

ANNUAL BUDGET 2007/2008

REPORT BY THE EXECUTIVE MAYOR

Purpose of the report

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

Background

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.”

Discussion

The Budget Process Plan was approved by Council during August 2006.

The Annual Budget for the 2007/2008 financial year is tabled to Council for approval.

Recommendations:

1. That the report by the Executive Mayor regarding the 2007/08 Annual Budget of the Waterberg District Municipality contained in the agenda, be noted.
2. That Council approve the Annual Budget for the financial year 2007/08 and indicative for the two projected outer years 2008/09 and 2009/10 as set out in the following schedules:
 - 1.1 Operating Revenue by sources reflected in Schedule 1;
 - 1.2 Operating Expenditure by vote reflected in Schedule 2;
 - 1.3 Operating Expenditure by type reflected in Schedule 3.
4. That Council approve the multi-year capital appropriations by vote (priority) reflected in Schedule 4 be approved.
5. That Council approve the Tariffs (excl VAT) reflected in Annexure 1 for the Budget year 2007/08.
6. That the allocation per local municipality within the Waterberg District Municipality for Fire-Fighting Services be approved for the budget year 2007/08 as follows:

Bela Bela Municipality	R 553 175
Lephalale Municipality	R1 455 210
Mogalakwena Municipality	R1 868 080
Modimolle Municipality	R 417 255
Mookgophong Municipality	R 292 540
Thabazimbi Municipality	R 200 340

ANNUAL BUDGET 2007/2008

The Annual Budget was prepared in terms of National Treasury MFMA Circulars 28 and 41 respectively. Circular 41 provides the growth parameters between 3 to 6% over the medium term for the 2007/08 municipal financial year.

The multi year 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 2007 Division of Revenue Act, the following allocations will be made to Council:

	2007/8	2008/9	2009/10
Equitable Share	56 784 000	64 121 000	75 173 000
Mun. Systems Improvement grant	1 000 000	1 000 000	1 000 000
Finance Management Grant	500 000	500 000	750 000

INTEREST RECEIVED

Interest received is income from external investments. Provision of R3 800 000 was made in this regard.

ABATTOIR

Council operates an Abattoir, which is a trading service, i.e the income should equal the expenditure.

A feasibility study was carried out on the abattoir during the current financial year. The study has indicated that the abattoir is not optimally utilised. In addition, Council have appointed temporary workers who, for many years were deprived of benefits which in future may result in labour conflict. As a result, the proposal is to appoint some of the temporary workers as permanent employees and to place them on the minimum monthly basic salary of R3 093.92 per month as well as to provide for applicable minimum benefits in terms of SALGBC multi year salary and wage collective agreement. This will have an impact on the salary budget of the abattoir.

The proposed tariff increase at the abattoir is 15%. The following tariffs (excl VAT) are proposed at the abattoir:

		Current	Proposed
1.	Slaughter charges (per)		
	(a) Bovine		
	<u>Number slaughtered per month</u>		
	1 - 200	R153-45	R176-45
	201 - 250	R148-00	R170-20
	251 - 300	R142-65	R164-05
	301 - 400	R136-15	R156-55
	401 plus	R114-55	R131-75
	(b) Calf	R116-70	R134-20
	(c) Bulls above 350kg	R193-45	R222-45
	(d) Sheep/Goat	R 38-90	R 44-75
	(e) Pigs above 80kg	R128-60	R147-90
	(f) Pigs		
	<u>Number slaughtered per month</u>		
	1 - 100	R89-70	R103-15
	101 - 200	R78-85	R 90-65
	201 plus	R68-10	R 78-30
	(g) Weaner pig up to 20kg carcass mass	R64-85	R 74-55
2.	Freezing charges (per)		
	Bovine	R123-20	R141-70
	Calf carcass	R 77-80	R 89-45
3.	Cooling per 24 hours after the first 24 hours excluding the hours from Friday 16:15 to Monday 07:30 (per)		
	Bovine carcass	R 21-60	R24-85
	Bovine side or part thereof	R 11-35	R13-05
	Calf carcass or part thereof	R 8-10	R 9-30
	Weaner pig	R 8-10	R 9-30
	Sheep/Goat	R 5-95	R 6-85
	Tripe per crate (red)	R 13-00	R14-95
4.	Cleaning of tripe (per)		
	Bovine trotter	R 2-95	R 3-40
	Bovine tripe	R32-40	R37-25

	Sheep tripe	R32-40	R37-25
5.	Re-inspection fee		
	Re-inspection/Condemnation	R203-30	R233-80
6.	That Council charge interest at a rate as determined by the SARS from time to time (currently 11%) on arrear abattoir debtors.		

An amount of R 2 320 500 is provided for income from the abattoir.

OTHER INCOME

Other income refers to sundry income and internal transfers from the abattoir. An amount of R131 000 was budgeted.

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

The total revenue amounts to R64 535 500. This is an increase of 21% as compared to the previous financial year.

EXPENDITURE

Council's expenditure increases drastically in the 2007/08 budget year as a result of the provision for Municipal Health Services.

EMPLOYEE RELATED COSTS

Provision is made for a general increase of 6.43% for all employees. As per circular No 02/2007 received from the South African Government Bargaining Council.

Council is in the process of reviewing its Organogram. Job evaluations have to be done and this will have an effect on the expenditure. The revised Organogram will be considered by council for implementation in line with the new Human Resources Management Strategy. Provision of R8.3 million was made for Municipal Health Service which includes personnel from the province and the six local municipalities. This is an increase of 60% as compared to the previous financial year as provision was made on the District's salary scales.

The total employee related costs amounts to R31 019 820 and comprises 57% of the total operating expenditure.

REMUNERATION OF COUNCILLORS

Councillors salaries and allowances were based on the current gazette. Provision is made for four full time councillors. The total salaries and allowances for councillors amounts to R3 702 795 and comprises 6.8% of the total operating expenditure. Provision is made for an increase of 6% on the allowances of councillors. The provision made for the speaker is the difference between the allowance paid by the Local Municipality and the District Municipality.

GENERAL EXPENSES

The total general expenses amounts to R14 270 380 and comprises 26.4% of the operating budget. The major expenses are audit fees, depreciation, annual insurance, programming, municipal services, printing and stationery, SALGA membership fees, telephone costs, travel and subsistence etc.

Provision of R1 564 500 is made for depreciation, which is in line with GAMAP/GRAP.

REPAIRS AND MAINTENANCE

An amount of R521 225 is provided and constitutes 0.97% of the total operating budget.

CONTRACTED SERVICES

Contracted services refers 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 564 580 is made and this represents 10.4% of the operating budget. The provision for fire fighting per municipality is as follows:

Bela Bela Municipality	R 553 175
Lephalale Municipality	R1 455 210
Mogalakwena Municipality	R1 868 080
Modimolle Municipality	R 417 255
Mookgophong Municipality	R 292 540
Thabazimbi Municipality	R 200 340

An amount of R777 980 is budgeted for the operations of the District Disaster Centres.

MUNICIPAL HEALTH

Provision of R8.3 million 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 allocation is included in the equitable share grant.

The total operating expenditure amounts to R54 368 845 and is an increase of 20.6% as compared to the previous year.

Attached per **Schedule 2, 2(a) 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	R5 793 485
Municipal Manager	R3 628 680
Corporate Services	R7 449 940
Planning & Econ Dev	R4 533 190
Technical Services	R2 510 650
Executive Mayor's Office	R9 936 310
Social Services	R2 370 790
Fire Fighting	R5 563 550
PIMSS	R1 634 940
Municipal Health	R8 340 970
Abattoir	R2 606 340

IDP FUNDING

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

2007/08	R74 400 000
2008/09	R73 700 000
2009/10	R51 000 000

The projects are divided into operating and capital projects for the 2007/08 budget year and are as follows:

IDP Capital	R18 750 000
IDP Operating	R55 650 000

The following funds are available for the 2007/08 budget year:

Accumulated surplus	R 64 233 345
Surplus 2007/2008	R 10 166 655

Attached per **Schedule 4** is the projects per priority .

SUPPORTING TABLES

The following supporting tables are attached:

- Summary of total salaries, wages, allowances and contributions
- Disclosure of salaries, allowances and benefits
- IDP Investment Programme
- Monthly Cash Flows