

OVERSTRAND MUNICIPALITY



BUDGET OVERVIEW REPORT

2009/2010

OVERSTRAND MUNICIPALITY: ANNUAL BUDGET 2009/2010

OPERATIONAL AND CAPITAL BUDGET FOR 2009/10 AND ESTIMATES FOR 2010/11 TO 2011/12

Section	Description	Report Page No
1	Overview of the IDP/Budget process	2
2	Alignment of Budget with Integrated Development Plan	3
3	Sources of funding	3
4	Executive summary of the 2009/10 Budget proposals	4
4.1	Background	4
4.2	2009/10 Operating Expenditure Budget	4
4.3	Explanation and discussion of major expense type	4
4.4	2009/10 Operational Budget – Revenue	7
4.4.1	Summary	7
4.4.2	Budget methodology undertaken	8
4.5	Key risk areas in the 2009/10 Operational Budget	12
5	2009/10 Capital Budget	13
5.1	Background of developmental needs	13
5.2	Summary	13
5.3	Funding of Capital Budget	15
6	2009/10 Forecast cash flow position	16
7	The Medium Term Revenue and Expenditure Framework (MTREF)	16
8	Way forward – strategic planning over the medium term	17
9	Conclusion	17

1. Overview of the IDP/Budget process

This part of the report gives a brief overview of the 2009/10 IDP/Budget process undertaken and the key milestones that were achieved.

Corporate strategic planning

- Council received a detailed timetable in August 2008 on the new IDP/Budget process for the 2009/10 cycle.
- The new process started with a strategic review of priorities that included workshops with Councillors and Management. This exercise culminated in the Mayoral Speech presented to the Mayoral Committee on 26 August 2008.

Business planning

- Regular communications were circulated regarding further strategy for the completion of the 2009/10 budget.

Public and stakeholders participation

- Guidance from the Mayoral Speech of the priorities identified for 2009/10 were available for information.
- Ward Committees and Managers were requested to identify new projects and/or put forward existing projects on the IDP.
- The Mayoral Review Panel met regularly and was involved in the prioritising process. Valuable inputs were received from members of this committee throughout the budget cycle.
- An Overstrand Municipal Advisory Forum (OMAF) meeting was held on 4 December 2008.
- Regular draft review sessions were held with all directors and managers from December to February.
- This culminated in final strategic review sessions for tariffs and charges, budget related policies, salary budget strategy, operational budget and capital projects finalisation by the Mayoral Review Panel during March 2009.
- The draft budget was tabled in Council on 30 March 2009.
- The draft budget was advertised for comments till 30 April 2009.
- The Provincial LG MTEC deliberations were held on 12 May 2009.

- Final operational and capital reviews, tariff reviews and a review of comments received were held for the final compilation and completion of the 2009/10 budget.

2. Alignment of Budget with Integrated Development Plan

The IDP has been reviewed as required by the Municipal Systems Act and the MFMA. The final budget for 2009/10 was compiled in such a way to ensure sustainability of service delivery and financial viability of the Municipality. The departmental **Service Delivery and Budget Implementation Plans** (SDBIPs) will be finally aligned to the IDP and Budget.

A summary of each departmental or functional SDBIP will be provided showing the information set out in MFMA Circular 13, which includes the following:

- Purpose (outcomes);
- Service delivery description (outputs);
- Resources utilised (inputs);
- Inputs to detailed sector capital plans; and
- The link between performance measures in the SDBIP and performance contracts.

The MFMA allows for SDBIPs to be approved by the Mayor up to 28 days after the approval of the budget.

3. Sources of funding

Each source of funding was examined with a view to its optimisation within affordability levels.

Annexure 6 of the MFMA Circular 28 provides some guidance on what should be covered under each of the following sub-headings:

- Rates, tariffs and other charges;
- Savings and efficiencies;
- Investments;
- Grant allocations;
- Contributions and donations;
- Sale of assets;
- Carry Over;
- Proposed Future Revenue Sources; and
- Borrowing.

In terms of Council's accounting policy and **Generally Recognised Accounting Practices** (GRAP), estimates for the sale of assets must be credited to the Capital Replacement Reserve.

4. **Executive summary of the 2009/10 budget proposals**

4.1 **Background**

MFMA Circulars 28 & 48 provides guidance to municipalities regarding requirements of the MFMA in relation to budget information/ documentation for consultation and approval. Furthermore, the implementation of and continuous amendments to GRAP has also contributed to major changes to the contents and format of the budget. It is therefore quite clear that the council has a great challenge to adhere to these requirements.

4.2 **2009/10 Operating Expenditure Budget**

The operational expenditure budget proposed for 2009/10 is R518,243,000 compared to a current amended budget of R424,667,000 for 2008/09 and represents a 22% increase compared to a 26% increase of the 2007/08 budget. The expenditure is summarised in the following table:

Table 1: Increases in the 2009/10 Operational Budget compared to 2008/09 Adjusted Budget

	2008/09 Current Budget R'000	2009/10 Estimate R'000	% Increase / (Decrease)	% Compared to Total Expenditure
<u>Expenditure type</u>				
- Salaries and Wages	134 687	153 993	14%	30%
- General expenses	271 524	326 415	20%	63%
- Repairs and Maintenance	51 242	53 117	4%	10%
- Capital costs	37 216	57 625	55%	11%
- Provisions		7 595		1%
	494 669	598 745		
Less: Recharges	(70 002)	(80 502)	15%	-15%
Total Expenditure Budget	424 667	518 243	22%	100%

4.3 **Explanation and discussion of major expense type**

- Salaries and Wages

The 2009/10 budget for salaries, wages and allowances for the municipality in total is R154 million which comprises 29,7% of the operational expenditure budget.

The labour cost of permanent staff that will be involved with the completion of capital projects, have not been apportioned to those projects.

This total figure also includes Councillors' remuneration, but excludes cost of staff employed on the agency projects.

Expenditure from the DWAF: Working-for-Water project agency service has been ring-fenced.

Top Management has given consideration to the enlargement of the staff complement and a total cost of only R1,0m has been incorporated for this purpose. This equates to an increase of only 0,65% in personnel numbers. Seasonal workers and other temporary staff will be funded from savings generated by vacant posts.

The estimates include salary increases of 11,5%, based on the average rate of inflation over the past twelve months. The salary increases are negotiated nationally and to date these negotiations have not been finalised. This process could lead to arbitration, which could delay the outcome still further.

The total estimate figure of Councillors' remuneration includes proposed increases at the same rate as for permanent staff. Councillors' remuneration is subject to approval thereof by the National Minister of Provincial and Local Government.

Furthermore, the MFMA requires that the Budget Report contains a detailed analysis of the salaries and allowances of Councillors, the Municipal Manager and Directors. This information is given in Annexure C, table 8.

- General Expenses and Repairs & Maintenance

Most items classified under these two headings have been increased from the 2008/09 adjusted budget by the estimated general rate of inflation, budget growth requests from managers for increased service delivery, increased proposed tariff adjustments by Eskom, ever rising cost of chemicals for water purification works and fluctuating fuel costs.

The contributions to the Central Improvement District (known as HPP), an allocation of R2 500 000 for the established Destination Marketing Organisation (DMO) and a grant to the Overstrand Local Economic Development Agency (OLEDA) have been budgeted as expenditure according to GRAP. The DMO will operate tourism as per a service delivery agreement, which includes tourism bureaux, marketing and festivals.

The establishment of OLEDA, which will operate as a Municipal Entity, is complete. A grant of R900 000 has been budgeted in this regard. OLEDA will facilitate certain sectors of economic development as reflected in its budget for 2009/2010.

Contingency Budgets: No amounts have been specifically budgeted in this regard. Any savings identified during the financial year will be allocated to contingency for reallocation by top management.

- Equitable Share: Low Income Subsidy

The low income subsidy budget, R14 million for 2009/10, makes provision to fully fund the Council's Indigent Policy.

This includes residents (account holders), upon application and registration, who are unemployed and/or receive a social pension or income per household that is equal or less than the amount of three times the government social pension. This ceiling has been raised from the previous twice the social pension.

- Basic Services Projects Local Labour Promotion Project (LLPP)

Projects are identified on the capital and operational budgets to continue the LLPP concept. Projects such as storm water, roads, cleaning projects, etc. will be undertaken in the entire Overstrand. All Project Managers are encouraged to further promote the LLPP concept as this makes a contribution towards Local Economic Development. This concept entails the delivery of services and a portion of earnings goes towards decreasing municipal account debt.

- Contribution to Working Capital

This contribution is made to a provision for the write-off of irrecoverable debts. This is reduced from the previous budget levels because it has been assumed that the full implementation of the Council's Indigent Policy and the raising of the ceiling for the qualification as indigent will reduce the level of irrecoverable debts. The appointment, on contract, of debt collectors should still further reduce irrecoverable debts.

- Capital Costs

Debt servicing payments include a balloon payment of R9,1m on the loan from Rand Merchant Bank. This payment is offset directly against the proceeds of the policy backed agreement. The proceeds are credited to the interest on investments

- Contributions to Provisions

Council has certain legal obligations to provide for the rehabilitation of landfill sites, clearing of alien vegetation on municipal land, to create a provision for post retirement benefits and long service awards. The value of the present obligation is calculated annually and contributions appropriated and adjusted accordingly. Expenses relating to these provisions are expensed directly against the provision.

- Contributions to/from Funds and Reserves (Appropriations)

Provision has been made for appropriations as shown in Annexure A, schedule 2(b).

- Capital Replacement Reserve (CRR)
The 2009/10 budget does not provide for a direct contribution from generated operating revenue to the CRR. It is recommended that a portion of any cash backed net operating surplus be transferred to the CRR. Any profits realised on the sale of redundant assets or ad-hoc land sales will however be transferred to the CRR.
- Self-Insurance Reserve (SIR)
A directional change towards insuring smaller risks from the SIR was implemented during the current financial year. The claims history points to favourable conditions for this implementation. Savings on the insurance premiums for 2009/10 would be channelled towards this reserve.
- Capitalisation, Government Grants and Public Contributions Reserves
After the accounting standards changed relating to the above from reserves to a deferred revenue model from the previous financial year to 2008/2009, the current budget was realigned during the adjustment budget in February 2009. The standards are set to change whereby the deferred revenue model will be relinquished for the reserves model. The revised standard has been incorporated in the 2009/10 budget. The 2008/09 budget will have to be realigned.

The offset depreciation estimate has been revised in anticipation of the final report regarding the full incorporation of infrastructure assets in the assets register. A revision of these estimates will not have a direct impact on cash flows, but could have a negative impact on future tariffs with a true reflection on the consumption of assets.

4.4 2009/10 Operational Budget – Revenue

4.4.1 Summary

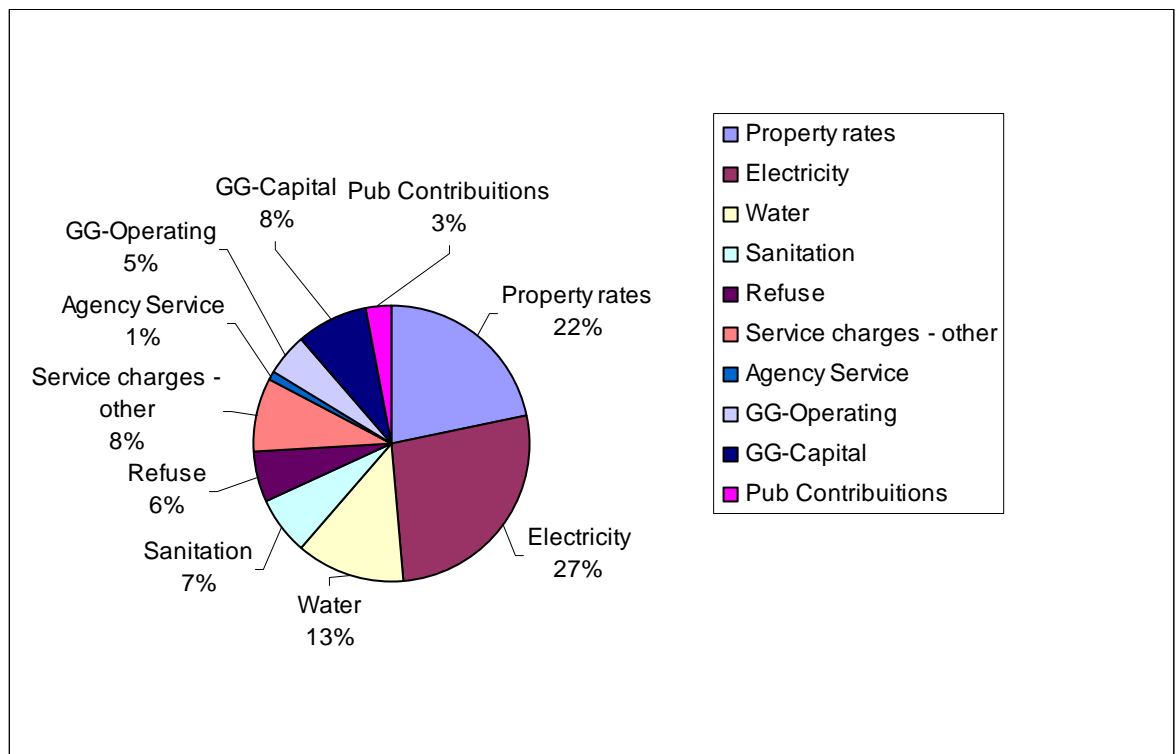
The total revenue budget proposed for 2009/10 is R557 938 000. This is in relation to a pre-adjusted budget of R456 490 000 in 2008/09 and represents a 22% increase. The 2008/09 budget has to be adjusted for capital grants revenue to be included after a revision of the accounting

standards. However, the net operational revenue (excluding Capital Grants of R46,352m) amounts to R511,586,000 and a comparative budget-to-budget increase of 12%.

An analysis of the 2009/10 revenue budget in terms of revenue source is given in Annexure A, schedule 1.

The budgeted revenue in terms of revenue source is summarised in the chart below:

Chart 1: The 2009/10 Revenue Budget analysed by major source of revenue



4.4.2 Budget methodology undertaken

A limited zero based budgeting approach was adopted in respect of the operational budget. Further initiatives have been launched to investigate existing revenue sources and the costs of delivering services such as sewerage (tanker services), costing of supplying potable water and punitive water usage measures, the use of consultants to check, clean up and verify debtors' data and contracting of debt collecting agents on performance basis, amongst others.

- Revenue from Property Rates

A new valuation roll came into effect from July 2008. This resulted in an initial substantially higher valuation on properties in 2008/09.

The average increase on property rates for 2009/10 is set at 4% on residential properties and 7% on business properties.

For residential properties, the following exemptions and rebates are proposed:

- An exemption on the first R15 000 of the market value of a property assigned in the valuation roll or supplementary valuation roll as determined in clause 17(1)(b) of the Municipal Property Rates Act (MPRA)
- An exemption on the next R35 000 of the market value of a property assigned in the valuation roll or supplementary valuation roll as determined in clause 10(b)(ii) of the Rates Policy of the Overstrand Municipality, and
- A further residential rebate of 20% on rates levied for residential properties, where a residential completion certificate as determined in clause 10(b)(iii) of the Rates Policy of the Overstrand Municipality

The Council's Rates Policy also allows for other rebates to residents and businesses. These include pensioners, guesthouses & B&Bs, residential, business and agricultural properties outside the traditional urban areas, subject to certain conditions.

Under the new Property Rates Act the 2009/10 budget must show the total rates revenue with the cost of the rebates and exemptions allowed as revenue foregone, under expenditure.

- Revenue from Tariff Services

The tariffs for electricity, water, sewage and refuse collection have been set according to the cost of delivering the respective services.

Electricity: The substantial increase estimated at 34% for the purchase of electricity from Eskom will have a far reaching negative impact for consumers and the delivery of services in an ailing economy.

This increase remains beyond the control of the municipality as it is under the auspices of the National Electricity Regulator (NERSA) on application from Eskom for price increases. As the municipality cannot absorb these increases, the price hikes have to be passed on directly to the consumers. The final decision from NERSA is only expected on 26 June 2009. Furthermore significant loans for capital expenditures over the last few years have to be serviced and a 30% scarcity allowance for electrical staff has to be paid.

Water: The sustainable supply of potable water is becoming an ever increasing challenge. This scarce commodity has to be optimally managed. The increase in the price of electricity and chemicals for purification

(average increase in excess of 150% over the last two years) has contributed to the cost of delivering this service. The water usage block tariff has been structured for a basic affordable tariff for up to 30kl per household per month. It should be noted that this tariff still relates to a under recovery on the actual purification and distribution cost per kilolitre in this category.

Punitive tariffs are introduced for excessive water consumption and to equalise the under recovery. When the culture of water consumption conservation filters through from consumers, the lower end of the block tariff will have to be reviewed to balance the recovery cost of water supply.

Sewage: An under recovery for the draining of conservancy and septic tanks has been experienced after the latest cost recovery analysis was performed. This was largely due to increased fuel prices over the last twelve months. Though the fuel price has stabilised somewhat, the stabilisation level is now at a higher price and remains a volatile pricing commodity. It is recommended that the tariff of R200 as proposed in the draft budget be reduced to R160. The original revenue estimate remains the same as the proposed lower tariff should be proportionate to the service usage. The recommended lower than proposed tariff could also combat underground water contamination.

Refuse: The fuel price syndrome impacts negatively on tariffs for the delivery of this service.

The Karwyderskraal regional dumping site remains a contentious issue as this municipality utilises this facility in excess or 90%. The facility is controlled by the District Municipality, which has announced higher than expected tariffs.

Rates, tariffs and charges for 2009/10 are attached hereto as Annexure E.

A schedule of the basket of tariffs is attached as Annexure F.

- Service Charges – Other (Other Revenue)

This category comprises all the rest of the revenue received by the Municipality, primarily from user charges. The most significant individual items in this category are revenue from building plan fees, vehicle registration fees etc.

- Interest and Investment Revenue

This comprises primarily the interest revenue received from investing cash available for periods of 28 days and above, interest received on cash held in the Council's bank accounts and interest on debtors' arrears.

- Government Grants

The MFMA requires that detailed information is given with respect to all grants received by the Municipality (summarised below).

These grants have been appropriated by National and Provincial governments and have been announced via the Division of Revenue Act (DORA)

Table 2: National & Provincial Grants & Subsidies

Project descriptions	2009/10 (R'000)	2010/11 (R'000)	2011/12 (R'000)
National Treasury			
Equitable Share	21 988	25 419	28 102
Financial Management Grant	750	1 000	1 250
Municipal Systems Improvement Grant	400	750	790
Municipal Infrastructure Grant (MIG)	10 473	12 204	10 478
Integrated National Electrification Prog	1 922	0	3 000
TOTAL NATIONAL	35 533	39 373	43 620
Provincial Grant			
Housing	26 338	31 314	37 189
Public Library Services Grant	556	695	799
Community development worker	96	100	104
Main Road Subsidy	30	0	0
TOTAL PROVINCIAL	27 020	32 109	38 092
TOTAL NATIONAL AND PROVINCIAL	62 553	71 482	81 712

Grants from Central Government comprise the Equitable Share (Subsidising low income consumers), Financial Management Grant (which funds the costs of the MFMA Change Project and the appointment of financial interns), MSIG (Systems improvement), MIG (Infrastructure development) and INEP (Electricity for disadvantaged areas).

Included in the Equitable Share grant is amounts of R0,942m, R0,941m and R1,051m respectively over the three years for a special contribution towards councillors' remuneration.

It should be noted that a portion of the MIG grant (R6,82m) is being utilised during the 2008/09 municipal financial year for the national financial year that already commenced on 1 April 2009 and that a portion of the 2010/2011 grant (R4,450m) will be utilised during 2009/2010 for the national financial year commencing on 1 April 2010.

Grants received from Province include the provision of housing on an agency basis (Top structures and internal reticulation for services), subsidising of public libraries (Provincial function) and maintenance of

provincial main roads (Provincial function). The Community Development Workers grant is used to offset expenses of this provincial initiative.

Of the total amount of R62,553m government grants received, an amount of R23,820m relates to direct operating revenue, which constitutes 5% of total revenue.

Included in the item of Government Grants in schedule 1 of the sources of revenue is an amount of R15m for the Neighbourhood Development Programme and an amount of R40 000 for the prize money for the Cleanest Town Competition. These funds will be utilised for Local Economic Development projects and cleanup projects respectively.

- Public contributions and Agency Services

This category comprises other funding accessed from other sources. These include an amount of R16,4m CSIR allocation for technologies developed for the housing projects. Funding amounting to R240 000 as part of a contribution of R300 000 received from ABSA Bank will be utilised for partial funding of the operating costs of the Gansbaai Sport Complex.

An amount of R5,0m has been budgeted for the Working-for-Water agency service.

4.5 Key Risk Areas in the 2009/10 Operational Budget

The following are the key risk areas in the budget which will need to be closely monitored over the course of the 2009/10 financial year.

- Changes in seasonal weather patterns from the norm can decrease the consumption of water and/or electricity services and whilst this is beneficial in environmental terms it does put at risk the achievement of the revenue budget.
- Although load shedding has temporarily been averted, failure by the Eskom supply network can result in a loss of revenue and other related costs (such as the hiring of generators, additional labour costs, etc.) to Council.
- A cut-back on the level of overtime payments will require active management by the Managers and Directors to keep the expenditure within the new budget as vacant posts are filled.
- No appropriation for a contingency budget as a zero based budget methodology was applied.

- The impact of the 2010 Soccer World Cup on the infrastructure and resources of the area as a whole.
- The full impact of the implementation of GRAP and the new accounting standards that arose since its inception from 1 July 2004 and further revisions of accounting standards and issuing of further new accounting standards by the Accounting Standards Board has already had a impact on the operational budget. To name a few, post retirement benefits, provisions for alien vegetation clearing, rehabilitation for tip sites etc. have since been factored into the budget. The impact of impairment of assets and the accounting treatment thereof could still further negatively impact on the budget and/or accumulated surplus.
- The uncertainty of the final Eskom price increase remains a concern. A higher than anticipated increase will further burden consumers and increase operating costs for the delivery of essential services.
- The sharp increase in the cost of chemicals used for the treatment of waste water and for purification of potable water over the past two years has not abated.

5. 2008/09 Capital Budget

5.1 Background of developmental needs

The Municipality has a backlog both in investing in new and upgrading of existing bulk infrastructure that has been partially addressed since the 2007/08, 2008/09 and now the 2009/10 and future capital budgets.

The construction industry (housing) is currently experiencing a downturn, though the local population continues to grow (Estimated at 45% over the last 7 years). It is anticipated to grow over the medium term by 5% annually. This puts pressure on both the capital and operational budgets. Forthflowing from the above-mentioned demand for urgent capital services, the Executive Mayoral Committee has kept the capital budget spend for 2009/2010 over R120m, to further improve infrastructure. The future capital budgets would have to carefully balance cost and affordability as external borrowing cannot continue indefinitely.

Further details regarding the funding of the capital budget is given in paragraph 5.2 .

5.2 Summary

The proposed capital budget for 2009/10 is R162 327 000. This is a decrease of 21% from the 2008/09 adjusted budget of R197 505 000. The capital budget votes are shown in Annexure A, schedule 3 & 3(a) and the capital projects are listed in Annexure D.

The following charts represent summaries of the capital votes and financing sources:

Chart 2: Summary of 2009/10 Capital Votes (Services/GFS Classifications)

Finance & Admin	18 196 000
Planning & Development	15 500 000
Community & Social Services	60 000
Housing	21 237 000
Public Safety	755 000
Sport and Recreation	2 625 000
Waste Management	5 000 000
Waste Water Management	18 500 000
Road Transport	27 471 000
Water	16 300 000
Electricity	36 683 000
TOTAL	162 327 000

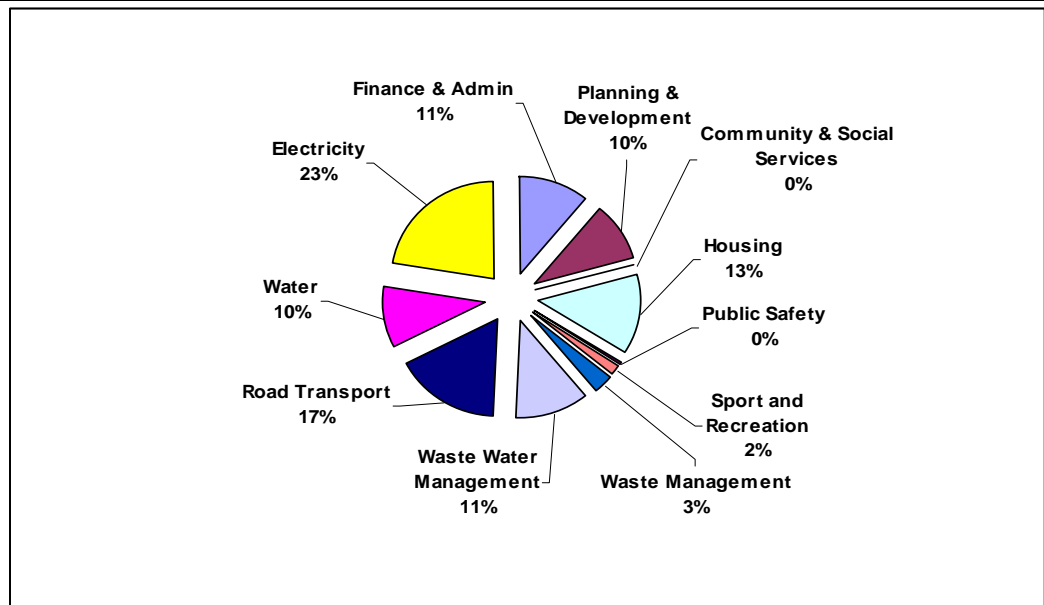


Chart 3: Financing of the 2009/10 Capital Budget

Capital Replacement Reserve	35 975 000
External Loan	70 000 000
Government Grants (DORA)	23 152 000
Other Grants & Pub. Contributions	33 200 000
TOTAL	162 327 000

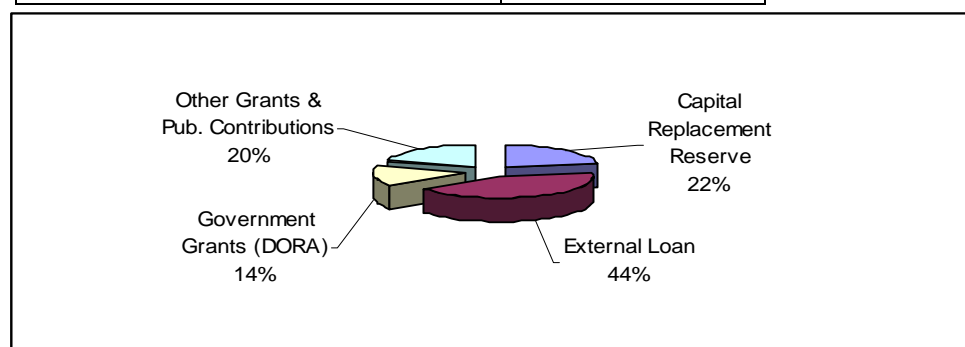


Table 3: Summary of 2009/10 Capital per Service and Funding

Service	COUNCIL	AD - HOC	TOTAL
Information Technology	1 000 000		1 000 000
Property Services	13 185 000		13 185 000
Local Economic Development	500 000	15 000 000	15 500 000
Cemeteries	60 000		60 000
Housing		21 237 120	21 237 120
Law Enforcement	560 000		560 000
Fire	195 000		195 000
Sport & Recreation	1 525 000	1 100 000	2 625 000
Waste Management	5 000 000		5 000 000
Sewerage	7 310 000	2 000 000	9 310 000
Storm water	7 390 000	1 800 000	9 190 000
Roads	26 398 000	1 073 000	27 471 000
Water	14 170 000	2 130 000	16 300 000
Electricity	34 761 000	1 922 000	36 683 000
Vehicles	1 946 000		1 946 000
Inventory	1 975 000	89 700	2 064 700
Total	115 975 000	46 351 820	162 326 820

5.3 Funding of Capital Budget

- Council Funding: (CRR, External Loans, Developm. Contributions)

The total Council Funded Capital Budget proposed for 2009/10 is R116 million. It is intended to finance the 2009/10 Council-funded capital budget with an external loan of R70 million, R36 million from the Capital Replacement Reserve and R10 million from accumulated Development Contributions.

The costs to the operational budget of financing the capital budget are included in the Medium Term Financial Forecast.

The Executive Mayor has once again awarded an amount of R5 million for further Ward specific projects, which could be of a capital or operational nature to enable wards to prioritise further projects, in line with the IDP.

Each of the ten wards thus received an additional amount of R500,000 for their ward specific needs.

These proposals are included in the operational and capital budgets.

- Ad-hoc Capital Budget

The ad-hoc capital budget refers to those capital projects which will be funded from external sources, primarily grants from other spheres of government. Government Grants are published in the Division of Revenue Act.

It should be noted that some portions of the funding is of an operational nature only. An example of this relates to the Provincial Housing Grant. Although the total housing grant amounts to R26,338m, only R13,037m is reflected in the capital budget. The remaining portion is a direct operational expense (Top structures).

Other projects for which funding has been secured by means of a definite letter from the government department or donor organisation has been included in the capital budget.

Projects within this category include the grants of R15m for the Neighbourhood Development Programme and R8,2m of the R16,4m from the CSIR for housing.

Any further funding secured during the course of 2009/10 from Government spheres may be appropriated in an adjustments budget.

6. 2009/10 Forecast Cash Flow Position

A cash flow forecast for 2009/2010 is represented in the table below.

Table 3: Estimates of Cash Flow for 2009/2010

Figures in R'000s	Cash Flow
Estimated Balance C/Fwd from 2008/2009	20 500 000
Add:	
Revenue from rates and service charges	388 343 000
Other revenue	51 520 000
Government and other Grants and Receipts	93 953 000
External loan receipts	70 000 000
	624 316 000
Less:	
Salaries, wages and allowances	153 993 000
General expenses	219 700 000
Maintenance expenses	53 117 000
Interest & Redemption on external loans	28 149 000
Capital expenditure	162 327 000
TOTAL ESTIMATED BALANCE END OF 2009/10	7 030

7. The Medium Term Revenue and Expenditure Framework

As Annexure A shows, the operational budget forecasts for 2010/11 and 2011/12 realise a surplus, in line with current trends.

The Council's financial objective over the medium term is for increases in property rates, tariffs for user charges to be affordable and sustainable by being in line with general price inflation. This objective is a key factor in budget decision-making.

It is likely, however, that tariffs for particular services may need to rise above inflation if significant infrastructure works are undertaken for the services in question. Such rises in the tariffs will be needed to fund the resultant operational budget costs of the capital investments.

The above-mentioned, however, does not include any possible future land sale proceeds, which could be used as a contribution to the CRR to finance capital projects. Another financing source of the capital budget is the grants from other spheres of government. The Municipality needs to increase its ability to bid for all relevant grant funding opportunities. The latter will have a favourable impact on the MTREF and will most certainly be of great help to Council to render sustainable services at affordable user charges and property rates.

8. Way Forward – Strategic Planning over the Medium Term

The Council's objective to keep rates and tariff increases affordable and sustainable by limiting the increases will require some difficult budget decisions, such as:

- All services will need to be reviewed in order to assess whether the service is “core business” or whether the service is either low priority or non-statutory.
- The service levels that the Municipality will work to and can afford will need to be agreed by Council and the community and be published.
- Alternative ways of providing services need to be actively investigated. Further Business Process Re-engineering reviews should be undertaken to identify both more efficient and cost-effective ways of delivering services.
- The housing development plan should be compiled to determine total financial implication and impact of future housing projects on the operational and capital budgets. The benefits/contribution/liability of these projects towards local economic development should also be investigated.

9. CONCLUSION

The participation of the community and other stakeholders during the budget process, which started way back in August 2008, was imperative to the finalisation of a successful budget. Overstrand endeavours to delivery on a sustainable and affordable budget, while creating a better life for all.

After its acceptance, the final budget will be presented to the National and Provincial governments, be available at all times for the community and will be the tool for the measurement of success during the course of the 2009/10 financial year.

Expression of Appreciation

I am indeed grateful to the Executive Mayor and members of the Mayoral Committee who have certainly revived the work ethic, accountability and professionalism in the organisation. This has led to greater commitment and dedication amongst the political office bearers and the officials.

In addition, I must place on record the support and co-operation received from the Councillors, Municipal Manager, Director: Finance, other Heads of Departments and their staff.

The functioning and success of the budget office is dependent on the responsible staff and I wish to express my appreciation for their loyalty and their efficient and willing services.

BA King
Manager: Accounting Services
Overstrand Budget Office

Annexures

- Annexure A: Budget Schedules 1 - 4
- Annexure B: Budget Related Charts
- Annexure C: Supporting Budget Related Tables
- Annexure D: Capital projects by Service and Wards
- Annexure E: Rates, Tariffs and Charges
- Annexure F: Basket of Tariffs
- Annexure G: OLEDA budget

Budget Office Project Team

B. King : Budget Co-ordinator

G. Willemse : Senior Accountant: Budget Office

L. Tait : Accountant: Capital Budget

B. Galant : Accountant: Operational Budget
