

ITEM:

TO:COUNCIL

REPORT BY THE EXECUTIVE MAYOR

ANNUAL BUDGET 2009/2010

PURPOSE OF THE REPORT

The purpose of the report is to table the draft multi-year budget and reviewed IDP 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:

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

Section 24(2)(c) of the Municipal Finance Management Act (MFMA) No. 56 of 2003:

"An annual budget must be approved together with the adoption of resolutions ... approving any changes to the municipality's integrated development plan"

Section 16(2) of the Municipal Finance Management Act (MFMA) No. 56 of 2003:

"...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."

Section 22 of the Municipal Finance Management Act (MFMA) No. 56 of 2003:

"(a) in accordance with Chapter 4 of the Municipal Systems Act—

- (i) make public the annual budget and the documents referred to in section 17(3); and*
- (ii) invite the local community to submit representations in connection with the budget; and*

(b) submit the annual budget—

- (i) in both printed and electronic formats to the National Treasury and the relevant provincial treasury; and*
- (ii) in either format to any prescribed national or provincial organs of state and to other municipalities affected by the budget"*

Section 34 of the Municipal Systems Act, 2000:

"A municipal council—

(a) must review its integrated development plan—

- (i) annually in accordance with an assessment of its performance measurements; and*
- (ii) to the extent that changing circumstances so demand"*

Section 87(1) of the Municipal Finance Management Act (MFMA) No. 56 of 2003:

"The board of directors of a municipal entity must for each financial year submit a proposed budget to its parent municipality not later than 150 days before the start of the entity's financial year."

Section 87(3) of the Municipal Finance Management Act (MFMA) No. 56 of 2003:

"The mayor of the parent municipality must table the proposed budget of the municipal entity in the council when the annual budget of the municipality for the relevant year is tabled."

.BACKGROUND, EXPOSITION, FACTS AND PROPOSALS

The Budget Process Plan was approved by Council on 4 September 2008 in compliance with Sections 27 and 29 of the Municipal Systems Act.

To drive public participation, the Waterberg District Municipality established a number of IDP structures which allowed it to solicit inputs and comments from the diverse stakeholders. In total 3 IDP Steering Committee meetings, 1 District Planning Forum, 2 IDP workshops and 3 IDP Representative Forum meetings were conducted before the end of March 2009.

According to the Budget Process Plan the annual 2009/2010 budget has to be tabled to Council 90 days before the start of the new budget year, therefore to be tabled by 31 March 2009. The Draft Annual Budget for the 2009/2010 financial year was therefore tabled to Council for approval at least 90 days before the start of the financial year on 31 March 2009. After the approval by Council of the tabled 2009/2010 budget, the budget & IDP was made public and was be submitted to National and Provincial Treasury.

The 2009/10 Budget was a consultative process in which all S57 managers participated.

Between April and May 2009, the Waterberg District Municipality embarked on IDP hearings /road shows. The aim was still to solicit inputs and the public were invited in the form of public notice to make comments. An advert (Annexure D) was placed in City Press and Sowetan on 3 and 4 April 2008 to invite the public to comment on the Draft Annual Budget and IDP 2009/10. Please see comments arising from the advert attached as per Annexure E.

In the interest of public participation, Waterberg District Municipality held IDP Road shows in all six local municipalities. In general the municipality has complied with the IDP processes as enshrined in the Municipal Systems Act. The issues that were raised at the IDP Budget Road shows, amongst others, include

- Service backlogs
- Implementation of a Performance Management system
- Training of fire fighters

Please find attached community comments arising from the Road Shows as per Annexure C.

After the approval of the Draft IDP Document in March 2009, the document was sent to the Department of Local Government and Housing for assessment. The assessment did take place in April 2009 and report has been sent to the municipality. Attached as Annexure A is the self explanatory Assessment Report. The implication is that if weaknesses are identified, the municipality should make amendments before the IDP is finally adopted by Council. By doing so, the IDP document is likely to be credible when evaluated later by the Department of Governance and Traditional Affairs.

Section 36 of the Municipal Systems Act provides that a municipality must give effect to its Integrated Development Plan and conduct its affairs in a manner which is consistent with its Integrated Development Plan. The best way to do so is to use the Service Delivery and Budget Implementation Plan. To drive the developmental needs, in March 2009, a draft SDBIP was also attached to the draft IDP 2009/2010. The Service Delivery and Budget Implementation Plan is now 90% complete and have successfully integrated both the IDP and the Budget. It complies with Circular 13 of National Treasury. The final SDBIP will be signed by the Executive Mayor before 28 June 2009. The targets will eventually translate into the Performance agreements and Performance Management Plan. After the adoption of the 2009/ 2010 IDP, it will be prudent to convene the last IDP Representative Forum meeting and present to the members the approved IDP and Budget.

No budget related policies are attached to this item as budget related policies was reviewed approved by Council on 4 September 2008 and 5 December 2008. The annual review of budget related policies will commence again in the 2009/2010 budget year.

The budget is divided into a capital and operating budget. The IDP projects are divided into projects of a capital and operating nature.

The municipal tariffs for the Abattoir and Fire Fighting have been reviewed and are attached to this budget item.

All current investments have been committed in terms of the 2008/2009 IDP & Budget and the 2009/2010 IDP & Budget.

The existing municipal entity, Waterberg Economic Development Agency has, to date, not tabled the annual 2009/2010 budget for the entity to Waterberg District Municipality.

Schedules per GFS classification are also attached. GFS stands for Government Finance Statistics. The aim of the standard classification approach is that all municipalities will approve a budget in one common format.

In terms of section 34 of the Municipal Systems Act the summary of the IDP should be made available. Some summarized versions of the IDP will be translated into Sepedi.

The only changes affected on the budget since the tabling on 31 March 2009 are as follows:

- The R 4 million land audit project on 09/10 IDP has been removed as this project will be implemented by Department of Local Government & Housing.
The savings was then re-allocated as follows on the IDP:
 - R 1 million Water Sampling Software
 - R 800,000 increase in Community Participation & Good Governance projects collectively – Communication, Learning & Sharing, Moral Regeneration, Gender, HIV/AIDS, People with disability and Youth
 - R 2 million Maintenance of landfill sites
 - R 200,000 increase in Co-ordination of Sports, Arts & Culture
- An additional R 750,000 is included in the 09/10 IDP for the Signage project funded from 05/06 VUNA Awards prize money.
- The R 5 million contributions from Local Municipalities have been removed from the PMS project as the funding has to date not yet been confirmed.

STAFF IMPLICATIONS

Certain new appointments as per the approved organogram and previous council resolutions have been included in the 2009/2010 personnel budget, namely:

BTO	-	Senior Salary Officer	PL5	
		Financial Intern	2 year contract	(paid from FMG)
MM	-	Audit Intern	2 year contract	(paid from FMG)
CSSS	-	ICT Helpdesk Officer	PL8	(Disaster Centres)
		2 Gardeners/Cleaners	PL15	(Disaster Centres)
EMO	-	Sports,Arts&Culture Officer	PL6	
	-	Council & Committees Clerk	PL9	
	-	PA to Chief Whip	PL6	

SDCS	-	Air Quality Officer	PL6	
Disaster	-	Admin Assistant	PL8	(Disaster Centres)
	-	Fire Prevention Officer	PL6	(Modimolle Disaster Centre)
	-	3 Control Room Operators	PL10	(Modimolle Disaster Centre)
	-	Fire Station Officer	PL6	(Lephalale Disaster Centre)
	-	Control Room Operator	PL10	(Lephalale Disaster Centre)
	-	Clerical Assistant	PL11	(Lephalale Disaster Centre)
	-	Fire Prevention Officer	PL6	(Lephalale Disaster Centre)

Cell phone allowances are budgeted for all Health Practitioners at R 250 per month.

Performance bonuses of S57 managers were budgeted for all filled positions, namely Chief Financial Officer, Manager Corporate Support & Shared Services, Manager Planning & Economic Development and Manager Infrastructure Development.

17 new travel allowances were budgeted for in Health Department – all 29 Health Practitioners now have budgeted travel allowances.

Senior Managers' Performance Plans and Performance Agreements will be informed by the IDP objectives, targets, budget and higher SDBIP. The agreements must be concluded before the end of August 2009. All other employees will execute the lower SDBIP.

FINANCIAL IMPLICATIONS

See attached Schedules.

Copies of the approved IDP, both the full version and the summarized version, will be made available before the end of August 2009. The summarized version will be translated into Sepedi. The costs will be defrayed from the IDP vote CO-012.

OTHER PARTIES CONSULTED

WDM Municipal Manager
WDM Section 57 managers
WDM Divisional managers
WDM IDP Forums
Mogalakwena Local Municipality
Bela Bela Local Municipality
Modimolle Local Municipality
Thabazimbi Local Municipality
Mookgophong Local Municipality
Lephalale Local Municipality
Limpopo Provincial Treasury
SALGA
Community

ANNEXURES

Budget:

Schedule 1	– Revenue by Source
Schedule 2	– Operating Expenditure by Vote (Department)
Schedule 2(a)	– Operating Expenditure by GFS classification
Schedule 2(b)	– Operating Expenditure by Type
Schedule 3	– Capital Expenditure by Vote (Priority)
Schedule 3(a)	– Capital Expenditure by GFS classification
Schedule 4	– Capital Funding by Source
Annexure 1	– Abattoir Tariffs
Annexure 2	– Fire Fighting Tariffs
Annexure 3	- Capital Investment Programme

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 Salary Budget per Department
Table E	– Breakdown of operating expenditure for all departments

Reviewed IDP:

Annexure A : DLGH Assessment Report
Annexure B: Final 2009/2010 IDP
Annexure C: IDP Road Shows feedback
Annexure D: IDP Public notice
Annexure E: Feedback from the Advertisement

AUTHORITY

- Municipal Finance Management Act, No 56 of 2003
- Municipal Systems Act, No 32 of 2000
- 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

That:

1. The report by the Executive Mayor regarding the 2009/2010 Annual Budget and 2009/2010 IDP Review of the Waterberg District Municipality contained in the agenda, be approved.
2. Council approve the Annual Operating Budget for the financial year 2009/2010 and indicative for the two projected outer years 2010/2011 and 2011/2012 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 GFS classification reflected in Schedule 2(a); and
 - 2.3 Operating Expenditure by type reflected in Schedule 2(b)
3. Council approve the multi-year capital appropriations for the financial year 2009/2010 and indicative for the two projected outer years 2010/2011 and 2011/2012 as set out in the following schedules:
 - 3.1 Capital Expenditure by vote (priority) reflected in Schedule 3;
 - 3.2 Capital Expenditure by GFS classification reflected in Schedule 3(a); and
 - 3.3 Capital Funding by Source reflected in Schedule 4
4. Council approve the Tariffs reflected in Annexure 1 for Abattoir for the Budget year 2009/2010.
5. Council approve the Tariffs reflected in Annexure 2 for Fire Fighting for the Budget year 2009/2010.
 - 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's policy of 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 2009/2010 as follows:

Bela Bela Municipality	R 639,773
Lephalale Municipality	R 2,378,362
Mogalakwena Municipality	R 4,016,372
Modimolle Municipality	R 1,041,925
Mookgophong Municipality	R 876,084
Thabazimbi Municipality	R 470,794
7. The 2009/2010 IDP Review, as contained in the agenda, be approved.
8. The SDBIP be approved and signed by the Executive Mayor on or before 28 June 2009.
9. The Performance Agreements and the Performance Plans for Senior Managers be concluded before the end of August 2009.

ANNUAL BUDGET 2009/2010

The Annual Budget was prepared in terms of National Treasury MFMA Circulars 28 and 41 respectively. MFMA Circular 48 provides the growth parameters between 5 to 10% over the medium term for the 2008/09 to 2011/12 MTEF.

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 2009 Division of Revenue Act, the following allocations will be made to Council:

	2009/10	20010/11	2011/12
Equitable Share	78 598 332	84 622 510	88 519 326
Mun. Systems Improvement grant	735 000	750 000	790 000
Finance Management Grant	1 000 000	1 020 000	1 140 000

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

	2009/10	20010/11	2011/12
Health Grant	7 451 000	7 881 000	8 353 860

INTEREST RECEIVED

Interest received is income from external investments and interest on the current account. Provision of R10 200 000 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.

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 is a current project on the 2008/09 IDP and also included on the 2009/10 IDP. A divisional manager is also appointed on contract 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 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 1 316 370 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 R 75 500 is budgeted.

No Fire Fighting tariff increase is proposed for the 2009/10 year (See attached Annexure 2) 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. An amount of R 25 000 is budgeted for Fire Fighting Income, included under Other Income.

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

The total budgeted revenue amounts to R 99 376 202. This is an increase of 17% as compared to the previous financial year.

EXPENDITURE

Council's expenditure increases significantly in the 2009/10 budget year as a result of the establishment of the Disaster Management Unit, further expansions on benefits of Environmental Health Practitioners and various other new positions as indicated in the Staff Implications paragraph on the budget item.

EMPLOYEE RELATED COSTS

Provision is made for a general increase of 10% for all employees as per SALGA guidance and the prevailing CPIX. Currently, there is no replacement for Circular No 07/2006 The South African Government Bargaining Council 3 Year Wage and Salary Collective Agreement, which has lapsed.

The Headline CPI inflation estimate for 2008/09 in terms of MFMA Circular 48 is 10.8% and 5.4% for 2009/10.

Council during the 07/08 year reviewed its Organogram. This has an effect on the expenditure as numerous new positions can be filled which remained vacant in the 2008/09 budget year. An item was tabled to Council and approved on 31 March 2009 regarding the Disaster Centre Organogram and the subsequent spin-off effect on other support service departments, such as Corporate Service and Budget & Treasury.

The Health salaries amount to R 9 553 923 which comprises 23.4% of the total salaries (Table D).

The Disaster salaries amount to R 3 261 332 which comprises 8% of the total salaries (Table D).

The appointment of the additional Salary Officer in Budget & Treasury Office and ICT Helpdesk Officer and 2 Cleaner/Gardeners in Corporate Support & Shared Services is also due to the personnel expansions in the Disaster and Health departments.

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 in 08/09. Since all position above PL7 or 8 are above the threshold, no overtime has to be budgeted for Health Practitioners thereby decreasing overtime by 68% for 09/10 (Table D).

Cell phone allowances have increased by 21% due to the proposal that all Health Practitioners receive cell phone allowances as they are field workers.

Travel allowances have also increased by 11% due to 17 new travel allowances being proposed for Health Practitioners to replace municipal vehicles. The current 5 municipal vehicles will be transferred to Corporate Support & Shared Services for general administration.

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 2009.

The increase in Provision for Leave and the new Provision for Officials' Bonuses is due to the GAMAP/GRAP disclosure requirements for annual leave and officials' bonuses which changes the method in which annual leave was budgeted before – a full accrual has to be made for the outstanding commitment at each year end.

The total employee related costs amounts to R 40 812 022 and comprises 48.80% (2008/09 - 43.56%) of the total operating expenditure (including operating expenditure projects on the IDP and excluding Councillor remuneration).

REMUNERATION OF COUNCILLORS

Councillors' salaries and allowances were based on the Government Gazette No 31687, Notice No R 1319: Determination of Earnings Threshold of 8 December 2008 plus an annual increase of 10%. Provision is made for four full time councillors. The total salaries and allowances for councillors amounts to R4 278 326 and comprises 6.04% of the total operating expenditure. 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 R 13 419 379 and comprises 18.9% of the operating budget. The major expenses are printing & stationery, audit fees, subsistence & travel, depreciation, annual insurance and security for WDM premises, abattoir, Modimolle and Lephalale disaster centres.

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

Provision of R2 341 500 is made for depreciation, which is in line with GAMAP/GRAP requirements.

REPAIRS AND MAINTENANCE

An amount of R494 258 is provided and constitutes 0.7% 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 regular basis. Provision of R 9 423 310 is made for all 6 local municipalities in total and this represents 13.3% of the operating budget. The provision for fire fighting per municipality is as follows:

Bela Bela Municipality	R 639,773
Lephalale Municipality	R 2,378,362
Mogalakwena Municipality	R 4,016,372
Modimolle Municipality	R 1,041,925
Mookgophong Municipality	R 876,084
Thabazimbi Municipality	R 470,794

The budget for WDM operations of fire fighting is R 4 886 831. This includes R 443 000 for operations of Modimolle Disaster Centre and R 337 000 for Lephalale Disaster Centre excluding salaries.

The reason for the 172% increase in the budget of the fire fighting department is that various new positions as indicated in the item have been included to formally establish the disaster management unit and operational staff requirements of the 2 disaster centres.

An amount of R14 310 142 is provided for the total fire fighting/disaster function which constitutes 20% of the total operating budget.

MUNICIPAL HEALTH

Provision of R 10 637 073 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 this amounts to approximately R 3 024 000. The grant from the Department of Health is R 7 451 000. The total funding for this function thus amounts to approximately R 10 475 000.

There is thus a shortfall of R 162 073 on the health function, excluding the capital expenditure which is also unfunded.

The total operating expenditure amounts to R 70 818 796. This is an increase of 21% as compared to the previous financial year.

Attached per **Schedule 2, 2(a) and 2(b)** is the details of the operating expenditure.

EXPENDITURE PER VOTE

A department constitutes a vote as per the MFMA definition. The following provisions were made per department:

Financial Services	R 8 357 268
Municipal Manager	R 5 481 866
Corporate Services	R 10 680 184
Planning & Econ Dev	R 3 413 850
Technical Services	R 2 169 140
Executive Mayor's Office	R 11 288 417
Social Services	R 1 572 887
Fire Fighting	R 14 310 142
Municipal Health	R 10 637 073
Abattoir	R 2 907 969

IDP FUNDING

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

2009/10	R 29 305 000
2010/11	R 7 520 000
2011/12	R 5 530 000

The IDP MTEF totals R 42 355 000 of which R 41 605 000 is funded by WDM and the remaining R 750 000 is funded as follows:

DLGH VUNA Awards	R 750 000
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The projects on the IDP are divided into operating and capital projects for the 2009/10 budget year and are as follows:

IDP Capital	R 16 485 000
IDP Operating	R 12 820 000

The following funds are available for the 2009/10 IDP medium term expenditure framework:

Accumulated surplus	R 16 896 679
Surplus 2008/2009	R 14 458 321
IDP MTEF 2008/2009	R 10 250 000

Attached per **Schedule 3, 3(a) and 4** are the details of the IDP and the capital funding by source.

Attached per **Annexure 3** is a detailed breakdown of all projects included in the IDP.