

Nketoana Local Municipality

Annual Budget 2012 - 2015

5/31/2012

Fikile Mzizi

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PART 1 – ANNUAL BUDGET

1.1 Mayor's Report

The shortage of water is a biggest challenge in our municipality but our inability to address this challenge due to shortage of resources it's a big problem. We know what our people want but we have limited resources to address those wants.

Our community have identified the following as the big five challenges and priorities that we need to address as the municipality:

1. WATER
2. SANITATION
3. ELECTRICITY
4. HOUSING
5. ROADS AND STORMWATER.

The Vision of the municipality is to create a municipality that will care for its residents and provide a safe and crime-free environment conducive to sustainable development. We could only achieve this vision if all of us councillors, administrators, business, leaders and the community we make this vision our vision not the Mayor Vision. This municipality does not have super heroes and the achievement of the vision depends on the collective effort. You might be ANC, DA, APC or FF you need to commit yourselves to the achievement of this vision. I have served with a number of councillors before and we are lucky as the municipality that our common goal is to see a better life for all our people black or white.

We have realised as the municipality that we will achieve our vision if we do not operate as one unit that is committed to one vision. There's nothing wrong about us disagreeing on the implementation of our vision but it should constructive disagreement that is influenced by community aspiration more that our egos and personal interests. If we are not a unit we will definitely lead this municipality to an early grave. Let's put more effort on building good foundation for our children and stop crafting a tombstone for future generations.

Water.

Our community is still having a problem of water provision and we have section of the community that are not getting water on regular basis. The problem has escalated in Petrus Steyn for the past months and if we do not curb it, this will result into serious tensions for the community. We rely on bore holes and dams for the supply of water in Petrus Steyn and the shortage of rain in that area have resulted into low dam levels. We have temporarily addressed drinking water problem in Arlington but we still need to increase water supply for sanitation purposes. We will be able to address all our bulk water challenges in the municipality but we need to invest R145 million rand to address these challenges.

We have budgeted R28 million to address water problems. We will be completing a 2 mega litres water treatment works in Lindley which will increase our water production in Lindley to 4 mega litres. We will also be drilling new boreholes in Arlington and Petrus Steyn to increase our water production by 500 kilolitres. We plan to continue with this project for the next three years. We also need to install water in

new sites and we have requested the Department of Human Settlement to assist us in installing the water network.

Our municipality does not comply with the blue drop requirements for water and this have been shown by 19% we have scored in the blue drop assessment. We need to achieve 90% in 2013 and we could only do that if we employ right people to run this department and ensure that our plants are well maintained. The Municipal Manager is preparing a Blue Drop response programme that will ensure that we get our systems right. We will be partnering with Rand Water to ensure fast improvement in our water process and ensure that we comply with water regulations.

We have sampled all our water sample points and we received verification from Rand Water Analytical Services that our water complies with SANS 241. We just need to start recording all our sampling results and put measures in place to respond to failures.

Sanitation.

We currently have 1800 households using bucket system and 1300 using VIP system and the community have told us point blank that they don't want this system of sanitation. We plan to address the problematic Petrus Steyn sanitation by end of September 2012 and ensure that all households have water bourn system for all Mamafubedu households. The eradication of VIP toilet depends on the bulk water scheme but we plan to put a pipeline from Lindley to Arlington in the next financial year to address the water shortage. If we can have sufficient bulk water we will be able to install water bourn system in Arlington.

We will be spending R12 million to upgrade refits waste water works and build toilet structures for households without toilet structures. We will be working with Rand Water Board to also improve our waste water systems and improve operations in our plant. We will be employing interns who will be trained on waste water management and qualify as operators. We plan to improve our green drop score to 90% for 2013 assessments.

Electricity

Our Mabena community have complained over the years about the situation of electricity in their area. Our Cllrs in Arlington have always pestered this council about the urgency of this matter and we are proud to announce that we are working very close with Eskom to ensure that the lights goes on before the end of March 2013 in Mabena. We will be installing substations in Lindley to improve the capacity of the electricity network in that area. We will also be installing extra 12 high mast lights across Nketoana that will increase our total installation to 40 in the past three years.

Members of the public please note that bridging our electricity meter is a criminal offence and we will treat it as such. We have been soft on this culprits but their conduct is too damaging for the municipalities well being. We will cut your electricity and open a criminal case against people who are caught stealing electricity. We have lost huge sums of money in the past and we will not allow this to go on.

Housing

We have allocated 1900 sites in Petsana, Mamafubedu and Ntha and we plan to allocate extra 900 sites in Petsana in 2013. Once we have completed a new waste disposal site we are constructing currently we will close the existing one and submit a report to the township board for the proclamation of the new township. We want to work very close with human settlement department to ensure that we address housing related problems in our community. We will be appointing a Director in the municipality who will be focusing on town planning and housing and ensure that this area receives highest attention it deserves.

Roads and Stormwater

We will be engaged in an intensive roads rehabilitation programme that will repair all existing roads in our municipality. We need R380 million to improve our roads and this is the money we do not have. As soon as we have addressed the above challenges our next big thing will be roads. We have budgeted R20 million for this department and we need to see visible results. We are happy about the recent project but we need more of it.

Economic Development

Our people have spoken and young people have spoken about unemployment and they need to see serious improvement in this area. The municipality have established a department that will focus on job creation through local economic development. The new Grain Field Chicken factory by VKB is a huge improvement for our economy and we appreciate the investment by VKB. We have tasked the Municipal Manager to source new ventures that will take advantage of this development and create more jobs. We need 2000 new sustainable jobs to achieve millennium goals of 2014.

All the above critical issues are achievable but we need commitment, dedication, honesty and hard work to achieve our goals. Our plans should be translated to deliverables our communities are tired of us promising them things that we do not deliver on. Dear councillors our work is to support administration and ensure that they deliver on the IDP and Budget we approve here today. We will achieve our 2030 vision if we focus on service delivery more .

We need to create a legacy that our grand children will be proud of us and the area they leave in. We need to exceed the expectation of our electorate and ensure that the community come first. The same applies to officials of our municipality we need to see results and less excuses. You are employed to deliver services not hinder service. Let's all work together to provide a better life for all.

1.2 Council Resolutions

On the 31st May 2012 Council of Nketoana Local Municipality met in the Council Chamber at 18H00 to approve The Annual Budget of the municipality and was presented as follows:

Item Number	:	127/05 (Council 31/05/2012) 094/05 (Exco 29/05/2012) (Attachment Page 1 –187)
Heading	:	Approval of Annual Budget 2012/2013-2014/15
Department	:	Finance

Introduction

The purpose of report is to present a final budget for 2012/2013 to 2014/2015 to council for approval.

Background.

The Annual Budget of the municipality is compiled in line with Chapter 4 MFMA of 2003. The act requires a municipality to compile a budget and submit a draft budget to council before the end of March and final budget before the end of May.

Section 24 of the MFMA requires the municipal council to at least 30 days before start of the budget year consider approval of the annual budget.

The budget for 2012/2013 was compiled in line with the required status and the budget process was approved by council. The budget preparation process was behind as we have not received community needs from the IDP. We managed to go through the budget and IDP community participation from the 09th May 2012 to the 22nd May 2012 We had successful meetings with different stakeholders and got the priorities thereof.

Resolved:

1. That Council approves the Annual Budget for 2012/2013-2014/2015.

1.3 Executive Summary

The Nketoana Local Municipality is a grade three municipality with a population of over 60000 residents and a budget of R200 million. The municipality as we all know is situated in the Eastern Free State and consist of four towns which are Reitz, Petrus Steyn, Lindley and Arlington. The area is urban and semi urban and it had four previously disadvantage areas. The municipality has a 35%

to 40% unemployment rate and the majority of our people even though employed they leave below poverty line.

Our Mid year review findings was that the municipality underperformed when it comes to spending, the percentage spent was 41% of the total budget excluding Capital

The Municipality have adjusted Capital budget for 2012 and has increased to R8 430 855 which will be financed from the support grants and revenue and surpluses. The biggest portion of the adjustment will be building of 502 toilet structures in Petsana which is meant to complete projects for phase 1 and 2 of the bucket eradication. This project is necessary to completed as we have households without proper sanitation.

The key aspects for adjusting the budget are as follows only adjusting the capital budget with the following, upgrading of Ntha Pump station to install off storage facility to avoid river spillages and repair damages to the pump station. We will also install a mechanical rake that will reduce foreign object blocking the pump station. The project is very urgent as part of addressing the current problems.

As part of Local Economic Development we believe that picnic draai can play a very important role. We plan to renovate the swimming pool and ablution blocks in picnic draai as first phase of renovations. We also need to improve fencing so that the facility can generate income.

We plan to reseal roads in Petrus Steyn and Lindley to improve the image of our towns. We believe that if we want people to invest in our towns we need to ensure that our towns look better. We plan to reseal 3 km of tarred roads in town.

The following budget principles and guidelines informed the compilation of the 2012/2013 during March

- ▶ Municipal Priorities, which is Water, Sanitation, Electricity, Sites and Roads and Storm water
- ▶ CPI 6.8%
- ▶ PPI 8.9%
- ▶ Prime Rate 9%
- ▶ Eskom 16%
- ▶ Diesel Cost 10,40 c

The tariffs for electricity are subject to approval by NERSA. The suggested increase is less by 1.8% to consumer price index and this might not be sustainable in the long run. But considering the economic status of our area an increase above this might not be sustainable for the consumers in line with our tariff policy. We need to work very hard to recover our debts as this will address a shortage in the tariffs

Initially when the municipality started the budget process the CPI was at 6,8%, during March and we were envisaging for Eskom to increase its electricity tariff by 15% that was the first

announcement before the engagements and submissions by different stakeholder, and a plea made by our President Jacob Zuma for Eskom to consider decreasing their electricity tariff for the benefit of our communities who cannot afford to pay for their basic services.

Obviously we presented our Draft Budget based on the initial assumption before Nersa could approve a benchmark of 11.03%, the municipality has re-looked at its percentage increase and has submitted its application for 15% increase considering the losses of about R7000 000 per annum

Our municipality has budgeted R2,300 000 in the current budget for replacement of conventional electricity meter with pre-paid meters, for the improved electricity sales and revenue

960 sites has been allocated and there's not yet services provided in those areas, due to non infrastructure but the municipality has budget R1000 000 for the upgrade of electricity supply, We also anticipate for Eskom to assist the Municipality for the bag lock of power supply at a new Established township in Arlington (Mabena) of R4 527 000, a total number of 4740 that we provide electricity at the capacity of the municipality, this is inclusive of 3740 total number of indigents. Total number of households receiving electricity, is 1561 of conventional, 3 179 of pre-paid, 4 593 is provided by Eskom but the municipality pays for the entire bill of Electricity supplied to Nketoana residence. Registered indigents and non-indigent will again be granted 50 kWh per month free of charge.

Considering the Eskom increases, the consumer tariff had to be increased by 15% to offset the additional bulk purchase cost from 1 July 2012. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity.

Below is the comparison between the current year tariff and proposed tariff

	PROPOSED TARIFF 2012/13	CURRENT TARIFFS	% INCREASE
ELECTRICITY			
URBAN			
Residential			
Service Fee (per month)	90.17	78.41	15%
Consumption (per kwh - first 50 kwh)	0.72	0.63	15%
Consumption (per kwh - 51 -350 kwh)	0.83	0.72	15%
Consumption (per kwh 351 - 600 kwh)	1.07	0.93	15%
Consumption (>600 kwh)	1.33	1.16	15%
Pre-paid			
Consumption (per kwh - first 50 kwh)	0.81	0.70	15%
Consumption (per kwh - 51 -350 kwh)	0.86		15%

		0.75	
Consumption (per kwh 351 - 600 kwh)	1.15	1.00	15%
Consumption (>600 kwh)	1.16	1.16	15%
Energy Rate for indigents			
Old-age Homes			
Service Fee (per month)	249.70	217.13	15%
Consumption (per kwh)	1.10	0.96	15%
Schools, Governmental Department			
Service Fee (per month)	250.47	217.80	15%
Consumption (per kwh)	1.10	0.96	15%
Business (Below 50Kva)			
Service Fee (per month)	250.47	217.80	15%
Consumption (per kwh)	1.10	0.96	15%
Prepaid	1.36	1.18	15%
Business (Above 50Kva)			
Service Fee (per month)	415.15	361.89	15%
Consumption (per kwh)	0.61	0.53	15%
Demand (per KVA)	145.66	126.66	15%
Other			
Lamps/Spotlights (Each per month)			
Consumption (per kwh)			
Internal Departmental Charges			
Service Fee (per month)	250.47	217.80	
Consumption (per kwh)	1.10	0.96	
FARMS/SMALLHOLDINGS			
Residential			
Service Fee (per month)	166.47	144.76	
Consumption (per kwh - first 50 kwh)	1.12	0.97	
Consumption (per kwh - above 50 kwh)	1.12	0.97	
Pre-paid	1.32	1.15	
Business (Below 50Kva)			

Service Fee (per month)	249.70	217.13	
Consumption (per kwh)	1.12	0.97	
Pre-paid	1.32	1.15	
Disconnection and Reconnection - Electricity	126.39	109.90	

The above table is the comparison of the electricity tariff for the current year and the next year

We thought we should analyse only the two categories of services which is Water and Electricity because they are the main services that municipality have serious losses on. Rationale behind the increase, was our tariff policy required our tariffs to meet the following principles:

- Sustainability
- Affordability
- Weakness with our tariff determination is lack of input from user departments and model for tariffs not clearly defined.
- We are currently revising the water and sanitation tariffs to meet our operational needs

1.4 OPERATING REVENUE FRAMEWORK

For Nketoana Local Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- National Treasury circular 58 and 59
- Growth in the municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 90% annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA); 15%, we are currently communicating with NERSA they have been requesting more information and supporting documents for our application
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- Revenue improvements strategy 20% collection of R200 million debt, which is R40 million

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- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the municipality.

The following table is a summary of the 2012/13 MTREF (classified by main revenue source):

FS193 Nketoana - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Revenue By Source											
Property rates	2	8,165	15,761	10,682	8,189	-	8,189	8,189	13,636	14,190	14,764
Property rates - penalties & collection charges						-			-	-	-
Service charges - electricity revenue	2	13,958	11,424	15,509	20,304	-	20,304	20,304	30,548	35,130	40,400
Service charges - water revenue	2	22,544	21,011	21,716	21,357	-	21,357	21,357	30,278	31,719	33,227
Service charges - sanitation revenue	2	14,646	6,700	9,215	9,995	-	9,995	9,995	13,149	14,332	15,766
Service charges - refuse revenue	2	9,669	5,929	9,456	11,377	-	11,377	11,377	15,557	17,112	18,824
Service charges - other					755		755	755	3,313	3,479	3,703
Rental of facilities and equipment		1,353	517	238	373		373	373	557	584	621
Interest earned - external investments		4,157	1,565	1,273	336		336	336	1,946	2,080	223
Interest earned - outstanding debtors		12,347	11,504	8,262	2,765		2,765	2,765	13,211	14,015	15,082
Dividends received		-	-						-	-	-
Fines		111	153	202	212		212	212	215	228	242
Licences and permits		10	-	-					-	-	-
Agency services			-						-	-	-
Transfers recognised - operational		54,739	81,674	85,041	71,807		71,807	71,807	81,223	85,969	93,008
Other revenue	2	8,778	2,067	4,326	-	-	-	-	-	-	-
Gains on disposal of PPE						-					-
Total Revenue (excluding capital transfers and contributions)		150,476	158,305	165,919	147,470	-	147,470	147,470	203,633	218,839	235,860

Expenditure By Type										
	-									
Employee related costs	2	28,195	37,500	38,540	39,986	39,986	39,986	39,986	52,629	
Remuneration of councillors		3,705	4,152	4,681	4,758	4,758	4,758	4,758	5,080	
Debt impairment	3	24,378	2,504	50,594					10,000	
Depreciation & asset impairment	2	-	61,484	61,168	11,970	11,970	11,970	11,970	61,168	

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Finance charges		1,079	1,049	1,018					1,080
Bulk purchases	2	11,340	13,158	19,532	24,176	24,176	24,176	24,176	23,037
Other materials	8	5,137	7,463	11,330	11,248	11,248	11,248		
Contracted services		–	–	–	1,200	1,200	1,200	1,200	8,027
Transfers and grants		–	–	–	–	–	–	–	–
Other expenditure	4, 5	46,677	42,434	32,626	26,998	26,998	26,998	26,998	31,607
Loss on disposal of PPE			1,078	167					–
Total Expenditure		120,512	170,822	219,655	120,336	120,336	120,336	109,088	192,628
Surplus/(Deficit)		29,964	(12,518)	(53,736)	27,134	27,134	27,134	38,382	11,005
Transfers recognised - capital		31,269	21,176	20,083	23,814	23,814	23,814	23,814	34,018
Contributions recognised - capital	6	–	–	–	–	–	–	–	–
Contributed assets									
Surplus/(Deficit) after capital transfers & contributions		61,233	8,659	(33,653)	50,948	50,948	50,948	62,196	45,023
Taxation									–
Surplus/(Deficit) after taxation		61,233	8,659	(33,653)	50,948	50,948	50,948	62,196	45,023
Attributable to minorities									
Surplus/(Deficit) attributable to municipality		61,233	8,659	(33,653)	50,948	50,948	50,948	62,196	45,023
Share of surplus/ (deficit) of associate	7								
Surplus/(Deficit) for the year		61,233	8,659	(33,653)	50,948	50,948	50,948	62,196	45,023

- ▶ 61% of the income is own income.
- ▶ 39% is grants received.
- ▶ 46% of income is services charges excluding property rates.
- ▶ Property rates consist of 7% of the total income.

1.4.1 Property rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- All residential properties with a market value of less than amount as annually determined by the municipality are exempted from paying rates, Farmers gets up to 90% rebate on property rates. For 2009/10 financial year the maximum reduction is determined as R20 000, the impermissible rates of R15 000 contemplated in terms of (Section 17(1) of the MPRA) is included in the amount referred to the above as annually determined by the municipality. The remaining R5 000 is an important part of council's indigent report and aimed primarily at alleviating poverty. In addition to this rebate, a further R25 000 reduction on the market value of a property will be granted in terms of the City's own Property Rates Policy;
- Municipality's property Rates Act determines all other issues in relation to exempt properties and rebates
- For the budget year we haven't furnished information on the for the Valuation as we are currently tendered for a *valuer* to compile our valuation roll

Below is the comparison of proposed rates to be levied for the 2012/13 financial ye

PROPERTY RATES	Current Year 2012	Proposed Tariff 2013)	% Inc
Business, commercial, and industries	0.0315	0.033075	5%
Residential Property	0.0315	0.03	5%
Property owned by the state or an organ of state	0.0315	0.03	5%
Farming land used for bona fide farming	0.0105	0.01	5%
Public service infrastructure	0.0105	0.01	5%
Vacant land irrespective of zoning	0.063	0.06	5%
Mining property	0.0315	0.03	5%
Education	0.0315	0.03	5%
Religious	0	-	

1.4.2 Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

In addition National Treasury has urged all municipalities to ensure that water tariff structures are cost reflective by 2014.

Blue Drop Status

The municipality have received a bad blue drop status for the past three years and this is a deadly risk for our communities. The municipality is a water service authority and water service provider and we did not resource this division well to ensure that we comply with water provision regulations. We have tested all our final and raw water after the blue drop report and we received a report that our water complies with SANS 241 standard. Our focus is to resource this department with qualified staff, ensure that our plants are operating effectively and improve our blue drop scoring to 90% by 2013.

Green Drop Status.

We have also received bad score for our green drop. Our Petrus Steyn waste water treatment plant is badly managed and one of our pump stations was frequently spilling into the Vals river stream. This is the worst situation and we have taken drastic decision to resolve the problem. We have also resolved to resource this department with effective machinery, staff and strategic support to ensure that we comply with water regulations. We will be investing over R10 million in the next financial year to address this challenge.

The Petrus Steyn waste water recycle systems have been disappointing for the past three years and we have changed contractors in the past three years. We are taking legal action against the consultant based on the poor supervision provided on this project. We need to appoint a Technical Director who is a civil engineer as a matter of urgency because our continuous operation without necessary skills will destroy our municipality

A tariff increase of 5% from 1 July 2012 for water is proposed. This is based budget assumptions referred to earlier in the executive. In addition 6 kℓ water per month will again be granted free of charge to all residents.

A summary of the proposed tariffs for households (residential) and non-residential are as follows:

1 Proposed Water Tariffs

CATEGORY	PROPOSED TARIFFS 2012/13	CURRENT TARIFFS 2011/12
	Rand per kℓ	Rand per kℓ
RESIDENTIAL		
Service Fee (per month)	96.35	91.76
Consumption per kl	8.25	7.86
Additional Availability charge : Farms/Smallholdings	93.85	89.38
Indigent Consumers to receive rebate on Service Fee based on the indigent category.	49.51	47.15
NON-RESIDENTIAL		
Business		
Service Fee (per month)	96.35	91.76
Consumption (per kl)	8.25	7.86
Additional Availability charge : Farms/Smallholdings	93.85	89.38
Industries		
Service Fee (per month)	122.04	116.23
Consumption (per kl)	47.62	7.53
Additional Availability charge : Farms/Smallholdings	137.91	116.23
Departmental	-	
Service Fee (per month)	76.13	72.50
Consumption (per kl)	40.04	6.33

The above table is the tariff structure that the municipality has proposed and approved by council on the 31st May 2012. The tariffs are exclusive of VAT

1.4.3 Sale of Electricity and Impact of Tariff Increases

The initial announcement made by Eskom, was that they going to increase their electricity tariff by 27.06 which will be effective from the 01st July 2012, The President Jacob Zuma urged Eskom to re-look at their for the benefit of our communities mentioning further to say that our communities, The municipalities electricity tariff increase was on that basis and considering the Electricity losses over the years

NERSA has announced that they are approving 11.03% and all municipalities were urged to be within their threshold

Our municipality has budgeted R2,300 000 in the current budget for replacement of conventional electricity meter with pre-paid meters, for the improved electricity

960 sites has been allocated and there's not yet services provided in those areas, due to non infrastructure but the municipality has budget R1000 000 for the upgrade of electricity supply, We also have included R4 527 000 in our budget of Eskom Grant as a relief programme that's going to assist

the municipality in the baglock of power supply at a new Established township in Arlington (Mabena), we have a total number of 4740 that we provide electricity at the capacity of the municipality, this is inclusive of 3740 total number of indigents. Total number of households receiving electricity, is 1561 of conventional, 3 179 of pre-paid, 4 593 is provided by Eskom but the municipality pays for the entire bill of Electricity supplied to Nketoana residence. Registered indigents and non-indigent will again be granted 50 kWh per month free of charge.

Considering the Eskom increases, the consumer tariff had to be increased by 15% to offset the additional bulk purchase cost from 1 July 2012. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity.

Below is the comparison between the current year tariff and proposed tariff

ELECTRICITY	PROPOSED TARIFF 2012/13	CURRENT TARIFFS	% INCREASE
URBAN			
Residential			
Service Fee (per month)	90.17	78.41	15%
Consumption (per kwh - first 50 kwh)	0.72	0.63	15%
Consumption (per kwh - 51 -350 kwh)	0.83	0.72	15%
Consumption (per kwh 351 - 600 kwh)	1.07	0.93	15%
Consumption (>600 kwh)	1.33	1.16	15%
Pre-paid			
Consumption (per kwh - first 50 kwh)	0.81	0.70	15%
Consumption (per kwh - 51 -350 kwh)	0.86	0.75	15%
Consumption (per kwh 351 - 600 kwh)	1.15	1.00	15%
Consumption (>600 kwh)	1.16	1.16	15%
Energy Rate for indigents			
Old-age Homes			
Service Fee (per month)	249.70	217.13	15%
Consumption (per kwh)	1.10	0.96	15%
Schools, Governmental Department			
Service Fee (per month)	250.47	217.80	15%
Consumption (per kwh)	1.10	0.96	15%
Business (Below 50Kva)			

Service Fee (per month)	250.47	217.80	15%
Consumption (per kwh)	1.10	0.96	15%
Prepaid	1.36	1.18	15%
Business (Above 50Kva)			
Service Fee (per month)	415.15	361.89	15%
Consumption (per kwh)	0.61	0.53	15%
Demand (per KVA)	145.66	126.66	15%
Other			
Lamps/Spotlights (Each per month)			
Consumption (per kwh)			
Internal Departmental Charges			
Service Fee (per month)	250.47	217.80	
Consumption (per kwh)	1.10	0.96	
FARMS/SMALLHOLDINGS			
Residential			
Service Fee (per month)	166.47	144.76	
Consumption (per kwh - first 50 kwh)	1.12	0.97	
Consumption (per kwh - above 50 kwh)	1.12	0.97	
Pre-paid	1.32	1.15	
Business (Below 50Kva)			
Service Fee (per month)	249.70	217.13	
Consumption (per kwh)	1.12	0.97	
Pre-paid	1.32	1.15	
Disconnection and Reconnection - Electricity	126.39	109.90	

The above table is the comparison of the electricity tariff for the current year and the next year we thought we should analyse only the two categories of services which is Water and Electricity because they are the main services that municipality have serious losses on. Rationale behind the increase, was our tariff policy required our tariffs to meet the following principles:

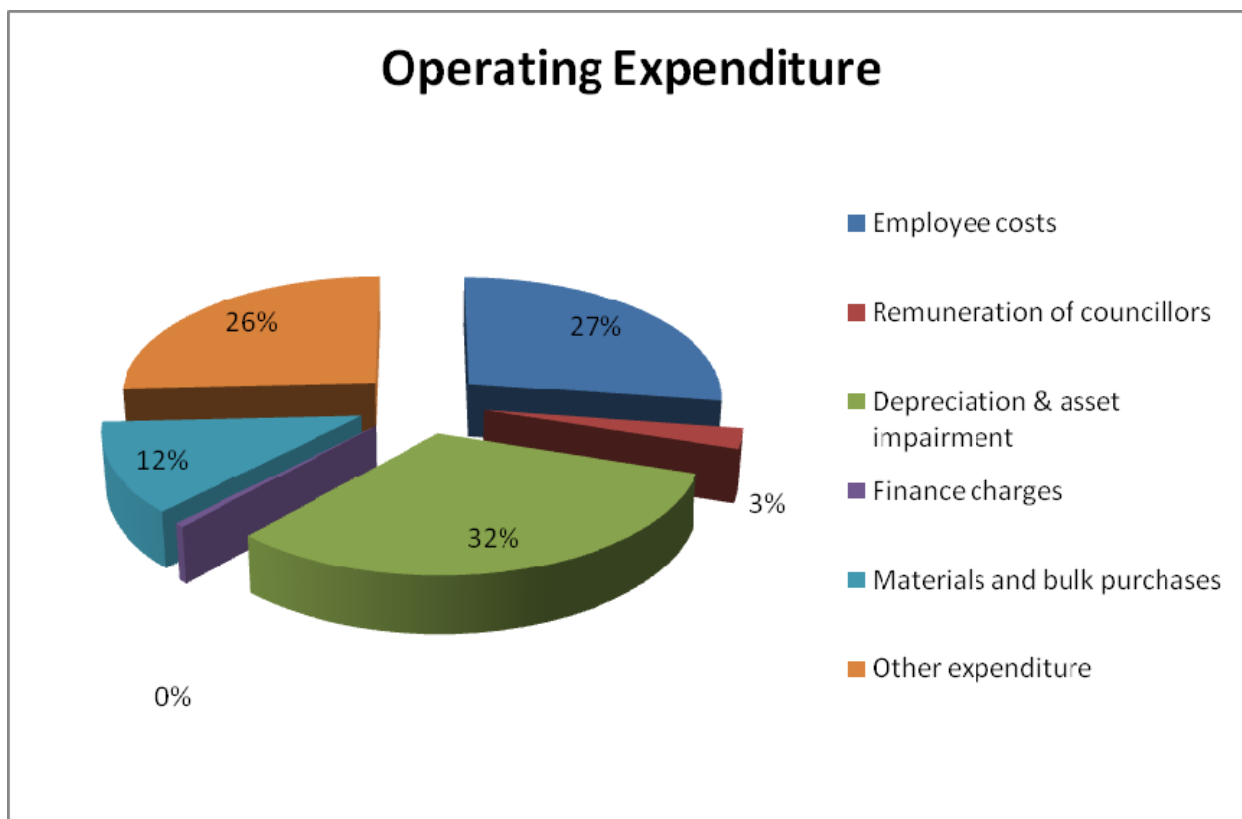
- Sustainability
- Affordability

Weakness with our tariff determination is lack of input from user departments and model for tariffs not clearly defined.

We are currently revising the water and sanitation tariffs to meet our operational needs

1.5. OVERVIEW OF OPERATING EXPENDITURE

	ANNUAL BUDGET 2012/13	BUDGET 2013/14	BUDGET 2014/15
Employee costs	52 629 369.26	56 313 425.11	60 255 364.87
Councillors Remuneration	5 079 762	5 435 345.34	5 815 819.51
Depreciation and Assets impairment	61 168 158	64 266 565.90	67 437 894.20
Finances charges	1 080 000.00	1 080 000.00	1 080 000.00
Material and Bulk purchases	23 036 740.44	26 722 618.91	30 998 237.94
Other expenses	49 634 003.00	50 683 056.00	51 935 126.00
TOTAL EXPENDITURE	192 628 032.70	204 461 011.26	217 2 442.51



- We have budgeted for new staff members.
- We have budgeted for a 7% salary increase for both staff and councillors.
- Salaries consist of 30% of total operating expenditure.
- Depreciation consists of 32% of the budget.
- Bulk purchases consist of 12% of the budget.

1.6. CAPITAL BUDGET

FS193 Nketoana - Supporting Table SA36 Detailed capital budget

Municipal Vote/Capital project R thousand	Ref	Program/Project description	Prior year outcomes		2012/13 Medium Term Revenue & Expenditure Framework		
			Audited Outcome 2010/11	Current Year 2011/12 Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Parent municipality: <i>List all capital projects grouped by Municipal Vote</i>							
FINANCE AND ADMIN				3,329	900	954	1,011
		Fleet Servers, UPS and Office equipment	–	600	250	265	281
		Equipment	515	700	500	530	562
			600	200	150	159	169

ANNUAL BUDGET OF NKETOANA LOCAL MUNICIPALITY 2012/2013

		Training centre	–	250			
		New Fincial system	1,500	1,579			
		Telephone system	600				
ROADS AND TRANSPORT				2,974	6,680	7,080	7,505
		Plant and Equipment		–	2,000	2,120	2,247
		Leratswana: Paving of 3km					
		Roads and Storm Water					
		Channels		–			
		Mamafubedu Paving	5,263	368			
		Ntha Paving	10,526	737			
		Petsana Paving	5,263	368			
		Petsana roads upgrading		–	4,680		
		Reasealing of roads		1,500			
WASTE WATER MANAGEMENT				7,622	12,194	12,926	13,701
		Upgrading of Reitz					
		Purification Plant			7,500	7,950	8,427
		Toilet Structure in Petsana					
		(500)	1,700	4,518	4,694		
		Upgrading of Lindley no 1					
		pump station		2,000			
		Mamafubedu: sewer and					
		recycled and toilet connection		–			
		Retention for Ntha Sewer					
		Network	1,200	1,104			
		Recycle Sewer Network					
		(Mamafubedu)	1,200				
WATER				15,234	28,047	29,730	31,514
		Ntha/Lindley New Purification					
		Works		1,976	13,677	14,498	15,367
		Telemetry system			2,000	2,120	2,247
		Boreholes - Petrus Steyn and			2,000	2,120	2,247
		Arlington					
		Replacement of pumps			1,000	1,060	1,124
		Water trailer	100	400		–	–
		Ntha/Lindley New Water					
		purification works		12,568			
		Fleet		290			
		Upgrading of Leratswana					
		Purification plant	1,700		6,000		
		Upgrading of Reitz					
		Purification plant(RIBG					
		Mamafubedu installation of			3,332		
		water Meter					
		Leratswana Installation of					
		water meters(1276) MIS:			39		
		194512					
		Water Demand Management					
		and Water Conversation	1,500				
		Water Reticulation New					
		stands	1,000				
ELECTRICITY				3,955	3,550	3,763	3,989
		Upgrade Electricity Supply		1,600	1,000	1,060	1,124
		Petsana: 4 Highmast lights		640	850	901	955
		Ntha: 3 Highmast lights		480	680	721	764
		Mmamafubedu: 3 Highmast		480	680	721	764
		light					
		Arlington: 2 Highmast light		320	340	360	382
		Fleet		435			

ANNUAL BUDGET OF NKETOANA LOCAL MUNICIPALITY 2012/2013

		Ntha: Electricity Meters	750				
		Eelectricity new extension	2,800				
		10 Highmast lights	1,700				
SOLID WASTE MANAGEMENT				10,612	6,037	6,399	6,783
		Petsana Landfill Site		8,945	4,586	4,861	5,153
		Arlington Landfill Site		-	1,051	1,114	1,180
		Plant and equipment			400	424	449
		Compactor Truck		1,667			
ECONOMIC AND ENVIRONMENTAL SERVICES				2,900			
		GIS System		300			
		Fencing of cemetery	200	300			
		Upgrade of PICNIC DRAAI		1,000			
		Upgrading of sports facilities		800			
		Ablution Block in all atcive Cemetery	200				
		Swimming Pool: Ntha		500			
		Park: Ntha	200				
		Park: Mamafubedu	200				
		Park: Reitz	200				
		Park: Leratswana	200				
SPORTS AND RECREATION		8 Tracktors	1,300				
		Fleet	1,622				
		3 X Sedan	592				
		2 X 3 Tone trucks	550				
		Tipper truck	480				
		Install lights in the sports field	350				
		Erect grand Stand in Petsana and Mamafubedu	-				
		Fencing Ntha and Letatswana	200				
Parent Capital expenditure	1		44,212	46,626	57,408	60,852	64,504

1.7 ANNUAL BUDGET TABLE

PART 2 – SUPPORTING DOCUMENTATION**2.1 OVERVIEW OF THE ANNUAL BUDGET PROCESS**

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2010) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required IDP and budget time schedule on 21 September 2011. Key dates applicable to the process were tabled as follows:

Item Number	:	033/09 (Council 21/09/2011)
		035/09 (Special Exco 16/09/2011)
Heading	:	Budget Timeline 2012/2013
Department	:	Finance

Introduction

The purpose of the report is to present the budget timeline for the 2012/2013 financial year in line with section 21 of Municipal Finance Management Act of 2003

BUDGET TIMELINE 2012/13

Budget Activity	Timeline	Responsible Person
1. Review the IDP to include programmes to be budgeted for 2011/12	7 th October 2011	CFO
2. 1 st Quarter Assessment Budget report	14 th October 2011	BTO
3. Preparation of Budget guidelines	14 th November 2011	CFO
4. Submit the Draft Tariffs for 2011/12 to Managers for review.	21 th November 2011	BTO
5. Submission of Budget Assumptions to the MM.	21 th November 2011	CFO
6. 2 st Quarter Budget assessment report and Submission of half yearly budget report.	13 th January 2012	BTO

7. Budget Steering Committee Meeting.	17 th January 2012	Mayor
8. Submission of Adjustment Budget to council.	30 th January 2012	Mayor
9. Community Consultation on IDP and Tariffs. - Reitz, Petsana - Petrus Steyn, Mamafubedu - Lindley, Ntha - Arlington, Leratswana	20 th – 24 nd February 2012 23 rd and 24 th Feb 2012 22 nd Feb 2012 21 st Feb 2012 20 th February 2012	Mayor
10. Finalisation of IDP Projects and Funding.	28 th February 2012	Mayor
11. Consolidate the draft budget.	19 th March 2012	BTO
12. Submit the draft budget to the Mayor.	21 th March 2012	CFO/MM
13. Council Meeting to table the draft budget.	30 th March 2012	Mayor
14. Obtain comments from the public on draft budget 2011/12 - Reitz, Petsana - Petrus Steyn, Mamafubedu - Lindley, Ntha - Arlington, Leratswana	02 nd -06 th April 2012 05 th and 06 th April 2012 04 th April 2012 03 rd April 2012 02 nd April 2012	Mayor
15. Budget Steering Committee Meeting	16 th April 2012	Mayor
16. Finalise budget and tariffs for 2010/11	16 th May 2012	CFO/MM
17. Submit final budget to the Mayor.	21 st May 2012	MM
18. Approval of the budget.	31 st May 2012	Council

There were deviations with regards to public participation; the actual public participation occurred from the 09th May 2012 to the 21st May 2012, this was made together with IDP,

- Compiled departmental budgets
- Registering of community needs through public participation process,

2.1.1 Community Consultation, IDP and Service Delivery and Budget Implementation Plan

The draft 2011/12 MTREF as tabled before Council on 19 April 2012 for community consultation was announced on Lesedi FM, O-FM, we also made notices and put them up at supermarkets and our customer care offices, municipal notice boards and various municipality offices and libraries.

A draft budget (A1 schedule) only was sent to National Treasury and Provincial treasury on the 02nd May 2012, and on the 04th May 2012 the Municipality presented the budget to Provincial treasury.

We had a budget workshop with ward committees before we could have a community public participation where we were able to get inputs from them on behalf of the communities, they've been great assistance because when we got to the communities they clearly understood what was the process all about.

Submissions received during the community consultation process and additional information regarding individual capital projects were addressed, and were relevant considered as part of the finalisation of the 2012/13 Annual Budget.

The following are some of the issues and concerns raised as well as comments received during the consultation process per wards:

- Lack of water in Petrus Steyn
- Lack of Job opportunities
- Proper sanitation
- The criteria of allocation of sites must be consider the indigents and elderly people first
- Toilet structures
- Clinics needed
- Sports and recreational facilities
- Taxi Rank
- Commonages
- Roads and storm water

The significant change that has been effected in the Capital budget 2013 is a project of Petsana: Provision of Sanitation and Toilet Structures for 500 stands for R4, 6M and under Water department project of Replacement of pumps and procurement of Telemetry system installation of water meters in Leratswana in total is R3M.

2.2 Overview of alignment of annual budget and IDP and strategic objectives

- The provision of quality basic services and infrastructure
- Acceleration of higher and shared economic growth and development
- Fighting of poverty, building clean, healthy, safe and sustainable communities
- Good governance, financial viability and institutional governance

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

- Provision of quality basic services and infrastructure which includes, amongst others:
 - Provide electricity;
 - Provide water;
 - Provide sanitation;
 - Provide waste removal;
 - Provide stands
 - Provide roads and storm water;
 - Maintaining the infrastructure of the Municipality.
- Economic growth and development that leads to sustainable job creation by:
 - Ensuring the is a clear structural plan for the Municipality;

- Ensuring planning processes function in accordance with set timeframes;
 - Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
- Fight poverty and build clean, healthy, safe and sustainable communities:
- Effective implementation of the Indigent Policy;
 - Extending waste removal services and ensuring effective Municipality cleansing;
 - Ensuring all waste water treatment works are operating optimally;
 - Working with Police to address crime;
 - Ensuring safe working environments by effective enforcement of building and health regulations;
 - Promote viable, sustainable communities through proper zoning; and
- Good governance, financial viability and institutional governance
- Reviewing the use of contracted services
 - Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan
 - Publishing the outcomes of all tender processes on the municipal website
 - To create financially sustainable and accountable municipality

2.3 Measurable performance and objectives

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality target, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance. The municipality was in a process of developing an SDBIP on the 14th June 2012 which will be finalised on the 29th June 2012 for council

2.4 Overview of Budget related policies

The policies that were reviewed in relation to budget are as follows:

- Bank and Investment Policy
- Credit control policy
- Indigent policy
- Tariff policy
- Property rates policy
- Free Basic Water Service

2.5 Overview of budget assumption

- ▶ CPI
- ▶ PPI
- ▶ Prime Rate
- ▶ Eskom

- ▶ Diesel Cost

2.6. Overview of budget funding

In terms of DoRA allocation the Unconditional grant of R81 233M for the budget year, R859M and R93M respectively for 2014 and 2015,

Capital budget is funded by MIG R34M and RBIG of R8M budget year which equals to R42M, R51M and R57 respectively for 2014 and 2015 total capital funding R42M

2.7 Expenditure on grants and reconciliation of unspent grants

There's a R3, 5M of MIG roll over to the new budget year of 2013, and there was an unspent grants of R945 000 in 2010/11 of MSIG and FMG and was spent in the current year 2011/12. For the next financial year there's an over expenditure.

2.8 Councillor and Employee remuneration

We have budgeted for a 7% salary increase for both staff and councillors.

Vacancies to be filled in 2012/2013

- Director – Technical x 1
- Director – Housing, Planning and Economic Development x 1
- Manager Urban Planning x 1
- Supply Chain Manager x 1
- Electricians x 2
- Water Quality Officer x 1
- Community Services – General Workers x 10
- Technical Services – General Workers x 12
- Learnerships Water and Electricity x 20
- Water Operators x 8
- Councillor Support Staff x 1 (Office of the Speaker)

2.9. Contacts having future budgetary implications

We've budgeted for R9M for contracts that have future budgetary implication, R7M year after and R8M in 2015

2.10 Capital Expenditure details

	2012/2013		
	Own Funds	Grants	Total
FINANCE AND ADMIN	900,000	-	900,000
			-
Fleet	250,000	-	250,000
Servers, UPS and Equipment	500,000	-	500,000
Equipment	150,000	-	150,000
ROADS AND TRANSPORT	2,000,000	4,679,507	6,679,507
			-
Plant and Equipment	2,000,000	-	2,000,000
Petsana Road Upgrading	-	4,679,507	4,679,507
WASTE WATER	7,500,000	4,694,224	12,194,224
			-
Upgrading of Reitz WWTW	7,500,000	-	7,500,000
Petsana: Provision of Sanitation and Toilet Structures for 500 stands	-	4,694,224	4,694,224
WATER	3,000,000	25,047,298	28,047,298
			-
Ntha/ Lindley New Water Purification Works	-	13,676,985	13,676,985
Telemetry System	2,000,000	-	2,000,000
Boreholes - Petrus Steyn and Arlington – RBIG	-	2,000,000	2,000,000
Water Storage – Arlington	-	-	-
Replacement of Pumps	1,000,000	-	1,000,000
Leratswana: Installation of 1276 water meters (MIS:194512)		38,586	38,586
Mamafubedu: Installation of water meters			

ANNUAL BUDGET OF NKETOANA LOCAL MUNICIPALITY 2012/2013

		3,331,727	3,331,727
Upgrading of Reitz Purification Plant - RBIG		6,000,000	6,000,000
ELECTRICITY	3,550,000	-	3,550,000
			-
Upgrade Electricity Supply	1,000,000		1,000,000
Ntha Electricity Meters	-		-
Electricity New Extension	-		-
Petsana: 4 Highmast Lights	850,000		850,000
Ntha: 3 Highmast Lights	680,000		680,000
Mamafubedu: 3 Highmast Lights	680,000		680,000
Arlington: 2 Highmast Lights	340,000		340,000
			-
WASTE MANAGEMENT	400,000	5,636,879	6,036,879
			-
Petsana Landfill Site		4,586,278	4,586,278
Arlington Landfill Site		1,050,600	1,050,600
Plant and Equipment	400,000		400,000
Waste Compactor	-		-
TOTAL CAPITAL BUDGET	17,350,000	40,057,907	57,407,907

2.11 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. Internship programme

The Municipality is participating in the Municipal Financial Management Internship programme and has employed 7 interns undergoing training in various divisions of the Financial Services Department. They were appointed last financial year (2010/11) and their contract will take 2 years as stipulated, valid until 2012/13. Since the introduction of the Internship programme the municipality has successfully employed 2 from internal audit section permanently

2. Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA.

3. Audit Committee

An Audit Committee is a shared service with Thabo Mofutsanyane.

4. Service Delivery and Implementation Plan

The detail SDBIP document is at a draft stage and will be finalised after approval of the 2012/13 MTREF in June 2010 directly aligned and informed by the 2012/13 MTREF.

5. Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements.

7. MFMA Training

The MFMA training module in electronic format is presented at the Municipality internal centre and training is ongoing.

2.12 Other supporting Documents

Attached:

- Adverts/notices for the community public participation
- Attendance registers for the different communities
- Budget Presentation during public participation
- Budget presentation for the ward councillors and ward committees

2.13 Municipal manager's quality certificate

ISipho... Joseph Thomas..., municipal manager of Nketoana Local Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name :SIPHO JOSEPH THOMAS

Municipal manager of Nketoana Local Municipality (FS193)

Signature_____

Date : __01/06/2012__