

MATATIELE LOCAL MUNICIPALITY

EC 441

BUDGET 2010/2011

EXECUTIVE SUMMARY

1. METHOD OF PREPARATION

The Budget was prepared according to the Zero Based Method. In terms of this method all votes and line items were reduced to zero and every amount allocated had to be motivated. General Managers were requested to hand their requests to the Chief Financial Officer for inclusion on the budget. The information was requested to reach the Chief Financial Officer by the 30 October 2009. The following departments submit requests: Budget and Treasury – October 2008, Infrastructure Department – March 2010, Economic Development & Planning – December 2009, Community Services – March 2010, Executive and Council – March 2010, Corporate Service – March 2010. The budget is in the old National Treasury (GRAP) format. The conversion to comply with the new Budget Regulations will be completed before Council adopt the Budget on 31st May 2010.

2. APPROVAL

In terms of Section 16(2) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003), hereafter called the MFMA, the Mayor must table the Annual Budget at a council meeting at least 90 days before the start of the budget year, that is 31 March. Council must thereafter consider any views of the community on the tabled budget (Section 22 of the MFMA) and approve the budget before the start of the financial year which is 1 July (Section 16 (1) of the MFMA).

3. OPERATING BUDGET

In terms of the GRAP format, Capital Grants receivable are included in the Operating Budget. Capital expenditure is not included in the Operating Budget.

Operating expenditure is the day to day management items of the Municipality, i.e.

- Salaries, Wages, Allowances
- Repairs and Maintenance
- Debt (Loans) Servicing
- Depreciation of Assets
- Insurance
- Electricity
- Telephone
- Subsistence and Traveling Allowances
- Fuel

The operating budget amounts to R229,632,253. Table 1 hereunder summarizes the budget per department. General Managers must manage their own budget, consulting with the Chairpersons of the standing committees and the standing committees where necessary. Allocations per line item are done by the departments themselves, as long as they don't exceed the amounts allocated per table 1. Priorities are therefore determined by the departments, including the filling of vacant posts.

Service Level Agreements (SLA) must be entered between the Matatiele Local Municipality and the various Provincial Departments in respect of the Library, Museum, Primary Health and Main Road Services that the Matatiele Local Municipality will provide on behalf of the respective Provincial Departments. In this budget

the income equals the expenditure. Therefore, it must be noted that no provision is made for a contribution from Council for these services.

The budget will be funded as per table 1. Kindly note that of a total budget of R229,632,253 - Council generates R54 507 068 (24%), and Grants amount to R175 125 185 (76%).

**TABLE 1
TOTAL REVENUE BY SOURCE**

INCOME	AMOUNT	PERCENTAGE
Property Rates	20,028,612	9%
Service Charges	25,265,438	11%
Rentals of facilities and equipment	723,634	0%
Interest earned – external investments	3,000,000	1%
Interest earned – outstanding debtors	1,680,000	1%
Fines	1,303,000	1%
Licenses and permits	2,506,384	1%
Government grants & subsidies	88,729,957	39%
Capital Grants	81,787,675	36%
Other	2,201,920	1%
Transfer to and from reserves (Deficit)	2,405,634	1%
TOTAL	229,632,253	100%

The total Expenditure Budget is summarized per table 2.

**TABLE 2
TOTAL EXPENDITURE BUDGET BY TYPE.**

EXPENDITURE	AMOUNT	PERCENTAGE
Employee related costs	46,617,551	31%
Remuneration of Councilors	11,921,954	8%
Bad Debt Provision	2,000,000	1%
Depreciation	12,084,885	8%
Repairs and maintenance	10,565,200	7%
Interest external borrowings	1,441,790	1%
Bulk purchases – Electricity	18,507,317	12%
Contracted Services	9,719,324	6%
Grants and subsidies paid	14,092,548	9%
General Expenses	24,460,153	16%
Internal Charges	477,500	0%
Sub-Total	151,888,222	100%
Capital Grants	81,877,850	
Depreciation	-4,133,818	
TOTAL	229,632,253	

**TABLE 3
BUDGET PER DEPARTMENT**

VOTE	EXPENDITURE	INCOME	CAPITAL
Executive & Council	22,200,173	750,000	2,000,000
Municipal Budget and Finance	31,799,084	97,431,301	0
Corporate Services	9,289,268	1,080,000	970,175
Community Services	13,295,800	11,637,965	2,878,334
Economic & Development Planning	20,300,045	20,115,733	6,000,000
Technical Services	50,870,025	96,211,620	90,747,341
Capital Grants	81,877,850		
Deficit		2,405,634	
TOTAL	229,632,253	229,632,253	102,595,850

4. CAPITAL BUDGET

Capital expenditure is the expenditure incurred on items used over a period of time longer than 12 months to generate future income.

Capital projects amounting to R102 595 850 has been included in this budget. Included in this amount is current incomplete projects amounting to R11 862 341 for which funding is available. Own sources available to fund these projects amount to R9 308 175. Our MIG allocation for 2010/2011 is R25 905 000 (- administration cost of R1 290 000).

The balance of R20,000,000 will be funded by the DBSA loan. The loan is available and will be paid as soon as all administrative processes are completed.

All projects must be included in the IDP. The Capital Budget will be funded as per table 4.

**TABLE 4
FUNDING OF CAPITAL BUDGET**

Grants received: Provincial Treasury	880,000
Grants received: Department of Housing	1,860,334
Grants received: Public Works	870,000
Grants available from previous years	11,862,341
Municipal Infrastructure Grant	24,615,000
DOE	33,200,000
External Loan from DBSA	20,000,000
Capital Replacement Reserve	9,308,175
	102,595,850

Details of the above are attached as per Annexure 1.

5. GRANTS & SUBSIDIES ALLOCATIONS

In terms of the Division of Revenue Bill 2010 Matatiele Local Municipality will receive an Equitable Share of R71,817,000. This is not adequate to deliver services to our area. It is Operational Grants allocated to Matatiele for 2010/2011 is indicated per table 5. Kindly note that these amounts are included in the revenue table as indicated by table 1

**TABLE 5
OPERATIONAL GRANTS AND SUBSIDIES TO BE ALLOCATED TO MATATIELE LOCAL MUNICIPALITY 2010/2011**

	Subsidies		4,109,744
Library	Subsidy (ito SLA)	804,680	
Museum	Subsidy (ito SLA)	163,014	
Health	Subsidy (ito SLA)	2,932,000	
Road	Subsidy (ito SLA)	10,050	
Corporate	Subsidy Seta	200,000	
	Total Equitable Share		71,817,000
Finance	Equitable Share	66,001,409	
Electricity	Equitable Share - Free Basic Services	1,233,516	
Refuse	Equitable Share - Free Basic Services	1,914,075	
Council	Contribution to Councillor Allowance	2,668,000	
Roads	MIG Administration Fee		1,290,000
Finance	FMG		1,200,000
Finance	MSIG		750,000

	Establishment Plan Grant (DHLGTA)		9,563,213
Council	Establishment of Wards (PT)	350,000	
Council	Public Awareness	400,000	
Finance	Capacity Building	200,000	
Finance	Office Accommodation	930,300	
Finance	New GIS	467,000	
Finance	Organizational Structure	49,980	
Finance	Valuation Roll GIS	540,000	
EDP	Maluti Town Establishment	400,000	
EDP	Town and LUMS Amalgamation	1,600,000	
EDP	Matatiele Land Use Framework	540,000	
EDP	Matatiele SDF (DBSA)	600,000	
EDP	Matatiele SDF	150,000	
Solid Waste	Landfill Site	834,840	
Solid Waste	FBS	2,471,900	
Elec	FBS	29,193	
TOTAL			88,729,957

6. TARIFFS

The new Property Valuation Roll came into effect the 1 July 2009. Rates were increased by 4%.

Electricity tariffs were increase by 15% in terms of the directive from National Treasury and NERSA.

Refuse tariffs were increased by 5% and all other tariffs kept at the same level or reduced in the case of swimming pool and the pound.

7. SPECIAL PROGRAMMES UNIT

Included in the Operating Budget provision was made for Special Programs as requested by the Office of the Mayor. This programmes are listed per table 6. Business plans must be developed and submitted to the Municipal Manager and Chief Financial Officer for approval prior to funds been released.

TABLE 6
SPECIAL PROGRAMMES

Youth	300,000
Elderly	300,000
Gender	300,000
Disability	300,000
Status of Children's Rights	300,000
HIV & AIDS	300,000
TOTAL	900,000
Ward Programmes R10 000 x 24 wards	240 000
TOTAL	2 040 000

8. COUNCILLORS REMUNERATION

Councillors remuneration was budgeted as per the upper limits of a Grade 3 Municipality. Provision was also made that one more member of Exco be declared full time and for 4 additional Councilors for a period of 4 months. Furthermore a 8% increase was provided for.

9. EXTERNAL SERVICE DELIVERY MECHANISMS

External service providers are used for the refuse removal and grass cutting in the towns of Matatiele, Cedarville and Maluti. These agreements can be summarized as follows:

Contractor	Service	Amount
Khayelihle Sixolile	Grass Cutting	R 642,000.00
Kopano	Grass Cutting	R 780,720.00
Lerato	Grass Cutting	R 855,000.00
Morning Dew	Grass Cutting	R 262,000.00
Matefloma	Refuse Removal	R 720,000.00
Valley Junction	Refuse Removal	R 780,000.00
Eyethu	Refuse Removal	R1,015,200.00

10. ACCUMULATED SURPLUS

This budget will result in a deficit of R2 405 634 which will be funded from accumulated surpluses. Again an appeal is made that LED projects that will increase our rate base be implemented. Further, revenue generating projects should be identified and implemented in all wards.

**D.C. VAN ZYL
CHIEF FINANCIAL OFFICER
19 MARCH 2010**