The Budget Process Plan was approved by Council on 29 August 2007.

The Draft Annual Budget for the 2008/2009 financial year is therefore tabled to Council for approval at least 90 days before the start of the financial year.

Staff implication

Certain new appointments as per the approved organogram have been included in the 2008/09 personnel budget, namely:

- BTO - Budget & Reporting Officer PL6
- MM - Personal Assistant PL6
- Assistant Officer IDP PL8
- Admin Assistant PL9
- CSSS - HRD Officer PL6
- Admin Assistant PL9
- Cleaner PL15
- ID - Admin Assistant PL9
- EMO - Secretary PL8
- Sports, Arts & Culture Officer PL6
- SDCS - Divisional Manager: Municipal Health Services PL3
- Chief Fire Officer PL6

Financial implication

See attached Schedules.

Other parties consulted

Municipal Manager
Section 57 managers
IDP Forums

Annexures

Schedule 1 – Revenue by Source
Schedule 2 – Operating Expenditure by Vote (Department)
Schedule 3 – Operating Expenditure by Type
Schedule 4 – Capital Expenditure by Vote (Priority)
Schedule 5 – Capital Funding by Source
Annexure 1 – Abattoir Tariffs
Annexure 2 – Fire Fighting Tariffs

Supporting documents:

Table A – Salaries, Allowances & Benefits of Councillors & S57 Managers
Table B – Total Salaries, Wages, Allowances and Contributions (including Councillors)
Table C – Cash Flow Projection
Table D – Summary of 2008/09 Salary Budget per Department
Table E – Breakdown of operating expenditure for all departments
Capital Investment Programme

Authority

- Municipal Finance Management Act, No 56 of 2003
- Circular No 07/2006 the South African Government Bargaining Council 3 Year Wage and Salary Collective Agreement
- Government Gazette No 30720, Notice No R 100: Determination of Earnings Threshold of 1 February 2008
- Government Gazette No 30600, Notice No R 1227: Determination of Earnings Threshold of 18 December 2007

Recommendations:

1. That the report by the Executive Mayor regarding the 2008/09 Draft Annual Budget of the Waterberg District Municipality contained in the agenda, be approved.
2. That Council approve the Draft Annual Operating Budget for the financial year 2008/09 and indicative for the two projected outer years 2009/10 and 2010/11 as set out in the following schedules:
 - 2.1 Operating Revenue by source reflected in Schedule 1;
 - 2.2 Operating Expenditure by vote reflected in Schedule 2;
 - 2.3 Operating Expenditure by type reflected in Schedule 3.
3. That Council approve the draft multi-year capital appropriations by vote (priority) reflected in Schedule 4.

4. That Council approve the Tariffs (excl VAT) reflected in Annexure 1 and 2, for Fire Fighting and Abattoir respectively, for the Budget year 2008/09.

5. That the allocation per local municipality within the Waterberg District Municipality for Fire-Fighting Services be approved for the budget year 2008/09 as follows:

Bela Bela Municipality	R 315 220
Lephalale Municipality	R 1 383 000
Mogalakwena Municipality	R 1 700 600
Modimolle Municipality	R 278 300
Mookgophong Municipality	R 285 500
Thabazimbi Municipality	R 212 600

6. That the Accounting Officer:

- make public the draft annual budget and invite the local community to submit representations in connection with the budget.
- submit the draft annual budget to the National and Provincial Treasury.

DRAFT ANNUAL BUDGET 2008/2009

The Annual Budget was prepared in terms of National Treasury MFMA Circulars 28 and 41 respectively. Circular 45 provides the growth parameters between 3 to 6% over the medium term for the 2008/09 municipal financial year.

The multi year draft budget is presented to Council for approval.

REVENUE

Council's main source of income, Regional Services Council (RSC) levies was abolished as from 1 July 2006. The replacement grant forms part of the equitable share allocation that will be made to Council.

GRANT ALLOCATIONS – DIVISION OF REVENUE ACT (DORA)

In terms of the 2008 Division of Revenue Act, the following allocations will be made to Council:

	2008/9	2009/10	2010/11
Equitable Share	67 436 000	78 867 000	84 868 000
Mun. Systems Improvement grant	735 000	735 000	735 000
Finance Management Grant	500 000	1 000 000	1 000 000

INTEREST RECEIVED

Interest received is income from external investments. Provision of R4 700 000 was made in this regard.

ABATTOIR

Council operates an Abattoir, which is a trading service.

A feasibility study was carried out on the abattoir during the previous financial year. The study has indicated that the abattoir is not optimally utilised. Currently, the abattoir is operating at a loss pending the upgrade of the Abattoir which is a current project on the 2007/08 IDP and also included on the 2008/09 IDP. A divisional manager is also budgeted to be appointed to oversee the daily operations of the Abattoir to ensure a turnaround in the earnings potential.

No tariff increase is proposed at the abattoir as the current tariffs are already higher than industry average and the intention is to increase the throughput rather than to make the tariffs unreasonable. The current tariffs are attached per Annexure 1.

An amount of R 1 808 300 is provided for income from the abattoir.

OTHER INCOME

Other income refers to sundry income, recovery of tender document costs and fire fighting income. An amount of R101 500 was budgeted. No Fire Fighting tariff increase is proposed for the 2008/09 year (See attached Annexure 2).

Attached per **Schedule 1** are details on the revenue by source.

The total revenue amounts to R 75 280 800. This is an increase of 11.69% as compared to the previous financial year.

Attached per **Schedule 1** are the details of revenue.

EXPENDITURE

Council's expenditure increases drastically in the 2008/09 budget year as a result of the devolution of Municipal Health Services.

EMPLOYEE RELATED COSTS

Provision is made for a general increase of 8.3% for all employees as per circular No 07/2006 The South African Government Bargaining Council 3 Year Wage and Salary Collective Agreement

As per Section 6.3 of this Agreement all employees will receive and increase equal to the average CPIX for the 12 month period February 2007 to January 2008 plus 1.5%. The average CPIX for the 12 month period February 2007 to January 2008 was 6.8%.

Council during the current year reviewed its Organogram. This has an effect on the expenditure as numerous new positions can be filled. The Health salaries amount to R 9 997 423 which comprises 28% of the total salaries (Table D).

Travel allowances were budgeted for all Divisional Managers as well as other extensive travellers.

Government Gazette No 30720, Notice No R 100: Determination of Earnings Threshold of 1 February 2008, increased the earnings threshold for overtime from R 115 572 to R 149 736 thereby significantly influencing the WDM's overtime payouts and increasing the budget provision from R 79 360 in 2007/08 to R 1 293 309 in 2008/09 of which R 1 218 801 relate to the Municipal Health officials (Table D).

Performance bonuses for S57 managers were only budgeted for managers who will be employed at the WDM for at least one year as at 30 June 2008.

The increase in Provision for Leave is due to the GAMAP/GRAP disclosure requirements for annual leave which changes the method in which annual leave was budgeted before.

The total employee related costs amounts to R 35 114 969 and comprises 57.7% of the total operating expenditure (excluding operating expenditure projects on the IDP).

REMUNERATION OF COUNCILLORS

Councillors salaries and allowances were based on the Government Gazette No 30600, Notice No R 1227: Determination of Earnings Threshold of 18 December. Provision is made for four full time councillors. The total salaries and allowances for councillors amounts to R3 764 091 and comprises 6.1% of the total operating expenditure. Provision is made for an increase of 8.3% on the allowances of councillors. The provision made for the Chief Whip is the difference between the allowance paid by the Local Municipality and the District Municipality.

GENERAL EXPENSES

The total general expenses amounts to 13 968 799 and comprises 22.6% of the operating budget. The major expenses are printing & stationery, training, audit fees, depreciation, annual insurance, security for WDM premises as well as the abattoir, Modimolle and Lephalale disaster centres, telephone costs, travel and subsistence, the operational costs of WEDA, etc.

Training is partially funded by the Finance Management Grant for financial management training for councillors and officials and implementing the requirements of GAMAP/GRAP.

Provision of R2 343 000 is made for depreciation, which is in line with GAMAP/GRAP.

REPAIRS AND MAINTENANCE

An amount of R454 100 is provided and constitutes 0.74% of the total operating budget.

CONTRACTED SERVICES

Contracted services refer to the fire fighting service which is rendered on behalf of Council by the Local Municipalities. Claims are submitted by the local municipalities on a monthly basis. Provision of R5 610 320 is made and this represents 8.1% of the operating budget. The provision for fire fighting per municipality is as follows:

Bela Bela Municipality	R 315 220
Lephalale Municipality	R 1 383 000
Mogalakwena Municipality	R 1 700 600
Modimolle Municipality	R 278 300
Mookgophong Municipality	R 285 500
Thabazimbi Municipality	R 212 600

An amount of R1 435 100 is budgeted for the operations of the District Disaster Centres.

MUNICIPAL HEALTH

Provision of R 10 088 128 is made for Municipal Health. This includes personnel costs for officials from the province as well as the six local municipalities. National government has indicated that they will partly fund the service by providing an equitable share.

The total operating expenditure amounts to R 60 822 479. This is an increase of 11.2% as compared to the previous financial year.

Attached per Schedule 2 and 3 is the details of the operating expenditure.

EXPENDITURE PER VOTE

A vote is referred to as a department. The following provisions were made per department:

Financial Services	R 6 671 631
Municipal Manager	R 4 782 057
Corporate Services	R 9 077 151
Planning & Econ Dev	R 4 868 581
Technical Services	R 2 926 741
Executive Mayor's Office	R11 426 880
Social Services	R 2 308 285
Fire Fighting	R 5 610 320
Municipal Health	R11 015 423
Abattoir	R 3 062 705

IDP FUNDING

Projects were identified in terms of Council's priorities. The total cost of the projects is as follows:

2008/09	R 24 737 000
2009/10	R 7 050 000
2010/11	R 3 200 000

The projects are divided into operating and capital projects for the 2008/09 budget year and are as follows:

IDP Capital	R 7 550 000
IDP Operating	R 17 187 000

The following funds are available for the 2008/09 medium term expenditure framework:

Accumulated surplus	R 28 347 757
Surplus 2007/2008	R 6 639 243

Attached per Schedule 4 and 5 are the projects per priority and the capital funding by source.

SUPPORTING TABLES

The following supporting tables are attached:

- Salaries, Allowances & Benefits of Councillors & S57 Managers (A)
- Total Salaries, Wages, Allowances and Contributions (including Councillors) (B)
- Cash Flow Projection (C)
- Summary of 2008/09 Salary Budget per Department (D)
- Breakdown of operating expenditure for all departments (E)
- IDP Investment Programme