

# Swellendam Municipality



## Budget 2011/12 - 2013/14

Medium Term Revenue and  
Expenditure Framework

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# Glossary

**Adjustments Budget** - Prescribed in section 28 of the MFMA. The formal means by which a municipality may revise its annual budget during the year.

**Allocations** - Money received from Provincial or National Government or other municipalities.

**Budget** - The financial plan of the Municipality.

**Budget Related Policy** - Policy of a municipality affecting or affected by the budget, examples include tariff policy, rates policy and credit control and debt collection policy.

**Capital Expenditure** - Spending on assets such as land, buildings and machinery. Any capital expenditure must be reflected as an asset on the Municipality's balance sheet.

**Cash flow statement** - A statement showing when actual cash will be received and spent by the Municipality. Cash payments do not always coincide with budgeted expenditure timings. For example, when an invoice is received by the Municipality it is shown as expenditure in the month it is received, even though it may not be paid in the same period.

**DORA** - Division of Revenue Act. Annual legislation that shows the total allocations made by national to provincial and local government.

**Equitable Share** - A general grant paid to municipalities. It is predominantly targeted to help with free basic services.

**Fruitless and wasteful expenditure** - Expenditure that was made in vain and would have been avoided had reasonable care been exercised.

**GFS** - Government Finance Statistics. An internationally recognised classification system that facilitates like for like comparison between municipalities.

**GRAP** - Generally Recognised Accounting Practice. The new standard for municipal

accounting.

**IDP** - Integrated Development Plan. The main strategic planning document of the Municipality

**KPI's** - Key Performance Indicators. Measures of service output and/or outcome.

**MFMA** - The Municipal Finance Management Act - No. 53 of 2003. The principle piece of legislation relating to municipal financial management.

**MTREF** - Medium Term Revenue and Expenditure Framework. A medium term financial plan, usually 3 years, based on a fixed first year and indicative further two years budget allocations. Also includes details of the previous and current years' financial position.

**Net Assets** - Net assets are the residual interest in the assets of the entity after deducting all its liabilities. This means the net assets of the municipality equates to the "net wealth" of the municipality, after all assets were sold/recovered and all liabilities paid. Transactions which do not meet the definition of Revenue or Expenses, such as increases in values of Property, Plant and Equipment where there is no inflow or outflow of resources are accounted for in Net Assets.

**Operating Expenditure** - Spending on the day to day expenses of the Municipality such as salaries and wages.

**Rates** - Local Government tax based on the assessed value of a property. To determine the rates payable, the assessed rateable value is multiplied by the rate in the rand.

**SDBIP** - Service Delivery and Budget Implementation Plan. A detailed plan comprising quarterly performance targets and monthly budget estimates.

**Strategic Objectives** - The main priorities of the Municipality as set out in the IDP. Budgeted spending must contribute towards the achievement of the strategic objectives.

**Unauthorised expenditure** - Generally, spending without, or in excess of, an approved budget.

**Virement** - A transfer of budget.

**Vote** - One of the main segments of a budget. In Swellendam Municipality this means at function level.

# **PART 1 - ANNUAL BUDGET**

## **Section 1 - Mayor's Report (Afrikaans)**

**DIE 2011/2012 BEGROTING TOESPRAAK DEUR MNR. NICHOLAS MYBURGH, UITVOERENDE BURGEMEESTER, SWELLENDAM MUNISIPALITEIT**

Lede van die Raad, Senior Bestuurders en lede van die publiek. Weens wetlike verpligtinge is dit noodsaaklik dat ons nou die goedkeuring van die munisipale begroting vir 2011/2012 oorweeg. Hierdie finale begroting is hoofsaaklik gebaseer op die konsep begroting wat voor die verkiesing deur die vorige Raad goedgekeur is. 'n Publieke deelname proses het plaasgevind, terwyl voorstelle en kommentaar waar moontlik geakkommodeer is. Enige Munisipale begroting is in wese 'n oefening om die verwagtinge van die gemeenskap in pas te bring met die realiteit van beperkte middele. Daarom speaker is plaaslike regering vandag veel meer as net 'n werk. Dit is as't ware 'n roeping en dit vereis van raadslede en amptenare buitengewone vaardighede met die oplossing van probleme, onderhandelinge en menseverhoudinge. Meneer die Speaker, gun my asseblief die geleentheid om die begroting vir 2011/2012 oorsigtelik en in hooftrekke aan hierdie Raad voor te hou.”

“Die Raad se finansies verkeer tans onder groot druk a.g.v. die Eskom faktor. Grootmaataankope is 22% van die totale kontant uitgawes en elektrisiteit verkope is ongeveer 40% van die totale kontant inkomste. Dit gaan streng maatreëls van die Raad verg om die aanslag van Eskom asook kontant uitgawes veroorsaak deur die “GRAP” implementering en die langtermyn kapitaal verantwoordelikhede te weerstaan.

Die huidige swak ekonomiese toestand is 'n faktor waarmee rekening gehou moet word en het 'n wesenlike effek op die Raad se huidige en vooruitbeplanning. Saam met laasgenoemde is 'n verdere faktor; die

afgelope verkiesing, wat ook 'n weselike invloed op beplanning het., maar ek is van mening dat die afgelope verkiesing 'n positiewe impak op ons finansiële beplanning vorentoe gaan hê.

Die omvang van die Raad se Kapitale spandering vir die afgelope vyf jaar het veroorsaak dat die Raad se posisie, van waar reserwes kontant gefundeerd was, verander het na 'n meer kontant neutrale posisie. Dit is dus die die basis waarop toekomstige beplanning gebaseer sal moet word.

### **Begrotings opsomming**

Die begroting vir 2011/12 maak voorsiening vir die lewering van gratis basiese dienste aan die Deernis Verbruiker. Hierdie dienste word gefinansier deur Inter Owerheid Toekennings (IOT) wat vir die 2010/11 jaar R15.267m beloop het wat nou vir 2011/12 R16.648m begroot is. Die feit, Speaker, dat verouderde statistieke gebruik is, waarop die berekeninge van die toekennings gebaseer is, plaas 'n groot vraagteken op die akkuraatheid daarvan.

Die huidige syfers is definitief wesentlik meer as destydse demografiese statistiek waarop die IOT's gebaseer is. Die berekenings van die IOT's diskrimineer ook teen munisipaliteite wat effektief belasting vorder.

Uitsprake in die pers na die afgelope verkiesing deur die regerende party dui daarop dat die basis van die verspreiding van IOT's heroorweeg gaan word. Die regering besef nou dat sommige plaaslike owerhede nie die nodige kontantvloei self kan genereer om hul mandaat van dienslewering uit te voer nie.

Ekonomies gewys staan Swellendam nog voor vele uitdagings. Fundamenteel is Swellendam 'n toerisme en landbou streek met beperkte kommersiële en industriële ontwikkelings moontlikhede en ons moet



hierdie realiteit vir eers aanvaar. Dit moet nie inisiatiewe ontmoedig nie alhoewel die onderliggende ekonomie steeds toerisme en landbou gedrewe bly. Ten spyte van die negatiewe ontwikkelings klimaat het 2011 die finale opening van Swellenmark Mall tot gevolg gehad waarop ons hele gemeenskap baie trots kan wees en ons wens dit alle sukses toe.

Residensiële konstruksie en ontwikkeling is wesenlik geraak deur die swak ekonomiese toestande en het nog nie herstel nie

Wat die residensiële eiendomsmark betref is die omset tye steeds stadig.

### **Kontantvloei**

Swellendam se Kontantvloei is 'n gevoelige slag toegedien met die begin van die 2010/2011 finansiële jaar met die probleme wat ondervind was met die uitstuur van die rekeninge. In die proses het ons die belastingbetalers vervreem. Hierdie situasie moet dringend en blywend reggestel word, ter wille van die finansiële welstand van die munisipaliteit, sowel as ons vermoë om goeie basiese dienste aan almal te kan lewer.

Swellendam het ook 'n munisipaliteit geword met 'n baie hoë skuld tot inkomste verhouding. Dit is 'n rede tot kommer en verg dat kontant in en uitvloei baie effektief bestuur moet word.

Swellendam se begroting word gedryf om te verseker dat kontantvloei beskerm word so vër moontlik. Dit gaan noodwendig beteken dat moeilike en ongewilde besluite soos met die aanstel van personeel geneem moet word. Raadslede moet ondersteunend wees vir die behoud van die munisipaliteit se finansiële oorlewing.

Vir die 2011/2012 bedryfsbegroting was die 2010/2011 aansuiweringsbegroting die basis. Die begroting is gebaseer op 'n kontant

wat gevorder kan word. Die voorafgaande 12 maande se kontant gevorder i.t.v. belasting en dienste is as basis gebruik plus voorsiening vir verhoging in tariewe.

Die begrote uitgawes kan soos volg opgesom word: (R 000)

Tipe	2011/2012	2012/2013	2013/2014
Bedryf	126 114	135 065	144 287
Kapitaal	65 319	7 545	2 500
<b>TOTAAL</b>	<b>191 433</b>	<b>142 610</b>	<b>146 787</b>

### **Kapitaal begroting**

Weereens is dit nie die intensie van die Raad om onbeperk te leen vir die 2011/2012 jaar nie. Soos reeds genoem, is die plaaslike ekonomie nog steeds broos en lyk nie of dit in die kort termyn gaan verbeter nie.

Die kapitaal begroting vir 2011/2012 beloop R65.3 mil waarvan R20 mil befonds word deur nasionale en provinsiale toekennings en R43.9 mil van eksterne lenings. Ten einde te kwalifiseer om in die kapitaal begroting opgeneem te word was die kriteria dat die projek (1) 'n besparing op die bedryfsuitgawes vir die jaar tot gevolg moet hê of (2) dat dit noodsaaklik is vir dienslewering.

### **Bedryfsuitgawes**

Swellendam kan baie trots wees op wat kragtens infrastruktuur bereik is. Jaar na jaar raak die uitdaging kragtens die onderhoud hiervan egter net groter vir die raad. Die Raad se visie is om ekonomiese groei te bevorder wat ten minste op die kort of medium termyn tot werkgeleenthede kan lei vir ons mense.

Hierdie rol van plaaslike regering is beklemtoon deur die Omsendskrywe van Nasionale Tesourie betreffende die begroting;

- ondersteun werkskepping deur inklusiewe ekonomiese groei;
- skep die regte toestande vir investering;
- verseker instandhouding van infrastruktuur en essensiële dienste
- verseker die implementering van die EPWP op munisipale vlak;
- ontwerp arbeidsintensiewe dienslewering prosesse;
- verbeter aankoop stelsels om korrupsie te elimineer en waarde vir geld te kry

### **Bedryfsinkomste**

Swellendam se inkomste het drie hoof bronne: eiendomsbelasting, handelsdienste (waarvan elektrisiteit die meeste is) en toekennings van die regering. Ongeveer 65% van die inkomste is van eiendomsbelasting en elektrisiteit. Elektrisiteit se groot bydra tot die munisipale koffers het tot gevolg dat dit baie sensitief is vir prysveranderinge.

Voor 2009 het elektrisiteit en eiendomsbelasting verhogings baie dieselfde beloop. Eskom verhogings van meer as 20% per jaar, het egter 'n direkte negatiewe impak op die Raad se ongesonde afhanklikheid van elektrisiteit inkomste,

Koste van elektrisiteitsverbruik vir huishoudings en besighede gaan verdubbel oor die volgende 3 jaar. Ingevolge 'n berig wat in die Rapport Koerant van 29 Mei 2011 verskyn het, gaan verbruikers teen 2012 gemiddeld 325% meer vir elektrisiteit betaal as in 2007. Die Eskom effek is so groot dat dit finansiële volhoubaarheid van plaaslike regering bedreig.

### **Tarief implikasies van die begroting**

#### **Elektrisiteit tarief**

Swellendam moet nou vir die eerste keer 'n sogenaamde blok tarief stelsel t.o.v. elektrisiteit implementeer wat groter verbruikers progressief penaliseer. Die verhoging in die nie-residensiële tariewe is 20.38%

gemiddeld wat laer is as die grootmaataankope verhoging van 26.71%. Die residensiële tariewe gaan gemiddeld met 17% styg. Die verhoging gaan varieer afhangende van die tipe meter, konvensioneel of “prepaid”.

Hierdie uitermate hoë stygings in tariewe gepaardgaande met die nuwe blok tariewe maak dit baie moeilik vir die munisipaliteit om te begroot. Verbruikerspatrone gaan definitief verander en verbruikers gaan geforseer word om minder elektrisiteit te verbruik.

### **Water Tarief**

Water tariewe verhoog met 7% vir alle kategorieë van verbruikers.

### **Eiendomsbelasting**

Die eiendoms belasting tariewe styg met 7% vir alle kategorieë van eiendomme. Die eerste R15,000 van die markwaarde sal vrygestel wees van belasting. Huishoudings wat kwalifiseer vir deernis subsidie sal gesubsidieer word t.o.v. die eerste R40,000 van die markwaarde van die eiendom. 75% afslag sal van toepassing wees op bona fide landbou eiendomme.

### **Vullis en Riool Tariewe**

Die vullis en riool tariewe styg met 7% vir alle kategorieë verbruikers.

### **Algemene Waardasie**

'n Nuwe algemene waardasie rol moet op 1 Julie 2013 geïmplementeer word. Die proses om 'n nuwe waardeerder aan te stel sal met die aanvang van die nuwe jaar begin aangesien die datum van waardasie vir die nuwe waardasie rol 1 Julie 2012 is.

### **Begrotingsbeleide**

Die volgende begrotings beleide is voorgelê vir oorweging;

- I. Voorsienings kanaal beleid
- II. Deernis beleid
- III. Invorderings beleid
- IV. Reis- en Verblyf beleid
- V. Eiendomsbelasting beleid
- VI. Die Tarief beleid sal voorgelê word sodra die elektrisiteitstariewe deur NERSA gefinaliseer is

### **Samevatting**

Speaker, die 2011/12 begroting vir Swellendam Munisipaliteit is saamgestel te midde van die afgelope verkiesing en by die einde van die vyf jaar GOP siklus. Eskom bly 'n swaard oor plaaslike regering se kop terwyl ons nog lei onder die ekonomie wat baie traag herstel. Nieteenstaande probeer die begroting om so vêr moontlik die verbruiker en belastingbetaler tegemoet te kom.

Met die hersiening van die Invordering beleid probeer die Raad om 'n wen-wen klimaat te skep vir die betaling van belasting en dienstegelede. Die gees en die doel is om positiewe betalings vir die toekoms te kweek

Speaker hierdie begroting is, soos ek vroeër gesê het, onder moeilike omstandighede opgestel, maar dien as 'n gesonde vertrekpunt vir verbeterde dienslewering aan almal. Wanneer ons praat Speaker van begroting en van dienslewering is dit ook van kritieke belang om 'n verdere aspek toe te lig. Ingevolge die MFMA, wet nr 56 van 2003, word dit van munisipaliteite vereis om ook jaarliks 'n sogenaamde Service Delivery and Budget Implementation Plan, die sogenaamde SDBIP, te formuleer. Die doel van hierdie plan is as't ware om te dien as naelstring, as u, wil tussen die begroting enersyds en die doelwitte van die GOP andersyds. Die Service Delivery and Budget Implementation plan is 'n implementering meganisme om die prestasie van senior bestuurders te meet aan die hand van bepaalde teikens en standaarde by die toepassing van die GOP, beide

op 'n maandelikse en kwartaallikse basis. In kort, lede, stel dit die Raad in staat om die spandering van die begroting, in terme van die doelwitte van die GOP, op 'n deurlopende basis nougeset te monitor en te evalueer. U sal dus begryp dat die aanvaarding van 'n "Service Delivery and Budget Implementation Plan" van kritieke belang is in enige Munisipaliteit se strewe na goeie finansiële bestuur en verbeterde dienslewering. Derhalwe het ek die Finansiële Hoof versoek om dringend en deeglik werk te maak in die opstel van 'n SDBIP plan. Hierdie plan moet voor die einde van hierdie maand aan my en die Raad voorgelê word vir oorweging en aanvaarding.

Ter afsluiting Speaker wil ek sê. Ek wil graag alle individue en groepe bedank wat insette gelewer het m.b.t. die begroting. My dank ook aan die Senior Bestuurspan van die Munisipaliteit en 'n besondere woord van dank aan die Direkteur Finansies en sy personeel wat die begroting saamgestel het.

## Section 2 - Budget Related Resolutions

Swellendam Municipality

MTREF 2011/2012

RESOLVED:

1. That in terms of section 16 of the MFMA, the consolidated Operating and Capital budget as per annexure be approved in principle by Council as

Financial Year	Operating	Capital
2011/2012	R126,114,733 Annexure A & B	R65,319,149 Annexure C

2. THAT Council approves the fees, tariffs and rates in principle effective from the 1 July 2010 as per annexure D & E in terms of Section 17(3) and 23 of the MFMA. (Electricity tariffs are subject to determination by NER)
3. THAT Council charge interest on arrear municipal accounts at prime rate plus 1% per annum on all accounts outstanding longer than 7 days after the due date in terms of the provincial Gazette 4755 of 26 July 1992 read with section 64(2)(g) of the MFMA of 2003 but that no interest be charges on arrear accounts of registered indigents.
4. THAT it be noted that budgetary provision for a salary increase has been made across the board for 7.50% (this includes permanent, temporary and contract employees).
5. THAT the indigent policy be amended to a 100% subsidy in respect of refuse, sewerage and water availability and rates (all properties with a valuation under R40,000) with a 50 kwh electricity and 6 kilolitre water free for households with a total earning equal to two government pensions (“ALLPAY”).
6. That the indigent registration process for 2011/2012 commenced continuous from July 2011
7. That the following draft policies be approved by Council.
  - Supply Chain Management
  - Indigent
  - Debt Collection
  - Property Rates
  - Subsistence & Traveling

- Tariff (Policy will be finalised after NERSA's approval of tariffs)

8. That the Capital budget ne extended to accommodate an additional R2mil for flood relief funded by an external loan.

## Section 3 - CFO Report

### INTRODUCTION

This year, the approach to the budget differed from that of previous years. Firstly, the elections is going to effect the budget process and it must be accommodated. Secondly Swellendam did not implement the inclining block tariffs in terms of electricity last year. The challenge is now to calculate the effect of the inclining block tariff keeping in mind that NERSA limits the increment i.t.o. the different consumption blocks. The final outcome of the NERSA application may result in a re-evaluation of the total tariff structure and the effect on the consumers. Swellemdam is in the process of consulting with the communities and other stakeholders before the adoption of the final budget. This was done in order to obtain proposals and input from the communities regarding the budget and also to explain the budget process to communities in order to ensure "buy-in". The inputs that are attained, will be included in the budget.

In an ideal world, the process would encompass the estimation of the total expenses needed for service delivery and then the tariffs would be determined in order to generate the necessary income needed to cover the expenses. Unfortunately the reality today does not meet this utopian dream.



So much pressure is placed on local government with regard to service delivery while the income remains set. On the contrary, the income is low due to a number of external factors which are beyond Council's control. The reality is that Councils first have to determine potential income and then adjust their expenses in line with the anticipated income. *“You have to cut your garment according to the cloth.”*

Eskom's extraordinary increases are going to be with us for the next few years. However, Council's ability to generate income is severely hampered by the limitations placed on the tariffs by NER as well as the subsidisation of electricity tariffs for the indigents. Due to the limitations placed on the percentage increases in the Eskom tariffs by NER, the increase on Council's bulk purchases of electricity far exceed the increases which are passed on to the consumer.

Council's infrastructure not getting the attention it needed to prevent deteriorating. The full impact of this deterioration will become clearer after the implementation of GRAP.

Swellendam's ageing infrastructure puts pressure on the already limited cash flow. Investment in the infrastructure is needed but unfortunately Swellendam's tax base cannot afford these capital outlays. The time has come for national government to make real and meaningful contribution to the sustainability local government, commencing with a proper restructuring process, and by that I mean removing the heavy infrastructure and heavy capital components of local government, bringing in economies of scale as to how those services are managed and, by extension, then placing them on a footing that becomes meaningful and sustainable. This exercise will stop the perennial and increasingly irrelevant debate regarding ongoing maintenance. Maintenance costs money as salaries and borrowing costs. The problem that exists in

municipal finance has little to do with accounting, budgeting and management.

Swellendam is a rural Overberg municipality that leans heavily on the domestic sector. The reality is that 41% of the total properties in the greater Swellendam area has a market value below R50,000.00. This translates into statistics that indicate that 41% of our communities are potential indigent consumers.

The excessive Eskom increases have also resulted in increased levels of theft of electricity in Swellendam as well as an increased consumer resistance on the other hand.

Swellendam, in common with all other municipalities still faces the after effects of the global recession. Swellendam perhaps feels this even harder and more seriously than most due to our limited income resources to be used for service delivery

#### DRAFT BUDGET 2011/2012

During the compilation process of the annual operating budget, Council must consider the following before tariffs and other levies are determined :

1. Salary agreements that are concluded on behalf of Council with the trade unions;
2. Financial sustainability;
3. Local economic circumstances and the affordability of services;
4. Budget related policies
5. All relevant policy changes and developments from other sectors.

The Eskom factor is a good example of this.

Taking the upcoming elections into consideration, National Treasury has requested that Municipal Councils resist the temptation to compile

election friendly budgets with unrealistically low tariff increases and overly ambitious capital programmes. This approach will only lead to budgets which are not supported by the necessary cash flow. This will impact negatively on and pose a high risk to financial sustainability and the ability to deliver effective services to the communities.

National Treasury has also requested that municipalities remain within the 6% inflation target set by the SA Reserve Bank regarding tariff increases.

#### PROVISION FOR INFLATION

In terms of Circular 55 from National Treasury (07.03.2011) municipalities, during the preparation of the 2011/2012 budget, to make work on the basis of an average CPIX of 4.08% for the period 01.02.2010 up to and including 31.01.2011. The Collective Agreement with the trade unions which is effective up to the 2011/2012 financial year makes provision for the average CPIX plus a 2% salary increase. This amounts to a total of a 6.08% increase for the book year.

***The salary budget amounts to 37% of Council's operating expenses. Thus Council has no control over 37% of its operating expenditure.***

#### ESKOM BULK INCREASES

Eskom has set the bulk purchase price of electricity at 26.71% from 1 July 2011. ***Thus a further 23.42% of Council's total operating expenditure increases by 26.71% and this is beyond Council's control.***

NERSA guidelines regarding the increase of municipal electricity tariffs reflects an increase of 20.38%. It is thus expected of Council to absorb the difference of 6.33% (26.71% - 20.38%). When calculated on the bulk electricity purchases, 6.33% amounts to approximately R1.4mil. This equates with 8% of Council's income from property rates and will thus have a definite impact on property rates.

The reality is that the implementation of NERSA's prescribed block tariffs will result in a much smaller effective increase than the increase of 20.38%.

The following table reflects the increases approved by NERSA..

BLOCKS	2010/11 BASE BENCHMARKS FOR RED 1	BASIS OF PRICE INCREASES	2011/12 APPLICABLE RATE INCREASES	2011/12 BENCHMARK LEVELS FOR RED 1	2010/2011 RESIDENTIAL TARIFF/KWH (FLAT RATE)	R1.028 PLUS RATE INCREASES
<b>BLOCK 1 (0 – 50kWh)</b>	<b>54 – 60</b>	Limited to CPI	<b>4.8%</b>	<b>58 - 63</b>	<b>1.028</b>	<b>1.08</b>
<b>BLOCK 2 ( 51 – 350kWh)</b>	<b>58 - 64</b>	CPI + % equal to or less than Real WACC% allowed for Eskom	<b>12.96%</b>	<b>67 - 72</b>	<b>1.028</b>	<b>1.16</b>
<b>BLOCK 3 ( 351 – 600kWh)</b>	<b>76 - 81</b>	Average (fully distributed) cost	<b>20.38%</b>	<b>93 - 98</b>	<b>1.028</b>	<b>1.24</b>
<b>BLOCK 4 (&gt;600kWh)</b>	<b>90 - 95</b>	Marginal Cost + Residual Revenues	<b>20.38%</b>	<b>109 - 114</b>	<b>1.028</b>	<b>1.24</b>

The flat rate residential tariff is R1.028 per kWh. Added to that the increment allowed By NERSA and the result is higher than the benchmark levels for this area. The result is then that some of the tariffs need to be reduced to comply with the inkling block tariff system. Such extreme year on year increases result in consumer resistance, forcing the municipality into a situation where it receives minimal increases in the greater proportion of categories. The majority of consumers in the Swellendam Municipality are residential consumers with few large consumers.

#### COMPILATION OF THE BUDGET

In terms of Article 18 of the MFMA a municipal budget must be funded and the following sources are stipulated :

- a. *realistically anticipated revenues to be collected*
- b. *cash backed accumulated funds from previous years not committed for other purposes*
- c. *borrowed funds, but only for capital budget.*

In order to give Council an indication with regard to tariffs, a cash funded budget has been compiled. For this purpose, all non-cash items have been omitted. The income is based on cash to be collected.

## CAPITAL & EXTERNAL LOANS

*In order to ensure financial sustainability, it is very important that Council takes cognisance of the impact that External Loans have on the rate payers in the future. Property rates are indirectly under pressure from both the side of the external loans as well as electricity.*

1. The approach to the budget was the same as that of the Adjustment budget as point of departure. The Salary budget has thus also been based on the same budget. No budgetary provision has been made for additional posts in the R41,6 million. Aansuiweringsbegroting
2. As mentioned, Eskom purchases have increased by 26.71%.
3. Interest and Redemption:

	EXTERNAL LOANS - CAPITAL	INTEREST AND REDEMP TION
30-Jun-10	17 342 594	3 051 918
New loan taken for the 2009/2010 capital programme. Money received July 2010	18 684 982	2 663 460
Capital programme for 2010/2011 of R30mil	30 000 000	4 001 265
TOTAL	66 027 576	9 716 643
Proposed R20mil capital programme 2011/2012	20 000 000	2 380 000
REDEMPTION DATES OF OUTSTANDING EXTERNAL LOANS AS A JULY 2010		
30-Jun-13	66 491	
30-Jun-17	5 108 426	
30-Jun-21	1 548 240	
30-Jun-24	4 444 602	
30-Jun-25	4 482 827	

30-Jun-29	20 376 989	
	36 027 575	

As at 30 July 2010, the external loans amounted to R36,027,575 (R17,342,594 + R18,684,984). The greater part of the interest and redemption obligation will be present until 2017 at the earliest. The first redemption payment of R5mil is not significant when compared to the broader picture. Any decision to finance capital expenditure by means of an external loan will only impact on the rate payer the following year. For example, the indirect impact of an additional external loan of R20 mil to finance the 2011/2012 capital programme will only affect property rates during the 2012/2013 financial year. The indirect impact will amount to R2.38 mil. This impact can lead to an additional increase of up to 10% on the rates tariffs and does not include the normal annual increase in tariffs.

4. As a result of the fact that (1) Salaries which comprise 37% of the total budget increase by approximately 7%, (2) Eskom purchases which comprise 23% of the total budget, increase by 27%, and (3) interest and redemption which comprise 9.5% of the total budget, increase by 70%, it is simply not achievable to keep the total percentage increase of the budget within the 6% inflation target set out by the SA Reserve Bank.
5. The result of the above is that general expenses, including repairs and maintenance, which together comprise 19% of the budget, cannot be increased by any appreciable amount.

# Section 4 - Executive Summary

## Introduction

The budget is the first budget of the municipality which is in the formats prescribed in the new Budget Regulations and is therefore significantly different from prior year's budgets formats.

This budget is also the first budget of the municipality that complies to a large degree with the requirements of Generally Recognised Accounting Practises (GRAP) and is again significantly different from prior year's budgets.

Full budgetary compliance in all aspects of the regulations and GRAP will take time, as systems, and especially obtaining statistical information, needs to be adapted, but already this year much more information is available and incorporated in to this budget.

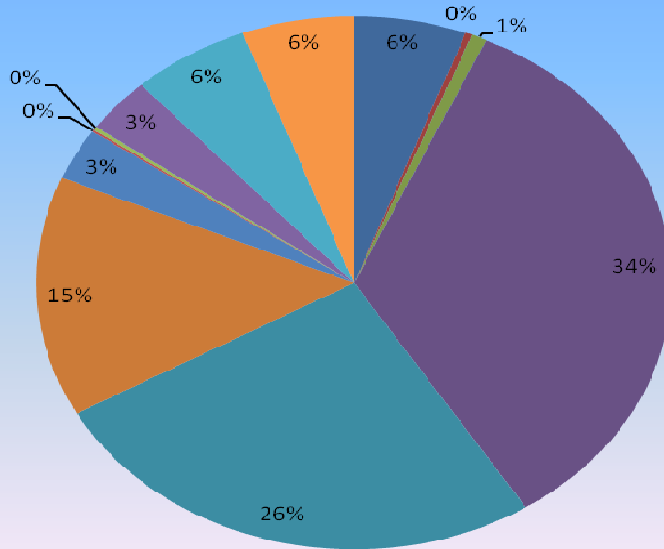
The projected forecasts for the MTREF are as follows: (R 000)

### OPERATING BUDGET

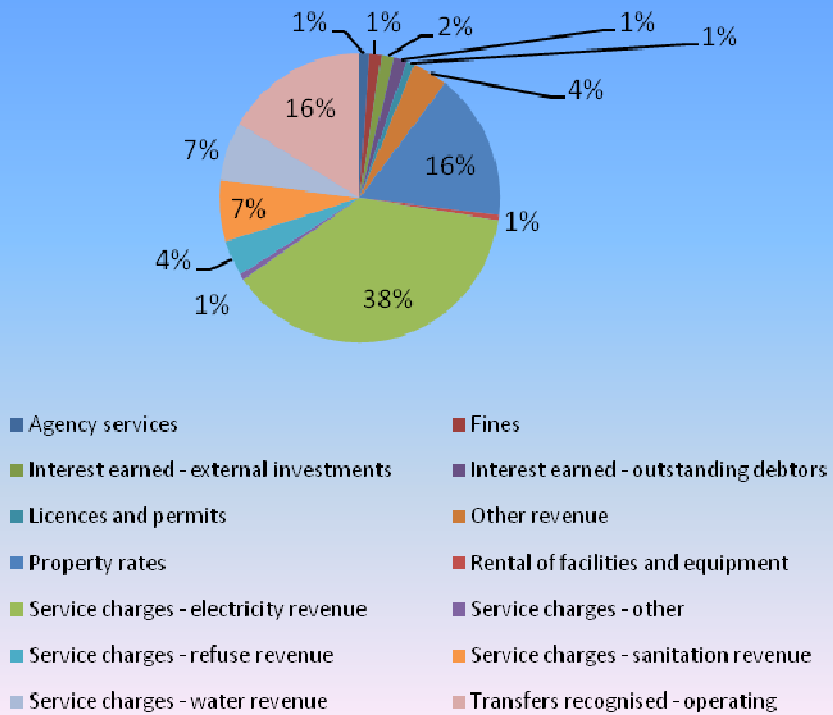
Type	2011/12	2012/13	2013/14
Revenue	140 941	129 221	138 912
Expenditure	129 119	138 295	147 759
Surplus/(Deficit)	11 882	(9 074)	(8 847)
Less: Capital Grants	(20 964)	-	-
Surplus/Deficit excluding Capital Grants	(9 142)	(9 074)	(8 847)

## Revenue by Vote

- Budget & Treasury
- Community & Social Services
- Corporate Services
- Electricity
- Executive & Council
- Planning & Development
- Public Safety
- Road Transport
- Sport & Recreation
- Waste Management
- Waste Water Management
- Water

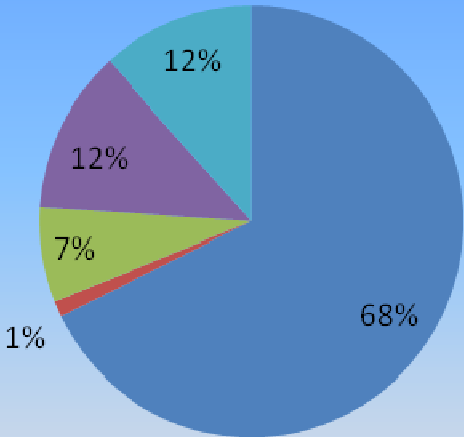


## Total Revenue





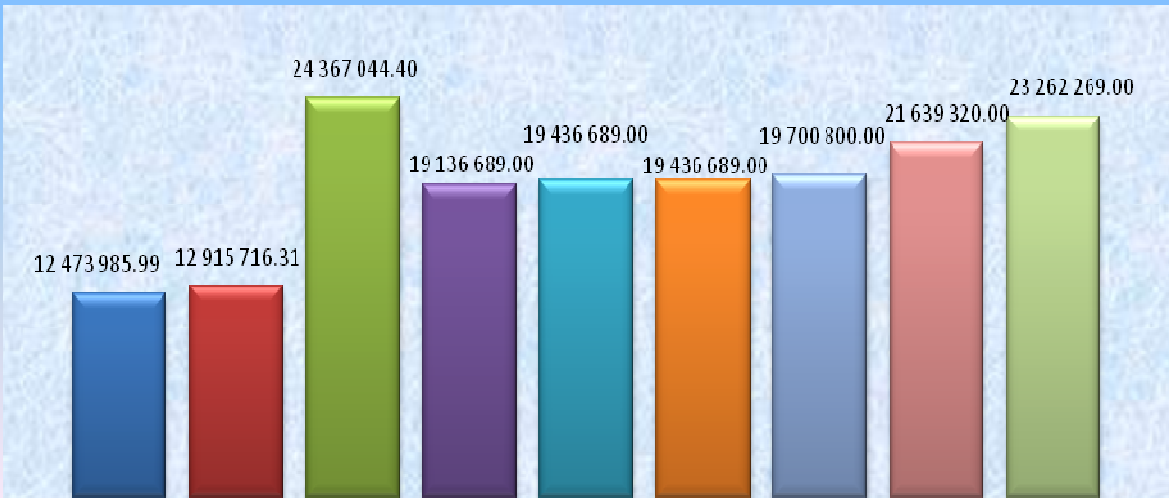
# Service Charges



- Service charges - electricity revenue
- Service charges - water revenue
- Service charges - refuse revenue
- Service charges - sanitation revenue
- Service charges - other

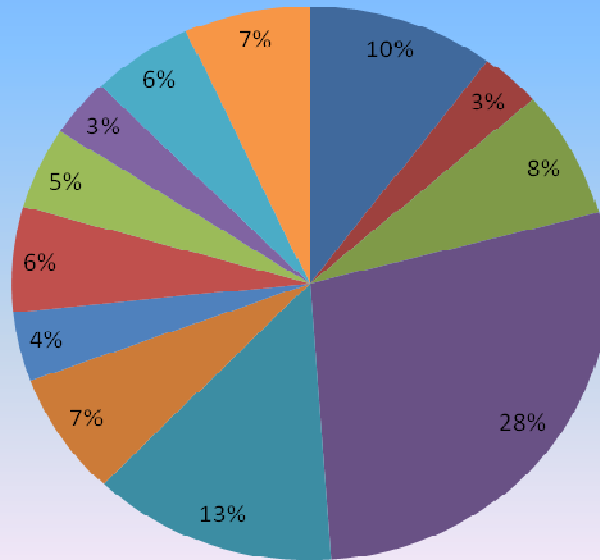
# Operational Grants Received

- 2007/2008
- 2008/2009
- 2009/2010
- 2011 Budget
- 2011 Adjusted Budget
- Full Year Forecast
- Budget Year 2011/12
- Budget Year 2012/13
- Budget Year 2013/14

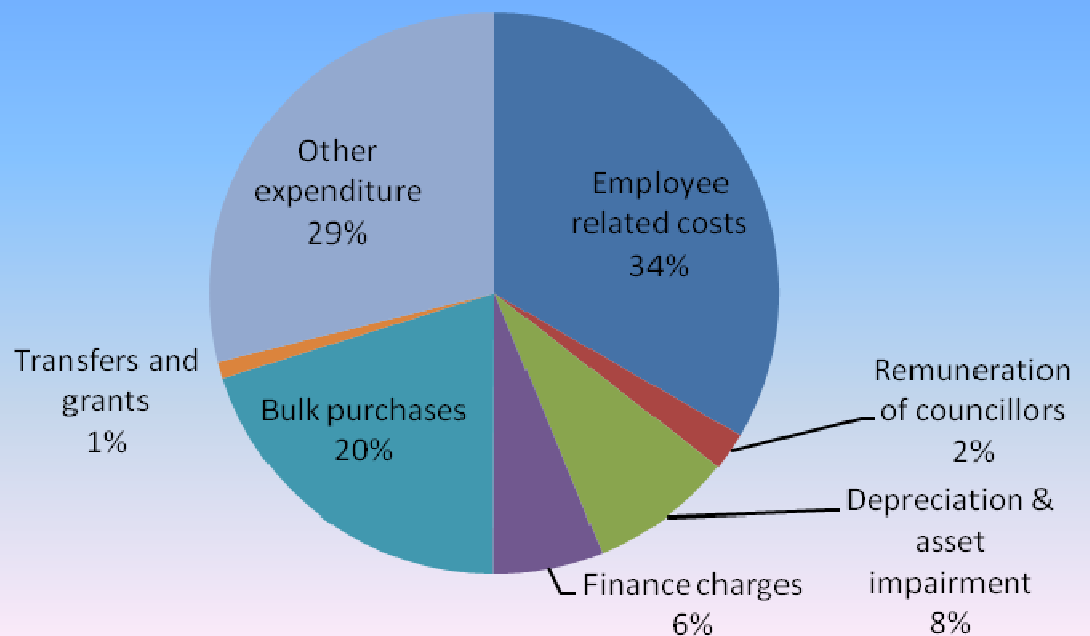


## Expenditure by Vote

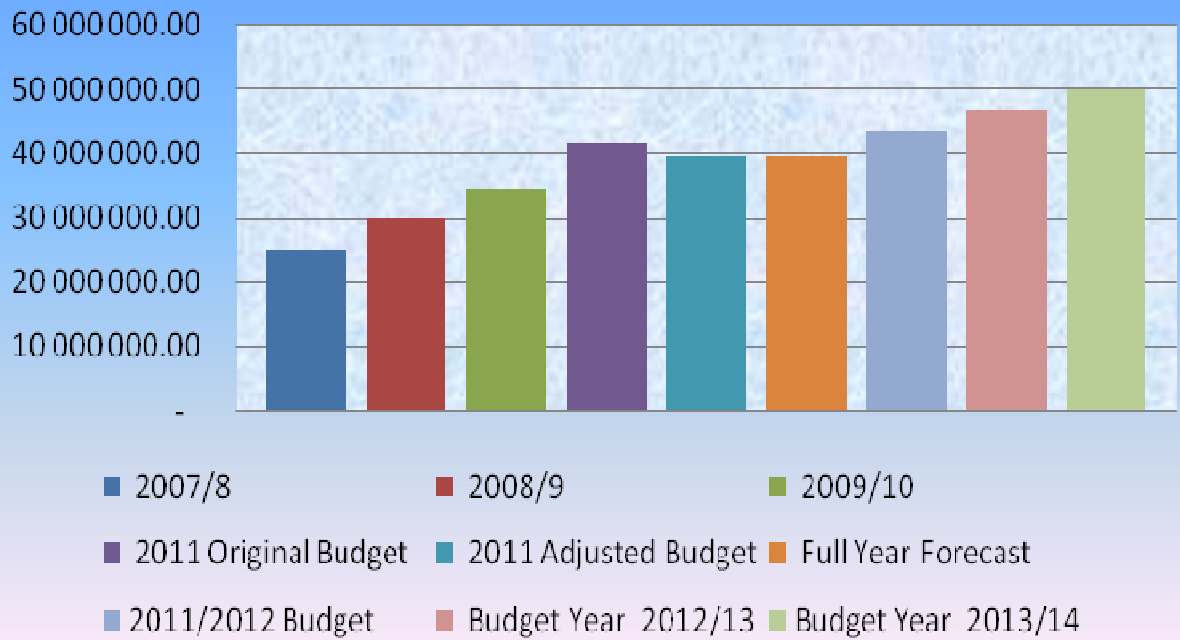
- |                     |                               |                          |
|---------------------|-------------------------------|--------------------------|
| ■ Budget & Treasury | ■ Community & Social Services | ■ Corporate Services     |
| ■ Electricity       | ■ Executive & Council         | ■ Planning & Development |
| ■ Public Safety     | ■ Road Transport              | ■ Sport & Recreation     |
| ■ Waste Management  | ■ Waste Water Management      | ■ Water                  |



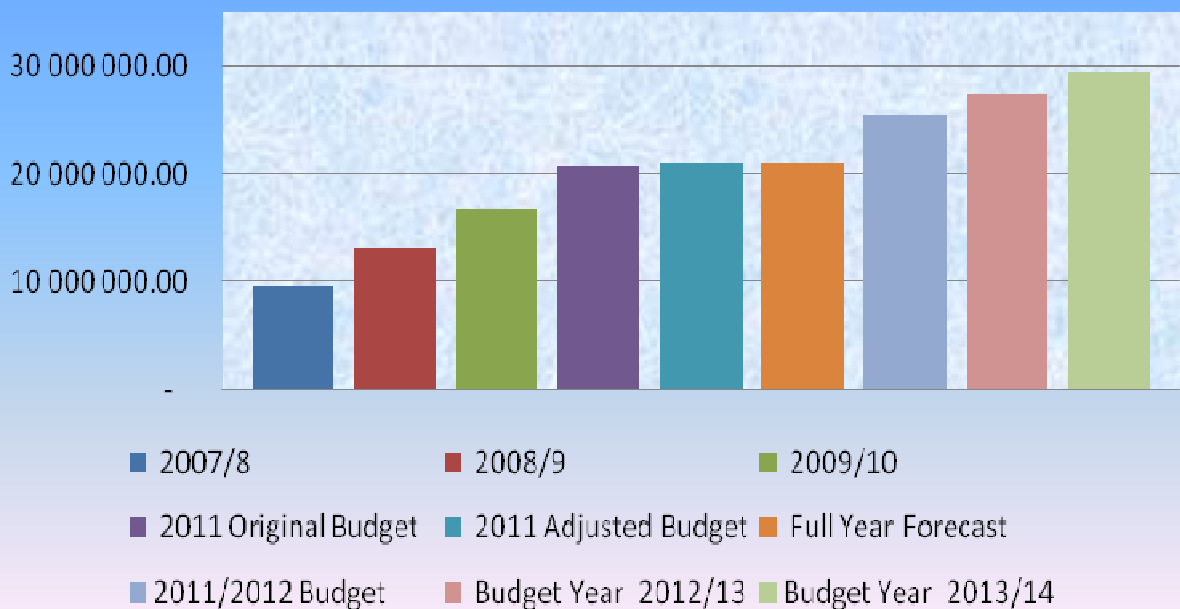
## Expenditure Allocations

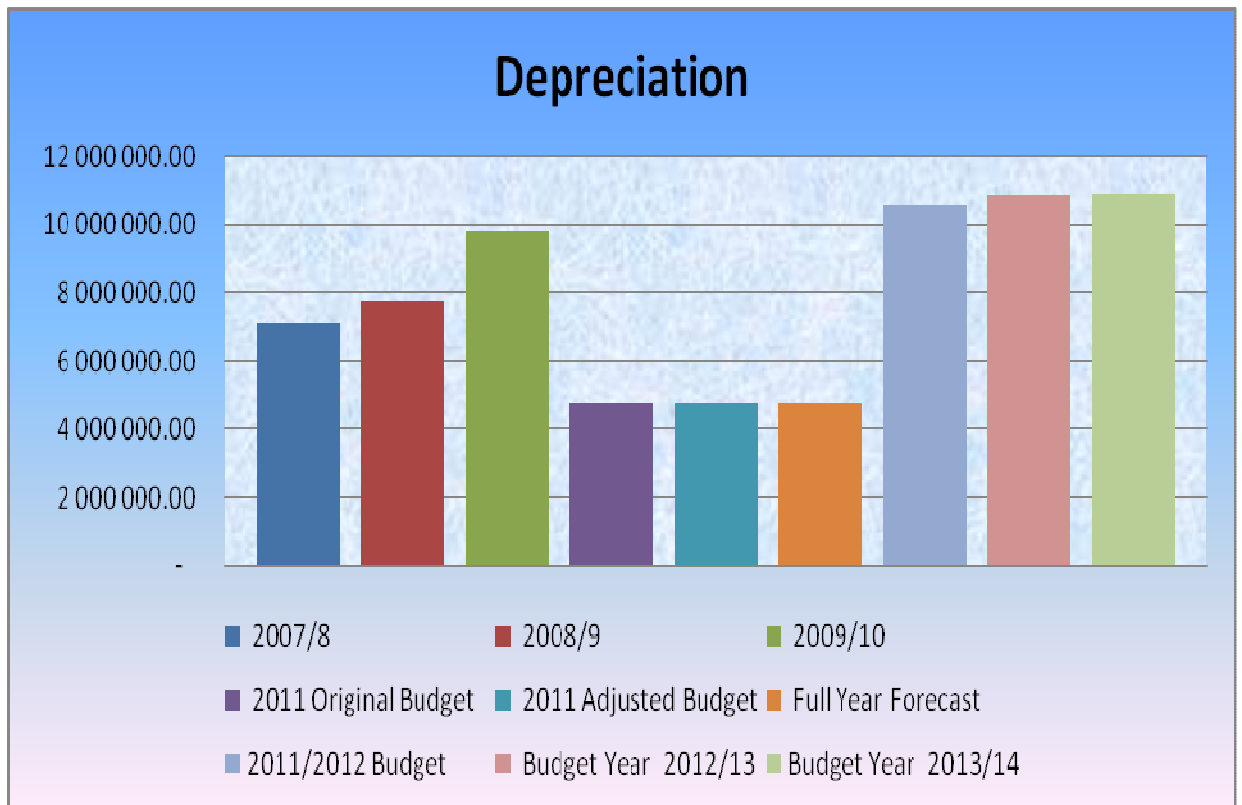


## Employee Related Cost



## Electricity Bulk Purchases



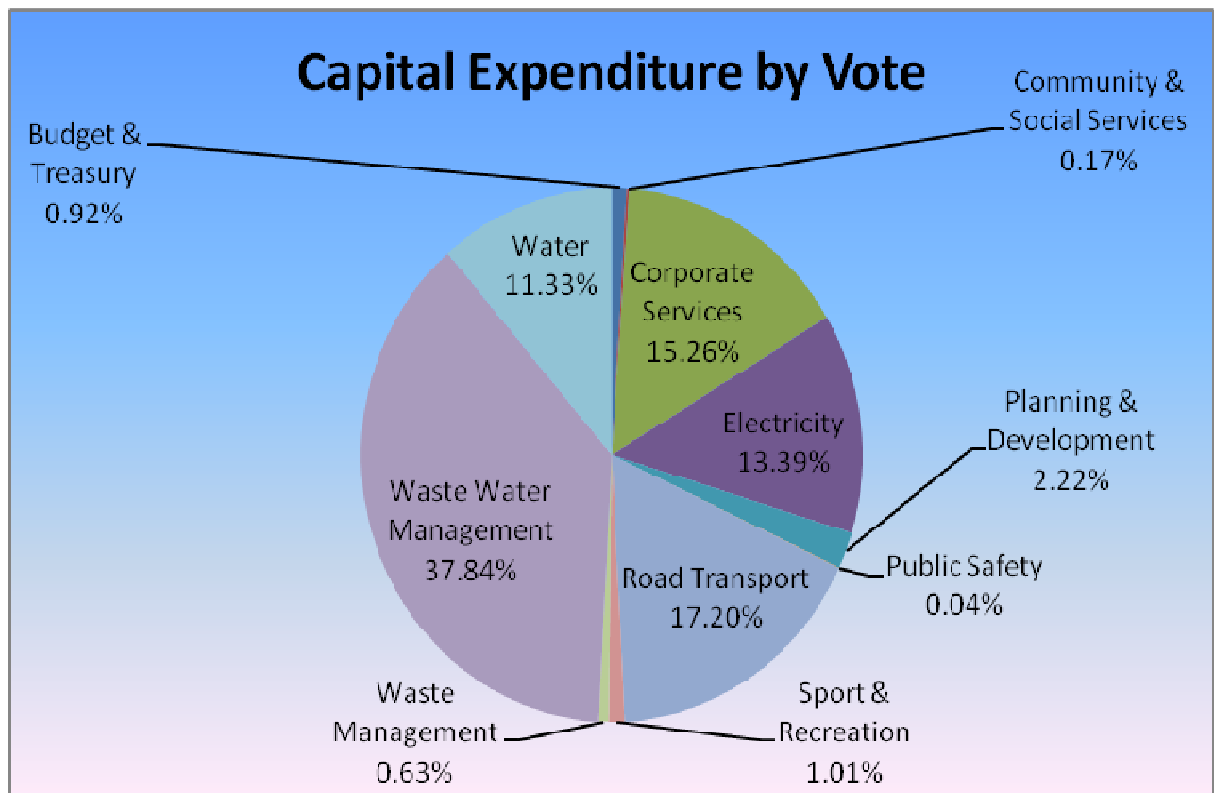


#### CAPITAL BUDGET (R 000)

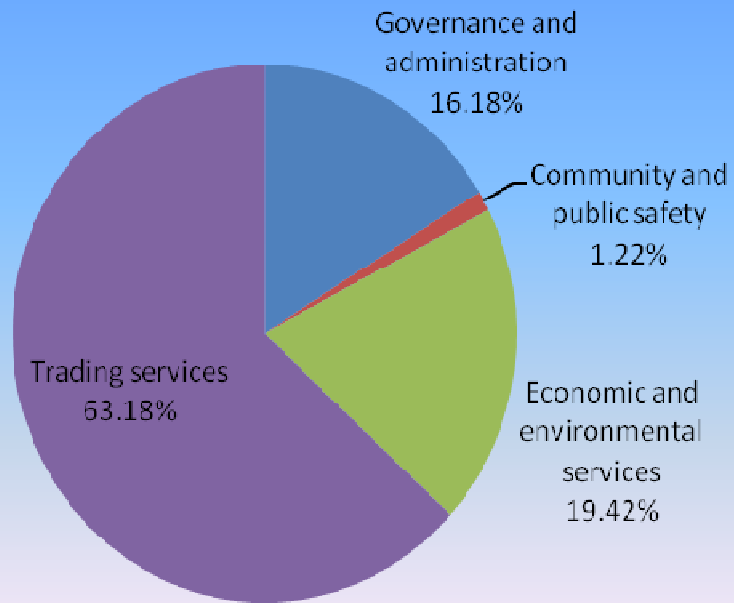
Objective	2011/12	2012/13	2013/14
Governance and Admin	10 571	-	-
Community and Safety Services	794	100	-
Economic Services	12 684	3 835	2 500
Trading Services	41 271	3 610	-
<b>Total</b>	<b>65 319</b>	<b>7 545</b>	<b>2 500</b>

The projected funding of the capital budget is as follows: (R 000)

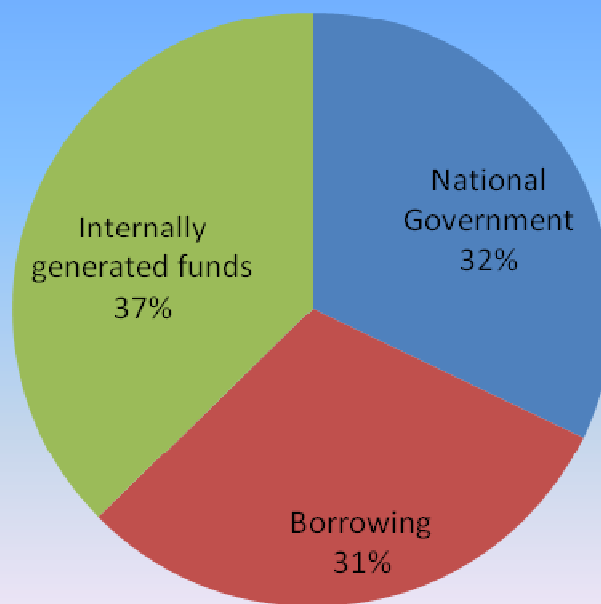
Funding Source	2011/12	2012/13	2013/14
National Government	20 964	-	-
Borrowing	43 989	7 545	2 500
Own Funds	365	-	-
<b>Total</b>	<b>65 319</b>	<b>7 545</b>	<b>2 500</b>



## Capital Expenditure by National Priorities



## Funding of Capital Budget



The summarised results of the MTREF are as follows:

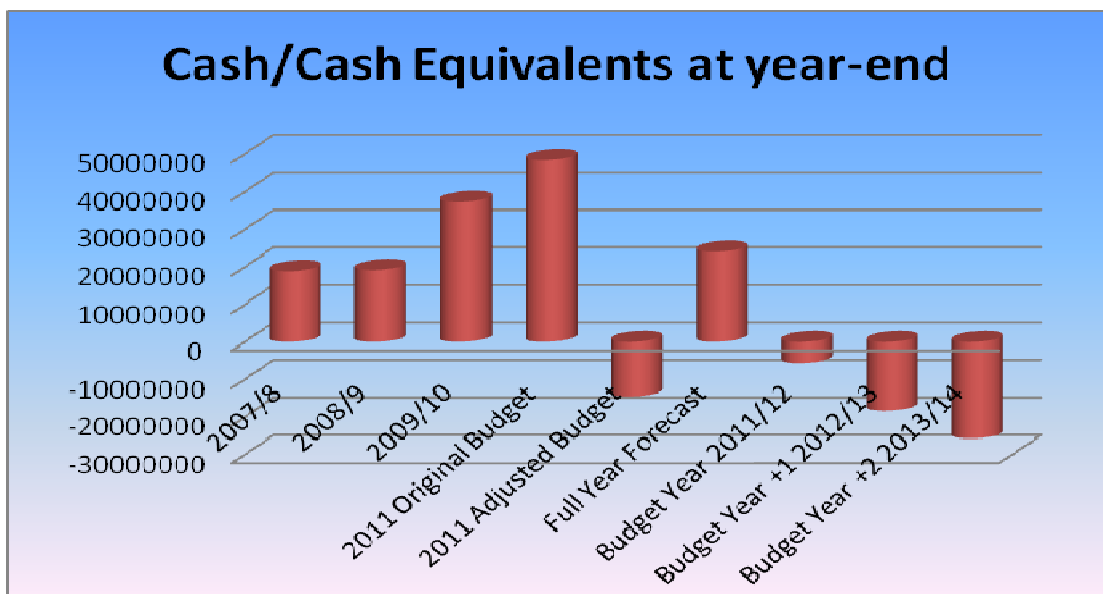
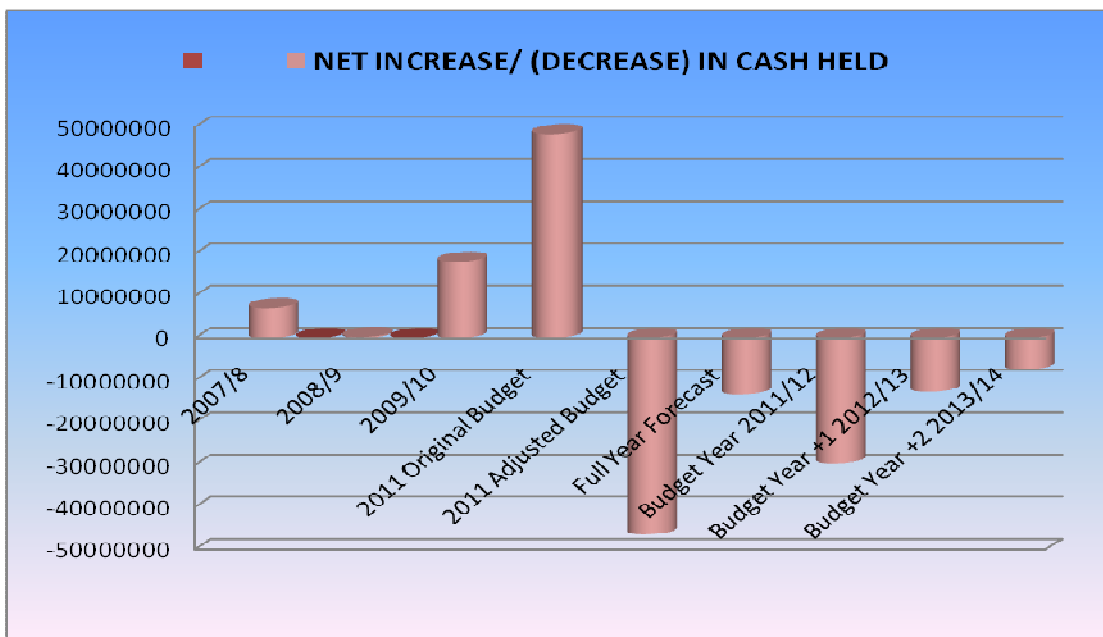
Standard Classification Description	2009/10	2011 Original Budget	2011 Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<b>Financial Performance</b>							
Property rates	19 527	20 219	19 500	19 500	19 744	21 225	22 817
Service charges	51 839	60 296	55 288	55 288	67 340	72 390	77 819
Investment revenue	1 414	2 000	2 000	2 000	1 800	1 935	2 080
Transfers recognised - operational	24 367	19 137	19 437	19 437	19 701	21 639	23 262
Other own revenue	11 890	8 462	11 884	11 884	11 393	12 032	12 935
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>109 037</b>	<b>110 113</b>	<b>108 109</b>	<b>108 109</b>	<b>119 977</b>	<b>129 221</b>	<b>138 913</b>
Employee costs	34 456	41 649	39 335	39 335	43 256	46 500	49 988
Remuneration of councillors	2 468	-	2 884	2 884	2 810	3 021	3 247
Depreciation & asset impairment	9 815	4 753	4 753	4 753	10 543	10 851	10 887
Finance charges	2 467	5 652	5 652	5 652	8 043	8 646	9 295
Materials and bulk purchases	17 005	21 699	21 376	21 376	25 805	27 740	29 821
Transfers and grants	300	7 511	1 400	1 400	1 250	1 344	1 445
Other expenditure	47 012	31 300	35 173	35 173	37 413	40 193	43 078
<b>Total Expenditure</b>	<b>113 522</b>	<b>112 563</b>	<b>110 573</b>	<b>110 573</b>	<b>129 119</b>	<b>138 295</b>	<b>147 759</b>
<b>Surplus/(Deficit)</b>	<b>(4 485)</b>	<b>(2 450)</b>	<b>(2 464)</b>	<b>(2 464)</b>	<b>(9 142)</b>	<b>(9 074)</b>	<b>(8 847)</b>
Transfers recognised - capital	9 079	1 345	51 676	51 676	20 964	-	-
<b>Surplus/(Deficit) for the year</b>	<b>4 594</b>	<b>(1 105)</b>	<b>49 212</b>	<b>49 212</b>	<b>11 822</b>	<b>(9 074)</b>	<b>(8 847)</b>
<b>Capital expenditure &amp; funds sources</b>							
<b>Capital expenditure</b>	<b>28 959</b>	<b>84 993</b>	<b>86 171</b>	<b>61 877</b>	<b>65 319</b>	<b>7 545</b>	<b>2 500</b>
Transfers recognised - capital	9 079	50 476	51 676	51 676	20 964	-	-
Borrowing	-	30 164	30 345	6 051	19 959	7 545	2 500
Internally generated funds	19 880	4 353	4 151	4 151	24 396	-	-
<b>Total sources of capital funds</b>	<b>28 959</b>	<b>84 993</b>	<b>86 171</b>	<b>61 877</b>	<b>65 319</b>	<b>7 545</b>	<b>2 500</b>
<b>Financial position</b>							
Total current assets	56 014	96 584	29 111	38 787	16 815	19 036	21 423
Total non current assets	113 137	249 255	203 391	170 317	225 094	221 787	213 401
Total current liabilities	61 362	-	41 774	26 786	34 091	48 199	57 166
Total non current liabilities	23 131	30 164	49 727	48 449	62 127	56 007	49 887
Community wealth/Equity	84 658	170 539	141 001	133 869	145 691	136 617	127 771

Standard Classification Description	2009/10	2011 Original Budget	2011 Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<b><u>Cash flows</u></b>							
Net cash from (used) operating	49 257	(780)	10 866	19 810	21 290	903	1 100
Net cash from (used) investing	(29 429)	49 140	(86 167)	(61 873)	(65 319)	(7 545)	(2 500)
Net cash from (used) financing	(1 701)	-	28 797	28 797	14 430	(6 043)	(6 038)
<b>Cash/cash equivalents at the year end</b>	<b>37 303</b>	<b>48 360</b>	<b>(14 516)</b>	<b>24 038</b>	<b>(5 561)</b>	<b>(18 246)</b>	<b>(25 684)</b>
<b><u>Cash backing/surplus reconciliation</u></b>							
Cash and investments available	37 303	20 000	(14 516)	24 038	(5 561)	(18 246)	(25 684)
Application of cash and investments	38 084	(73 031)	23 745	47 567	14 550	4 046	3 206
<b>Balance - surplus (shortfall)</b>	<b>(781)</b>	<b>93 031</b>	<b>(38 261)</b>	<b>(23 530)</b>	<b>(20 112)</b>	<b>(22 292)</b>	<b>(28 890)</b>
<b><u>Asset management</u></b>							
Asset register summary (WDV)	121 072	249 255	199 600	199 600	257 337	254 031	245 644
Depreciation & asset impairment	9 815	4 753	4 753	4 753	10 543	10 851	10 887
Repairs and Maintenance	14 453	14 772	14 683	14 683	14 649	15 747	16 928
<b><u>Free services</u></b>							
Cost of Free Basic Services provided	-	5 705	5 705	5 705	-	-	-



## CASH FLOWS

Budgeted cash flows are monitored by the municipality to ensure they are maintained at an acceptable level and ensure sufficient funds for future projects. However, as can be seen from the graph below the effect of audited financial information on future budgets is significant and is the municipality's cash flows not sufficient to finance any infrastructure developments from own sources. In this regard we again reiterate the views contained in the mayor's report above that the municipality does not get sufficient funding for the increase in population and resultant demand for expansion of services. Unless more funding e.g for MIG be provided the municipality will be forced to drastically reduce expenditure which will have a serious negative effect on services for all.

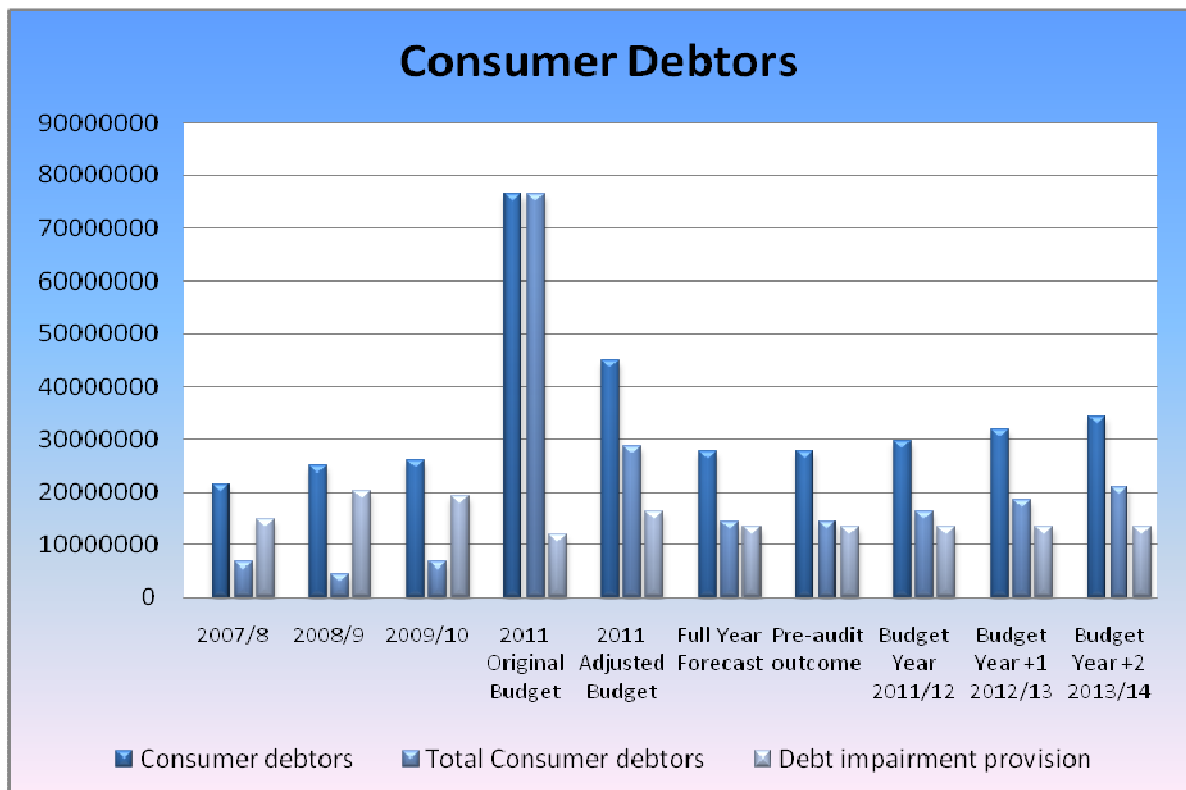


## TARIFFS

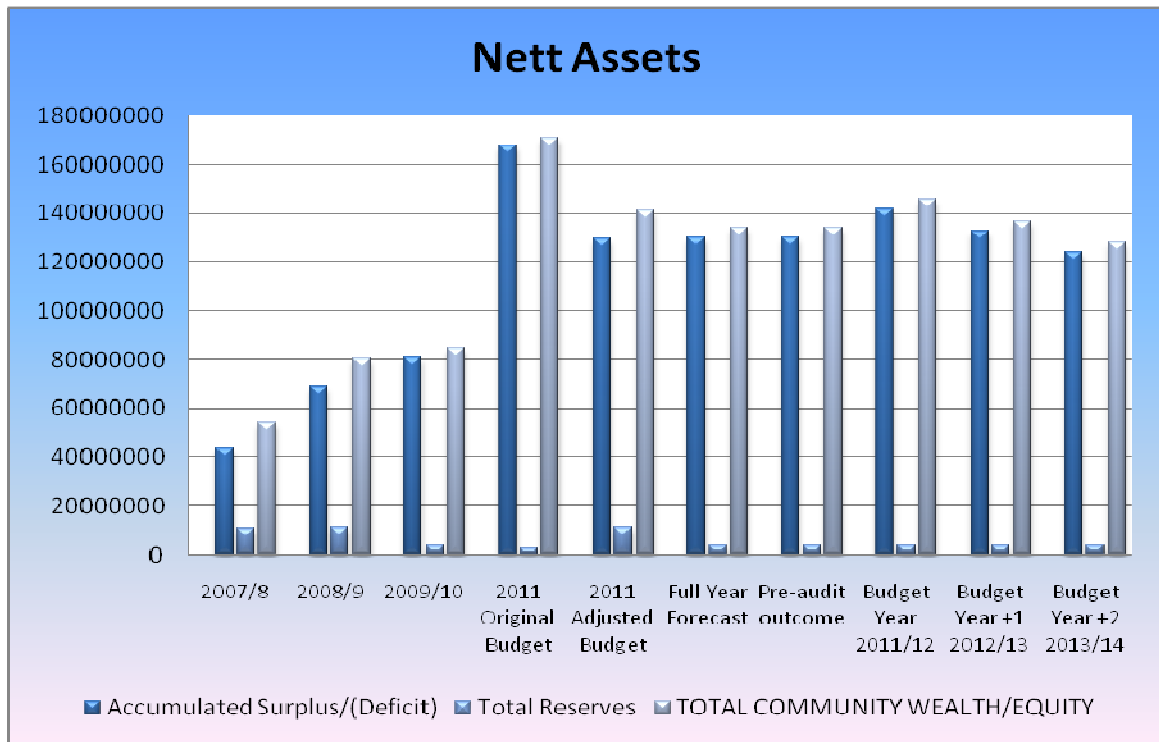
The proposed major tariff adjustments are as follows:

Property Rates	7%
Waste Management	7%
Water	7%
Electricity (Non-residential)	20,38%
Electricity (Residential)	17%

The municipality, through strict financial discipline over the past, provided for a healthy Statement of Financial Position, and this budget aimed to keep it as such. Payment levels, however, is decreasing over the past few years, probably to a large degree as a result of the economic meltdown, and strict credit control, together with an understanding of the economic situation, is still paramount. Reconsideration of expenditure on infrastructure development also needs to be done.



Net assets are projected to be R 145,7 million at the end of the budget year and declining to R127,7million in the final year of the forecast. This is mainly as a result of capital expenditure funded from government grants not being budgeted for the outer financial years as well as the effect of depreciation. Due to the implementation of GRAP and full compliance with the transitional provisions allowed in terms of Directive 4, issued by the Accounting Standards Board, major adjustments for especially depreciation had to be made in the budget and is it also a contributing factor of the decline in nett assets, as depicted below.



The Municipality’s budget must be seen within the context of the policies and financial priorities of the National, Provincial and district government. In essence, the spheres of Government are partners in meeting the service delivery challenges faced in Swellendam. Swellendam Municipality alone, however, cannot meet these challenges. It requires support from the other spheres of Government through the direct allocation of resources as well as the achievement of their own policies.

#### The National Context

South Africa has achieved considerable success in achieving macroeconomic stability; however, the economy is still plagued with high levels of unemployment and poverty.

The following table shows the allocations to Swellendam Municipality as set out in the National Budget Division of Revenue Bill in the MTEF period; and the Provincial allocations (Capital grants for the outer years are excluded from the revenue indicated below due to the fact that the municipality did not, as yet, had the opportunity to strategically plan for future capital requirements due to the election process and in view of a new IDP to be compiled):

Description	2011/12 Medium Term Revenue & Expenditure Framework		
	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<b>R thousand</b>			
Local Government Equitable Share	16 648	17 897	19 239
Finance Management	1 250	1 344	1 445
Municipal Systems Improvement	790	849	913
Municipal Infrastructure (MIG)	459	493	530
EPWP	107	576	619
Roads, Library, CDW and other	447	481	517
Municipal Infrastructure (MIG)	8 713	–	–
Integrated National Electrification Grant	2 000	–	–
EPWP	429	–	–
Housing	6 062	–	–
Library/Water affairs/LED	3 660	–	–
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>	<b>40 565</b>	<b>21 639</b>	<b>23 262</b>

### Assumptions used in the budget

Each year, National Treasury issues a circular to municipalities advising them of the budget parameters within which municipalities should work when preparing their budgets.

The headline CPIX forecast for 2011/12, 2012/13 and 2013/14 are 4,08 percent, 5,3 percent and 5,5 percent respectively. However these figures can change very fast due to external factors as recently experienced. The current estimate for 2010/11 in the MFMA Circular is 4,2 percent.

These growth parameters apply to tariff increases for property rates, user and other charges raised by municipalities and municipal entities, to ensure that all spheres of government support the national macroeconomic policies, unless it can be shown that external factors impact otherwise. Unfortunately, as explained earlier on, the effect of the ESCOM tariff adjustments *inter alia* forces the municipality to increase tariffs by much more than the CPIX forecasts.

There are no proposed material amendments to the budget related policies.

The major data and assumptions used in the preparation of the budget are as follows:

Increase in Employee related costs	7.5%
Increase in inflation parameters	4,08%
Average payment rate	95%

Basic services are provided to a large degree to all the towns in the municipal boundaries, and there is a continuing effort in extending services. The total cost of providing free services, as well as rebates and discounts to the community, is R10.7 million.

## **Section 5 - Annual budget tables**

The annual budget tables are attached to this document as Tables A1 to A 10.

As mentioned in the Executive Summary the budget changed significantly due to the removal of the Water and Sanitation functions as well as the introduction to GRAP.

The Budget tables are:

Table A1 - Budget Summary

Table A2A - Budgeted Financial Performance (revenue and expenditure by standard classification)

Table A3A - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Table A4 - Budgeted Financial Performance (revenue and expenditure)

Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding

Table A5A - Budgeted Capital Expenditure by vote, standard classification and funding

Table A6 - Budgeted Financial Position

Table A7 - Budgeted Cash Flows

Table A8 - Cash backed reserves/accumulated surplus reconciliation

Table A9 - Asset Management

Table A10 - Basic service delivery measurement

## **PART 2 - SUPPORTING DOCUMENTATION**

### **Section 6 - Overview of annual budget process**

#### **Budget Process Overview**

##### Political oversight of the budget process

Section 53 of the MFMA requires that the Mayor provides general political guidance over the budget process and the priorities that must guide the preparation of the budget.

##### Schedule of Key Deadlines relating to budget process [MFMA s 21(1)(b)]

The Act requires the formal budget process to start with the tabling by the Mayor in Council of a schedule showing the key budget deadlines. This was prepared for tabling in Council by the end of August. Due to the local government elections to be held in May 2011, the National Treasury requested municipalities to attempt to finalise the budget well before the timeframes set in the MFMA.

##### Process used to integrate the review of the IDP & preparation of the budget

The budget process is integrated with the review of the IDP through the IDP review mechanism. The outcome of consultation feeding into the IDP review is taken into account in the budget process.

##### Process for tabling the budget in Council for consultation

A statutory period of consultation follows the tabling of the budget in Council on 31 March 2011. Meetings with the local community will be advertised in the local press following the tabling of the draft budget.

The Executive Mayor will consider the outcomes of these consultation meetings and a report detailing the responses will be tabled at the same meeting where the budget will be tabled for final approval.

##### Process for approving the budget

The budget must be approved by Council by 31 May.

##### Process and media used to provide information on the budget to the community

All budget documentation, the MTREF together with tariffs and policies, will be made available at Council libraries and offices for inspection. It will also be available on Council's website.

Advertisements informing the public about the availability of these documents and the schedules for the IDP/Budget public hearings will be published in all local newspapers and put up at municipal offices and libraries.

## **Budget Process 2011/12**

The budget process in Swellendam follows the requirements of the MFMA.

A schedule of key deadlines was prepared for tabling in Council by the Mayor prior to the end of August 2010.

The proposed budget must be tabled in Council by the end of March 2010. A period of consultation then follows. At the culmination of the consultation process the Mayor must consider any representations and decide if any amendments should be made to the budget.

The final budget has to be agreed by Council by the end of May 2010.

The Municipality's budget is again prepared on a 3 year basis. This takes into account the National and Provincial 3 year allocations to the Municipality. It is necessary to plan and budget on a 3 year basis to take account of resource constraints and also capacity constraints on service delivery. The MFMA requires municipalities to prepare 3 year budgets to ensure more thorough financial planning and provide for seamless service delivery.

However as was the case last year, in the present uncertain economic climate, both capital and operating income and expenditure figures in the outer years are indicators of need or wish, and in some instances hope, rather than of reality.

The municipality will set out measurable performance objectives to link the financial inputs of the budget to service delivery on the ground. This will be done in the form of the quarterly service targets and monthly financial targets that are contained in the Service Delivery and Budget Implementation Plan (SDBIP). This must be agreed by the Mayor within 28 days of agreement of the final budget and forms the basis for the Municipality's in year monitoring.



## Section 7 - Overview of alignment of the annual budget with the Integrated Development Plan

The Integrated Development Plan process aims to on a continuing basis, address service delivery needs by identifying new needs or areas of improvement. It is, however, also a known fact that the needs identified by far exceeds the resources, and in particular financial resources, available.

The alignment of the budget with the objectives set in the IDP is as follows:

Strategic Objective	Goal	2011/12 Medium Term Revenue & Expenditure Framework		
		Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<b>R thousand</b>	<b>CAPITAL EXPENDITURE</b>			
Sustainable Infrastructure Development	Provide Sustainable Infrastructure Development by improving and building housing infrastructure, reconstructing access roads and rebuilding gravel roads.	11 235	3 635	2 500
Sustainable Basic Services	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing sustainable and quality water and electricity.	8 745	3 285	–
	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing sustainable and quality water and electricity.	7 401	250	–
	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing sustainable and quality water and electricity.	24 714	75	–
	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing sustainable and quality water and electricity.	410	–	–
Economic Development	To create a conducive environment for local economic development and growth and unleash the potential for job creation by implementing job creation opportunities through implementing Public Private Partnerships, implement Expanded Public Works Programme and accelerate the establishment of SMMEs.	1 449	200	–
Social Development	To create a healthy and sustainable environment by improving environmental management and combating illegal dumping	110	–	–
	To build community resilience for sustainable livelihood by improving cemetery records and administration and improving cemetery conditions.	660	–	–
	To contribute to social development	–	–	–
Financial Viability	To create an environment of effective, accountable and viable financial management with reliable information technology and accurate database by fully implementing all MFMA regulations and reforms	600	–	–
	To create an environment of effective, accountable and viable financial management with reliable information technology and accurate database by fully implementing all MFMA regulations and reforms	9 971	–	–
Safety & Security	To create a safe and secure environment by providing adequate community lighting, establish partnerships with SAPS, and ensure functional CPF's and Ward Committees.	24	100	–
		<b>65 319</b>	<b>7 545</b>	<b>2 500</b>

Strategic Objective	Goal	2011/12 Medium Term Revenue &		
		Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand	REVENUE			
Good Governance	To build an institution capable of effective delivery with sound administration and good governance practices	36 611	39 357	42 309
Sustainable Infrastructure Development	Provide Sustainable Infrastructure Development by improving and building housing infrastructure, reconstructing access roads and rebuilding gravel roads.	4 618	4 964	5 337
Sustainable Basic Services	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing sustainable and quality water and electricity .	48 018	49 469	53 179
	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing sustainable and quality water and electricity .	8 041	8 644	9 292
	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing sustainable and quality water and electricity .	8 448	9 082	9 763
	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing sustainable and quality water and electricity .	4 770	5 128	5 513
Economic Development	To create a conducive environment for local economic development and growth and unleash the potential for job creation by implementing job creation opportunities through implementing Public Private Partnerships, implement Expanded Public Works Programme and accelerate the establishment of SMMEs.	20 506	2 119	2 278
Social Development	To create a healthy and sustainable environment by improving environmental management and combating illegal dumping	493	530	570
	To build community resilience for sustainable livelihood by improving cemetery records and administration and improving cemetery conditions.	290	312	335
Financial Viability	To create an environment of effective, accountable and viable financial management with reliable information technology and accurate database by fully implementing all MFMA regulations and reforms	8 067	8 457	9 091
	To create an environment of effective, accountable and viable financial management with reliable information technology and accurate database by fully implementing all MFMA regulations and reforms	1 077	1 158	1 245
Safety & Security	To create a safe and secure environment by providing adequate community lighting, establish partnerships with SAPS, and ensure functional CPF's and Ward Committees.	2	2	2
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>140 941</b>	<b>129 221</b>	<b>138 913</b>

Strategic Objective	Goal	2011/12 Medium Term Revenue &		
		Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand	EXPENDITURE			
Good Governance	To build an institution capable of effective delivery with sound administration and good governance practices	17 136	18 392	19 769
Sustainable Infrastructure Development	Provide Sustainable Infrastructure Development by improving and building housing infrastructure, reconstructing access roads and rebuilding gravel roads.	12 731	13 689	14 735
Sustainable Basic Services	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing sustainable and quality water and electricity .	34 883	37 425	40 146
	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing sustainable and quality water and electricity .	8 770	9 578	10 174
	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing sustainable and quality water and electricity .	7 608	8 132	8 598
	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing sustainable and quality water and electricity .	4 360	4 688	5 028
Economic Development	To create a conducive environment for local economic development and growth and unleash the potential for job creation by implementing job creation opportunities through implementing Public Private Partnerships, implement Expanded Public Works Programme and accelerate the establishment of SMMEs.	9 228	9 578	10 007
Social Development	To create a healthy and sustainable environment by improving environmental management and combating illegal dumping	4 211	4 527	4 855
	To build community resilience for sustainable livelihood by improving cemetery records and administration and improving cemetery conditions.	6 165	6 624	7 102
	To contribute to social development	958	1 030	1 107
Financial Viability	To create an environment of effective, accountable and viable financial management with reliable information technology and accurate database by fully implementing all MFMA regulations and reforms	13 113	14 118	15 162
	To create an environment of effective, accountable and viable financial management with reliable information technology and accurate database by fully implementing all MFMA regulations and reforms	8 681	9 079	9 541
Safety & Security	To create a safe and secure environment by providing adequate community lighting, establish partnerships with SAPS, and ensure functional CPF's and Ward Committees.	1 276	1 435	1 536
		<b>129 119</b>	<b>138 295</b>	<b>147 759</b>

Refer to annual budget tables attached for further details.

## **Section 8 - Measurable performance objectives and indicators**

### **Key financial indicators and ratios:**

Refer to attached schedule - SA 8 - for key indicators and ratios.

### **Measurable performance objectives:**

Measurable performance objectives are included in attached tables SA 4 to SA 7 and includes the following:

Objectives for revenue for each source

Objectives for operating and capital expenditure for each vote

KPI's for all material expenditure. The complete SDBIP could also be viewed on the official website of the municipality.

### **Measurable performance objectives for provision of free basic services**

Refer to A 10 for the cost associated with the provision of free basic services, the level of services to be provided free and the revenue forgone in providing these services.

## Section 9 - Overview of budget related policies

*The detailed policies are not included in this budget documentation. However they are available at the Council offices in Voortrek Street, Swellendam, for viewing as well as on the Internet at [www.swellenmun.co.za](http://www.swellenmun.co.za) This section gives a **broad overview** of the budget policy framework and highlights the amended policies to be approved by Council resolution.*

Name of Policy	Type	Date of Council adoption (if already done)	Purpose / Basic areas covered by Policy	Summary of changes	Responsible Manager
<b>REVENUE RELATED</b>					
Tariff	Changed	9 June 2011	Setting criteria for establishing service tariffs	IBT implemented for electricity	CFO
Rates	Changed	9 June 2011	Setting criteria for establishing rates tariffs	Changes in legislation accommodated	CFO
Credit control	Changed	9 June 2011	Principles and guidelines to be followed with respect to arrear consumer debt control	Change to using prepaid electricity as debt collection mechanism	CFO
Indigent	Changed	9 June 2011	Assistance to the indigent		CFO
<b>BUDGET AND EXPENDITURE</b>					
Cash management and Investment	Unchanged	May 2010 (with previous budget)	Guideline of procedures to be followed when investing or lending money	N/A	CFO
Supply chain management	Unchanged	9 June 2011	Dictates procedures for the procurement of goods and services	N/A	CFO

## Section 10 - Overview of budget assumptions

### Budget Assumptions

Budgets are prepared in an environment of uncertainty. To prepare meaningful budgets, assumptions need to be made about internal and external factors that could influence the budget. This section provides a comprehensive summary of the assumptions used in preparing the budget.

#### External Factors:

There is no real growth in the municipal area, with the number of people, as well as the number of households, remaining fairly consistent. The number of poor households (Earning < 2 X “allpay” pension) increased however from 19.5% in 2007 to the current level of 21.1%.

Job opportunities are limited, and the National budget identified employment creation as a priority and suggests that municipal capital and maintenance projects should seek to assist in this manner, by implementing labour intensive projects within financial means.

#### General inflation outlook and its impact on the municipal activities

General inflation (CPIX) is estimated at 4,08% for the 2011/12 financial year. This of course lends to expectations that municipal tariffs should increase by more or less the same percentage, which is impossible due to a wage increase settlement at national level of inflation plus 2% as well as the increase in bulk electricity charges from ESCOM, and of course the full implementation of GRAP requirements such as depreciation charges and Non - current Employee Benefits and other provisions. This budget and the proposed tariff increases therefore exceed the inflation outlook for these reasons.

	2011/12	2012/13	2013/14
<b>General inflation</b>	<b>4,08%</b>	<b>5,3%</b>	<b>5,5%</b>

Interest rates for borrowing and investment of funds

The following assumptions are built into the MTREF;

	2011/12	2012/13	2013/14
<b>Average Interest Rate - New Borrowing</b>	<b>9,5%</b>		
<b>Average Interest Rate - Investments</b>	<b>5%</b>	<b>6%</b>	<b>7%</b>

Rates, tariffs, charges and timing of revenue collection

The rates, tariffs and charges for the 2011/12 budget are included in annexure 2.

The following table shows the assumed average percentage increases built into the MTREF for rates, tariffs and charges;

	2011/12	2012/13	2013/14
<b>Rates</b>	<b>7%</b>	<b>7%</b>	<b>7%</b>
<b>Water</b>	<b>7%</b>	<b>7%</b>	<b>7%</b>
<b>Annual fixed charges -refuse, sewerage</b>	<b>7%</b>	<b>7%</b>	<b>7%</b>
<b>Electricity - monthly consumption tariff</b>	<b>20.38%</b>	<b>20.38%</b>	<b>20.38%</b>

The monthly cash flow statement in annexure 1 (SA30) shows when rates and tariffs are expected to be collected over the financial year. In general terms, the timing of rates, tariffs and charges is based on the following;

Rates and annual charges	Annual and monthly billing in July. Interim billing throughout the year as required. Revenue foregone recognised in July.
Consumption Tariffs	Monthly billing. On-going prepayment meters. Seasonal fluctuations.
Charges	Generally steady state throughout the financial year with seasonal fluctuations.

### Growth or decline in tax base of the municipality

The buoyancy of the tax base is the main determinant of the affordability of new infrastructure development. Long term financial modelling shows a major shortfall in the resources required for infrastructure development over the next 15 years. However, as already mentioned, there is a clear slowdown in the growth of Swellendam to the extent that the whole model requires revision which will take place after the credit rating review to be undertaken shortly.

The following assumptions about future growth in the tax base are included in the MTREF:

	2011/12	2012/13	2013/14
<b>Growth in tax base- Rates and services</b>	0,5%	1%	1%

### Collection rates for each revenue source and customer type

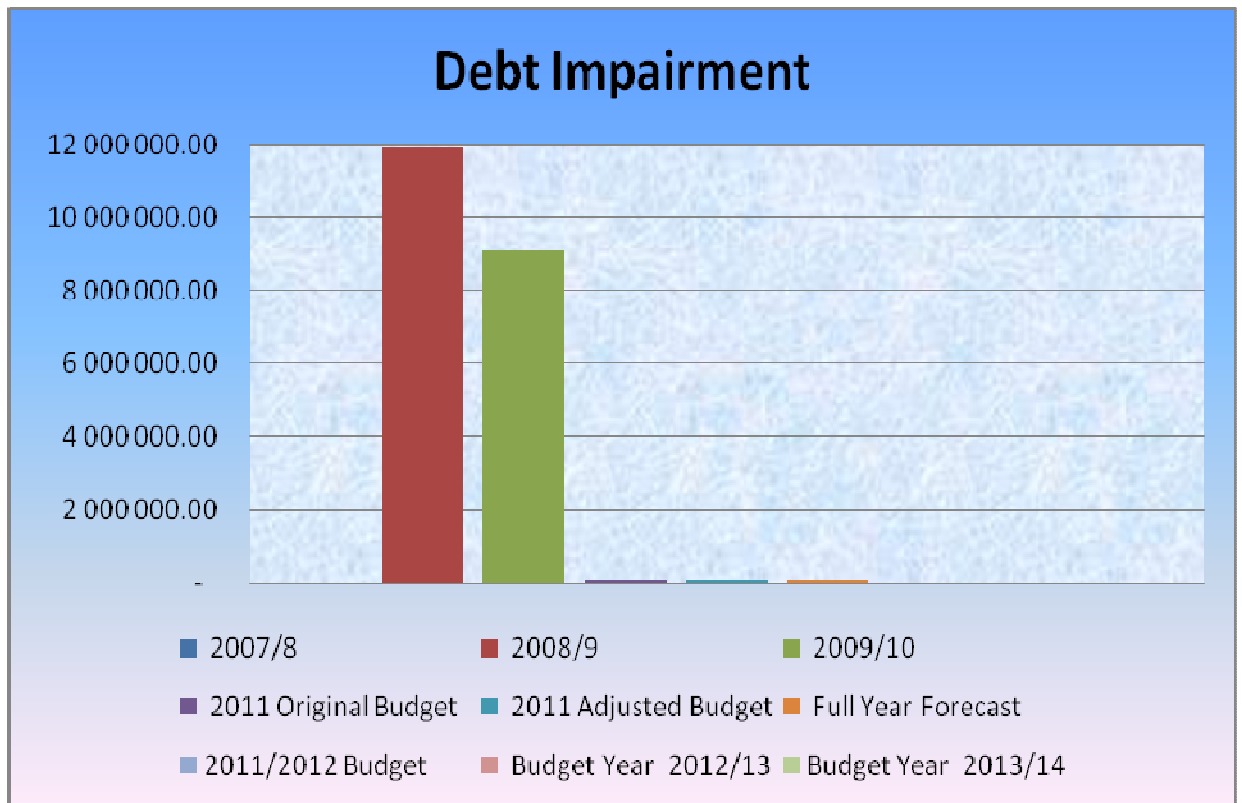
The Municipality has in place a fair but rigorous credit control policy and has a good record of debt recovery. Furthermore, its policy on indigent support and social rebates means that many households who would normally struggle to pay their accounts receive free or subsidised basic services thereby keeping them free of the burden of municipal debt.

Nevertheless, there will always be an element of the total amount billed that will remain uncollected. The Municipality is the same as any other business in this regard. Adequate provision has to be made in the budget for any bad debts based on assumptions on collection rates. The bad debt provision is sufficient in terms of the requirements of GRAP and consequently no budgetary provision for the contribution to bad debts was made.

The following bad debt provisions and collection rates are assumed in the MTREF for rates and tariffs.

R '000	2011/12	2012/13	2013/14
<b>Provision for bad and doubtful debts</b>	13 271	13 271	13 271
<b>Assumed collection rate (service charges)</b>	95%	95%	95%
<b>Assumed collection rate (assessment rates)</b>	95%	95%	95%





Price movements on specific items

The bulk purchases from ESCOM 2010/11 - R20,993m):

	R '000	2011/12	2012/13	2013/14
<b>Eskom</b>		<b>25 422</b>	<b>27 328</b>	<b>29 378</b>

Average salary increases

The MTREF includes the following average percentage increases in salaries and wages and for Councillors' allowances:

	2011/12	2012/13	2013/14
<b>Councillors</b>	7.5%	7.5%	7.5%
<b>Senior Managers</b>	7.5%	7.5%	7.5%
<b>Administrative, professional, technical, clerical &amp; manual</b>	7.5%	7.5%	7.5%
<b>Medical aid contributions</b>	7.5%	7.5%	7.5%

Industrial relations climate, reorganisation and capacity building

The ability of the Municipality to deliver quality services is dependent on its staff and the ability to provide services to the Swellendam population at a viable level. Failure by the Municipality to invest in its staff to ensure that the capacity and skills exist to meet the challenges being faced by Swellendam will ultimately mean a failure to deliver services.

The Municipality has made the following amounts available for training over the MTREF period:

R '000	2011/12	2012/13	2013/14
Training Budget	271	292	313

Trends in population and households (growth, decline, stable)

Population growth trends predict a population of 133,000 at the end of the 3 year budget period.

Changing demand characteristics (demand for services)

Swellendam has to respond to changing demand for services that can occur through a number of reasons such as population migration, changing demographic profile, technological changes, and major infrastructure development.

The introduction of subsidised basic services

Swellendam's criteria for supporting free or subsidised basic services are set out in the indigent support policy. The Government allocates revenue via the Division of Revenue Act (DORA) in the form of the Equitable Share Grant with the primary aim of assisting municipalities with the costs of providing free or subsidised basic services.

Impact of national, provincial and local policies

Swellendam sees itself as working in partnership with national, provincial and district municipality spheres of Government in meeting the priority service needs of its people.

Ability of the municipality to spend and deliver on the programmes

The following table shows the trend of spending against budget for the capital programme since 2005/06:

R '000	2007/08	2008/09	2009/10
Capital Budget (adjusted)	1	1	1
Actual Spending	10 848	25 958	29 497
%	43%	46%	71%

Spending is monitored closely throughout the year and Directors must ensure that capital schemes are supported by robust planning. The Municipality is continually reviewing its capital planning processes.

The SDBIP includes monthly cash flows of expenditure and is used as the basis for budget monitoring.

*Implications of restructuring and other major events into the future*

The budget does not include any provision for the establishment of a Regional Electricity Distributor for Swellendam as there is still considerable uncertainty as to how and when this would operate.

**Funding compliance**

The budget is cash - strapped which is first indicator of a “credible” budget.

Funding levels are not acceptable at cash - resources, which is a serious concern and needs urgent strategic planning from the new council in order to address this problem in the adjustment budget.

There is a huge increase in tariffs above the CPIX forecast, mainly as a result of the effect of the electricity increases. Other increases, set at about 7%, is in order not to reduce maintenance programs, but even these programs are affected negatively due to the increase in bulk charges and the cap on an increase in electricity tariffs set by NERSA.

Revenue from grants exceeds 100% of current grant receipts due to unspent grants still being implemented and carried forward.

# Section 11 - Overview of budget funding

## Funding the Budget

Section 18(1) of the MFMA states that an annual budget may only be funded from:

- Realistically anticipated revenues to be collected;
- Cash backed accumulated funds from previous years' surpluses not committed for other purposes; and
- Borrowed funds, but only for the capital budget referred to in section 17.

Achievement of this requirement in totality effectively means that a Council has 'balanced' its budget by ensuring that budgeted outflows will be offset by a combination of planned inflows.

## A Credible Budget

Amongst other things, a credible budget is a budget that:

- Funds only activities consistent with the revised IDP and vice versa ensuring the IDP is realistically achievable given the financial constraints of the municipality;
- Is achievable in terms of agreed service delivery and performance targets;
- Contains revenue and expenditure projections that are consistent with current and on past performance and supported by documented evidence of future assumptions;
- Does not jeopardise the financial viability of the municipality (ensures that the financial position is maintained within generally accepted prudential limits and that obligations can be met in the short, medium and long term); and
- Provides managers with appropriate levels of delegation sufficient to meet their financial management responsibilities.

A budget sets out certain service delivery levels and associated financial implications. Therefore the community should realistically expect to receive these promised service delivery levels and understand the associated financial implications. Major under spending due to under collection of revenue or poor planning is a clear example of a budget that is not credible and unrealistic.

Furthermore, budgets tabled for consultation at least 90 days prior to the start of the budget year should already be credible and fairly close to the final approved budget.

## Fiscal Overview of Swellendam Municipality

As indicated in this report, the financial position of the municipality deteriorates significantly from the 2010/2011 financial year, to such an extent that the budget is not cash funded and all cash reserves depleted. It will be the duty of the newly elected Council to embark on a turnaround

strategy in order to ensure the financial viability of the municipality. This includes improved financial-, accounting- and reporting systems. A new Chief Financial Officer has been appointed to assist the Municipal Manager and Council in realising this objective.

### Sources of funding

Supporting table SA 15 and SA 16 shows the current investments.

Interest earned from investments is applied to the income and expenditure account to help fund the operating budget. The following tables summarises the budgeted interest over the MTREF;

R '000	2011/12	2012/13	2013/14
<b>Investment Interest received</b>	1 800	1 935	2 080
<b>Loan interest paid</b>	8 043	8 646	9 295

### Contributions and donations

The Municipality can receive contributions from developers to provide infrastructure and other works as part of the conditions of agreeing planning permission.

### Sale of assets

The Municipality is in the process of reviewing its land and asset holdings as part of its longer term financial strategy. Major asset sales are therefore, excluded from the MTREF at this stage.

### Borrowing

The MFMA prescribes the conditions within which municipalities may borrow through either short or long term debt.

The Act stipulates that short term debt can be used to meet immediate cash flow needs but that it must be fully repaid within the financial year in which it was incurred. Long term debt can only be incurred for capital expenditure or to re-finance existing long term debt. Proposals to incur long term debt must go through a public consultation process.

The cash flow projections will determine the likely need to borrow short term. It is not projected that any short term borrowing will be required over the MTREF period.

The ratios as set out in the Cash and Management Investment policy are used to establish prudential levels of borrowing in terms of affordability and the overall indebtedness of the Municipality.

Based on these measures of affordability, the Municipality has made provisions for new borrowing of R19,959 million for capital expenditure over the MTREF.

## **Section 12 - Expenditure on allocations and grant programmes**

### **Grant allocations**

Details of each grant are shown in the schedule that follows:

## National and Provincial Grant Allocations 2011/12 to 2013/14

Name of Grant	Operating / Capital	Allocating Authority / Department	Amount 2011/12 R'000	Indicative 2012/13 R'000	Indicative 2013/14 R'000	Purpose of the Grant
Library Services	Operating	Province/ Cultural Affairs and Sport	316	340	365	To enable public libraries to render an improved service by addressing staffing shortages.
Local Government Financial Management Grant (FMG)	Operating	National / National Treasury (National Vote 7)	1 250	1 344	1 445	To promote and support reforms in financial management by building the capacity in municipalities to implement the Municipal Finance Management Act.
Municipal Systems Improvement Programme Grant (MSIG)	Operating	National / Provincial and Local Government (National Vote 29)	790	849	913	To assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems.
Subsidy (KPA)	Operating	Provincial	27	29	31	Maintenance of main roads belonging to province.
Community Development Worker (CDW)	Operating	Provincial	104	112	120	Improved communication with the community.
Integrated National Electrification Grant (INEG)	Capital	National	2 000	-	-	Expansion of electricity networks.



Equitable Share	Operating	National	16 648	17 897	19 239	The equitable share of National Revenue in accordance with the requirements of the Constitution
EPWP Incentive Grant	Capital	National	429	-	-	Assist in creating employment opportunities on extended public works projects
EPWP Incentive Grant	Operating	National	107	576	619	Assist in creating employment opportunities on extended public works projects
MIG	Operating	National	459	493	530	Management fee for implementation of MIG capital projects
MIG	Capital	National	8 713	-	-	Capital projects on roads and waste management
Housing	Capital	Provincial	6 062	-	-	Low cost housing
Library/ Water Affairs/ LED	Capital	Provincial	3 660	-	-	Different subsidies and contributions from the province.

## Section 13 - Allocations and grants made by the Municipality

### Allocations Made by the Municipality

The municipality makes an annual grant to Swellendam Tourist Organisation and Lower Breede River.

R '000	2011/12	2012/13	2013/14
Tourist Organisation	950	1 021	1 098
Lower Breede River	300	323	347

## **Section 14 - Councillor allowances and employee benefits**

### **Salaries, Allowances and Benefits**

Supporting tables SA 22 and SA 23 in Annexure 1 summarises the salary, allowances and benefits over the MTREF.

## **Section 15 - Monthly targets for revenue, expenditure and cash flow**

### **Monthly Cash Flows by source**

Supporting tables SA 24 to SA 30 show the monthly cash flows.

Supporting tables SA 12 and SA 13 provide details of all Property Rates and valuations information.

Supporting table SA14 provides details of monthly household accounts for small and large households.

## **Section 16 - Annual budgets and service delivery and budget implementation plans - internal departments**

Refer to table SA 7 for service delivery and budget implementation plans.

The full service delivery budget plan is available on [www.swellenmun.gov.za](http://www.swellenmun.gov.za).

## **Section 17 - Annual budgets and service delivery agreements - municipal entities and other external mechanisms**

### **ENTITIES**

The municipality does not have any entities.

### **Other Service Delivery Mechanisms.**

The municipality has no other service delivery agreements with external parties for the delivery of the Municipality's services.

## **Section 18 - Contracts having future budgetary implications**

The municipality does not have any roll - over contracts with budget implications.

## **Section 19 - Capital expenditure details**

Capital expenditure details are listed in Supporting Table SA 34 to SA 37.



## Section 20 - Legislation compliance status

### Municipal Finance Management Act - No 56 of 2003

The MFMA became effective on 1<sup>st</sup> July 2004. The Act modernises budget and financial management practices within the overall objective of maximising the capacity of municipalities to deliver services.

The MFMA covers all aspects of municipal finance including budgeting, supply chain management and financial reporting.

The various sections of the Act are phased in according to the designated financial management capacity of municipalities. Swellendam has been designated as a low capacity municipality.

The MFMA is the foundation of the municipal financial management reforms which municipalities are implementing.

### The MFMA and the budget

The following explains the budgeting process in terms of the requirements in the MFMA. It is based on National Treasury's guide to the MFMA.

#### The budget preparation process

*The Mayor must lead the budget preparation process through a co-ordinated cycle of events that commences at least ten months prior to the start of each financial year.*

#### Overview

The MFMA requires a Council to adopt three-year capital and operating budgets that take into account, and are linked to, the municipality's current and future development priorities and other finance-related policies (such as those relating to free basic service provision).

These budgets must clearly set out revenue by source and expenditure by vote over three years and must be accompanied by performance objectives for revenue and expenditure, a cash flow statement and any particulars on borrowings, investments, municipal entities, service delivery agreements, grant allocations and details of employment costs.

The budget may be funded only from reasonable estimates of revenue and cash-backed surplus funds from the previous year and borrowings (the latter for capital items only).

#### Budget preparation timetable

The first step in the budget preparation process is to develop a timetable of all key deadlines relating to the budget and to review the municipality's IDP and budget-related policies.

The budget preparation timetable is prepared by senior management and tabled by the Mayor for Council adoption by 31 August (ten months before the commencement of the next budget year).

### Budget preparation and review of IDP and policy

The Mayor must co-ordinate the budget preparation process and the review of Council's IDP and budget-related policy, with the assistance of the municipal manager.

The Mayor must ensure that the IDP review forms an integral part of the budget process and that any changes to strategic priorities as contained in the IDP document have realistic projections of revenue and expenditure. In developing the budget, the management must take into account national and provincial budgets, the national fiscal and macro-economic policy and other relevant agreements or Acts of Parliament. The Mayor must consult with the relevant district Council and all other local municipalities in that district as well as the relevant provincial treasury and the National Treasury when preparing the budget, and must provide the National Treasury and other government departments with certain information on request.

This process of development should ideally occur between August and November, so that draft consolidated three-year budget proposals, IDP amendments and policies can be made available during December and January. This allows time during January, February and March for preliminary consultation and discussion on the draft budget.

### Tabling of the draft budget

The initial draft budget must be tabled by the Mayor before Council for review by 31 March.

### Publication of the draft budget

Once tabled at Council, the Municipal Manager must make public the appropriate budget documentation and submit it to National Treasury and the relevant provincial treasury and any other government departments as required. At this time, the local community must be invited to submit representations on what is contained in the budget.

### Opportunity to comment on draft budget

When the draft budget is tabled, Council must consider the views of the local community, the National Treasury and the relevant provincial treasury and other municipalities and government departments that may have made submissions on the budget.

### Opportunity for revisions to draft budget

After considering all views and submissions, Council must provide an opportunity for the Mayor to respond to the submissions received and if necessary to revise the budget and table amendments for Council's consideration.

Following the tabling of the draft budget at the end of March, the months of April and May should be used to accommodate public and government comment and to make any revisions that may be necessary. This may take the form of public hearings, Council debates, formal or informal delegations to the National Treasury, provincial treasury and other municipalities, or any other consultative forums designed to address stakeholder priorities.

### Adoption of the annual budget

The Council must then consider the approval of the budget by 31 May and must formally adopt the budget by 30 June. This provides a 30-day window for Council to revise the budget several times before its final approval.

If a Council fails to approve its budget at its first meeting, it must reconsider it, or an amended draft, again within seven days and it must continue to do so until it is finally approved - before 1 July.

Once approved, the Municipal Manager must place the budget on the municipality's website within five days.

## **BUDGET IMPLEMENTATION**

### Implementation management - the Service Delivery and Budget Implementation Plan (SDBIP)

The Municipal Manager must within fourteen days of the approval of the annual budget (by 14 July at the latest) submit to the Mayor for approval a draft SDBIP and draft annual performance agreements for all pertinent senior staff.

An SDBIP is a detailed plan for implementing the delivery of municipal services contemplated in the annual budget and should indicate monthly revenue and expenditure projections and quarterly service delivery targets and performance indicators.

The Mayor must approve the draft SDBIP within 28 days of the approval of the annual budget (by 28 July at the latest).

This plan must then be monitored by the Mayor and reported on to Council on a regular basis.

### Managing the implementation process

The municipal manager is responsible for implementation of the budget and must take steps to ensure that all spending is in accordance with the budget and that revenue and expenditure are properly monitored.

### Variation from budget estimates

Generally, Councils may incur expenditure only if it is in terms of the budget, within the limits of the amounts appropriated against each budget vote - and in the case of capital expenditure, only if Council has approved the project.

Expenditure incurred outside of these parameters may be considered to be unauthorised or, in some cases, irregular or fruitless and wasteful. Unauthorised expenditure must be reported and may result in criminal proceedings.

### Revision of budget estimates - the adjustments budget

It may be necessary on occasion for a Council to consider a revision of its original budget, owing to material and significant changes in revenue collections, expenditure patterns, or forecasts thereof for the remainder of the financial year.

In such cases a municipality may adopt an adjustments budget, prepared by the municipal manager and submitted to the Mayor for consideration and tabling at Council for adoption.

The adjustments budget must contain certain prescribed information, it may not result in further increases in taxes and tariffs and it must contain appropriate justifications and supporting material when approved by Council.

**Requirements of the MFMA relating to the contents of annual budgets and supporting documentation**

Section 17 of the MFMA stipulates that an annual budget of a municipality must be a schedule in the prescribed format and sets out what must be included in that format. In its MFMA circular 48, National Treasury set out detailed guidance on the contents of budget documentation and the supporting schedules. Swellendam Municipality has made every effort to comply with the circular.

The following table shows how Swellendam Municipality complies with the disclosure requirements of section 17 of the MFMA.

Requirement	Disclosure in budget documentation
Schedule of reasonably anticipated revenue for the budget year from each revenue source	A4
Schedule showing appropriations of expenditure for the budget year under the different votes of the Municipality	A3
Schedule setting out indicative revenue per revenue source and projected expenditure by vote for the two financial years following the budget year	A3 and A4
Schedule 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.	A3 and A4
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 matters that may be prescribed.	Section 2
Measurable performance objectives for revenue from each source and for each vote in the	Section 7 and SA 7

budget, taking into account the Municipality's Integrated Development Plan.	
Projection of cash flow for the budget year by revenue source broken down per month	SA 25 - SA 26
Proposed amendments to the Municipality's integrated development plan following the annual review of the IDP in terms of section 34 of the Municipal Systems Act	Section 15
Particulars of the Municipality's investments	SA 16
Any prescribe information on municipal entities under the sole or shared control of the Municipality	N/a
Particulars of all proposed new municipal entities which the Municipality intends to establish or in which the Municipality intends to participate	N/a
Particulars of any proposed service delivery agreements, including material amendments to existing service delivery agreements	Section 16
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) (bodies outside Government)	Section 12
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 (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	Section 13
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	N/A

directors and (ii) the chief executive officer and each senior manager of the entity	
Any other supporting documentation as may be prescribed	SA forms

## Other Legislation

In addition to the MFMA, the following legislation also influences Municipal budgeting;

### The Division of Revenue Act (as amended) and Provincial Budget Announcements

Three year national allocations to local government are published per municipality each year in the Division of Revenue Act. The Act places duties on municipalities in addition to the requirements of the MFMA, specifically with regard to reporting obligations.

Allocations to the Municipality from Provincial Government are announced and published in the Provincial budget.

Section 18 of the MFMA states that annual budgets may only be funded from reasonably anticipated revenues to be collected. The provision in the budget for allocations from National and Provincial Government should reflect the allocations announced in the DORA or in the relevant Provincial Gazette.

### The Municipal Systems Act - No 32 of 2000 and Municipal Systems Amendment Act no 44 of 2003

One of the key objectives of the Municipal Systems Act is to ensure financially and economically viable communities. The requirements of the Act link closely to those of the MFMA. In particular, the following requirements need to be taken into consideration in the budgeting process;

- Chapters 4 and 5 relating to community participation and the requirements for the Integrated Development Planning process.
- Chapter 6 relates to performance management which links with the requirements for the budget to contain measurable performance objectives and quarterly performance targets in the Service Delivery and Budget Implementation Plan.
- Chapter 8 relates to the requirement to produce a tariff policy.

## **Section 21 - Other supporting documents**

More details on the budget can be found in the supporting tables SA 1 - SA 37.

## Section 22 - Municipal Manager's quality certification

I, M C Steenkamp, Acting Municipal Manager of Swellendam Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the Municipality.

MC Steenkamp

Acting Municipal Manager of Swellendam Municipality (WC034)

Signature .....

Date .....



# Annexures

*Please see the separately attached tariff schedule.*

Annexure A - Summary of Budget

Annexure B - Item list of Operating Budget

Annexure C - Capital Budget

Annexure D - Assessment Rates

Annexure E - Other Tariffs

The average increases for 2011/2012 are:

- Assessment rates 7%
- Water 7%
- Sanitation 7%
- Refuse 7%
- Electricity New NERSA Scales

*All budget documents are available on the official website: [www.swellenmun.co.za](http://www.swellenmun.co.za)*

*These include:*

- *Medium Term Revenue & Expenditure Framework 2011/2012 - 2012/2013*
- *Schedule of tariffs & charges 20010/2011*
- *Budget related policies, including Rates & Tariff Policies*