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## 2. Mayoral 2007/08 Multi-year Budget Speech

The Mayor will present his Speech in Council Meeting of the 30 May 2007. The speech will be attached to the document after the passing of the budget. This will be in compliance of MFMA Circular 28. Municipal Finance Management Act No.56 of 2003.

## 3. The Certified Council Resolutions

The Budget related Resolutions will be attached to the budget document after the passing of the budget.

The municipal manger will send the approved documentation to the national and provincial treasuries .

## 4. Multi year budget 2007/09-2009/10

### 4.1 Executive Summary

The IDP/Budget process plan for the compilation of the 2007/08 medium term was approved by council on the 25 August 2006 The following table provides an extract of the key deadlines planned according to the approved process plan and the actual performance achieved during the IDP/Budget process.

	Planned	Actual
Develop of 2007/08 IDP/Budget plan	8 August 2006	
Tabling of process plan	30 August 2006	
Proposed Tariffs and policies		
Tabling of draft budget	15 March 2007	
IDP/Budget road shows	15-26 March	
Advertisement of draft 2007/08 Review and Inputs and Comments	3 May 2007	
Tabling of the 2007/08 Approval of SDBIP and Performance - Agreements		
Publish approved IDP/Budget SDBIP		

#### 4.1.1 Outcome of the consultative process;

Section 22 of MFMA stipulates that immediately after annual budget is tabled in a municipality council the accounting officer must make public the annual budget and documents; invite the local community to submit representations in connection with the budget ;and submit the annual budget to the National Treasury and the relevant provincial treasury in printed and electronic formats.

Section 23(2) of the MFMA stipulates further that after considering all budget submissions, the Council must give the mayor an opportunity-

- (a) to respond to the submissions; and

- (b) if necessary, to revise the budget and table amendments for consideration by council

The extensive consultations had taken place with stakeholders. Stakeholders who attended the meetings included ward committees, members of the community, Traditional Leaders, community, representatives from youth organizations, sector departments, mining houses and business.

The following section provides an overview of the publication and public participation activities

Councillors briefing sessions: Councillors were briefed on before proposal were tabled before other stakeholders.

Publication of the draft budget: The draft budget notices were published in two local newspapers inviting public to view and inspect the documents to enable them to submit submissions. The drafts IDP/Budget report were made available at the library, community halls, tribal offices the SDAs' and the MPCCs.

Ward committee and Traditional, organised business and sector departments were participating during the IDP representative forum meetings,

Public Hearing: During the process close to 1236 people participated .The stakeholders raised questions and commented on the progress made by council. The major concern is that the is no monitoring on projects implemented. The written submissions were handed to manager Developmental Services on or before the 15 May 2007.The Mayor responded to the concern raised. The Disaster plan is added on the 2007/08 budget after the submissions on the draft IDP.The process was reasonable effective and successful

The Mayor responded to the submissions as requested by the act.

#### **4.1.2 Alignment with national, provincial and district priorities**

The priorities of Mogalakwena Municipality were aligned with that of national, provincial and district which is access to potable water for all by 2008, access to basic sanitation at RDP level by 2010,electricity to all households by 2012.

Strategic priorities:

The following key strategies priorities for the municipality shall provide direction to the planning and implementation process as well as to inform the operations of the whole organisation:

Development of institutional capacity and efficient financial management geared towards efficient delivery of services;

Facilitation of access to land to ensure sustainable land use management for entire municipality;

Fostering of community participation and ownership of municipal programmes through effective communication;

Strengthen the co-ordination of governance structures and facilitate sound intergovernmental relations.

#### **4.1.3. Local economic development and tourism:**

The LED Strategy of Mogalakwena Municipality has detailed information with regards to economic pillars which are as follows:

Tourism  
Manufacturing  
Construction  
Agriculture  
Mining

Table –LED programmes 2007/08

Project	2006/07	2008/09	2009/10
	'000	'000	'000
Hawkers Shelter	1 500	1 000	0
Bakenberg Bakery	600	400	0
Business Centre		0	6 000
Farming-Livestock	2 499	0	0
Farming-Crop & Game	7 100	0	0

#### **4.1.4. Past & current performance, achievements, major policy initiatives and challenges**

Departments have, in term of their overall service delivery objectives which are linked to the objectives of the municipality, performed relatively well. Some service delivery achievements and milestones are highlighted hereafter.

#### **4.1.5. Political priorities and linkage to IDP**

The political priorities of Mogalakwena municipality are as follows

Roads and storm water  
Water and sanitation  
Electricity  
Land and Cemeteries  
Institutional Arrangements  
LED

Solid Waste and Environmental Management  
 Housing  
 Health and Social Welfare  
 Crime and Prevention  
 Education  
 Communication  
 Sports, Arts & Culture  
 Community Facilities  
 Transport

Mogalakwena is responsible for the provision of the following services in 68010 households:

Water and Sanitation  
 Roads and storm water  
 Refuse removal  
 Electricity distribution

The priorities were linked to the IDP as outlined on table.... **Multi year capital investment programme.**

#### 4.1.6. Service delivery standards.

##### Access to Services

Service	No of households Having services	Backlog	Amount '000
Water (RDP level)	68010	Extension of village	
Electricity	55829	18100	
Refuse removal	33144	34866	
Housing			
Rural Sanatation	5780	92534	
Servicing of stands	1200		88,000

##### Free basic Services

Water	68 010	
Electricity	11 145	
Sanitation	2541	
Refuse Removal	2541	
Rural Sanatation		
Housing		

##### Indigent welfare packages for 2007/08

Package Compilation	Proposed Charges R (VAT exclusive)	Council's share R (VAT exclusive)
Rates R15 000,00 valuation	119,37	119,37

Refuse(up to 500 m)	27,64	27,64
Sewerage (up to 500 m)	14,14	14,14
Electricity-50kwh	18,84	18 84
Water 6kl	33,54	33,54
Total indigent package per month	213,53	213,53

#### **4.1.7. Service charges and other fees and charges**

The tariff increases are as follows:

Service	% increase
Water	3
Electricity	4.7
Refuse removal	5
Property rate	5
Sewerage	5
Average increase	4.7

#### **4.1.8. Fiscal strategy, financial position, constraints, ongoing viability and sustainability**

The financial strategy recognises that the implementation of MFMA will require a fundamental change in the financial principles that are pursued. The municipality has a three year medium-term financial planning process which will augment the Integrated Development Planning process. The Mogalakwena converted to General Accepted Municipal Accounting Principles (GAMAP) in 2004 .

The following influence the adoption of budget by council.

Tariff increase  
 Debt recovery  
 Employee costs

*Policies*  
 Asset management  
 Borrowing levels  
 Cost increases

Mogalakwena municipality do not have any loans

#### **4.1.9. Balanced budget constraints**

The MFMA specifies that if the expenditure exceeds current revenue and available surpluses for two financial years, or if the operating deficit exceeds 5% of the revenue, a municipality will be considered to have serious financial problems, and which will expose it to provincial or national government intervention.

The medium- term budget and annual budget have been prepared on the basis of a balanced budget approach.

#### **4.1.10. Employee costs**

The employee cost has increased due to the transferring of Department of Water Affairs and Forestry to Mogalakwena Municipality. The salary increase of 6.43% has been implemented.

#### **4.1.11. Debt recovery levels**

The MFMA requires that the budget be based on realist forecasts of revenue recovery. The recent history indicates that Mogalakwena is achieving an average collection rate of approximately 85% on consumer debt, it would be unrealistic to budget for debtor income levels substantially higher than that percentage.

An amount of R18 million is included in the budget as contribution to the Provision for Bad Debt.

This contribution is necessary to ease the impact of non-recovery of debtors on the cash flow situation, future growth and continuous service delivery of the municipality.

It needs to be noted that the situation with regards to the arrear debt is volatile owing to the fact that other processes and procedures are to be investigated, that is cleaning of debtor book

### **4.2 Budget Schedules**

#### **4.2.1. Budget Schedules**

Schedule 1 Revenue by source (page  
 Schedule 2 Operating Expenditure by Vote (page  
 Schedule 2(a)- Operating Expenditure by GFS classification (page  
 Schedule 3 Capital Expenditure by vote (page  
 Schedule3 (a) Capital Expenditure by GFS classification (page; and  
 Schedule 4 Capital funding by Source (page

#### **4.2.2. Budget related Charts and Explanatory Notes**

Table 1 Revenue by Source (page

Table showing the increment of Major Revenue by source

Major Revenue	2007/08	2008/09	2009/10
Water	3%	3%	4,5%
Electricity	4,7%	4,7%	4,5%
Refuse, Sewerage	5%	5%	5%
Property Rates	5%	5%	5%

#### Revenue by Minor Source

The other services charges for 2007/08 amount to R51 855 m. There is an increase of 94, 2% which is caused by selling of stands in extension 22. This will be a two year phase project.

Interest on investment for 200/08 amounts to R5 m (39%) decrease. This is caused by the funding of expenditure from cash-backed accumulated funds from previous years' surplus not committed for other purposes.

Interest earned on outstanding debtors is constant. This is to comply with MFMA not to charge interest on accounts which are uncollectible.

Other minor revenues are increased by 5%

Table 2 Operating Expenditure by Vote (pages

Department	2005/06	2007/08	2008/09	2009/10
Traffic and Emergency	13,9%increase	13,9%increase	6,7% increase	5% increase
Developmental Services	66%	34,9%	,56%	6,2%
Municipal Manager	32,9%	39,6%	10,46%	31,63%
Finance	90% decrease	22%	2%	5%
Corporate Services	41,2%	1,1%	6,2%	5%
Community	2,3%	15,7%	1,3%	
Technical Services				
Electricity				

Table 3 Capital Expenditure by Vote (page

The Council priority has been identified as providing roads and storm water. The water and sanitation has been identified as priority number two as only three villages are without water. The amount of R60 m has been provided for roads and storm water, water and sanitation .Electricity amounts to R25 m.

Table 4 Capital Funding by Source (page

Major source of funding is grants from National Governments .This amounts to R156m.  
 Own funding amounts to  
 Public funding amounts to

## 5. Supporting Documentation

Section 17(3) of the MFMA provides a range of documents that must accompany the budget.



Section 53(1) (a) of the MFMA states that the Mayor of a municipality must provide political guidance of the budget process and the priorities guiding the preparation of the budget.

## 5.1 Budget Process Overview

Political oversight of the budget process is essential to ensure that:

The IDP steering committee is responsible to advice council on policy and prioritization of community needs.

Policy priorities are linked to departmental spending plans and the delivery of services.

The tabling of the draft budget in Council on the 29 March 2007 was followed by extensive publication of the IDP/Budget documentation and various participation and community consultative meetings were held to receive representations and submissions from ward committees, residents, community organizations and organized business

Date	Activity and Purpose	Participants
24 October 2006	Tariff and Policy meetings To inform participants of the proposed tariffs and the Rates policy and other policies	Mayor, Speaker, EXCO, Councillors Ward committees and other stakeholders
29 March 2007	Special Council Meeting Mayor tables draft budget to Council	Councillors
13 April 2007	Draft budget made available in newspapers	
19 April – 6 May 2007	Public participation To present and discuss the draft budget, proposals and receive submissions/inputs	All ward Committee members, Sector departments, Traditional Leaders, and other stakeholders.
20-April 2006	Steering committee meeting Mayor to discuss the submissions received and to prepare for Representative Forum	Mayor, EXCO members and Managers
21 April 2007	Councilor's briefing meeting	Councillors

	To respond to submission received during the public participation process and to present the final budget proposals	
22 April 2007	Representative Forum To respond to submission received during the public participation process and to present the final budget proposals	All stake holders
30 May 2007	Council Meeting Mayor submits final budget to Council for consideration and approval	Councillors

Table: Summary of public participation activities

In terms of section 16 read with section 17 of the Local Government: Municipal Systems Act (Act 32 of 2000) and in conjunction with the Municipal Finance Management Act, 2003(Act 56 of 2003)(MFMA) the members of public were invited to participate in the Mogalakwena budget process.

The press clip below is an example of the notices which were placed in the newspapers.

In order to involve all relevant stakeholders and councillors , the following IDP/Budget Road show were held:

Venue	Date	Time	Wards	Attendance
Bakenberg Tribal Hall	18 April 2007	10h00	10,11 and part of ward 15	153
Rebone Community Hall	19 April 2007	10h00	3,6 and part of 1&2	145
Grasvlei	20 April 2007	10h00	5	171
MahwelerengCommunity Hall	22 April 2007	09h00	26,27,28,29and part of 24	254
Makobe Community Hall	24 April 2007	10h00	4 and part of 1&2	122
Mosesetjane Community Hall	03 March 2007	14h00	19,20,21 and part of 22	123
Basterspad	04March 2007	14h00	7,8,9 and part of 15	126
Moshate Community Hall	06 March 2007	10h00	23,25 and part of 22,24,29&30	86
Mayor's Parlour	06 March 2007	15h00	12,31,32	56

Pictures taken at various budget road shows during the public participation process

## 5.2 Alignment of Budget with Integrated Development Plan

The IDP of the council must be reviewed annually in terms of section 34 of the Municipal Systems Act and section 21 of MFMA.

The vision of Mogalakwena Municipality is ***to be community-oriented local authority committed to sustainable development and affordable service provision.***

The roadmap to sustainable growth and improvement of infrastructure is the main feature of a developmental municipality like ours. Whilst significant strides have been made in provision of basic services, it is imperative to highlight the backlog in service provision especially in rural areas. It is mostly perpetuated by the high level of unemployment. Therefore, the municipality faces the challenge of accelerating service delivery faced with the limited resources whilst the prospects of recouping the incurred expenses are diminishing

### 5.2.1. Long-term or outcomes for the communities

In order to ensure integrated and focused service delivery between all spheres of government it was important for Mogalakwena municipality to align its budget priorities with that of national and provincial

The priority issues from the municipal perspective following the submissions by various stakeholders.

#### **National Priorities**

Increasing investment in infrastructure

Improving education, training, skills development to raise productivity

Fighting poverty and inequality through work opportunities, income support and empowerment

Improved regulation of markets and public entities and efficient public service delivery

#### **Provincial Priorities**

Improve the quality of life of the population of Limpopo

Growing the Economy

To improve the institutional efficiency and effectiveness of government

To attain Regional Integration

Enhance innovation and competitiveness

#### **District Priorities**

Provide sound district regulatory framework

To promote management capacity in the district municipal area

To implement district municipal services

To ensure effective corporate services

## Mogalakwena Objectives

Service delivery and infrastructure  
 Social Economic Development  
 Municipal Financial Viability  
 Transformation and Institutional Arrangement  
 Good Governance and Democracy  
 Spatial and Environmental Management

### 5.2.2. Priorities Criteria and Weights

The IDP section together with finance department initiated that the first priority must be allocated the higher percentage of funding. The other criteria was that the funding be allocated to meet the target as indicated in the "State of the Nation " by the President.

The prioritisation criteria and their respective weights

Source of funding	MIG	Own funding
	%	%
Roads and stormwater	67	7, 55
Water	24	, 17
LED	4	0
Land	5	0
Electricity	0	76,46
Institutional		15,82

### 5.2.3. Amendments to the IDP

The 2006/2007 IDP was amended; hence the reviewed 2007/2008 IDP.

The following table indicates the consultative process undertaken to review the IDP

#### MOGALAKWENA MUNICIPALITY CONSULTATIVE PROCESS FOR THE REVIEW OF THE 2007/8 IDP

FORUM	PARTICIPANTS	ACTUAL DATE
1. IDP Steering Committee Meeting(s)	<ul style="list-style-type: none"> <li>⌋ 3 Exco Councillors and the Mayor</li> <li>⌋ All Section 57 Managers</li> <li>⌋ The IDP unit</li> </ul>	<ul style="list-style-type: none"> <li>⌋ 19 September 2006</li> <li>⌋ 18 December 2006</li> <li>⌋ 12 &amp; 13 February 2007</li> <li>⌋ 14 March 2007</li> <li>⌋ 20 May 2007</li> </ul>
2. IDP Representative Forum Meeting(s)	<ul style="list-style-type: none"> <li>⌋ All Sector Departments</li> <li>⌋ NGOs and Structures</li> <li>⌋ Business Sector</li> <li>⌋ Chiefs</li> <li>⌋ Councillors</li> </ul>	<ul style="list-style-type: none"> <li>⌋ 22 September 2006</li> <li>⌋ 20 December 2006</li> <li>⌋ 14 March 2007</li> </ul>

	<ul style="list-style-type: none"> <li>⌞ Ward Committees</li> <li>⌞ Community Development Workers</li> </ul>	⌞ 22 May 2007
3. IDP KPA Task Team Meeting(s)	<ul style="list-style-type: none"> <li>⌞ All Sector Departments</li> <li>⌞ NGOs and Structures</li> <li>⌞ Business Sector</li> <li>⌞ Chiefs</li> <li>⌞ Councillors</li> <li>⌞ Ward Committees</li> <li>⌞ Community Development Workers</li> </ul>	⌞ 09 January 2007 to 16 January 2007
4. Councilor's Briefing Sessions	<ul style="list-style-type: none"> <li>⌞ Ward &amp; PR Councillors</li> <li>⌞ Municipal Manager</li> <li>⌞ Mayor</li> <li>⌞ Speaker</li> <li>⌞ Manager Developmental Services</li> <li>⌞ Chief Finance Officer</li> </ul>	⌞ 21 May 2007
5. Community Based Planning Meeting(s)	<ul style="list-style-type: none"> <li>⌞ Village Development Committees</li> <li>⌞ Development Structures</li> <li>⌞ Church Groups</li> <li>⌞ Street Committee</li> <li>⌞ Block Committee</li> <li>⌞ Community Development Workers</li> </ul>	⌞ 24 October 2006 to 07 January 2007
6. Municipal Tariffs Consultative Meeting(s)	<ul style="list-style-type: none"> <li>⌞ Finance Department</li> <li>⌞ All Community Members and business community of Mahwelereng, Rebone, and Mokopane Town</li> </ul>	⌞ 24 October 2006
7. IDP Stakeholder Meeting(s)	<ul style="list-style-type: none"> <li>⌞ Business Sector</li> <li>⌞ Mayor</li> <li>⌞</li> </ul>	⌞ 8 November 2006

### **5.3. Budget Related Policies Overview and Amendements**

#### **5.3.1. The draft rates Policy**

The draft rates policy was tabled with the draft budget on the 29 March 2007. The draft policy was advertised on the newspaper and intensive road shows were conducted.

The public were requested to submit their objections. The closing date for submission was the of April.2007. No objections were submitted..

The financial policy of the Mogalakwena Municipality is to provide a sound financial base.

It is the goal of the municipality to achieve a strong financial position with the ability to ensure the provision of services to communities in a sustainable manner.

### **5.3.2. OPERATING BUDGET POLICIES**

The annual budget is the central financial planning document that embodies all operating revenue and expenditure decisions. It establishes the level of services to be provided by each department.

The Municipal Manager shall incorporate the Mogalakwena Municipality's priorities in the formulation of the draft and final budget proposal.

The budget will be subject to monthly control and be reported to Council with recommendations of action to be taken to achieve the budget's goal. The budget will be subject to a mid-term review, which will result in an adjustment budget.

Due to lack of maintenance and replacement plans and insufficient funds, maintenance is not adequately budgeted for in the draft budget.

The budget shall balance recurring operating expenses to recurring revenues.

### **5.3.3. CAPITAL INFRASTRUCTURE INVESTMENT POLICIES**

Mogalakwena will establish and implement a comprehensive three years Capital Investment Plan (CIP). This plan will be updated annually. See attached CIP as pages

An annual Capital Investment Budget will be developed and adopted by the Mogalakwena Municipality as part of the annual budget carried forward to the future fiscal years unless the project expenditure is committed or funded from grant funding.

All assets will be maintained at a level adequate to protect the municipality's capital investment and to minimise future maintenance and replacement costs. This can only be achieved if the municipality can come up with maintenance plans.

### **5.3.4. CREDIT CONTROL POLICIES AND PROCEDURES**

The Mogalakwena Municipality approved a credit control and Debt collection policy and procedures in year 1998.

The following amendments were made in 2006/2007 budget on the credit control policies and procedures.

#### **a) Introduction**

Amend: Local Government Property Rates Bill 2000.  
Local Government Ordinance, 1939 (Ordinance 17 of 1939).

Replace with: Local Government Municipal Property Rates Act No.6 of 2004.

- b) (2) Debtors MFMA.
- c) Amend debt collection procedures on the following sections.
  - 1.1.8 Word city treasury must be Chief Financial Officer.
  - 1.2.1.6 Word city treasury must be Chief Financial Officer.
  - 1.2.1.7 Word city treasury must be Chief Financial Officer.
- d) Installment period must be amended as 24 months and not 48 months.

48 months to 24 months

#### **5.3.5. INDIGENT POLICY**

The scheme identifies the conditions that must be satisfied to be regarded as an indigent and the process to follow to apply for the indigent status.

The form of subsidy is identified as is the process of auditing indigent applications. In addition, procedures which will be followed in the event of a death of indigent and false information given by indigents during applications are covered.

Finally treatment of debt of a customer on becoming an indigent and interest on arrear charges are addressed.

Writing off outstanding debts owed by indigent household.

Amendments are to be effected on the sections:

- 4.1.** If the total gross monthly income of all the members of the household does not exceed R1 100,00

Must be

If the total gross income of all the members of the household does not exceed the equivalent of two government old age pension or disability grants as determined from time to time.

Indigent debtor will receive a rebate of the amount charge on a stand of average 500m<sup>2</sup> and a land value of R 7000, 00 as described by budget on a monthly basis.

Must be

The R7000,00 must be R15 000,00

### **Addition: Construction of Rural Sanitation**

Mogalakwena Municipality shall contribute financial assistance to indigent households to enable them in the construction of basic rural household sanitation.

The financial assistance shall be granted subject to peculiar circumstances of the household and need analysis and assessment to be evaluated by the accounting officer.

#### **5.3.6. TARIFF POLICY**

The Local Government: Municipal Systems Act 2000 requires municipality to adopt and implement a tariff policy.

- a) users must be treated equally in application of tariffs.
- b) the amount users pay for services should generally be in proportion to their use of that service.
- c) tariffs must be set at levels that facilitate the financial sustainability of the service.
- d) tariffs increases were calculated at 5% as from 1 July 2006 with regard to assessment rates and the main services with exception of electricity.

The tariff policy was adopted in 2006/2007.

#### **5.3.7. INVESTMENT OF FUNDS, RESERVES, BORROWING AND CASH MANAGEMENT**

The investment policy was adopted in 2006/2007.

Previously the Mogalakwena Municipality had council resolution in regard to investment of funds.

In terms of the Municipal Finance Management Act, Act 56 of 2003, Section 13 (2) and the municipal investment regulations. "Each municipal council shall adopt by resolution an investment policy regarding the investment of its money not immediately required.

Investments of the municipality shall be undertaken in a manner that seeks to ensure the preservation of the capital in overall portfolio.

Investment shall be made with care, skill, prudence and diligence. Investment officials are required to:

- a) adhere to written procedures and policy guidelines
- b) exercise due diligence
- c) prepare all reports timeously
- d) exercise strict compliance with all legislation



### 5.3.8. ASSET MANAGEMENT POLICIES

A summary of the principle supported in this policy are:

A fixed asset shall mean an asset, either movable or immovable, under the control of the municipality.

- The fixed asset register shall comply with the requirements of Generally Recognized Accounting Practice (GRAP).
- Fixed assets are classified under the following headings:
  - ü Land
  - ü Infrastructure Assets
  - ü Community Assets
  - ü Heritage Assets
  - ü Other Assets
- Every head of department shall be directly responsible for the physical safekeeping of any fixed asset controlled or used by the department in question. Property Plant and Equipment (PPE) is stated at cost less accumulated depreciation or fair value at date of acquisition less accumulated depreciation where assets have been acquired by grant or donation.
- Depreciation is calculated on cost, using the straight line method, over the estimated useful lives of the assets.
- Incomplete construction work is not regarded as an asset.
- The entire individual fixed assets that are transferred from state departments or other municipalities to Mogalakwena Municipality have to be valued, as these assets will represent the take on values for Mogalakwena Municipality.
- A more appropriate useful life can be motivated by the department that acquires the asset.
- The department that uses the asset must review the useful life of an asset. The responsible manager must inform the finance department if he/she still reckons that the asset is still usable in order for finance to extend the useful life of an asset.
- Land, building and other fixed property will be revalued on a four (4) yearly basis when all other properties are revalued.
- Assets with a value of less than or equal to R2 500,00 will be classified as inventory.

- No assets may be removed from its original location without the written approval of the Asset Control Officer. The transfer form must be completed by the relevant official and be authorized by the departmental manager and the Chief Financial Officer (CFO).
- Water be valued at year end and be shown as inventory in the financial statements.
- Council resolved that when assets are disposed the following should be implemented:

The item with not high value but are actually worth more than book value should be donated to mayoral benefit organizations.

The other items should be auctioned in an identified SDA of Mogalakwena on a rotational basis.

***Amendments and additions to be effected on this section:***

***Amend sections***

- Depreciation shall be calculated for a full month if an asset is purchased before the 15 of each month
- R1 with R0
- Implementation on disposal of assets
- Amend

The item with not high value but are actually worth more than book value should be donated to mayoral benefit organizations.

The other items should be auctioned in an identified SDA of Mogalakwena on a rotational basis.

To read as follows:

*i) to grant previously disadvantage groups an opportunity to successfully participate at auctions*

*ii) to donate obsolete items to needy institutions particularly those adopted by mayor;*

*iii) to change and rotate the venue for auctions to include the rural areas.*

### **5.3.9. SUPPLY CHAIN MANAGEMENT POLICY**

Every municipality is required to develop and implement Supply Chain Management Policy (SCMP) in terms of regulations in gazette number

27636, dated 30 May 2005 and Municipal Finance Management Act (MFMA) no 56 of 2003, chapter 11.

The Supply Chain Policy was approved in 2006.

#### **5.3.10. PERSONNEL OVERTIME, VACANCIES AND TEMPORARY STAFF**

It is the responsibility of each manager to ensure that overtime is conducted according to the basic conditions act. If a need rises for employees to work more than prescribed hours per day as per act, the employees will be requested to complete the agreement.

All managers' overtime are regulated by their employment contracts. Accounting Officer must delegate powers to managers to exercise responsibilities in this regard.

The accounting officer must authorise overtime if personnel has to work more than regulated hours.

In case of vacancies which are not budgeted for the accounting officer may only authorise after consultation with the CFO.

#### **FORBIDDEN ACTIVITIES**

Section 164 of the MFMA, Act no 56 of 2003 provide as follows:

*Forbidden activities.*

- "(i) no municipality or entity may –*
- (a) conduct any commercial activities –*
- (i) otherwise than in the exercise of the powers and functions assigned to it in terms of the constitution of national or provincial legislation or*
- (ii) outside the borders of the Republic,*
- (b) provide a municipal service in an area outside its jurisdiction except with the approval of the Council of the municipality having jurisdiction.*
- (c) .....*

#### **5.3.11. Mid-year budget and performance review:**

The mid-year budget and performance review, coupled with the monthly budget statements are considered key documents to assist with the preparation of an adjustment budget and forthcoming budget.

The 2007/08 medium term budget should only be amended by:

Departmental management authorising offsetting operating budget variations within the votes delegated to them, essential allowing variations within the department budget 'groups' but not across budget groups. Therefore, for example, manager could transfer allocations within an

expenditure group such as 'Employee costs', but could not authorize a transfer from 'Materials' to 'Employee costs'. It should also be noted that each capital project also represent a vote requiring Council approval to amend.

A mid-year review by the Accounting officer in accordance to with MFMA ,due for completion by January , which would possible culminate in an Adjustment budget being presented to Council in the month following the reviewed, if required.

An adjustment budget in accordance with the provision of section 28 of the MFMA brought to Council for approval in circumstances where extraordinary events require fundamental and urgent change to budget.

*Section 28 of the MFMA, Act No. 56 of 2003 provides as follows:*

- (1) A municipality may revise an approved annual budget through an adjustments budget.*
- (2) An adjustments budget-*
  - a) must adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year,*
  - b) may appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for,*
  - c) may, within a prescribed framework, authorise unforeseeable and unavoidable expenditure recommended by the mayor of the municipality,*
  - d) may authorise the utilisation of projected savings in one vote towards spending under another vote,*
  - e) may authorise the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the council,*
  - f) may correct any errors in the annual budget, and*
  - g) may provide for any other expenditure within a prescribed framework.*
- (3) An adjustments budget must be in a prescribed form.*
- (4) Only the mayor may table an adjustments budget in the municipal council, but an adjustments budget in terms of subsection (2)(b) to (g) may only be tabled within any prescribed limitations as to timing or frequency.*
- (5) When an adjustments budget is tabled, it must be accompanied by-*

- a) *an explanation how the adjustments budget affects the annual budget,*
  - b) *a motivation of any material changes to the annual budget,*
  - c) *an explanation of the impact of any increased spending on the annual budget and the annual budgets for the next two financial years, and*
  - d) *any other supporting documentation that may be prescribed.*
- (6) *Municipal tax and tariffs may not be increased during a financial year except when required in terms of a financial recovery plan.*
- (7) *Sections 22(b), 23(3) and 24(3) apply in respect of an adjustments budget, and in such application a reference in those sections to an annual budget must be read as a reference to an adjustment budget.*

### **5.3.12 UNFORESEEN AND UNAVOIDABLE EXPENDITURE**

*Section 29 of the MFMA, Act No. 56 of 2003 provides as follows:*

- 1) *The mayor of a municipality may in emergency or other exceptional circumstances authorise unforeseeable and unavoidable expenditure for which no provision was made in an approved budget.*
- 2) *Any such expenditure –*
  - a) *must be in accordance with any framework that may be prescribed,*
  - b) *may not exceed a prescribed percentage of the approved annual budget:*
  - c) *must be reported by the mayor to the municipal council at its next meeting, and*
  - d) *must be appropriated in an adjustments budget.*
- 3) *If such adjustments budget is not passed within 60 days after the expenditure was incurred, the expenditure is unauthorised and section 32 applies.*

### **5.3.13. UNSPENT FUNDS**

*Section 30 of the MFMA, Act No. 56 of 2003 provides as follows:*

*The appropriation of funds in an annual or adjustments budget lapses to the extent that those funds are unspent at the end of the financial year to which the budget relates, except in the case of an appropriation for expenditure made for a period longer than that financial year in terms of section 16(3).*

### **5.3.13. SHIFTING OF FUNDS BETWEEN MULTI-YEAR APPROPRIATIONS**

*Section 31 of the MFMA, Act No. 56 of 2003 provides as follows:*

*When funds for a capital programme are appropriated in terms of section 16(3) for more than one financial year, expenditure for that programme during a financial year may exceed the amount of that year's appropriation for that programme, provided that –*

- a) the increase does not exceed 20 per cent of that year's appropriation for the programme,*
- b) the increase is funded within the following year's appropriation that programme,*
- c) the municipal manager certifies that-*
  - i) actual revenue for the financial year is expected to exceed budgeted revenue, and*
  - ii) sufficient funds are available for the increase without incurring further borrowing beyond the annual budget limit,*
- d) prior written approval is obtained from that mayor for the increase, and*
- e) the documents referred to in paragraphs (c ) and (d) are submitted to the relevant provincial treasury and the Auditor-General.*

#### **5.3.14. UNAUTHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE**

*Section 32 of the MFMA, Act No. 56 of 2003 provides as follows:*

- 1) Without limiting liability in terms of the common law or other legislation*
  - (a) a political office-bearer of a municipality is liable for unauthorised expenditure if that office-bearer knowingly or after having been advised by the accounting officer of the municipality that the expenditure is likely to result in unauthorised expenditure, instructed an official of the municipality to incur the expenditure,*
  - (b) the accounting officer is liable for unauthorised expenditure deliberately or negligently incurred by the accounting officer, subject to subsection (3),*

- (c) *any political office-bearer or official of a municipality who deliberately or negligently committed, made or authorised an irregular expenditure, is liable for the expenditure, or*
  - (d) *any political office-bearer or official of a municipality who deliberately or negligently made or authorised a fruitless and wasteful expenditure is liable for that expenditure.*
- 2) *A municipality must recover unauthorised, irregular or fruitless and wasteful expenditure from the person liable for that expenditure unless the expenditure-*
  - a) *in the case of unauthorised expenditure, is-*
    - (i) *authorised in an adjustments budget, or*
    - ii) *certified by the municipal council, after investigation by a council committee, as irrecoverable and written off by the council, and*
  - b) *in the case of irregular or fruitless and wasteful expenditure, is, after investigation by a council committee, certified by the council as irrecoverable and written off by the council.*
- 3) *If the accounting officer becomes aware that the council, the mayor or the executive committee of the municipality, as the case may be, has taken a decision which, if implemented, is likely to result in unauthorised, irregular or fruitless and wasteful expenditure, the accounting officer is not liable for any ensuing unauthorised, irregular or fruitless and wasteful expenditure provided that the accounting officer has informed the council, the mayor or the executive committee, in writing, that the expenditure is likely to be unauthorised, irregular or fruitless and wasteful expenditure.*
- 4) *The accounting officer must promptly inform the mayor, the MEC for local government in the in the province and Auditor-General, in writing, of*
  - a) *any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality,*
  - b) *whether any person is responsible or under investigation for such unauthorised, irregular or fruitless and wasteful expenditure, and*
  - c) *the steps that have been taken-*
    - (i) *to recover or rectify such expenditure, and*
    - (ii) *to prevent a recurrence of such expenditure.*
- 5) *The writing off in terms of subsection (2) of any unauthorised, irregular or fruitless and wasteful expenditure as irrecoverable, is no excuse in criminal or disciplinary proceedings against a person charged with the commission*



*of an offence or a breach of this Act relating to such unauthorised, irregular or fruitless and wasteful expenditure.*

6) *The accounting officer must report to the South African Police Service all cases of alleged-*

- a) irregular expenditure that constitute a criminal offence, and*
- b) theft and fraud that occurred in the municipality.*

7) *The council of a municipality must take all reasonable steps to ensure that all cases referred to in subsection (6) are reported to the South African Police Service if-*

- (a) the charge is against the accounting officer, or*
- (b) the accounting officer fails to comply with that subsection.*

8) *The Minister, acting with the concurrence of the Cabinet member responsible for local government, may regulate the application of this section by regulation in terms of section 168."*

9)

#### **5.4. Budget Assumptions**

Municipalities must table a balanced and incredible, budget based on realistic estimates of revenue that are consistent with their budgetary resources. The needs of the residents must be met within the financial capacity of the Council in accordance with the guideline confirmed by the Council.

The compilation of budget is affected by various external factors such as inflation, national government, policy directives as well as by the employment and affordability demographics of our residents.

The Local Government: Municipal Systems Act, 2000 requires a municipality to adopt and implement a tariff policy. Policies for the main services have been approved by Council and the requirements are summarized as follows:

- a) Users must be treated equitable in the application of tariffs.
- b) The amount individual users pay for services should generally be in proportion to their use of that service.
- c) When setting tariffs, the Council may differentiate between categories of users, e.g. dwelling houses, industries, etc.
- d) Poor households must have access to at least basic services.



MFMA Circular No.41 provides municipalities with information for the preparation of their 2007/08 MTREF (Medium Term Revenue and Expenditure Framework). It is informed by the 2006 MTBPS (Medium Term Budget Policy Statement) and adjustment Appropriations tabled by the Minister of Finance on the 31 January 2007. The following are covered by Circular 41.

### Growth Parameters

	206/07	2007/08	2008/09	2009/10
GDP	4,2%	4,4%	4,8%	5,3%
CPIX	5,2%	5,1%	4,3%	4,5%
National Treasury	3-6%	3-6%	3-6%	3-6%
Rates	5%	5%	5%	4,5%
Refuse,sewerage	5%	5%	5%	4,5%
Water	5%	3%	3%	4.5%
Electricity	5%	4,7%	4,7%	4,5%
<b>Free Basic Electricity</b>				
Mokopane,Mahwelereng,Rebone	50kwh	50kwh	50kwh	50kwh
All Villages	0	50kwh	50kwh	50kwh
<b>Free Basic Water</b>	6kl	6kl	6kl	6kl
Households at villages	Provide diesel/Pay Eskom Accounts and pump operators	Provide diesel/Pay Eskom Accounts and pump operators	Provide diesel/Pay Eskom Accounts and pump operators	Provide diesel/Pay Eskom Accounts and pump operators

Council has resolved that all households get 6 k/ free basic water and 50 kwh electricity. The other service being refuse, assessment rates, and sewerage be provided only to the indigent.

The parties to SALGBC have agreed on 6, 43% wage increase. The Mogalakwena Municipality is proposing the same percentage increase. The minimum wage payable in our municipality shall be R3 093, 92.

The councilors allowances is with 6, 43%. Their increase will only be affected after the Upper Limits for Political Officer Bearers has been promulgated.

The section 57 salaries will be adjusted according to clause 7.4 of the Regulation No.805 dates 1 August 2006. The increase margin will be determined based on the negotiated parties to SALGBC of 6, 43%.

The new organogram is to be adopted by council in 2007/08. Not all position will be filled in the 2007/08 due to insufficient funds.

The municipality will be servicing 1200 stands. This will take place in two phases .The first 500 depending on the construction will be sold in 2007/08 and the remaining 700 in 2008/09 financial year.

The 2007/08 capital projected funded by Municipal Infrastructure Grant (MIG) has already been started as this is a requirement by the national government. This will have impact on the medium-term budget.

The municipality has started with the re-fencing process in the Electrical department. This will have an impact to the municipality revenue budget in years to come.

Budget strategic focus: The Mogalakwena budget reflect the strategic outcomes embodied in the IDP. This focus represents a shift away from detailed line item budgets that tend to focus on inputs. Thus council should adopt the budget at a high level vote enabling the accounting officer to oversee the implementation and management of budget in accordance with appropriate policies and internal controls and through regular reports to council on financial and outcome performance.

## 5.5. Funding the budget

### 5.5.1. Fiscal overview

**Table :Financial Performance ratios and Benchmarks**

Financial Bench Mark	Basis of calculation	Audited 2005/06	Estimated 2006/07
<b>Safety of Capital:</b> Debt to Equity	Loans,Account Payable,Provision/Funds & Reserves	0,27:1	,56:1
<b>Liquidity:</b> Current Ratio	Current Assets less consumer debtor outstanding greater than 1 yr)/ Current Liabilities	0,76:1	1:1
Liquid Ratio	Monetary Assets/Current Liabilities	2.,1:1	2,2:1
<b>Revenue Management</b> Annual Debtors Collection Rate	Last 12 Mths receipts/last 12 Mths		

(Payment level %)	Billing	81,01%	82,29%
Outstanding Debtors to Revenue	Total Outstanding Debtors/Annual Revenue	13,18%	13,18%
Longstanding debtors Reduction due to Recovery	Debtors over 12 Months old recovered/Total debtors over 12 months	79%	75%
<b>Creditors Management</b>			
Creditors system Efficiency	% Creditors Paid within Terms(within 30 days as per MFMA s 65(e)	100%	100%
<b>Other Indicators</b>			
Electricity Distribution Losses Percentage Value	(Total units purchased less total units sold)/Total units purchased	8,39%	10,47%
Water Distribution Losses Percentage Value	(Total units purchased less total units sold)/Total units purchased	33,32%	46,97%

### 5.5.2. Funding the budget

According to MFMA section 18 Funding of Expenditure

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

### 5.5.3. Credible budget:

A credible budget is one that:

Funds only activities consistent with the revised IDP, which must recognize the financial resources available to the municipality, is achievable in terms of agreed service delivery and performance targets, contains revenue and expenditure projections that are consistent with the current and past performance and supported by documented evidence of future assumptions, is not adjusted on a monthly, quarterly or less frequent basis, does not jeopardize the financial viability of the municipality, provides managers with appropriate levels of delegation sufficient to meet their financial management responsibility.

#### 5.5.4 Operating Budget

In terms of section 96 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) council has an obligation to ensure that all revenue due is collected. The section provides as follows:

*“A municipality –*

- (a) *must collect all money that is due and payable to it, subject to this Act and any other applicable legislation; and*
- (b) *...”* (My emphasis)

The draft operational budget reflected on table 1 and 2 and the charts contained operating revenue by source and expenditure by vote attached as pages. These figures does not include transfers to and from other reserves.

In 2006/2007 the operating budget amounted to R228 569 million. For 2007/2008 the budget is R281 145 million. This is an increase of R 52 576 million which is above the norm of 3% - 6% as set by National Treasury. This increment is caused by the Equitable Share grant which is R 92 million and the Fire brigade subsidy R1,8 million from the Waterberg District Municipality.

The amount budgeted for Free Basic Services amounts to R26 775 million. All household consumers receiving services from the municipality will be receiving 6kl Free Basic Water and 50kwh of Electricity. The municipality will supply villages with diesel and payment of Eskom electrical accounts for the bore-holes. The indigents will still receive 6kl (FBW), 50kwh (FBE), Free basic refuse, Free basic sewer and Free assessment rate. The municipality has made an agreement with Eskom whereby all household consumers in Mahwelereng and Rebene are receiving 50kwh free basic electricity.

The indigents in villages will receive an assistance on construction of sanitation.

Provision of only R18 739 million is made for bad debts. The municipality is utilising the services of debt collectors, hoping that the debts will be reduced. If there is a surplus at 2007/2008 financial year end portion of the surplus must be transferred to the provision for bad debts if insufficient amount is collected. This projected collection rate is 81% .

The increased charges as recorded on the operating budget are average of 4.7%.

Proposed tariff increase for the 2007/2008 to 2009/2010 financial years with prior year comparatives.

Description	2006/2007	2007/2008	2007/2009	2009/2010
Rates	6.5%	5%	5%	4.5%
Refuse	6.5%	5%	5%	4.5%
Sewerage	5%	5%	5%	4.5%
Water	10%	3%	3%	4.5%
Electricity	10%	4.7%	4.7%	4.5%
Average Increase	7.9%	4.7%	4.7%	4.5%

#### 5.5.5 Operating Budget 2007/2008 to 2009/2010

Operating revenue by source reflected in Schedule 1 amounts to R 382 291 million.

Operating expenditure by source reflected in Schedule 2 amounts to R 281 145 million.

The tables identifies 3 years medium term expenditure operating budget for 2007/2008 to 2009/2010 financial years with actual expenditure for 2005/2006 and projected operating expenditure for 2006/2007 financial year illustrated for comparative purposes. See attached .

The percentage increase allowed was set at norm of 4,7% on the operating budget.

**Table :Indigent welfare package for 2007/2008:**

Package Compilation	Proposed Charges R (Vat excluded)	Council's Share R (Vat excluded)
Rates – R15 000 Valuation	119.37	119.37
Refuse (up to 500 m <sup>2</sup> )	27.64	27.64

Sewerage (up to 500 m <sup>2</sup> )	14.14	14.14
Electricity – 50kwh	18.84	18.84
Water – 6kl	33.54	33.54
Total indigent package per month	213.53	213.53

### Assessment Rates

The table below, reflects assessment compared to total expenditure.

Year	Operating Budget	Rates	%
2005/2006	195 281 324,00	30 875 025,00	16%
2006/2007	228 569 000,00	30 678 000,00	13%
2007/2008	281 145 248,00	32 298 396,00	11%
2008/2009	290 503 736,00	33 913 312,00	12 %
2009/2010	331 210 806	35 608 981,00	11%

### WATER TARIFF

In terms of Section 75A of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), the following tariff structure be approved in respect of water supply for 2007/08:

The following recommended tariff structure for water for 2007/2008 compared to 2006/2007:

TYPE CONSUMER	TYPE SCALE	INTERVALS	TARIFF CODE	PER KILOMETRE 2006/2007 (Vat excl)	PER KILOMETRE 2007/2008 (Vat excl)
Domestic/ Flats with own meters	Gliding scale	0-6 kl 7-10 kl 11-50 kl 51-100 kl 101> kl	WA430	0.00 5.43 5.78 6.93 11.55	0.00 5.59 5.95 7.14 11.90
Business:	Normal		WA431	5.78	5.95
Flats:	Normal		WA432	5.78	5.95
Industrial:	Normal		WA433	5.78	5.95

Provincial Hospital:	Normal		WA434	5.43	5.59
Schools, Churches, Hostels, Sport clubs	Normal		WA435	5.78	5.95
Departmental:	Normal		WA440	5.78	5.95

The above-mentioned tariffs are subject to a 20% discount for unpurified borehole water as drinking water supplied to Rebone Township.

#### Examples of monthly water consumption charges:

CONSUMPTION	CURRENT MONTHLY ACCOUNT (Vat excl)	PROPOSED MONTHLY ACCOUNT (Vat excl)	ADDITIONAL AMOUNT PAYABLE (Vat excl)	INCREASE
kl	R	R	R	%
6	0.00	0.00	0.00	0,0
10	21.72	22.36	0.64	3,0
42	206.68	212.76	6.08	3,0
75	426.17	438.86	12.69	3,0
110	714.92	736.36	21.44	3,0

#### SEWERAGE TARIFF

In terms of Section 75A of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), the following tariff structure be approved in respect of sewerage for 2007/08:

The following recommended tariff structure for sewerage for 2007/2008 compared to 2006/2007:

TYPE CONSUMER	SIZE OF ERF M <sup>2</sup>	BASIC CHARGE (Vat excl)		FOR EVERY WATER CLOSET AND/OR URINAL MORE THAN ONE (Vat excl)	
		2006/2007	2007/2008	2006/2007	2007/2008
Private Dwellings	0-500	13.47	14.14		
	501-1000	26.99	28.34		
	1001-1500	43.16	45.32		

	1501-2000	48.56	50.99		
	2001-2500	53.96	56.66		
	2501-3000	59.35	62.32		
	Every additional 500 above 3000	5.41	5.68		
Churches	0-500	13.47	14.14	11.40	11.97
Hospitals	501-1000	26.99	28.34	11.40	11.97
Nursery schools	1001-1500	43.16	45.32	11.40	11.97
Schools	1501-2000	48.56	50.99	11.40	11.97
Sport clubs	2001-2500	53.96	56.66	11.40	11.97
Charity organisations	2501-3000	59.35	62.32	11.40	11.97
	Every additional 500 above 3000	5.41	5.68	11.40	11.97
All other erven sites per erf eg. Business and industrial		142.96	150.11		
<b>Besides the charges above</b>					
For every water closet or/and urinal in a school, hostel or boarding house.				27.85	29.24
For every water closet or/and urinal in a flat				39.11	41.07
For all other water closets or /and urinal each				36.40	38.22

### Examples of sewerage tariff

SIZE OF ERF	CURRENT MONTHLY ACCOUNT (Vat excl)	PROPOSED MONTHLY ACCOUNT (Vat excl)	ADDITIONAL AMOUNT PAYABLE (Vat excl)	INCREASE
M <sup>2</sup>	R	R	R	%
500	13.47	14.14	0.67	5
1600	48.56	50.99	2.43	5
3500	64.76	68.00	3.24	5
Business	142.96	150.11	7.15	5

### REFUSE REMOVAL



In terms of Section 75A of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), the following tariff structure be approved in respect of refuse removal for 2007/08:

The following recommended tariff structure for refuse removal for 2007/2008 compared to 2006/2007 financial year:

TYPE OF CONSUMER	SIZE OF ERF	BASIC CHARGE (Vat excl)		CONTAINER UNITS (Vat excl)	
		2006/7	2007/8	2006/7	2007/8
Private Dwellings	0 – 500	26.32	27.64		
Churches	01 – 1000	38.48	40.40		
Church Halls	01 – 1500	52.51	55.14		
Residential stands on which building operations are being carried out	501 – Up	56.58	59.41		
Hostels		52.51	55.14	673.32	706.99
Boarding houses		52.51	55.14	673.32	706.99
Schools		52.51	55.14	673.32	706.99
Hospitals		52.51	55.14	673.32	706.99
All government properties		52.51	55.14	673.32	706.99
Sport Clubs		52.51	55.14	673.32	706.99
Charity Organizations		52.51	55.14	673.32	706.99
Municipal buildings		52.51	55.14	673.32	706.99
Any other institutions which are being used solely for residential purposes		52.51	55.14	673.32	706.99
All other erven per erf eg Business and Industrial		100.95	106.00	673.32	706.99
Bulk refuse and special house refuse: Per load or part thereof		216.23	227.04		

#### Example of monthly refuse tariff

SIZE OF ERF M <sup>2</sup>	CURRENT MONTHLY ACCOUNT (Vat excluded)	PROPOSED MONTHLY ACCOUNT (Vat excluded)	ADDITIONAL AMOUNT PAYABLE (Vat excluded)	EASE
	R	R	R	%
500	26.32	27.64	1.32	5
950	38.48	40.40	1.92	5
1200	52.51	55.14	2.63	5

1550	56.58	59.41	2,83	5
BUSINESS	100.95	106.00	5.05	5

A clean city is visually important for the protection and development of tourism and business, as well as for its residents. It is of utmost importance to protect and manage natural resources for optimal environmental health.

In accordance with the Constitution of the Republic of South Africa, 1996 Act 108 of 1996), a municipality must ensure a safe and healthy environment to its residents, thereby making the municipality responsible for waste removal, refuse sites and solid waste disposal. It further places an obligation on municipalities to protect the environment.

The health Act, 1977 (Act 63 of 1977), makes it the duty of municipality to prevent the occurrence in its district of any nuisance (section 20), where a nuisance is defined as, among other things, "...any accumulation of refuse, offal or other matter which is offensive or is injurious or dangerous to health".

## PROPERTY RATE TARIFF

Property rates are mainly used to provide funds for non-remunerative services such as the cost of governance and administration of council, financial services, sport and recreation facilities. These funds also pay for the costs of maintaining an ordered community, for an example, as far as traffic, safety, trade, industries, health, roads and parks are concerned. Depending on circumstances at a given moment, a rate payer may make use of these collective services to a greater or lesser degree. Given this kind of collective service, their provision must be financed by a general tax unlike the specific charge of measurable services such as water and electricity.

In general, local rates can be described as no voluntary levies, characterised by the fact that payment therefore does not give rise to a direct quid pro quo relation between the ratepayer and the recipient of the Municipality in this case, in other words, in comparison with the services charges (where there is a measurable benefit in the use of the service charged for the local ratepayer does not receive a direct or measurable benefit from the payment of rates). By implication there is, however, an indirect benefit, although the value of the benefit that a specific individual derives, is difficult to estimate.

Two factors therefore determines the amount that the property owner must pay to a local authority for assessment rates: Firstly, the assessed value of the property and secondly, the effective assessment rate. An increase of 5% in the assessment rate tariff is proposed. The applicable tariff from 1 July 2007 therefore amounts to 20.76 cent in the Rand.

- i) in terms of the provisions of the Local Government Municipal Property Rates Act 2004 (Act No. 6 of 2004) and also read with the provisions of section 24 of the Local Government Finance Management Act, 2003 (Act No. 56 of 2003), a property rate for the financial year 2007/2008 of 20.76 cents in the Rand on the site value of land or a right in land be levied with effect from 1 July 2007; (property rate for the financial year 2006/2007 was 19.77 cents in a rand.)

- ii) in terms of the provisions of section 12 (1-3) and section 26 (1-3) of the Local Government: Municipal Property Rates Act 2004 (Act 6 of 2004), the property rate levied in terms of paragraph (i) *supra* shall become due on 1 July 2007 and be payable in 12 equal installments by the owners of the rated property within the jurisdiction of the Mogalakwena Municipality on the following fixed days:
  - a) the first installment on 31 July 2007; and
  - b) the further installments on the last day of each succeeding month, the final installment becoming payable on 30 June 2008.
- iii) In terms of section 15 of the Local Government Municipal Property Rates Act, 2004 (Act No. 6 of 2004),

A rebate of 54% be granted on the general rate for erven in Mokopane.

Township zoned for residential 1 purposes, Mahwelereng Township for residential purposes, provided a dwelling house has been erected on the erf: Provided further that the rebate shall not be granted where a consent use in terms of the provisions of either the Potgietersrus Town Planning Scheme, 1984, or the Greater Potgietersrus Town Planning Scheme, 1997, has been granted: Provided yet further that the rebate shall not be granted in respect of residential erven in Mahwelereng Township that are used for:

- a) the practice of a profession or occupation or vocation which does not fall within the excluded categories defined in clause 13 of the Greater Potgietersrus Town Planning Scheme, 1997; or
  - b) for any other non-residential purpose.
- iv) In terms of section 15 of the Local Government Municipal Property Rates Act, 2004 (Act No. 6 of 2004), a rebate of 28 % on the general rate be granted for erven zoned for residential 2, 3 or 4 purposes and which are used for those purposes.
- v) In terms of section 15 of the Local Government Municipal Property Rates Act, 2004 (Act No. 6 of 2004), a rebate of 30% on the general rate be granted to ratable property registered in the name of government schools, government clinics, government hospitals and welfare organizations which have been registered in terms of the National Welfare Act 1978 (Act No 100 of 1978), (subject thereto that the organization applies in writing at the municipality and submits the original registered forms which must be certified by the Chief Financial Officer).
- vi) In terms of section 15 of the Local Government Municipal Property Rates Act, 2004 (Act No. 6 of 2004), a rebate of 100% be granted to residential properties in Rebone.

- vii) In terms of Section 15 (2) (b) of the Local Government Municipality Property Rates Act 2004 (Act 6 of 2004) the following additional rebate:

20% on the balance of the assessment rate that is payable in terms of i) *supra* provided that the applicant was the registered owner of property within the Mogalakwena Municipality's jurisdiction area for a period between 5 to 10 years;

or

40% on the balance of the assessment rate that is payable in terms of

i) *supra* provided that the applicant was the registered owner of property within the Mogalakwena Municipality's jurisdiction area for a period longer than 10 years; be granted, subject thereto that the person further qualifies in terms of the following requirements:

- a) He/she is 60 years of age or older or is a disabled person who receives a disability pension;
- b) His/her income does not exceed R36 000,00 per annum;
- c) He/she is the registered owner of the relevant property;
- d) He/she occupies the relevant property him/her self;
- e) He/she applies on an annual basis for the rebate and submit an acceptable proof of income;

- viii) no rebate be granted on the general rate in respect of erven zoned for business and industrial purposes or government properties except the erven mentioned under v) *supra*.

- ix) interest on all amounts in arrears be charged at the rate determined from time to time in terms of the provisions of the Prescribed Rate of Interest Act, 1975 (Act 54 of 1975) or any other relevant Act.

#### 5.5.6. Investments

Investments held represent cash backed accumulated surpluses and the unspent conditional grants and receipts.

The Table below indicates the investment particulars by maturity as at 31 April 2007.

Institution	Investment	Monetary value	
		'000	'000
ABSA	Short term	45 000	481
FNB	Short term	29 000	544
Nedbank	Short term	30 000	360
Standard Bank	Short term	38 000	211

<b>TOTAL</b>	<b>142 000</b>	<b>1 598</b>
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The total amount invested externally as at 30 April 2007 amounts to R142 million and indicates an improvement of 7, 18%, compared to the amount of R102 million invested as at 30 June 2006.

The interest earned from these investments would be utilised to fund the operating budget. The capital replacement reserve is backed by the investments.

#### **5.5.7. Grant allocations**

The following grants have been gazetted in the Division of Revenue Act for the financial year:

Table : Grants 2007/08

Grant name	Amount
Municipal Infrastructure Grant	54 699
Equitable shares	92 560
Municipal System Improvement Grant	734
Finance Management Grant	500
National Electrification Programme	1 800
Water Services Allocation	18 000
Premier Office(roll over)	4 229

#### **5.5 8. Contribution and donations**

Donation	Amount
Lottery (roll over)	2 218

#### **5.5.9. Sale of assets**

The municipality will be selling 1 200 stands in the year 2007/08 and 2008/09 financial years. The projected revenue for 2007/08 is based on 400 stands which amounts to R70 million.

#### **5.5.10. Carry Over.**

The 2006/07 capital projects carry overs amounts to R7 million. Due to unforeseen circumstances the carry over might be understated. The amount which were submitted to finance will be considered during the adjustment of the budget in 2007/08

#### **5.5.11. Proposed Future Revenue Sources**

The property value has been appointed. It is anticipated that in 2008/09 financial year the assessment rate will increase as the mines and farms will be added to the valuation of our municipality.

Council has resolved on land alienation this will increase the other revenue for the next two years. It is recommended that the surplus be utilised in developing more stands.

The costs for servicing of stands is estimated at R88 million. As state above the funds utilised must be cash backed for future development of Mogalakwena municipality.

#### **5.5.12. Borrowing**

The municipality has not obtained any loan funds and no provision has been made in the IDP/Budget for 2007/08 and outer years to seek such external funding.

#### **5.6 Salaries wages and allowances**

The following points with regard to the salary budget which forms part of the operating budget must be taken into consideration by council before approving the budget:

- Provision for a 6.43%,% increase was made for councillors and officials.
- All vacant positions were budgeted for on the beginning scale of the post level.

The increase of the 2007/2008 salaries budget over the original budget is 6,43%.

#### **5.7. Monthly Cash Flows by Source**