

ANNUAL BUDGET 2011/2012

The Annual Budget was prepared in terms of National Treasury MFMA Municipal Budget and Reporting Regulations. The growth parameters was calculated based on the average CPIX and guidance of Circular 51 as 5.5% in 2011/2012, 5.5% in 2012/2013 and 6% in 2013/2014.

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. Council's main source of income now is Government Grants.

GRANT ALLOCATIONS – DIVISION OF REVENUE ACT (DORA)

In terms of the 2011/12 Division of Revenue Act, the following allocations will be made to Council:

	2011/12	2012/13	2013/14
Equitable Share	87 880 000	91 087 000	94 101 000
Mun. Systems Improvement grant	790 000	1 000 000	1 000 000
Finance Management Grant	1 250 000	1 250 000	1 250 000

An additional grant is received directly from the Provincial Department of Health:

	2010/11	2011/12	2012/13
Health Grant	8 354 000	8 772 000	9 210 600

The amount of this grant has not yet been confirmed as the Provincial Division of Revenue Gazette has not yet been published as at 28 February 2011.

INTEREST RECEIVED

Interest received is income from external investments and interest on the current account. Provision of R 7 900 000 was made in this regard.

ABATTOIR

Council operates an Abattoir, which is a trading service. The trading service is supposed to break even, but is currently running at a loss. The Abattoir has a budgeted operating loss of R 2 532 300 for 2011/2012 (2010/2011 original budgeted loss was R 2 214 506 and 2010/2011 adjusted budgeted loss is R 2 710 506).

A feasibility study was carried out on the abattoir during the previous financial years. The study has indicated that the abattoir is not optimally utilised. Currently, the abattoir is operating at a loss pending the completion of the upgrade of the Abattoir which was a current project on the 2008/09 IDP which was extended to the 2009/10 IDP and re-budgeted in the 2010/11 IDP. A divisional manager is also appointed on contract basis to oversee the daily operations of the Abattoir to ensure a turnaround in the earnings potential.

ABATTOIR (cont)

No tariff increase is proposed at the abattoir as the current tariffs are higher than industry average and the intention is to rather increase the throughput. The current tariffs are attached per Annexure 2.

An amount of R 1 156 000 is provided for income from the abattoir, of which R 120 000 for interest received and R 96 000 for rental income is not included in service charges but disclosed separately.

OTHER INCOME

Other income refers to sundry income and recovery of tender document costs to a total budgeted amount of R 75 372.

No Fire Fighting tariff increase is proposed for the 2011/12 year (See attached Annexure 3) due to the current global economic downturn. All six local municipalities must be encouraged to implement these particular Tariffs for the purposes of cost recovery. The generated fire fighting services income must be monitored and deposited to the WDM on a monthly basis. No fire fighting income has been budgeted due to the trend of the past year where no fire fighting income was recovered by the local municipalities and transferred to WDM.

Attached per **Tables A2, A3 and A4** are details on the revenue by GFS, vote and source.

The total budgeted revenue amounts to R 108 938 372 (10/11 - R 105,601,500). This is an increase of 3% as compared to the original 2010/2011 Budget (2% increase on the 2010/2011 Adjustment Budget).

EXPENDITURE

Council's personnel expenditure increases by 3% in 2011/2012 to R 48 237 730 for officials (2010/2011 – R 46 701 320). A reason for the increase in general operating expenditure is due to the inclusion of interest and service cost for post-retirement benefits which is a new GRAP requirement based on actuarial valuations, a number of new disaster assets being purchased during the 09/10 & 10/11 year thus increase depreciation and also the completion of the Lephalale Disaster Centre which increases depreciation.

EMPLOYEE RELATED COSTS

Provision is made for a general increase of 7% for all employees as per SALGA guidance and the prevailing CPIX. National Treasury or SALGA has not issued a Circular on the 2011/2012 salary increase but provision is made for a 7% increase to also compensate for the possible implementation of the SALGA Wage Curve Agreement and possible renegotiation of the increase on the Collective Agreement due to the annual average CPIX as at 31 January 2011 being below 5%. The South African Government Bargaining Council 3 Year Wage and Salary Collective Agreement, which was signed in September 2009, established and agreed 2011/12 salary increase of January 2011 annual average CPIX plus 2%. The January average annual CPIX was 4% plus 2% equals the 6% budgeted salary increase plus 1% provision for the Wage Curve Agreement implementation and possible renegotiation of increase under the SALGA Collective Agreement.

EMPLOYEE RELATED COSTS (cont)

The Health salaries amount to R 11 308 504 (2010/11 - R 10 770 696) which comprises 23.4% (23.1% in 2010/11) of the total salaries.

The Disaster salaries amount to R 3 498 241 (2010/11 - R 3 732 072) which comprises 7.3% (8% in 2010/11) of the total salaries. This excludes the salaries budgeted in local municipalities for fire fighting staff appointed by the local municipalities.

Travel allowances were budgeted for all Divisional Managers as well as other extensive travellers in terms of the WDM approved Travel Allowance Policy.

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 in 08/09, thereby decreasing the number of staff members eligible for overtime payment. Only staff on or below a Post Level 9 is still eligible for overtime payment, the rest has to take time off for overtime worked.

Wages increased by 7.69% in 2011/2012 from R 578 656 in 2010/2011 to R 623 128 in 2011/2012.

Travel allowances have increased by 2.15% from R 4 927 592 in 2010/22 to R 5 033 513 in 2011/2012.

Performance bonuses for S57 managers were budgeted for all managers who was budgeted to be employed at the WDM for at least one year at 30 June 2012.

Budget is still provided for Provision for Leave and Provision for Officials' Bonuses due to the GAMAP/GRAP disclosure requirements for annual leave and officials' bonuses.

The total employee related costs amounts to R 48 237 730 (4% increase on 10/11 personnel budget) and comprises 42.60% (2010/11 – 43.40% and 2009/10 – 48.80%) of the total operating expenditure (including operating expenditure projects on the IDP and excluding Councillor Remuneration).

The Tables on personnel expenditure includes the cost of post-retirement benefits, which is not included in this review as it relates to an accounting entry which is non-cash flow and out of WDM's control (based on annual actuarial valuations).

REMUNERATION OF COUNCILLORS

Councillors' salaries and allowances were based on the Government Gazette No 32833, Notice No R 1225: Determination of Earnings Threshold of 21 December 2009 plus an annual increase of 7% in 2010/11 and a projected increase of 7% in 2011/2012. The grading dispute for 2010/11 is still being investigated as a formal response from SALGA and COGTA has not yet been submitted. According to the new COGTA interpretation RSC Replacement Grant is not revenue where previously it was regarded as revenue and this decreases WDM's grading from grade 4 to grade 3. Budget is also provided on the basis of the current councillor component as the breakdown of new councillors post elections is not yet available. Provision is made for four full time councillors. The total salaries and allowances for councillors amounts to R 4 909 583 (2010/11 - R4 703 695) and comprises 4.3% (2010/11 – 5.7% and 2009/10 - 6.04%) of the total operating expenditure. The provision made for the full time Chief Whip is the difference between the allowance paid by the Local Municipality (Mogalakwena) and the District Municipality.

GENERAL EXPENSES

The total general expenses amounts to R 21 495 518 (2010/11 - R 19 218 192) and comprises 19% (2010/11 - 23%) of the operating budget. This includes all expenditure other than salaries, repairs & maintenance and contracted services, but excludes IDP operating expenditure. The major expenses are audit fees, subsistence & travel, depreciation, municipal services, annual insurance and security for WDM premises, abattoir, Modimolle and Lephalale disaster centres.

General expenditure also includes allocations to the Modimolle and Lephalale Disaster Centres for the operation thereof.

Provision of R 4 235 000 (2010/11 - R2 713 000) is made for depreciation and R 750 000 (2010/11 - R 301 260) for amortisation, which is in line with GAMAP/GRAP requirements. The reason for the significant increase in depreciation is the purchase of a number of new disaster vehicles and the completed Lephalale Disaster Centre. The reason for the significant increase in the amortisation is due to the anticipated procurement of the IFMS and also a fleet management system and the current projects for the health system and the GIS.

REPAIRS AND MAINTENANCE

An amount of R 978 061 (2010/11 - R550 479) is provided and constitutes 0.86% (2010/11 - 0.7%) of the total operating budget. The provision is low due to the fact that we do not have infrastructure assets. This provision is for buildings, vehicles and equipment.

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 regular basis. Provision of R 11 811 109 (2010/11 – 11 038 061) is made for all 6 local municipalities in total and this represents 10.4% (2010/11 - 13.4%) of the operating budget. The provision for fire fighting per municipality is as follows:

Bela Bela Municipality	R 610 009
Lephalale Municipality	R 2 739 145
Mogalakwena Municipality	R 5 074 131
Modimolle Municipality	R 1 397 998
Mookgophong Municipality	R 983 918
Thabazimbi Municipality	R 1 005 909

The budget for WDM operations of fire fighting is R 8 085 091 (2010/11 - R 7 595 540).

A total amount of R 19 896 200 (2010/11 – R 17 518 604) (excluding the IDP operating expenditure portion) is provided for the total fire fighting/disaster function which constitutes 18% (2010/11 - 21%) of the total operating budget.

MUNICIPAL HEALTH

Provision of R 13 081 000 (2010/11 - R 12 696 134) (excluding the IDP operating expenditure portion) is made for Municipal Health. This includes personnel costs for 30 officials, which consist of a divisional manager, 6 environmental health heads and 23 environmental health practitioners.

National government has indicated that they will partly fund the service by providing an equitable share. As per the DORA, R 18 per household is included in the equitable share for health. If calculated on the 2007 Stats SA Census, this amounts to approximately R 3 024 000. The grant from the Department of Health is projected to be R 8 354 000. The total funding for this function amounts to approximately R 11 378 000.

There is thus a shortfall of R 1 703 000 on the health function, excluding the capital expenditure which is also unfunded.

The total operating expenditure amounts to R 87 432 000 (2010/11 - R 82 211 750) (excluding the IDP operating expenditure portion). This is an increase of 6.3% as compared to the previous financial year. The total operating expenditure including IDP operating expenditure amounts to R 113 209 000 (2010/11 – R 107 606 750).

Attached per **Tables A2, A3 and A4** are details on the operating expenditure by GFS, vote and source.

EXPENDITURE PER VOTE

A department constitutes a vote as per the MFMA definition. The following provisions were made per department (excluding the IDP operating expenditure portion):

Financial Services	R 9 960 100
Municipal Manager	R 7 457 000
Corporate Services	R 14 358 000
Planning & Econ Dev	R 8 119 000
Technical Services	R 15 990 400
Executive Mayor's Office	R 16 085 000
Social Services	R 4 574 000
Fire Fighting	R 19 896 200
Municipal Health	R 13 081 000
Abattoir	R 3 688 300

IDP FUNDING

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

2011/12	R 43 730 000
2012/13	R 5 960 000
2013/14	R 4 310 000

The IDP MTEF totals R 54 000 000 of which the full R 54 000 000 is funded by WDM.

The projects on the IDP are divided into operating and capital projects for the 2011/12 budget year and are as follows:

IDP Capital	R 18 603 000	(in terms of new list in Annexure 4)
IDP Operating	R 25 127 000	(in terms of new list in Annexure 4)

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Item 1/06/05/2011

Resolved :

THAT :

1. The report by the Executive Mayor regarding the 2011/2012 Annual Budget of the Waterberg District Municipality contained in the agenda of the Special Council meeting dated 06 May 2011, be approved.
2. Council approve the Draft Tabled Annual Operating Budget for the financial year 2011/2012 and an indicative for the two projected outer years 2012/2013 and 2013/2014.
3. Council approve the multi-year capital appropriations for the financial year 2011/2012 and an indicative for the two projected outer years 2012/2013 and 2013/2014 (Council approve the projects listed in Annexure 4 of the Budget contained in the Agenda of the Special Council Meeting dated 06 May 2011).
4. Council approve the Tariffs reflected in Annexure 2 of the Budget contained in the Agenda of the Special Council Meeting dated 06 May 2011) for Abattoir for the Budget year 2011/2012.
5. Council approve the Tariffs reflected in Annexure 3 of the Budget contained in the Agenda of the Special Council Meeting dated 06 May 2011)for Fire Fighting for the Budget year 2011/2012.
 - 5.1 That water tariffs be as per the rates of the Local Municipality.
 - 5.2 That registered indigents be treated in terms of the indigent policy of the Local Municipality.
 - 5.3 That the Fire Fighting Tariffs remain unchanged due to the current global economic downturn.
 - 5.4 That all six local municipalities be encouraged to implement these particular Tariffs for the purposes of cost recovery.
 - 5.5 That the generated fire fighting services income be monitored and deposited to the WDM on a monthly basis.
- 6 The operating budget allocation per local municipality within the Waterberg District Municipality for Fire-Fighting Services be approved for the budget year 2011/2012.

BelaBela Municipality	R	610 009
Lephalale Municipality	R	2 739 145
Mogalakwena Municipality	R	5 074 131
Modimolle Municipality	R	1 397 998
Mookgophong Municipality	R	983 918
Thabazimbi Municipality	R	1 005 909
- 7 Council approve the WEDA 2011/2012 budget of R1 500 000.

Item 2/06/05/2011

Resolved:

THAT:

1. The report of the Executive Mayor regarding the final 2011/12 IDP Review as provided be noted.
2. The Final IDP Review document for the financial year 2011/12 be approved subject to verification of the population and infrastructural statistics as indicated during the meeting.