

1. INTRODUCTION

The **Constitution of the Republic of South Africa** shapes the objectives of Local Government's role in terms of providing a democratic and accountable government for local municipalities. Local Government's mandate is aimed at the following:

- Creating an enabling environment that ensures the provision of sustainable services to communities.
- Promoting social and economic development.
- Creating safe and healthy environments.
- Encouraging community involvement on local government matters.

The **Municipal Finance Management Act (MFMA)** forms an integral part of the broader reform programme for local government and is aimed at, inter alia the following:

- Modernizing and standardization of budgeting and financial management practices
- Creating a sound financial governance framework.
- Creating transparency and accountability through regular consistent reporting.
- Clarifying and separating the roles and responsibilities of the Mayor, Councillors and officials.
- Empowering of the Mayor to provide political leadership by being responsible for policy and outcomes and holds the Municipal Manager and Senior Managers responsible for implementation and outputs.
- Councillors are empowered to play a key policy-approval and monitoring role through the municipal council.

The **Municipal Budget Strategy** is thus aimed at allocating resources to fund activities that are consistent with the municipality's revised IDP, to achieve service delivery goals and simultaneously sustain the municipality's financial viability.

2. LEGISLATIVE REQUIREMENT

The following Sections of the MFMA prescribe the budgetary requirements:

16. Annual budgets.

- (1) *The council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year.*
- (2) *In order for a municipality to comply with subsection (1), 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.*
- (3) *Subsection (1) does not preclude the appropriation of money for capital expenditure for a period not exceeding three financial years, provided a separate appropriation is made for each of those financial years.*

17. Contents of annual budgets and supporting documents.

- (1) An annual budget of a municipality must be a schedule in the prescribed format—
 - (a) setting out realistically anticipated revenue for the budget year from each revenue source;
 - (b) appropriating expenditure for the budget year under the different votes of the municipality;
 - (c) setting out indicative revenue per revenue source and projected expenditure by vote for the two financial years following the budget year;
 - (d) setting out—
 - (i) estimated revenue and expenditure by vote for the current year; and
 - (ii) actual revenue and expenditure by vote for the financial year preceding the current year; and
 - (e) a statement containing any other information required by section 215 (3) of the Constitution or as may be prescribed.
- (2) An annual budget must generally be divided into a capital and an operating budget in accordance with international best practice, as may be prescribed.
- (3) When an annual budget is tabled in terms of section 16 (2), it must be accompanied by the following documents:
 - (a) Draft resolutions—
 - (i) approving the budget of the municipality;
 - (ii) imposing any municipal tax and setting any municipal tariffs as may be required for the budget year; and
 - (iii) approving any other matter that may be prescribed;
 - (b) measurable performance objectives for revenue from each source and for each vote in the budget, taking into account the municipality's integrated development plan;
 - (c) a projection of cash flow for the budget year by revenue source, broken down per month;
 - (d) any proposed amendments to the municipality's integrated development plan following the annual review of the integrated development plan in terms of section 34 of the Municipal Systems Act;
 - (e) any proposed amendments to the budget-related policies of the municipality;
 - (f) particulars of the municipality's investments;
 - (g) any prescribed budget information on municipal entities under the sole or shared control of the municipality;
 - (h) particulars of all proposed new municipal entities which the municipality intends to establish or in which the municipality intends to participate;
 - (i) particulars of any proposed service delivery agreements, including material amendments to existing service delivery agreements;
 - (j) particulars of any proposed allocations or grants by the municipality to—
 - (i) other municipalities;
 - (ii) any municipal entities and other external mechanisms assisting the municipality in the exercise of its functions or powers;
 - (iii) any other organs of state;
 - (iv) any organisations or bodies referred to in section 67 (1);
 - (k) the proposed cost to the municipality for the budget year of the salary, allowances and benefits of—
 - (i) each political office-bearer of the municipality;
 - (ii) councillors of the municipality; and
 - (iii) the municipal manager, the chief financial officer, each senior manager of the municipality and any other official of the municipality having a remuneration package greater than or equal to that of a senior manager;
 - (l) the proposed cost for the budget year to a municipal entity under the sole or shared control of the municipality of the salary, allowances and benefits of—
 - (i) each member of the entity's board of directors; and
 - (ii) the chief executive officer and each senior manager of the entity; and

(m) any other supporting documentation as may be prescribed.

18. Funding of expenditure.

- (1) An annual budget may only be funded from—
 - (a) realistically anticipated revenues to be collected;
 - (b) cash-backed accumulated funds from previous years' surpluses not committed for other purposes; and
 - (c) borrowed funds, but only for the capital budget referred to in section 17 (2).
- (2) **Revenue** projections in the budget must be realistic, taking into account—
 - (a) projected revenue for the current year based on collection levels to date; and
 - (b) actual revenue collected in previous financial years.

19. Capital projects.

- (1) A municipality may spend money on a capital project only if—
 - (a) the money for the project, excluding the cost of feasibility studies conducted by or on behalf of the municipality, has been appropriated in the capital budget referred to in section 17 (2);
 - (b) the project, including the total cost, has been approved by the council;
 - (c) section 33 has been complied with, to the extent that that section may be applicable to the project; and
 - (d) the sources of funding have been considered, are available and have not been committed for other purposes.
- (2) Before approving a capital project in terms of subsection (1) (b), the council of a municipality must consider—
 - (a) the projected cost covering all financial years until the project is operational; and
 - (b) the future operational costs and revenue on the project, including municipal tax and tariff implications.
- (3) A municipal council may in terms of subsection (1) (b) approve capital projects below a prescribed value either individually or as part of a consolidated capital programme.

3. THEEWATERSKLOOF SOCIO-ECONOMIC PROFILE

- I. Theewaterskloof Municipality has the largest geographic area, comprising of eight (8) towns, in the Overberg District. A lack of diversification in economic activity still poses to be a major threat as agriculture and downstream manufacturing activities are the main economic activities.

The municipality has registered an annual average growth of 1.8% in GDP between 1996 and 2004. This poses to be the slowest growth rate in the District. The municipality has not been in a position to attract any new serious developments and investments within the recent period.

This is one of the reasons why our budget theme is to “Transform and Position TWK as a Successful Developmental Local Authority in 2008/2009 and Financial Viability in 2009/2010.”

- II. The estimated population total of Theewaterskloof Municipality amounts to 43.77% of the Overberg District. The social development battles continue to be a major crises as social problems are directly related to unemployment. This in turn is contributed to insufficient economic activity within the area. This is aggravated by the current global economic crises.

Our budget once again aims at continue the endeavours to establish Sports Forums in all towns to approach sport in a structured manner. Along with Sport, the issues of HIV/Aids, Crime and Substance Abuse are being addressed.

Facilitation of the establishment of Non Governmental Organisations (NGO's) and Partnerships and provision of Support is further reflected in our budget.

III. The potential for growth should however not be under-estimated as the provision of water by several dams in the area strategically makes Theewaterskloof a key economic player in the provision of water to the City of Cape Town. The agriculture is currently also doing well where expansion is even probable in certain instances.

This area is being explored.

IV. Neighbouring municipalities are reaching their optimum potential and thus Theewaterskloof municipality is in an ideal position to respond to investors and developers opportunities.

Theewaterskloof municipality needs to address appropriate strategies, policies, process, incentives that must guide, facilitate and encourage development and investment in the area.

Several Development opportunities have been identified and are addressed in the budget.

4. BUDGET, IDP AND STAKEHOLDER PARTICIPATION PROCESSES

The formulation of the 2009/2010 Medium Term Revenue and Expenditure Framework (MTREF) budget commenced in August 2008 with the approval of the **IDP and Budget Process Plan** by Council on 28 August 2008 indicating the **key deadlines** for the revision of the IDP and preparation of the budget.

The **Simons Town Strategic Workshop** held in September 2006 set the scene and the base for the compilation of the 2007/2008 Budget ("Capacity Building").

During September 2008, the municipal Council and Senior Managers convened for their third **Strategic Planning Workshop ("Goudini 2")**. The strategic and operational agenda in terms of key service delivery, capacity development, financial viability, corporate governance and local economic development issues as identified at the 2006 Simons Town and 2007 Goudini Strategic Workshops were revised in terms of progress made and implementation over the past budget years.

Key issues which still remain outstanding and those which remain relevant as well recurring and any new aspects were highlighted.

(Complete details of the Goudini Strategic Planning Session are disclosed within the Integrated Development Plan of the Municipality.)

The 2009/2010 theme of “**Financial Viability**” is becoming increasingly relevant in view of the current global economic crisis. The 2009/2010 budget theme is reflected through the focus areas and the resource allocation within the municipal budget.

After the Goudini Workshop, a **Detailed Budget Guideline** was forwarded to all Senior Managers and Town Managers on 25 September 2008. This followed up by a **Budget Workshop for Senior Managers and Town Managers** on 05 November 2008.

During January 2009 and February 2009 several **Meetings and One-on-One Engagements** took place between Finance Directorate and other Directorates.

On 12 March 2009 a **Budget/IDP Workshop** was conducted for all Councillors, Senior Managers and Town Managers. The Budget Philosophy, Parameters and Prioritisation Criteria were presented, discussed and adopted in a Council Meeting, after the Workshop. This was followed by the tabling of the Draft UDP and Budget on 26 March 2009.

Stakeholder Participation laid the foundation for our integrated strategic plan, the IDP. The IDP and the Budget Processes which are two distinct processes (but integrally linked processes) were coordinated to ensure alignment.

Community involvement / participation are one of the main features of the IDP processes set out in Sections 16 to 18 of the Municipal Systems Act. This was accomplished through the municipality’s established Ward Committees, Stakeholder Organizations such as Community Organizations, Forums, Business Sector and other Role Players and Participants including the Councillors, Municipal Manager, Senior Managers, Town Managers, IDP/ Budget Committee Officials.

The purpose was to ensure that the real issues experienced by the citizens of the municipality are addressed. IDP Imbizo’s took place in each of the municipal towns from 12 January 2008 to 29 January 2009. The IDP must also inform the municipality’s financial and institutional planning and most importantly, the drafting of the annual budget.

The Draft IDP and Budget was tabled at the Council Meeting of 26 March 2009 and thereafter publicised for comments until 04 May 2009: distributed to all Town Offices, the local newspapers Libraries, the Municipal Website and discussed with the Ward Committees.

[End of Introduction]

=====

5. **ASSESSMENT OF THE 2007/2008 BUDGET PERFORMANCE AND CURRENT 2007/2008 (CURRENT YEAR PERFORMANCE)**

5.1 BACKGROUND

Before considering the 2009/2010 to 2011/2012 MTREF Budget, we need to take cognizance of the Financial Health Assessment of the 2007/2008 Budget Performance and Achievements in order to determine the extent to which the municipality has achieved its objectives.

5.2 FINANCIAL HEALTH ASSESSMENT AS AT 30 JUNE 2008

This is an Assessments on the 2006/07 & 2007/08 Annual Financial Statements.

The purpose of this section is to analyze and interpret financial information of the municipality in order to assess the financial position, performance and cash flow position of a municipality.

The ratios utilized will be classified to determine the municipality's performance in four areas namely Revenue Management, Expenditure Management, Asset Management and Liability Management (REAL).

Theewaterskloof is classified as medium capacity municipality. The municipality prepared financial statements on IMFO (Institute of Municipal Finance Officers) principles. We are implementing GRAP in 2008/2009.

5.2.1 REVENUE MANAGEMENT

- **Level of Reliance on Government Grants**

Purpose: The purpose of this ratio is to determine what percentage of the municipality's revenue is made up of government grants, to determine level of reliance on government funding by the municipality.

Formula: Grants & Subsidies/Total Revenue

These figures are found on the face of the Statement of Financial Performance & Appendix D

YEAR 07/08			YEAR 06/07		
GOVT GRANTS & SUBSIDIES	TOTAL REVENUE	%	GOVT GRANTS & SUBSIDIES	TOTAL REVENUE	%
90,782,412	238,630,542	38.04	59,032,012	191,674,568	30.8

Analysis and Interpretation

- The general norm for Grants and Subsidies is 4% of Total Revenue.
- A percentage of more than 10% implies that the municipality is dependent on Grants and Subsidies.
- Grant-in-Aid funding in respect of Low Cost Housing and other Government Grants amount of R 33, 104, 549 is included in the amount of R 90, 782, 412. If the Grant-in-aid funding is not included, Government Grants amounts to R 57, 677, 863 or 24.17% of Total Revenue.
- Government Grants and Subsidies increased by 53.79%.
- Total Revenue increased by 24.5%.
- The Municipality's reliance on Government Grants increased by 7.24% in 2007/2008.

- **Actual Revenue vs. Budgeted Revenue**

Purpose: The purpose of this ratio seeks to determine deviations between actual and budgeted revenue and to ascertain reasons for the deviations.

Formula: Actual Revenue/Budgeted Revenue

These figures are found in Appendix D of the Financial Statements

Actual Revenue 2007/2008	Budgeted Revenue 2007/2008	Variance R	Variance %
R238,630,542	R260,394,346	R21,763,804	8.36

Analysis and Interpretation

- The acceptable standard is that the actual revenue for a financial year must equal or exceed the approved budget for the financial year.
- The municipality is within the norm when comparing total actual revenue and total budgeted revenue.
- Variance in excess of 10 per cent was found in the following line items:
 - *Interest Earned: Outstanding Debtors more than budgeted*
The variance of R2,692,474 or 59% was due to conservative income figure budgeted for Interest Earned. *Fines less than budget*
The variance is R 8,729,963 or 58.01% resulted from inter alia low Traffic Fines Income. Contractor Services expenses, on the other hand computed at 50% of income to the service provider was reduced as a result of the lower income.
 - *Other Income less than budget*
The variance of R 6,903,997 or 19.7% was due to transfers to the Asset Financing Reserve. Lower Land Sales and Traffic Fines income were recorded.

5.2.2 EXPENDITURE MANAGEMENT

- **Personnel Cost to Total Expenditure**

Purpose: The purpose of this ratio is to indicate Personnel Cost as a percentage of Total Expenditure.

Formula: Salaries, Wages and Allowances/Total Expenditure

These figures are found in Appendix D of the Financial Statements.

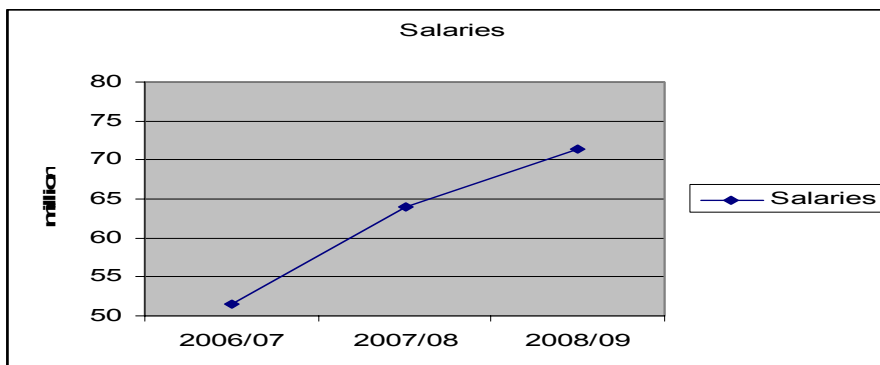
YEAR 07/08			YEAR 06/07		
PERSONNEL COSTS	TOTAL OPERATING EXPENDITURE	%	PERSONNEL COSTS	TOTAL OPERATING EXPENDITURE	%
57,455,870	232,324,365	24.73%	44,839,063	183,193,943	24.48%

Analysis and Interpretation

- The norm for this ratio is 30% of total expenditure.

- While the personnel costs have increased by R 12,616,807 or 28.14% as compared to the 2006/2007 financial year, the ratio increased by 0.25% due to the Total Operating Expenditure which increased by 26.82%.
- The Personnel Budget increased drastically from R51,578m in 2006/07 to R63,917m in 2007/08 (by R12,339 or 24%) and increased further to R71,406 in 2008/09 (by R7,489m or 12%).
- Personnel Cost has increased more than any other cost and we need to take stock and determine whether or what the level of increased/improved services (output and outcomes) has been. We need to seriously consider our level of efficiency , effectiveness and productivity

Financial Year	2006/07	2007/08	2008/09
Salaries (R,000)	R51,578m	R63,917m	R71,406m



- A new organisational structure was implemented in 2006 / 2007 to address, inter alia improved customer service through a decentralised Town Management model, the establishment of a Budget Office, Supply Chain Management Unit, several positions for Housing, Town Planning, technical staff in Operational Services, etc
- **Actual Expenditure vs. Budgeted Expenditure**

Purpose: The purpose of this ratio is to identify deviations between actual and budgeted expenditure and to ascertain reasons for the deviations.

Formula:
$$\frac{\text{Actual Expenditure} - \text{Budgeted Expenditure}}{\text{Budgeted Expenditure}}$$

These figures are found in Appendix D of the Financial Statements

Actual Expenditure 2007/2008	Budgeted Expenditure 2007/2008	Variance in R	Variance in %
232,324,365	260,394,346	28,069,981	10.78%

Analysis and interpretation

- The acceptable norm for this ratio is that actual expenditure should not be less than 90% of budgeted expenditure and furthermore actual expenditure may not exceed the expenditure budget.

- The municipality is slightly outside the expenditure norm and the following significant deviations (in excess of 10%) were found:
 - Depreciation
The variance of R2,510,626 or 50.98%.
 - Repairs and Maintenance
The variance of R 2,614,569 or 17.49% indicates property, plant and equipment are not being adequately maintained.
 - Interest on External Borrowings - less than budget
The variance of 24,6% or R1,297,645 was due to the delay in raising an External Loan to finance capital expenditure incurred in 2006 / 2007. The loan was only raised during 2008 / 2009. We however saved on unnecessary interest charges payable which would have exceeded interest earned if the loans were taken up earlier and invested and withdrawn as we incurred the capital cost.
 - Contractor Services - less than budget
The variance of R10,024,391 or 54.56% resulted mainly from our failure to spend the entire budget for Contractor Services, especially Traffic Services which yielded a very low income compared to the amount budgeted.
 - Contributions to Funds and Reserves
The variance is R2,750,760 or 55.02%.
- **Interest as a Percentage of Total Expenditure**

Purpose: This ratio indicates Interest as a percentage of Total Expenditure.

Formula: Total External Interest Paid/Total Expenditure

These figures were found in Appendix D and the Cash Flow Statement in the Financial Statements.

YEAR 07/08			YEAR 06/07		
INTEREST	OPERATING EXPENDITURE	%	INTEREST	OPERATING EXPENDITURE	%
3,976,790	232,324,365	1.71	2,997,700	183,193,943	1.64

Analysis and Interpretation

- The norm for this ratio is that interest costs should not exceed 5% of operating expenditure.
- The ratio is within the norm.
- **Repairs and Maintenance/Total Operating Expenditure**
Purpose: The purpose of this ratio is to determine whether municipalities are spending adequate amounts on Repairs and Maintenance of PPE.

Formula: Repairs and Maintenance/Total Operating Expenditure

These figures are found in Appendix D to the AFS.

YEAR 07/08			YEAR 06/07		
Repairs and Maintenance	Total operating expenditure	%	Repairs and Maintenance	Total Operating Expenditure	%
12,338,401	232,324,365	5.31	8,679,520	183,193,943	4.74

Analysis and Interpretation

- The norm for this ratio is that Repairs and Maintenance should equal at least 10% of Total Operating Expenditure.
- The ratio has increased by 0.57% from the previous financial year.
- The low ratio could indicate that Property, Plant and Equipment are not being maintained adequately, which could impact on the useful life of the assets as well as escalating cost on deferred maintenance.
- Repairs and Maintenance increased from R9,607m in 2006/07 to R14,953m (by R5,346 or 56%) in 2007/08 and to R17,083m (by R2,130m or 14%) in 2008/09. Actual expenditure in 2007/08 amounted to R12,338 (R2,615m or 17.5% less than the budgeted amount). This is not good as we are way below the required level of at least 10%.

Recommendation

- It is recommended that management take steps to ensure that Property Plant and Equipment are properly maintained to yield optimal economic benefit and a maintenance schedule is implemented.

5.2.3 ASSET MANAGEMENT

• **Acquisition of Property, Plant & Equipment – Actual vs. Budget**

Purpose: The purpose of this ratio is to identify per class of asset whether a municipality has a variance of more than 5% when actual and budgeted PPE acquisitions are compared.

Formula: (Actual Acquisition of PPE – Budget Acquisition of PPE)/ Budgeted PPE Acquisition

These figures are found in Appendix C.

YEAR 07/08			
Actual	Budget	Variance	Variance
82,250,679	87,733,191	5,482,512	6.25%

Analysis and interpretation

- The acquisition of Property Plant and Equipment by this municipality is 6.25% below budget.
- The acquisition of assets was in excess of 90% of the approved budget.

- The improvement of spending is an indication of better planning, improved capacity and Supply Chain Management.
- Management should strive to spend the entire capital or at least ensure that the variance between the budget and actual expenditure is less than 5 per cent because infrastructure investment is crucial for social and economic development.
- **Debtors Collection Period**

Purpose: The purpose of this ratio is to calculate the debtors' collection period of the municipality by comparing the year-end balance of certain debtors with the revenue earned from those debtors during the financial year.

Formula: $\text{Consumer Debtors before provision for Bad Debts} / \text{Total Revenue} * 365$

These figures found on Appendix D, Notes to the Financial Statements and Section 4.5 below provides a detailed explanation on the current status and challenges faced in debt collection.

YEAR 07/08			YEAR 06/07		
CONSUMER DEBTORS	Operating Income	COLLECTION PERIOD (DAYS)	CONSUMER DEBTORS	Operating Income	COLLECTION PERIOD (DAYS)
77,582,685	105,296,912	269	67,246,756	89,312,701	275

Analysis and interpretation

- The norm is 42 days and will be used as basis of interpretation.
- The ratio has improved by 6 days compared to the 2006/07 financial year.
- The municipality is not within the norm and improved debt collection is required to ensure the debt collection period is brought within the norm.

5.2.4 LIABILITY (DEBT) MANAGEMENT

- **Acid Test Ratio**

Purpose: A municipality with a higher ratio than other municipalities or with an exceptional increase in the ratio from one year to the next may indicate too high levels of stockholding.

Formula: $\text{Current Assets less Inventory} / \text{Current Liabilities}$

These figures are found on the Balance Sheet of the Financial Statements

YEAR 07/08			YEAR 06/07		
CURRENT ASSETS LESS INVENTORY	CURRENT LIABILITIES	RATIO	CURRENT ASSETS LESS INVENTORY	CURRENT LIABILITIES	RATIO
54,066,158	31,736,241	1.70 : 1	37,136,278	23,966,763	1.55 : 1

Analysis and Interpretation

- The norm for this ratio is 1.5:1, i.e. the Current Assets less Inventory must exceed the Current Liabilities by 150%.
- The municipality is within the norm for 2007/2008 year.
- The ratio has increased, compared to the results of the 2006/2007 financial year.
- The municipality is solvent and should be able to meet its short-term obligations.

• **Total Liability/Total Assets**

Purpose: This ratio gives an indication of the level to which the assets of the municipality have already been utilised in the past, to take or incur debt.

Formula: Total Liabilities/Total Assets.

YEAR 07/08			YEAR 06/07		
TOTAL LIABILITY	TOTAL ASSETS	%	TOTAL LIABILITY	TOTAL ASSETS	%
86,854,363	106,690,468	81.41	56,436,367	78,025,807	72.33

Analysis and Interpretation

- The norm for this ratio is for Total Liabilities not to exceed 57% of Total Assets.
- The net asset position strengthened by 36.74%, as compared to the 2006/07 financial year.
- Total Liabilities increased by 53.90% primarily due to inter alia the raising of a loan of R16,107 million and R2,559million decrease in unspent grants as compared to 2006/2007 financial years.
- The ratio has thus improved

• **Net Cash Flow from Operations compared to Total Debt of the municipality**

Purpose: The purpose of this ratio is to measure the ability of a municipality to generate cash flow from operations that is then available to pay off debt of the municipality.

Formula: (Net cash inflow from operating activities less investing activities)/Total liabilities

These figures are found on the Cash Flow Statement and Statement of Financial Position.

YEAR 07/08			YEAR 06/07		
CASH INFLOW	TOTAL LIABILITIES	%	CASH INFLOW	TOTAL LIABILITIES	%
R	R		R	R	
(20,092,349)	86,854,363	-23.13	(171,247)	56,436,367	-0.3

Analysis and interpretation

- The provincial average of 5% was established for 2006/2007 financial years.
- The ratio has weakened by 22.83% from the previous year.
- The municipality was within the provincial norm for 2006/2007 and below the norm for 2007/2008.

Recommendation

- That the municipality continues to improve its cash flow management.

[End of Financial Health Assessment]

=====

6. MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK

The budget process involves activities relating to at least three budget years simultaneously. The process involves simultaneously assessing how the Municipality is managing the Closure of the Previous Financial Year (2007/2008) Budget, the Monitoring of the Current Year (2008/2009) Budget and the Planning for the Next 3 Years' (2009/2010 – 2011/2012) Budgets, linked with the Integrated Development Plan.

In the “**7 Year Horison**” we reflect on the previous three (3) years (2005/06, 2006/07 and 2007/08), the Current Year (2008/09) and the next three (3) years (2009/10, 2010/11 and 2011/12).

The Municipal Finance Management Act, inter alia, provides that the involvement of Local Citizens, Stakeholders and Councillors in the budgeting and financial management processes will include:

- Continuous consultation with the community and other stakeholders in the planning of services and reviewing of performance;
- Ensuring that the budget allocates resources in line with the Council's policy/strategic objectives and priorities and the needs of the community;
- Ensuring that the budget is realistic and financially sound before approving the budget and any adjustments;
- Evaluating periodic (at least quarterly) reports on performance (Service Delivery and Budget Implementation Plan) of the budget related to developmental and service delivery plans; and
- Formal reporting activities through the In-year Reporting in terms of inter alia, Section 71 of the MFMA, Annual Reports and Annual Financial Statements.

7. BUDGET PRINCIPLES

Budget Principle 1: Funding of the Budget

According to Section 18 of the Municipal Finance Management, an Annual Budget may only be funded from:

- Realistically Anticipated Revenue based on the past year's (2006/2007: 80%) actual collection and the current budget year's (2007/2008: 85%) and the maximum income budget, including Grant Allocations gazetted in the DORA.
- Cash-backed Accumulated Surpluses from previous years' surpluses that are not committed for other purposes.
- Borrowed Funds but only for the Capital Budget

The budget recognizes compliance to the following:

- Credible and consistent and responsive to the municipality's IDP
- Funded and achievable in terms of service delivery
- Institutional Needs Analyses and takes into consideration Risk Analyses, Internal and External Factors impacting on service delivery.
- Contains Revenue and Expenditure Projections that are consistent with current and past year performances.
- The municipality has overcome all the major obstacles which had an impact on its capacity to spend its budget and render services. These include blockages in the form of staff, policies, procedures and processes. Ageing Fleet is still being addressed.
- Does not jeopardize the Financial Viability of the municipality.

The compilation of the 2009/2010 MTREF Budget is based on a mixture of the applications of Performance, Incremental and Zero-based Budgeting.

Budget Principle 2: Financial Viability

Financial viability is the heartbeat of any organization and one of the most serious challenges faced by municipalities and no budget can be compiled without due consideration of the financial health of institution. The municipality is currently reviewing its approved financial viability strategy.

The **Financial Viability Strategy** is built on the following pillars:

1. **Credit Control, Debt Collection and Indigents Management** (it is the most important pillar) as it seeks to Improve Debt Collection rate to at least 90%.
2. **Improve Revenue Management** and maximizing our income generation (includes billing of consumers and ratepayers for all the services they receive and also at the correct tariffs). The Data Cleansing and the Geographic Information System (GIS) update and link to the Abakus Financial System is crucial to ensure that the zoning of properties are correctly categorized on the Billing System in order to ensure that no business or industrial property is charged at residential tariffs. This must also be done on the new General Valuation Roll.

One of the main aims of the strategy is to improve the overall revenue collection of the municipality. The GIS technology is an important tool that will ultimately allow the municipality to integrate various departments' databases and building a shared services information environment for departments to successfully operate in.

3. **Improved Expenditure Management**, including factors such as best value for money, efficiency, effectiveness, productivity. Under-utilised staff, filling of positions where staff cannot be active for 8 hour per day, 5 days a week and 12 months a year is also very costly. Shifts system can be implemented.

The measurement, management and control of expenses such as Overtime, Transport Allowance, Leave, Council Vehicles and Equipment, etc are current focus areas. The general aim is to avoid / eradicate fruitless, wasteful and unauthorized expenditure and to inculcate a culture of responsible spending: this improves accountability.

4. **Improved Asset Management**: this includes the optimal utilization of resources, including the use of council assets and infrastructure. Dormant assets and assets such as the Nature Reserve and Swimming Bath which are supposed to generate income and community value are more of a liability and needs to be addressed. Staff Housing is operating at a loss due to rental below market rates and the no contracts by some tenants and ex-tenants who are not paying.

Assets Maintenance Plan needs to be created in order to have a structured plan to maintain assets adequately.

5. **Improved Budget Methodology** will ensure that we achieve the outcomes and output with our limited resources. Proper and more realistic resource allocation will ensure that the strategic service delivery and infrastructure is addressed. Refrain from excessive use of incremental approach.

The detailed strategy will be work shopped in April 2009

8. OPERATING REVENUE AND EXPENDITURE

The 2009/2010 Medium Term Revenue and Expenditure Framework Budget with the actual expenditure and revenue for the 2006/2007 and the projected expenditure and revenue for the 2007/2008 financial are set out below.

The detailed schedule of Three Year MTREF Operating Revenue and Expenditure Estimates is attached as per Annexure A, pages 5 – 8.

The table below identifies the growth in the expenditure estimates for 2009/2010, 2010/2011 and 2011/2012 financial years.

COMAPRATIVE INCOME & EXPENDITURE: 2008/2009 VS 2009/2010						
EXPENDITURE SUMMARY	BUDGET 2009/2010	% of Net Oper. Exp.	BUDGET 2010/2011	% of Net Oper. Exp.	BUDGET 2011/2012	% of Net Oper. Exp.
Employee related costs	81,550,000	33%	89,705,000	34%	98,675,500	34%
Councillors' Allowances	5,915,000	2%	6,506,500	2%	7,157,150	2%
General Expenses	66,630,496	27%	70,061,232	26%	73,284,049	25%
Provision for Working Capital	11,905,503	5%	12,512,684	5%	13,088,267	5%
Bulk Purchases	28,577,898	11%	32,584,800	12%	39,101,760	13%
Repairs & Maintenance	19,048,622	8%	19,881,242	7%	20,795,779	7%
Contractor Services	13,440,500	5%	14,125,966	5%	14,775,760	5%
Capital Charges	17,075,800	7%	17,946,666	7%	18,772,212	6%
Contributions: Special Funds	3,912,000	2%	4,111,512	2%	4,300,642	1%
Net Operating Expenditure	248,055,819	100%	267,435,601	100%	289,951,120	100%
Capital Out of Revenue	1,331,000		200,000		50,000	
Grants - Capital Expenditure	44,435,000		48,179,000		55,015,000	
Gross Operating Expendit.	293,821,819		315,814,601		345,016,120	
REVENUE SUMMARY	BUDGET 2009/2010	% of Net Oper. Rev.	BUDGET 2009/2010	% of Net Oper. Rev.	BUDGET 2011/2012	% of Net Oper. Rev.
Assessment Rates	44,071,000	18%	48,962,426	18%	54,373,623	19%
Electricity	39,730,020	15%	45,808,800	17%	54,970,560	19%
Water Sales	33,977,000	14%	35,709,827	13%	37,352,479	13%
Refuse Removal	16,656,000	7%	17,505,456	7%	18,310,707	6%
Sewerage	16,360,000	7%	17,194,360	6%	17,985,301	6%
Traffic Fines	7,640,000	3%	7,961,325	3%	8,327,546	3%
Investment Interest / Penalties	8,800,000	4%	9,248,800	3%	9,674,245	3%
Licences & Permits	14,000	0%	14,714	0%	15,391	0%
Rentals	2,312,000	1%	2,503,482	1%	2,618,642	1%
Sundry/ Other Income	42,551,799	17%	37,097,411	14%	36,435,626	13%
Grants - Equitable Share	34,242,000	14%	42,565,000	16%	46,521,000	16%
Grants - Other Operating	3,033,000	2%	3,064,000	1%	3,416,000	1%
Net Operating Revenue	249,386,819	100%	267,635,601	100%	290,001,119	100%
Grants - Capital Expenditure	44,435,000		48,179,000		55,015,000	
Gross Revenue	293,821,819		315,814,601		345,016,119	
Surplus / (Deficit)	0	0%	0	0%	0	0%

Amendment to Electricity Budget

Amendments to Electricity Budget

The Electricity Budget was amended as a result of the increase in tariffs per National Treasury Circular 48. The Draft Budget was based on 20% increase in Electricity Sales which is now increased to 26%. Bulk Purchases increased from 25% to 34%.

Income:

Income per Draft Budget		40,478,000	#
Amendment: Sales: R31,783,000 to R33,009,000	1,226,000		
Amendment: Sales: R5,823,000 to R6,153,000	330,020	1,556,020	
Amended Electricity Income		42,034,020	*
Expenditure per Draft Budget		35,745,093	#
Amendments: Bulk Purchases: R21,954,000 to R23,377,898		1,423,898	
Amended Electricity Income		37,168,991	*
Amended Surplus		4,865,029	*
Surplus per Draft Budget		4,732,907	#
Increase in Surplus		132,122	

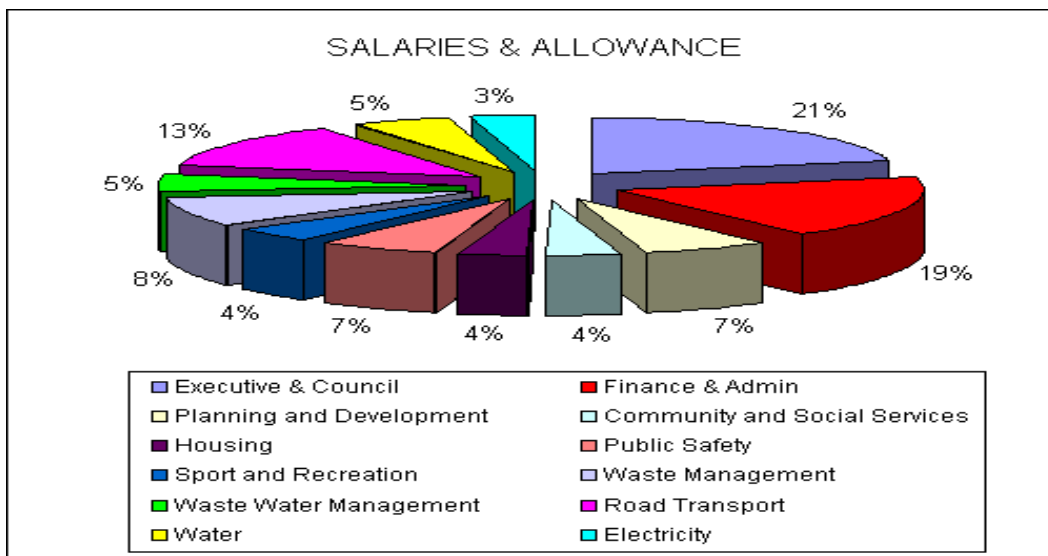
8.1. OPERATING EXPENDITURE

Salaries and Allowances:

DEPARTMENTAL SALARIES COMPARISON: 2008/2009 VS 2009/2010

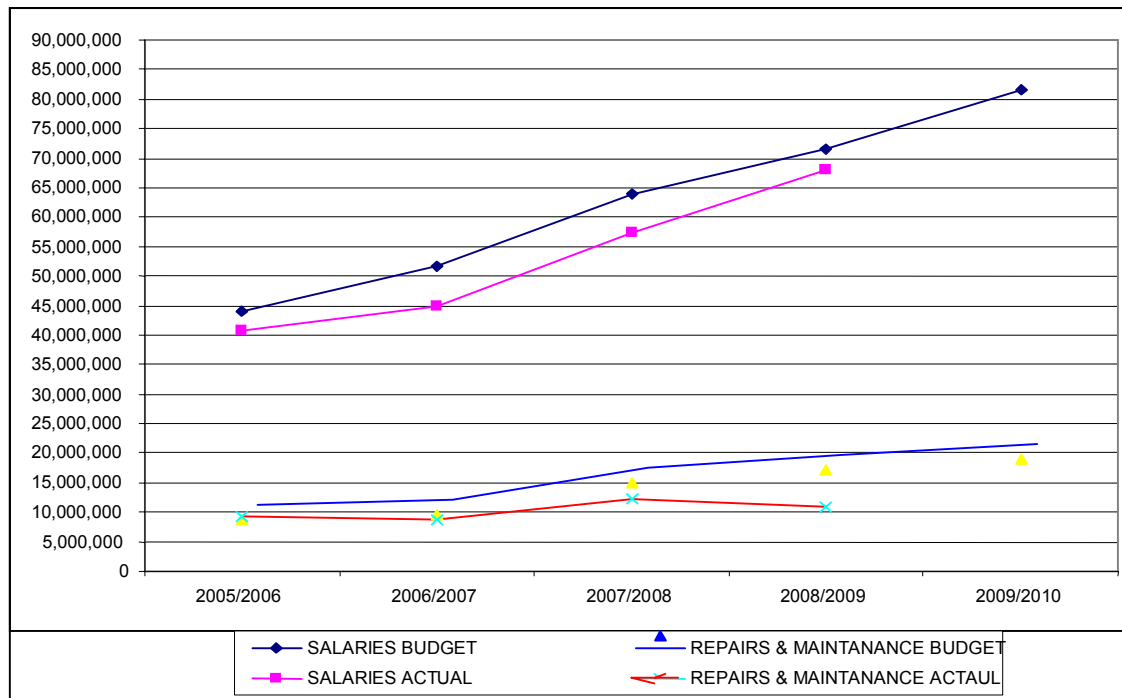
DEPARTMENT / VOTE	SALARIES & ALLOWANCE 08/09	SALARIES & ALLOWANCE 09/10	Increase / (Decrease)	% Increase / (Decrease)
Directorate Corporate Services	8,674,000	10,077,397	1,403,397	16.18
Operational Administration	6,443,000	7,153,975	710,975	11.03
Executive & Council	15,117,000	17,231,372	2,114,372	13.99
Financial Services	8,045,000	11,084,548	3,039,548	37.78
Human Resources	1,299,000	1,693,983	394,983	30.41
Information Technology	343,000	405,190	62,190	18.13
Property Services	1,190,000	1,250,675	60,675	5.10
Internal Audit	410,000	825,751	415,751	101.40
Finance & Admin	11,287,000	15,260,147	3,973,147	35.20
Town Planning	1,134,000	1,707,349	573,349	50.56
IDP	498,000	158,270	(339,730)	-68.22
LED	319,000	795,997	476,997	149.53
Property Management	882,000	548,537	(333,463)	-37.81
Boubeheer	715,000	594,589	(120,411)	-16.84
Administration	2,120,000	1,544,278	(575,722)	-27.16
Planning and Development	5,668,000	5,349,020	(318,980)	-5.63
Library and Archives	2,915,000	3,090,253	175,253	6.01
Community and Social Services	2,915,000	3,090,253	175,253	6.01
Admin. Housing and Informal Settlements	2,100,000	2,976,890	876,890	41.76
Housing	2,100,000	2,976,890	876,890	41.76
Traffic Services	3,517,000	4,311,228	794,228	22.58
Law Enforcement	843,000	1,036,225	193,225	22.92
Public Safety	4,360,000	5,347,453	987,453	22.65
Nature Reserve	574,000	446,982	(127,018)	-22.13
Swembad & Kampering	314,000	346,277	32,277	10.28
Parks	2,455,000	2,751,171	296,171	12.06
Sport and Recreation	3,343,000	3,544,430	201,430	6.03

DEPARTMENT / VOTE	SALARIES & ALLOWANCE 08/09	SALARIES & ALLOWANCE 09/10	Increase / (Decrease)	% Increase / (Decrease)
Solid Waste	6,022,000	6,789,088	1,375,336	22.84
Waste Management	6,022,000	6,789,088	1,375,336	22.84
Sewerage	1,145,000	1,415,627	270,627	23.64
Sewerage Purification	2,062,000	1,557,379	(504,621)	-24.47
Sewerage Tanker Service	1,099,000	1,318,657	219,657	19.99
Waste Water Management	4,306,000	4,291,663	(14,337)	-0.33
Roads	7,645,000	7,734,495	89,495	1.17
Vehicle Licensing and Testing	2,554,000	2,926,107	372,107	14.57
Road Transport	10,199,000	10,660,602	461,602	4.53
Water Distribution	3,503,000	4,186,489	683,489	19.51
Water	3,503,000	4,186,489	683,489	19.51
Electricity Distribution	2,586,000	2,822,593	236,593	9.15
Electricity	2,586,000	2,822,593	236,593	9.15
0000 GRAND TOTAL	71,406,000	81,550,000	10,144,000	14.21



Year-to-year Comparison of Salaries and Repairs and Maintenance

DESCRIPTION	2005/2006		2006/2007		2007/2008		2008/2009		2009/10
	BUDGET : R'000	ACTAUL : R'000	BUDGET : R'000	ACTAUL : R'000	BUDGET : R'000	ACTAUL : R'000	BUDGET : R'000	PROJ.: R'000	BUDGET : R'000
SALARIES	44,176	40,914	51,578	44,839	63,917	57,456	71,406	68,000	81,550
REPAIRS & MAINTANANCE	8,800	9,252	9,607	8,680	14,953	12,338	17,083	11,000	18,917



We have budgeted for a 12% Increment in Salaries plus Notch increases. The percentage increase has not yet been agreed on at the South African Local Government Bargaining Council (SALGBC).

The 2009/10 Salary Budget is R81,550m (after reduction of R1,6m excessive Overtime budget). The Salary Budget has increased from R71,406m in 2008/09 to R81,550m which represents an increase of R10,144m (14.2%). The proposed new position of a Town Director in the amount of R650,000 has been included.

Looking at salaries over the period 2005/2006 – 2008/2009, it shows that the actual salaries expenses have increased by R27,086 (66%) from R 40,914 in 2005/06 to R 68,000m in 2008/09. The budgeted increase is R37,374 (85%), from R44,176m to R81,550m

Overtime:

The Overtime Budget is R1,739m. Management of Overtime has to be addressed urgently. Paying of Overtime in excess of 40 hours per month should be stopped (as it is illegal in any case). This is being addressed as part of Financial Viability and the first Draft Report has been completed for engagement with Management.

We propose that Overtime for functions such as cleaning on weekends, public holidays and after-hours should rather be outsourced to Indigents. It could be a good job-creation initiative which is so badly needed with the current economic crises.

A percentage of the remuneration could also be used to settle their Rates and Services debts. Fixing of leaks should be considered under this programme. We are sure that we could, with a bit of creativity do the same with some of the other services. A full investigation is currently in progress under the Expenditure Pillar of Financial Viability.

Repairs and Maintenance:

As already alluded to in the National Treasury Budget Guide Circular, serious Repairs and Maintenance and Renewal Backlogs exist in relation to municipal infrastructure, particularly in Electricity, Water Reticulation, Sewage, Storm Water and Roads systems. We need to do an assessment.

Risks: backlogs are impacting negatively on the Financial Sustainability and on the reliability and quality of municipal services, as well as municipalities' contribution to supporting economic growth. The following needs to be addressed:

- Details of Planned Repairs and Maintenance spending, and Renewal Projects
- Narrative Explanation that sets out what we have done to assess Repairs and Maintenance Backlog, Estimate of its Repairs and Maintenance.

In 2008/09 we budgeted an amount of R17,083m (7.26% of operating budget) and increased the budget for 2009/10 by R1,833m (10.73%) to R18,916m (representing 7.5% of operating budget). It should however be noted that the Projected Spending for 2008/09 is only R11m, based on pro-rata year to date expenditure.

Fleet:

Improvement of control and management of Fleet Expenditure such as Repairs, Fuel, Replacement of Tyres, Batteries, etc is essential. The management and control of Logbooks and the Budgeting and Expenses on Maintenance and Fuel Consumption should also be fully assessed and monitored. The Tracking system must also be optimally utilized in a pro-active manner.

An assessment of each vehicle's condition and the repairs and replacement as part of a planned maintenance and repair programme is necessary. This will ensure reliability of our fleet to render uninterrupted services.

Councillors' Remuneration:

10% provision has been made for Councillors' Remuneration and increased from R5,329m to R5,915m.

Quick Wins:

With regards to **Quick Wins**, we need to ensure that the projects are in line with good intentions. Town Managers have to communicate with their Ward Councillors and Ward Committees to identify small, non capital "projects" before the approval of the budget. These "projects" are supposed to be implemented within at least the first six months (as the name indicates). The "projects" should basically be beautification for visible output and deliverables. "Projects" must be identified and approved" for inclusion in the budget to avoid spending of funds on Capital items, temporary employees, etc. which defeats the objective of Quick Wins.

An amount of R1,5m has been provided for Quick Wins and approved "projects".

Tourism:

R800,000 has again been budgeted this year. Business Plans, Audited Financial Statements and Audit Reports (which will be assessed for approval) should be submitted before money is paid to the Tourism Bureaus. Value received, is very important.

Insurance:

Provided for R844,000 (\pm 10% increase and additional assets and fleet).

Capital Charges:

Total Capital Charges (loan repayment) per annum is R17,075,800 (7% of total Operating Budget).

Other Budget Focus Area:

Social Development Programs (Support to the establishment of Partnerships, NGO's and NPO's to deal with issues of HIV / Aids, Sport, Crime / Substance Abuse / Youth).

- Develop Sport Structures and Recreation Facilities to add to the sustainable quality of life and address social "diseases" communities are facing.
- National Celebrations Programmes
- Risk Plans development, implementation and maintenance to ensure risk safe and a controlled developmental environment (uncontrolled fires and floods)
- Preventative Maintenance of Infrastructure through assessment of the condition of infrastructure and assets and critical attention to the repairs and maintenance of infrastructure and fleet.
-

Besonderhede	Bedrag
Quick Wins Dienslewering Inisiatiewe	R1,500,000
Toerisme Bureau's	300,000
Plaaslike Ekonomiese Ontwikkeling	300,000
2010 Sokker Inter Wyk Sport dag	200,000
HIV/Vigs, Misdaad en Dwelmmisbruik	80,000
Spesiale Projekte & Ondersteuningsprogram	479,000
Vennootskap en Nie- Staats Orgnisasie ondersteuning	100,000
Wykskomitees	240,000
Komunikasie en Publikasies	736,000
Prestasie Bestuur (40% munisipale bydrae & 60% DBSA)	250,000
Finansiele Lewensvatbaarheid (Financial Viability)	241,000
Verhoging in Salarisse en vulling van Kritiese Poste	10,144,000
Verhoging in Herstel en Onderhoud	1,833,500
Kapitaal Koste op Nuwe Lenings: R15,286m	2,200,000
Totaal	R18,603,500

Grants and Subsidies:

SUPPORTING TABLE	Medium Term Revenue and Expenditure Framework		
	Budget Year 2009/10	Budget Year +1 2010/11	Budget Year +2 2011/12
	Budget	Budget	Budget
Government Grants and Subsidies - Allocations			
<u>National Allocations</u>			
1. Equitable Share	34,242,000	42,565,000	46,521,000
: <i>Councillor's Contribution</i>	1,140,000	1,200,000	1,272,000
: <i>Other</i>	33,102,000	41,365,000	45,249,000
2. Local Government Financial Management Grant (FMG)	750,000	1,000,000	1,250,000
3. Municipal System Improvement Grant (MSIG)	1,300,000	1,200,000	1,200,000
4. Municipal Infrastructure Grant (MIG)	16,104,000	18,849,000	16,182,000
5. National Electrification Programme (NEP)	2,337,000		4,000,000
6. Expanded Public Works Programme (Incentive Grants)	1,326,000	-	-
Sub Total National Grant Allocations	56,059,000	63,614,000	69,153,000
<u>Provincial Allocations</u>			
1. Integrated Housing and Human Settlement & Dev. Grant	24,668,000	29,330,000	34,833,000
2. CDW Operational Support Grant	240,000	250,000	260,000
3. Spatial Planning			
4. Development of Sport and Recreational Facilities			
5. Maintenance of Proclaimed Main Roads	252,000	-	-
6. Local Government Project Preparations Grant			
7. Library Service Conditional Grant	491,000	614,000	706,000
8. Taxi Rank			
Sub Total Provincial Grant Allocations	25,651,000	30,194,000	35,799,000
Grant Total Allocation	81,710,000	93,808,000	104,952,000

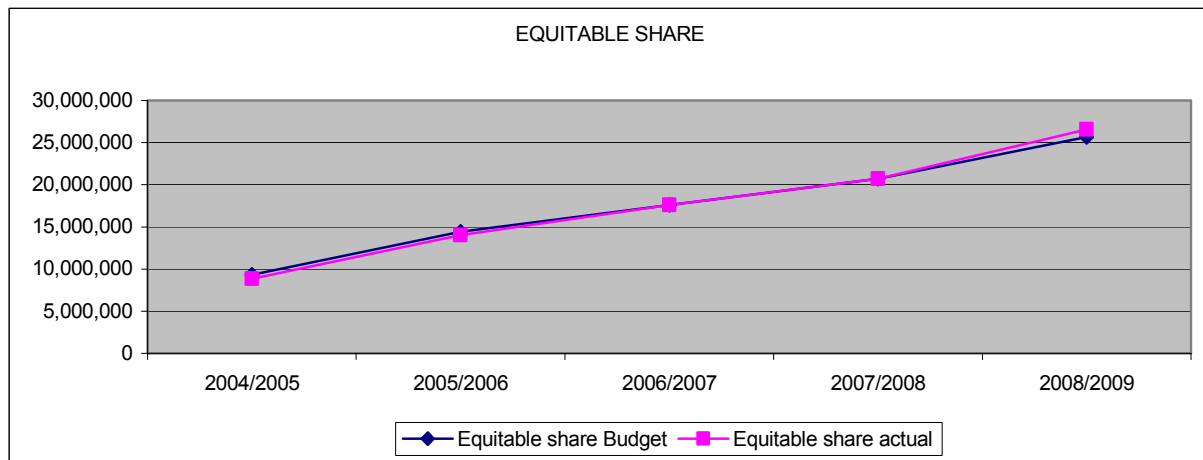
The table below reflects the **Annual Equitable Share Allocations** to Theewaterskloof Municipality.

The major portion is used for Free Basic Services (6kl Water, 50Kwh Electricity, Plot Rental, Refuse and Sewer Services).

Equitable Share				
Financial Year	Budget	Actual	%Increase Budget	% Increase Actual
2004/2005	9,317,082	9,317,082	22	5
2005/2006	14,430,585	14,034,690	55	35
2006/2007	17,618,006	17,618,006	22	18
2007/2008	20,720,000	20,719,907	18	15
2008/2009 (Current Year)	25,680,000	26,553,860	24	19
2009/2010 (MTREF Yr. 1)	34,242,000			
2010/2011 (MTREF Yr. 2)	42,565,000			

2011/2012 (MTREF Yr. 2)

46,521,000



Library:

Library is an unfunded mandate and will cost the municipality over R4,181m in 2009/10. This amount represents 9.5% of Assessment Rates income!!

Provision for this shortfall is reflected as a Grant in Income but also provided for under Provision for Working Capital in the Expenditure Budget.

Traffic Income has been reduced from R15m to only R7.575m, a reduction of R7.425m (2.8% of 2008/09 Budget).

The 2008/09 Projection is R5.5m which means that the increase is justifiable bearing in mind the current year performance and the increase in input (more Personnel, Cameras, Contracted Services expense of R3.5m).

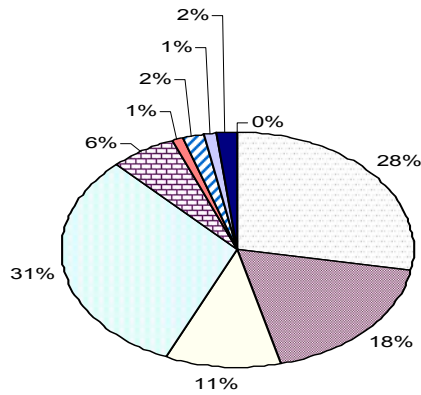
8.3. CAPITAL BUDGET:

The proposed Capital Budget and Sources of Funding for the 2009/2010 Medium Term Revenue and Expenditure Framework are set out below (Detailed Capital Budget for 2009/2010 – 2011/2012 is attached as Annexure “A” on pages -)

Capital per Function / Programme			
Function	2009/2010	2010/2011	2011/2012
Housing	24,668,000	29,330,000	34,833,000
Sewer	16,245,190	39,361,881	19,075,544
Streets	9,347,364	5,290,000	2,738,000
Water	27,509,536	21,090,000	10,744,456
Electricity	5,952,000	8,327,300	6,340,000
Fleet	1,000,000	5,500,000	6,000,000
Furniture & Equipment: All Depts.	1,631,000	0	0
Buildings	1,000,000	3,050,000	50,000
Land (Developments)	1,750,000	50,000	
Environmental Management	0	2,000,000	1,800,000

Total	89,103,090	113,999,181	81,581,000
--------------	-------------------	--------------------	-------------------

CAPITAL PER FUNCTION

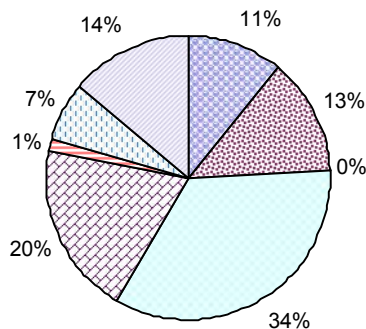


□ Housing	■ Sewer	□ Streets
□ Water	■ Electricity	■ Fleet
■ Furniture & Equipment: All Depts.	■ Buildings	■ Land (Developments)
■ Environmental Management		

Capital per Town

Town	2009/2010	2010/2011	2011/2012
Caledon	9,676,648	17,765,000	12,132,000
Botriver	11,822,572	10,480,000	9,060,000
Tesselaarsdal	-	3,250,000	250,000
Grabouw	30,226,883	55,037,181	33,450,000
Greyton / Genadendal	17,495,878	6,724,000	4,204,000
Riviersonderend	1,253,875	7,332,000	7,166,000
Villiersdorp	6,348,234	7,411,000	9,319,000
TWK	12,284,000	6,000,000	6,000,000
Total	89,103,090	113,999,181	81,581,000

CAPITAL PER TOWN



■ Caledon	■ Botriver	□ Tesselaarsdal
□ Grabouw	■ Greyton / Genadendal	■ Riviersonderend
■ Villiersdorp	■ TWK	

Source of Finance	
Source	Amount
*External Loans	15,286,900
Grant in Aid (National & Provincial Govt)	44,435,000
Roll-over: MIG	8,205,000
Capital Development Fund	7,545,000
Capital Out of Income	1,331,000
Roll-over: Loans	12,300,190
Total Capital Budget	89,103,090

Housing Budget:

• Caledon	R 5,270,000
• Botriver	R 2,790,000
• Grabouw	R 12,268,000
• Villiersdorp	R 4,340,000
Total	<u>R 24,668,000</u>

2008/2009 Loans amounting to R33, 178m were taken up in February 2009 and to date R15.370m has been spent (46%). For the sake of opportunity cost, the municipality has funded loan funded projects from internal funds to carry on with projects between the period July 2008 to February 2009. New Loans to be taken up in 2009/2010 amounts to R15, 287m and includes inter alia the following:

- R3m for Prepaid Water Meters has been taken up in 2008/09, an ongoing project to be rolled-out in due course as an important part of our **Financial Viability** initiative. An additional R3m is provided in 2009/2010.
- For the past 3 years we spent very little on Roads and therefore an amount of R8,m is included in the Budget.
- The amount of redundant Fleet replacement of the past 3 years amount to approximately R13m. R1m has been provided
- An amount of **R1,987m** has been provided for Water Network and R0.3m for a UPS.
- To commence with the Villiersdorp sewerage purification project, a technical report must be compiled in order to register the project for MIG funding. R0.3m has been provided for the compilation of the technical report by a Consulting Engineer.
- Provision has been made to increase electrical diversification by means of a network connection. R0.7m has been provided for this project.

In setting priorities for inclusion in the capital programme for 2009/2010 to 2011/2012 and also when particular projects are to be undertaken, kindly consider the following **Prioritisation Criteria** was workshopped and approved by Council on 10 March 2008:

- Projects with secured funding
- Projects which started in the previous year
- Projects that have already been contracted
- Projects with legislative implications
- Projects that may result in loss of lives if not undertaken
- Projects that may cause health hazards if not undertaken
- Projects in line with strategic objectives and IDP
- Projects that are income generating and developmental
- Projects of public interest and benefit to the community

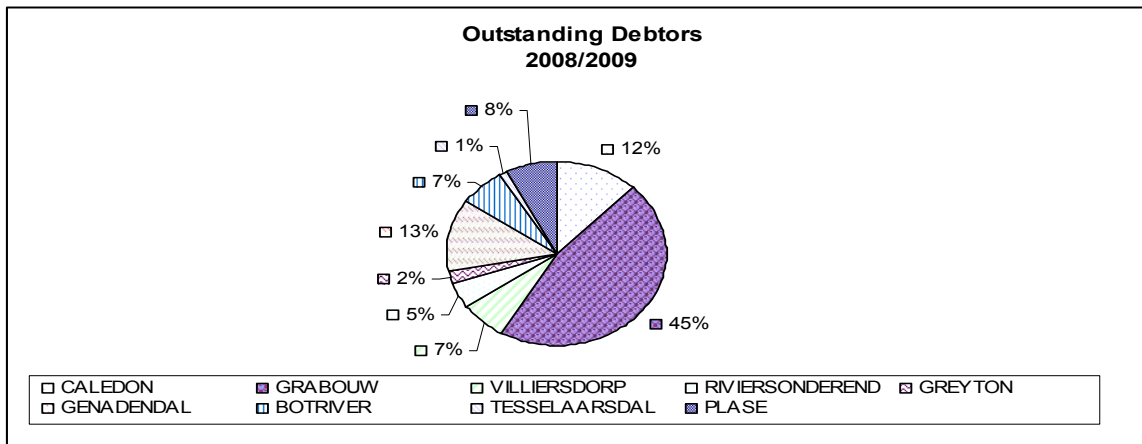
9. DEBTORS

Monthly Debtors Movement

MONTH	OUTSTANDING DEBTORS	LEVIED	DEBTORS PAYMENTS	DEBTORS (CLOSING)
30 JUNE 2008				75,964,542
JULY	75,964,542	25,381,740	6,871,369	94,474,913
AUGUST	94,474,913	6,675,666	10,867,908	90,282,674
SEPTEMBER	90,282,674	11,239,277	10,187,932	91,334,017
OCTOBER	91,334,017	10,716,578	10,402,425	91,648,170
NOVEMBER	91,648,170	8,542,579	8,695,123	91,495,626
DECEMBER	91,495,626	10,184,307	7,623,161	94,056,772
JANUARY 2009	94,056,772	10,654,563	10,035,102	94,676,233
FEBRUARY	94,676,233	10,577,725	9,160,157	96,093,802
MARCH	96,093,802	12,259,190	10,259,879	98,093,113
APRIL	98,093,113	10,860,534	10,876,306	98,077,341
TOTAL		117,092,160	94,979,361	98,077,341
Payment Rate				81%

Debtors per Town:

TOWN	OPENING BALANCE 01.07.08	LEVIED	PAYMENTS	CLOSING BALANCE 28.04.09	PAYMENT %
CALEDON	9,400,619	39,664,672	37,161,220	11,904,072	94%
GRABOUW	34,951,767	25,801,230	15,350,058	45,402,939	59%
VILLIERSDORP	5,348,263	15,143,542	13,817,884	6,673,921	91%
RIVIERSONDEREND	2,962,773	7,372,596	5,809,344	4,526,025	79%
GREYTON	1,597,859	9,106,567	8,558,541	2,145,885	94%
GENADENDAL	9,282,527	5,362,805	2,332,762	12,312,570	43%
BOTRIVER	4,821,211	4,287,019	2,341,274	6,766,956	55%
TESSELAARSDAL	482,219	779,462	388,463	873,218	50%
PLASE	7,117,304	9,574,267	9,219,816	7,471,756	96%
TOTAL	75,964,542	117,092,160	94,979,361	98,077,341	81%



The collection rate increased from approximately 71% in December 2008 to 81% at April 2009 against a budgeted collection rate of 85%. The percentage has increased due to a full-scale debt collection initiative which commenced in March 2009.

The Debtpack Credit Control, Debt Collection and Indigent Management System has been implemented from March 2009. Training is being conducted in May 2009. The increase in Debtors is a serious threat to the financial viability of municipalities across the country. The following are some of the factors that lead to this challenge:

- Under-staffed newly established Debt Collection Unit: 4 Posts are currently advertised to be filled.
- Ineffective collection by attorneys and the commitment of all towns to implement the approved Credit Control, Debt Collection and Indigent Policies (By laws).
- Many people have lost their jobs over the last few months (globally). This has a direct impact on the ability to pay.

Despite the above-mentioned challenges, we remain positive that we can overcome some of the challenges:

We recommend that Indigents be fully subsidized in 2009/2010 due to the fact the declining economy's most severe impact is on the poorest of the poor who are the most vulnerable. If this is not done, this will lead to escalating irrecoverable debt of the poor.

It would also be prudent not to budget for higher **Debt Collection Rate** without considering the economic crises and affordability of tariffs. We have made provision for **90% Debt Collection Rate** on the current Draft Budget.

In 2008/09 we provided for Working Capital Reserve of R11,906m. This amount has increased to R11,906m of which R4,181m represents "Irrecoverable Library Grant" for the Library Services Shortfall and the balance represents approximately 10% irrecoverable Rates and Services Debts.

10. FINANCIAL / ECONOMIC INDICATORS

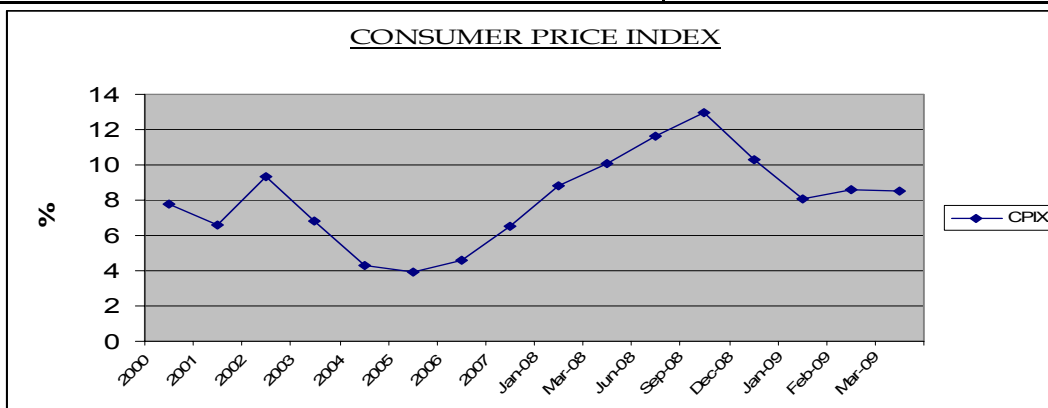
The following, inter alia external factors (economic / financial indicators) have a direct impact on the compilation of the Budget and the Setting of Tariffs:

- Electricity Purchases: Eskom = 25% (32.6% in 2008/09)
- Bulk Water Purchases = 16.8% (7,1% in 2008/09)
- CPIX = 11.3% in 2008 (8,8% in 01/2008)
- Fuel Price R8.11/ litre. Increased at 14% p.a. from 03/2004 to 03/2007 and from 03/2007 to 03/2008 by 24%. The price at 03/2009 is R6.68.
- Interest Rates = 15% at 04/2008. Increased by 36% from 11% in 06/2006 to 14.5% in 12/2007. The rate dropped to 14% in 02/2009.
- Councillors' Remuneration: determined per Remuneration of Public Office Bearers Act- Expected Increase of 10% (11% in 2008/09)
- Staff Remuneration: determined in the S.A. Local Government Bargaining Council – Expected increase of 12% (11,67% In 2008/09)

Taking into consideration the above financial indicators, it is imperative to ensure that all expenses are recovered during the financial year to ensure the financial viability and that the municipality remains a going concern.

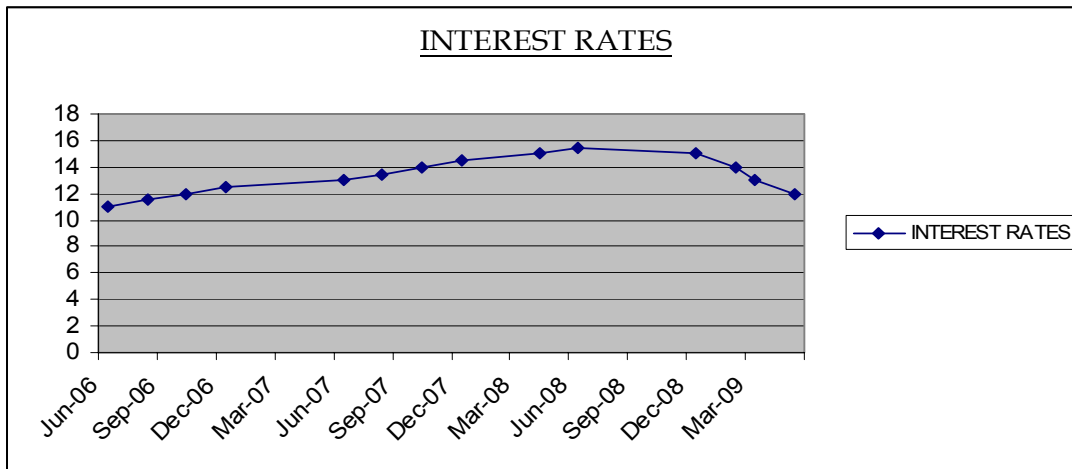
FINANCIAL ECONOMIC INDICATORS

CPIX	
Period	%
2001	6.6
2002	9.3
2003	6.8
2004	4.3
2005	3.9
2006	4.6
2007	6.5
Jan-07	8.8
Mar-08	10.1
Jun-08	11.6
Sep-08	13
Dec-08	10.3
Jan-09	8.1
Feb-09	8.6
Mar-09	8.5

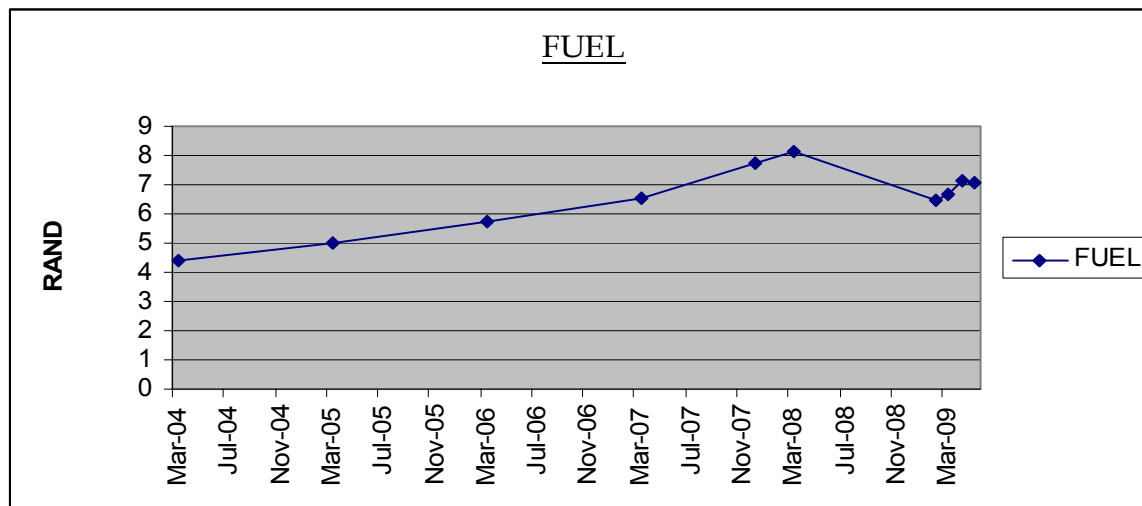


INTEREST RATES	
Period	%
Jun-06	11

Aug-06	11.5
Oct-06	12
Dec-06	12.5
Jun-07	13
Aug-07	13.5
Oct-07	14
Dec-07	14.5
Apr-08	15
Jun-08	15.5
Dec-08	15
Feb-09	14
Mar-09	13
May-09	12



FUEL	
Period	Rand
Mar-04	4.39
Mar-05	5.02
Mar-06	5.73
Mar-07	6.54
Dec-07	7.75
Mar-08	8.11
Feb-09	6.49
Mar-09	6.68
Apr-09	7.13
May-09	7.10



11. TARIFFS

Tariffs will become even more unaffordable due to the global economic crises. We are in a depression and need to reduce debt and cut our overheads.

The following Principles are applied in Tariff calculations.

- Trading Services (Electricity and Water) must yield a surplus
- Economic Services (Sewer, Refuse Removal) must at least break-even
- Tariffs are calculated according to the Tariff Policy
- User Charges are levied for quantifiable services (Water = c/kl and Elec. = c/KwH)
- The recovery of costs for services rendered to ensure less reliance on Assessment Rates and Grants-in-Aid
- Assessment Rates (Cents in the Rand Value of Fixed Property, ie Land+ Buildings).
- Income Forgone / Rebates on Assessment Rates varies between 20% - 25% and includes the exemption on the first R15, 000 on Residential Valuations
- The Benefit Received Principle.
- The Level of Services, Affordability, and Sustainability of Tariffs is important
- Ability to Pay Principle
- Income is based on realistically anticipated Revenue and take into account inter alia, debt collection rate.
- Cost of services to be rendered.
- Financial / Economic Indicators such as Cost of Bulk Purchases (Water & Electricity), Fuel, Interest Rates, CPIX, Staff Salary Increases, Councillor Allowance Increases
- Amount of Grant Allocations

In 2008/2009 steeper increases on Economic Services (Refuse & Sewer Charges) are necessary as a result of under-recovery of costs from Businesses and Industrial Consumers.

The following table identifies the **Proposed Tariff Increases** for the 2009/10 Medium Term Revenue and Expenditure Framework, compared to 2008/2009:

PARTICULARS	2007/08 Budget Year	2008/09 Budget Year (Households)	2008/09 Budget Year (Business / Industrial)	2009/10 Budget Year (Households)	2009/10 Budget Year (Business / Industrial)
Rates	6%	10%	23.9% / 37.7%	Varies	Varies
Electricity	6%	33%	33%	26%	26%
Refuse	6%	7.9%	56%	9.88%	9.88%
Sewerage	6%	8%	8%	9.98	9.98
Water	6%	10%	10%	10.3%	10.3%
Average Increase	6%	22.87%		19.34	19.34

Amendments to 2009/2010 Tariffs

- **Library**: Photostatting fees for size A3 document changed from R2.00 to R1.00 per copy. **[Tariff 4.2]**.
- **Electricity**: The Electricity Budget was amended as a result of the increase in tariffs per National Treasury Circular 48. The Draft Budget was based on 20% increase in Electricity Sales which is now increased to 26%. Bulk Purchases increased from 25% to 34%. **[Tariff 7.1 – 7.16]**.
- **Sewerage**: The removal of conservancy vacuum tank services after hours will amount to twice the tariff considering the existence of a municipal sewer network exists. (12.10) (c) [Refer to Tariffs 12.10 (a) and (b)].
The sewer tariff for Guest Houses with more than 3 bedrooms for overnight guests is R81.17 per toilet pan per month **[Tariff 12.2 (c)]**
- **Refuse**: Non-catering premises (without bags) – Per standard container for two (2) removals per week amounts to R205.20. **[Tariff 16.2) (c)]**.
- **Hall rentals**: Tariffs for the rental of the Vleiview hall has been incorporated into the tariff structure as a council resolution recommended that the hall be made available for the rental to the community. **[Tariff 9]**. Tesselaarsdal Community Hall rental excludes the provision of electricity. A pre-paid electricity meter requires the hirer to purchase electricity.
- **Property Rates**: The cent amount in the Rand for businesses and guests houses with more than three (3) bedrooms for overnight guests is 1.06 cent. **[Tariff 6 (b)]**.
- **Water**: Tariffs applicable to **Section 17.1 a & b (i-v)** refers to all domestic consumers and prepaid meter consumers.

Assessment Rates:

Particulars	2008/2009 (R'000)	2009/2010 (R'000)
Rates	R46,972	R54,071
Less: Income Foregone	-12,015	-10,000
Net Rates Income	R34,957	R44,071
Projected: 2008/2009	R36,350	

We have made provision for an increase from R36,350m to R44,071m, i.e. R7,721 (21% increase in Income).

Assessment Rates Income finances unquantifiable services such as Roads, Law Enforcement, Cemeteries, Parks & Recreation, Community Services and Corporate Administrative Functions (Council General Expenses, Finance, Corporate Support, Human Resources, Internal Audit, IT, etc.). It is not a levy or charged for a direct service rendered.

Basic Charges:

- Basic Charges: Household (Non Indigent: Earning over R3,500 pm) = R55 x 10,000 x 12 = R6,600,000
- Basic Charges: Non-Household (Business, Industrial) = R55 x 500 x 12 = R 330,000
- Charges for Household (Non Indigent Earning between R2,020 –R3,500) = R30 x 7 x 12 = R 2,520

Indigents:

Indigent Grant Threshold increased from R1,880 (R940 x 2) to R2,020 (R1,010 x 2)

We recommend that Indigents be fully subsidized in 2009/10 due to the fact the declining economy's most severe impact is on the poorest of the poor. If not done, this will lead to escalating irrecoverable debt of the poor. This represents an increase of R3,574m (35%).

The detailed calculation is reflected below:

Indigent Households:

Particulars	Amount (2009/10)	Amount (2008/09)
Water Basic	55.00	50
Electricity	32.37	30
Refuse	70.20	36
Sewer	71.20	36
Total Individual Subsidy p.m.	228.77	152
Projected No. of Households	3,000.00	3,000
Grand Total p.m.	876,660.00	456,000
No. of months	12.00	12
	10,519,920.00	5,472,000
Admin Fee	1,472,788.80	820,800
Grand Total	11,992,708.80	6,292,800

Informal Households:

Particulars	Amount (2009/10)	Amount (2009/10)
Electricity	32.37	30
Refuse	34.20	31
Sewer	13.50	12
Plot Rental	22.50	20
Total Individual Subsidy p.m.	102.57	93

Projected No. of Households	3,000.00	3,000
Grand Total p.m.	307,710.00	279,000
No. of months	12.00	12
	3,692,520.00	3,348,000
Admin Fee	516,952.80	502,200
Grand Total	4,209,472.80	3,850,200

Summary:

Indigent	789,257	524,400
Informal	353,867	320,850
Total p.m.	1,143,123	845,250
Total p.a.	13,717,476	10,143,000
Increase		R3,574,476 (5%)

Summary:

Indigent	789,257	524,400
Informal	353,867	320,850
Total p.m	1,143,123	845,250
Total p.a	13,717,476	10,143,000
Increase		R 3,574,476 (5%)

MONTHLY ACCOUNT FOR HOUSEHOLD - Large Household					
	BUDGET 2007/2008	INCREASE/ (DECREASE)	BUDGET 2008/2009	INCREASE / (DECREASE)	BUDGET 2009/2010
Rates and services charges	R	%	R	%	R
- Property rates	244.23	10.00%	268.65	10.50%	296.86
- Electricity: Basic levy	12.00	33.33%	16.00	31.25%	21.00
Consumption	406.80	32.60%	539.40	25.99%	679.60
- Water: Basic levy	0.00		50.00	10.00%	55.00
Consumption	145.20	-1.14%	143.55	10.41%	158.49
Sanitation	59.94	8.01%	64.74	9.98%	71.20
Refuse removal	59.21	7.90%	63.89	9.88%	70.20
Other					
VAT on Services	95.64	15.83%	110.78		147.77
TOTAL	1023.03	22.87%	1257.01	19.34%	1500.12
INCREASE PER MONTH (RAND)		233.98		243.11	

Use as basis 1 000m² erf, 150m² improvements, 1 000 units electricity and 30kl water.

MONTHLY ACCOUNT FOR HOUSEHOLD - Small Household					
	BUDGET 2007/2008	INCREASE / (DECREASE)	BUDGET 2008/2009	INCREASE / (DECREASE)	BUDGET 2009/2010
Rates and services charges	R	%	R	%	R
- Property rates	20.56	10.00%	22.62	10.52%	25.00
- Electricity: Basic levy	12.00	33.33%	16.00	31.25%	21.00
Consumption	202.59	32.59%	268.62	25.99%	338.44
- Water: Basic levy	0.00		50.00	10.00%	55.00
Consumption	115.20	39.00%	110.55	10.39%	122.04

Sanitation	59.94	8.00%	64.74	9.98%	71.20
Refuse removal	59.21	7.90%	63.89	9.88%	70.20
VAT on Services	62.85	10.40%	74.14	28.01%	94.90
TOTAL	532.35	25.96%	670.56	18.97%	797.78
INCREASE PER MONTH (RAND)		138.21		127.22	

Use as basis 300m² erf, 48m² improvements, 498 units electricity and 25kl water.

MONTHLY ACCOUNT FOR AN INDIGENT HOUSEHOLD					
	BUDGET 2007/2008	INCREASE / (DECREASE)	BUDGET 2008/2009	INCREASE / (DECREASE)	BUDGET 2009/2010
Rates and services charges	R	%	R	%	R
- Property rates	5.13	10%	5.64	1.77%	5.74
- Water: Basic levy	0.00				
Consumption	0.00				
Sanitation	59.94	8%	64.74	9.98%	71.20
Refuse removal	59.21	7.90%	63.89	9.88%	70.20
VAT on Services	16.68	7.97	18.01	9.92%	19.80
TOTAL	140.97	8.02%	152.28	9.62%	166.94
INCREASE PER MONTH (R)		11.31		14.66	

Use as basis 300m² erf, 30m² improvements, and 6kl water.

An indigent household receives a subsidy of R166.94 credited to their monthly account and thus pay R166.94 less R166.94 i.e R0 in 2009/2010.

12. AMENDMENTS TO BUDGET RELATED POLICIES & BY-LAWS

The following amendments to Council's **Credit Control and Debt Collection Policy** are tabled for Council's consideration:

- Council may deduct an amount between 10% - 50% of Electricity Purchases to settle unpaid Rates and Services Debt based on a sliding scale from 10%, escalating with 10% per number of months in arrears.
- Water Leakages at Indigent Household premises will be fixed by Council at no cost provided that leaks are reported (completing of a Leaks Register at the local town offices).
- That Sewer Blockages be effected free of charge at Indigent Households
- That Sewer Blockages at Non-Indigent Households be effected before payment if the Household is unable to pay in advance and that the account be debited with such charges.
- All debts must be recovered (including tenants' accounts) before Clearance Certificates are issued: Owner remains liable for all debt to a property.
- All debts must be recovered before Rezoning, Sub-divisions, Consolidations, Consent Use are approved.
- Business Licences are not granted to those who owe council
- Assessment rates for guests house with three (3) or less rooms be classifies as household and be charged on household tariffs.

13. LINKAGE BETWEEN INTEGRATED DEVELOPMENT PLAN AND BUDGET

The linkage between the Integrated Development Plan and the Budget is disclosed in Annexure A, pages 34 – 38.

DRAFT BUDGET RECOMMENDATIONS

1. That Council approves the Annual Operating and Capital Budgets of the municipality for the financial year 2009/2010 and indicative for the two projected Outer Years 2010/2011 and 2011/2012 as set out above and per Annexure “A” (pages 1 – 33).
2. That Council resolves that the Monthly Cash Flow Forecasts with appropriate amendments be approved as the Cash Flow Budget of the Council for the 2009/2010 financial year per Annexure A (page 4)
3. That Council resolves to adopt the Integrated Development Plan, Annexure D (pages 88 – 211)
4. That Council resolves approves the Tariff Charges with the above amendments as reflected in the tariff list are approved for the Budget Year 2009/2010, Annexure C (pages 46 - 87)
5. That the Monthly Indigent Subsidy, which is credited on the account of the indigent household, that is fixed at R166.94 (R72.84 in 2008/09) plus 6kl Water and 50KwH Electricity be approved.
6. That the Indigent Threshold be increased from R1,880 per month (R940 x 2) to R2,020 (R1,020 x 2) per month, based on twice the old age pension as per policy.
7. That the Monthly Free 6kl Water be given to all households with up to 8 occupants and an additional 1kl per month for each additional occupant.
8. That Basic Charge of R55 + Vat per month be levied to all Non-Indigent Households and Businesses and Industrial Consumers.
9. That note is taken that “Unfunded Functions” are fully budgeted for at present service levels and in respect of Libraries, provision has been made for irrecoverable debt amounting to R4,181m due to the uncertainty over the funding of this service. Council received a letter from the Provincial Government in this regard.
10. That note is taken that Internal Division of Costs is done according to expected budgeted time spent to cost, and that tariffs are determined accordingly.
11. That Council resolves that the following required amendments to the Credit Control, Debt Collection, Indigent Support Policies be effected:

- 11.1. Council may deduct 10% - 50% of Electricity Purchases amount to settle unpaid Rates and Services Debts from 10%, escalating with 10% per number of months in arrears.**
- 11.2. Water Leakages at Indigent Household premises will be fixed by Council at no cost provided that leaks is reported (completing of a Leaks Register at the local town offices).**
- 11.3. That Sewer Blockages be effected free of charge at Indigent Households.**
- 11.4. That Sewer Blockages at Non-Indigent Households be effected before payment if the Household is unable to pay in advance and that the account be debited with such charges.**
- 11.5. All debts must be recovered (including tenants' accounts) before Clearance Certificates are issued: Owner remains liable for all debt to a property.**
- 11.6. All debts must be recovered before Rezoning, Sub-divisions, Consolidations, Consent Use are approved.**
- 11.7. Business Licences are not granted to those who owe council.**
- 11.8. Assessment rates for guests house with three (3) or less rooms be classifies as household and be charged on household tariffs.**
- 11.9 That the Capital Budget be increased by R450 000 in respect of Upgrading Electricity, financed from Capital Development Fund: New Capital Budget = R89,103,090.**

For finalisation by the Director: Financial Services, Mr SN. Jacobs.