

DRAFT ANNUAL BUDGET 2011/2012

Office of the Mayor

PURPOSE OF THE REPORT

The purpose of the report is to table annual budget for 2011 – 2014 in line with section 16 sub section 2 of the Municipal Finance Management Act 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.

ANNAUL BUDGET

1. Tariffs (Annexure A)

National Treasury have issued Circular 55 of the MFMA that tries to guide the municipality in preparation of the budget 2011/2012. The circular stipulates that

Service	Increase
Property Rates	6%
Water	3%
Electricity	21%
Refuse	6%
Sewerage	6%
Rentals	6%
All other	6%

The average CPI for the past 12 months is 4.08% the real increase in tariffs will be 1.92%. Eskom increase for 2011/2012 ia approved at 26.38% and we are suggesting a average increase of 21%. We have also made investigations to the other municipalities within Thabo Mofutsanyane District and other municipalities that falls under the region regarding their average increase on tariffs excluding electricity for the 2011/12 budget. The responses were as follows:

Dihlabeng Local Municipality : 9% on all services

: Electricity 25.6%

Other income 10%

Phumelela Local Municipality : 7% on all services

: Electricity 20.38%

: other income 15%

2. Revenue and Expenditure Statement (Annexure C)

FS193 Nketoana - Table A1 Budget Summary

Description R thousands	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Financial Performance										
Property rates	6,843	6,588	6,588	7,725	-	7,725	-	8,189	9,329	9,805
Service charges	73,984	59,363	44,146	57,802	-	57,090	-	63,787	66,976	70,325
Investment revenue	-	-	-	500	-	-	-	530	557	584
Transfers recognised - operational	25,464	34,120	34,120	64,095	-	-	-	71,807	75,397	79,167
Other own revenue	9,142	9,671	9,792	2,977	-	-	-	3,156	3,313	3,479
Total Revenue (excluding capital transfers and contributions)	115,433	109,742	94,646	133,099	-	64,815	-	147,468	155,573	163,361
Employee costs	26,091	30,446	31,733	41,818	-	41,818	-	44,745	47,161	49,708
Remuneration of councillors	2,291	3,404	3,404	4,488	-	-	-	4,758	5,014	5,285
Depreciation & asset impairment	-	-	-	5,600	-	5,600	-	11,970	12,616	13,298
Finance charges	940	1,672	1,677	980	-	-	-	890	938	989
Materials and bulk purchases	6,770	9,452	10,400	19,187	-	19,187	-	24,176	25,481	26,857
Transfers and grants	-	-	-	-	-	-	-	-	-	-
Other expenditure	72,490	54,080	54,840	46,959	-	36,959	-	33,798	35,623	37,546
Total Expenditure	108,582	99,053	102,054	119,032	-	103,564	-	120,336	126,834	133,683
Surplus/(Deficit)	6,851	10,689	(7,408)	14,067	-	(38,749)	-	27,132	28,739	29,678
Transfers recognised - capital	-	-	-	-	-	-	-	-	-	-
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	6,851	10,689	(7,408)	14,067	-	(38,749)	-	27,132	28,739	29,678
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	6,851	10,689	(7,408)	14,067	-	(38,749)	-	27,132	28,739	29,678
Capital expenditure & funds sources										
Capital expenditure	-	-	-	24,430	-	-	-	38,695	31,650	26,400
Transfers recognised - capital	-	-	-	17,945	-	-	-	39,797	18,000	8,400
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	-	-	-	6,485	-	-	-	4,700	13,650	18,000
Total sources of capital	-	-	-	-	-	-	-	44,497	31,650	26,400

FS193 Nketoana - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand	1									
Revenue - Standard										
Governance and administration		-	34,497	-	75,203	-	71,820	80,521	88,019	93,214
Executive and council Budget and treasury office		-	875	-	-	-	-	-	-	-
Corporate services		-	33,200	-	64,095	-	64,095	72,332	79,421	84,186
Community and public safety		-	422	-	11,108	-	7,725	8,189	8,598	9,028
Community and social services		-	502	-	802	-	802	855	898	943
Sport and recreation		-	427	-	602	-	602	638	670	704
Public safety		-	-	-	-	-	-	5	6	6
Housing		-	75	-	200	-	200	212	223	234
Health		-	-	-	-	-	-	-	-	-
Economic and environmental services		-	18,100	-	3	-	3	3	3	4
Planning and development		-	-	-	3	-	3	3	3	4
Road transport		-	18,100	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-
Trading services		-	71,816	-	57,090	-	57,090	63,032	66,184	69,493
Electricity		-	19,839	-	16,780	-	16,780	20,304	21,319	22,385
Water		-	28,575	-	20,148	-	20,148	21,357	22,425	23,546
Waste water management		-	11,923	-	9,429	-	9,429	9,995	10,494	11,019
Waste management		-	11,479	-	10,733	-	10,733	11,377	11,946	12,543
Other	4	-	-	-	-	-	-	3,586	-	-
Total Revenue - Standard	2	-	124,915	-	133,098	-	129,715	147,997	155,104	163,654
Expenditure - Standard	-									
Governance and administration		-	29,340	-	34,370	-	31,433	36,432	38,399	40,474
Executive and council Budget and treasury office		-	9,309	-	12,934	-	11,796	13,710	14,450	15,231
Corporate services		-	15,344	-	10,842	-	9,812	11,493	12,113	12,767
Community and public safety		-	4,687	-	10,594	-	9,825	11,229	11,836	12,476
Community and social services		-	7,411	-	11,851	-	4,962	5,260	5,544	5,843
Sport and recreation		-	6,312	-	7,938	-	1,179	1,250	1,317	1,388
Public safety		-	-	-	780	-	650	689	726	765
		-	1,099	-	3,133	-	3,133	3,321	3,500	3,689

Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
Economic and environmental services		-	5,469	-	12,524	-	12,524	16,058	16,926	17,840
Planning and development		-	-	-	4,874	-	4,874	5,166	5,445	5,739
Road transport		-	5,469	-	7,650	-	7,650	10,892	11,480	12,100
Environmental protection		-	-	-	-	-	-	-	-	-
Trading services		-	41,877	-	62,066	-	62,066	70,216	74,007	78,004
Electricity		-	14,388	-	26,239	-	26,239	26,239	27,656	29,149
Water		-	11,641	-	14,801	-	14,801	19,689	20,752	21,873
Waste water management		-	9,298	-	10,464	-	10,464	13,092	13,799	14,544
Waste management		-	6,550	-	10,562	-	10,562	11,196	11,800	12,438
Other	4	-	-	-	-	-	-	850	901	955
Total Expenditure - Standard	3	-	84,098	-	120,811	-	110,985	128,816	135,777	143,116
Surplus/(Deficit) for the year		-	40,818	-	12,287	-	18,730	19,182	19,328	20,538

The estimated revenue for 2011/2012 financial year is R147 million and R155 million for 2012/2013 and R163 million for 2013/2014. We expect the revenue to continue to increase by an average of 6% per year. The budgeted operating expenditure is R128 million for 2011/2012 and R135 million and R143 million for 2012/2013 and 2013/2014 respectively. The operating expenditure have increased by 4% of which salary increase in terms of collective agreement is 6.08%.

3. Capital Budget (Annexure B)

	Wards	2011/2012			2012/2013	2013/2014
		Own Funds/TM	MIG	Total		
FINANCE AND ADMIN		6,930,000.00	-	6,930,000.00	-	-
				-		
Fleet		3,000,000.00		3,000,000.00		
Training centre	All	350,000.00		350,000.00		
Wide Area Network	All	200,000.00		200,000.00		
Replacement of IT equipment	All	200,000.00		200,000.00		
Geographical GIS	All	380,000.00		380,000.00		
New Financial System	All	2,800,000.00		2,800,000.00		
				-		
ROADS AND		-	1,473,684.21	1,473,684.21	7,060,020.00	-

TRANSPORT						
						-
Mamafubedu: Paving of 3km Roads and Storm Water Channels	1,2		368,421.05	368,421.05		
Ntha: Paving of 6km Roads and storm water channels	3,4		736,842.11	736,842.11		
Petsana: Paving of 3km Roads and storm water channels	6,7,8,9		368,421.05	368,421.05		
Leratswana: Paving of 3km Roads and Storm Water Channels	1,2			-	7,060,020.00	
						-
WASTE WATER		1,103,978.65	-	1,103,978.65	-	-
Mamafubedu: Sewer and recycled network and toilet connection	1,2	1,103,978.65		1,103,978.65		
						-
WATER		100,000.00	14,402,987.66	14,502,987.66	1,402,150.00	-
						-
Water Trailer (5000 litres)	5	100,000.00		100,000.00		
Pipeline (Petrus Styn)Middle pumpstation	1,2					
Ntha: Water Meters	2,3		2,865,871.66	2,865,871.66		
Leratswana: Water Meters	5		969,266.00	969,266.00		
Ntha/ Lindley New Water Purification Works	3,4,5		10,567,850.00	10,567,850.00	1,402,150.00	
						-
ELECTRICITY		2,920,000.00	-	2,920,000.00	2,550,000.00	15,340,000.00
						-
Upgrade Electricity Supply	3,4,6	1,000,000.00		1,000,000.00		1,000,000.00
Ntha Eletricity Meters	3.5.6					
Electricity New Extension						12,000,000.00
Petsana: 4 Highmast Lights	6,7,8,9	640,000.00		640,000.00	850,000.00	900,000.00
Ntha: 3 Highmast Lights	3,4	480,000.00		480,000.00	680,000.00	720,000.00
Mamafubedu: 3 Highmast Lights	1,2	480,000.00		480,000.00	680,000.00	720,000.00
Arlington: 2 Highmast Lights	5	320,000.00		320,000.00	340,000.00	
						-
WASTE		-	10,764,178.97	10,764,178.97	3,813,878.01	-

MANAGEMENT						
Petsana Landfill Site	6,7,8,9		7,790,450.00	7,790,450.00	2,505,672.50	
Arlington Landfill Site	5		2,973,728.97	2,973,728.97	1,308,205.51	
				-		
PARKS AND CEMETRY				-	5,000,000.00	5,600,000.00
				-		
Park Ntha	3,4			-		300,000.00
Park Mamafubedu	1,2			-		300,000.00
Fencing of Cemetry	All			-	5,000,000.00	5,000,000.00
				-		
SPORTS		1,000,000.00		1,000,000.00	11,200,000.00	7,400,000.00
Upgrading of Sports facilities	all	1,000,000.00		1,000,000.00		
Petsana: Upgrading of sports facilities.	6,7,8,9			-	5,600,000.00	3,700,000.00
Ntha: Upgrading of sports facilities.	3,4			-	5,600,000.00	3,700,000.00
TOTAL CAPITAL BUDGET		12,053,978.65	26,640,850.84	38,694,829.49	31,026,048.01	28,340,000.00

The capital budget is mainly finance by municipal infrastructure grant (R28 043 001) which is 78.4% of the total budget. We will be financing capital budget of R12 053 978.65 from revenue and reserves.

FINANCING THE BUDGET

The budget will be financed through national grant both conditional and unconditional and own revenue.

GRANT	2011/2012	2012/2013	2013/2014
Equitable Share	69 567	76 929	81 951
Municipal System Improvement Grant	790	800	850
Municipal Finance Management Grant	1 450	1 500	1 500
Municipal Infrastructure Grant	28 044	34 098	35 973

RECOMMENDATIONS

1. THAT the report be noted.
2. THAT the draft budget be sent to communities for inputs.