

BUDGET 2008/2009 FINANCIAL YEAR
(EC 2008 05 27 ;C 2008 05 27) (5/1/2)

REPORT OF THE DEPARTMENT OF CHIEF FINANCIAL OFFICER (MR. KM MASHABA)

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1.2 INTRODUCTION

PURPOSE OF THIS REPORT

The purpose of this report is to request Council to consider the 2008/2009 (MTREF) medium-term revenue and expenditure framework in terms of section 24(1) of the Municipal Finance Management Act, 2003 (Act 56 of 2003).

INTRODUCTION

The IDP of Greater Tzaneen Municipality is a plan which forms the basis of the budget and performance plans. The budget on the other hand is a financial plan, informed by the IDP, which demonstrates the allocation of funds to activities identified in the IDP. The budget also addresses Councils Developmental role and transformational challenges by allocating financial resources to identified areas. It is a three year budget and demonstrates how Greater Tzaneen Municipality is going to meet its developmental role over the next three years.

The budget document also provides Councillor's, Residents, Stakeholders and Officials with an overview of Greater Tzaneen Municipalities strategy and provides details on Councils operating and capital budgets. The IDP, budget and performance plans will also guide Councillors and Officials to address the communities needs.

The 2008/2009 MTREF/Budget also demonstrates Councils endeavours to provide Municipal services to all its residents in a sustainable manner. The success in achieving these objectives can however only be achieved if all consumers of services pay their Municipal accounts.

To ensure long-term sustainable service delivery a sense of conscious saving will have to be adopted and special attention given to sustained budget control.

Budget control cannot be overemphasized when it comes to financial management. Municipal Officials need to ensure that the

relevant departmental budgets do not overspend and that these budgets are spent in accordance with the intention of the Council.

The budget has been drafted according to legislation and we believe that the 2008/2009 budget planning initiatives and the accompanying collective budget process resulted in not only a well balanced budget, but also one which is sustainable, equitable and representative of our communities.

Council must also take cognizance that Section 160 (2)(b) of the constitution of the Republic of South Africa, 1996 (Act 108 of 1996) determines that the approval of budgets may not be delegated by a Municipal Council. Section 160 (3) (b) determines that all questions concerning the approval of the budget, are determined by a decision taken by a Council with a supporting vote of a majority of its members. In the case of Greater Tzaneen Municipality this means that at least 35 Councillors must vote in favour of the proposed budget.

BACKGROUND

The Greater Tzaneen Municipality covers an extensive geographical area of 3240 km². The area encompasses 5 proclaimed towns, Tzaneen, Nkowankowa, Lenyenye, Letsitele and Haenertsburg and in addition to that there are 125 rural villages.

A large area of the land is in private ownership ranging from small holdings to extensive farms, used mainly for commercial farming activities, equally large areas of land are in the ownership of the state, under the custodianship of traditional authority.

A survey done by Council in 2003 reflects a total population of 489974, and it is estimated that the population will grow by 2% from 526726 in 2007 to 536793 in the 2008 financial year. Currently 28552 households have registered as indigent which amounts to approximately 171312 indigent people.

The draft budget of Greater Tzaneen Municipality was approved by Council on 25 March 2008 after which it was posted on Councils website and made available to the public participation and project support division to engage the community in a consultation process.

This process was followed by the community consultation process as required by the MFMA, and the more relevant and appropriate inputs obtained during the process have been included in the final budget.

The draft budget was also submitted to National Treasury, Provincial Treasury and Mopani District Municipality for their inputs and the inputs from National Treasury and Provincial Treasury have been considered with the drafting of this budget.

DELIBERATIONS

The budget submitted to Council today is the financial expression of the political mandate given to the Municipal Manager and his Managers.

Political guidance during the IDP and Budget process also ensured that the financial planning process was guided by Government priorities and the spending plans of Greater Tzaneen Municipality.

It is also a requirement of the Act that Municipalities table a balanced budget, based on realistic estimates of Revenue that are consistent with their budgetary resources and experience. The needs of the residents and communities have to be met as far as possible, and it should be achieved within the financial capacity and resource constraints of Greater Tzaneen Municipality.

Unfortunately our main source of income is still the revenue derived from service charges and apart from tariff increases there is no significant expansion in the revenue sources of Council. Greater Tzaneen Municipality will have to urgently consider alternative funding sources in an effort to maximize service delivery.

2007/2008 OPERATING INCOME AND EXPENDITURE

Before the 2008/2009 budget is discussed Council needs to be informed of the current year's budget and achievements to determine to what extent Greater Tzaneen Municipality has met its objectives

Table 1

Projected Income and Expenditure for the 2007/2008 financial year.

SCHEDULE 1 REVENUE BY SOURCE	Current Year 2007/08		
	Approved Budget	Adjusted Budget	Full Year Forecast
<u>Operating Revenue by Source</u>			
Property rates	25,990,770	25,990,770	30,002,657
Property rates - penalties imposed and collection charges	945,433	945,433	1,311,314
Service charges - electricity revenue from tariff billings	127,317,745	127,317,745	138,209,793
Service charges - water revenue from tariff billings	15,875,649	15,875,649	15,748,535
Service charges - sanitation revenue from tariff billings	4,410,543	4,410,543	4,878,597
Service charges - refuse removal from tariff billings	12,305,475	12,305,475	11,649,022
Service charges - other	7,652,201	7,652,201	7,456,269
Regional Service Levies - turnover	0	0	0
Regional Service Levies - remuneration	0	0	0
Rental of facilities and equipment	375,432	375,432	436,502
Interest earned - external investments	1,357,160	1,357,160	0
Interest earned - outstanding debtors	3,129,981	3,129,981	5,546,094
Dividends received			
Fines	1,748,365	1,748,365	1,127,970
Licenses and permits	237,533	237,533	385,205
Income for agency services	19,164,880	19,164,880	24,713,781
Government grants & subsidies	79,056,536	79,056,536	79,056,536
Public contributions & donated or contributed PPE	0	0	0
Gain on disposal of property plant and equipment	1,048,000	1,048,000	4,566,251
Income foregone	(6 119 320)	(6 119 320)	(5 575 551)
Other revenue	6,812,454	6,812,454	1,025,086
Total Revenue By Source	301,308,837	301,308,837	320,538,061

SCHEDULE 2(a) OPERATING EXPENDITURE BY GFS	Current Year 2007/08		
	Approved Budget	Adjusted Budget	Full Year Forecast
Executive & Council	16,886,595	16,886,595	15,006,577
Finance & Admin	58,564,971	58,564,971	53,302,478
Planning & Development	11,732,616	11,732,616	12,138,501
Health	3,081,287	3,081,287	2,586,844
Community & Social Services	2,474,331	2,474,331	2,171,889
Housing	7,752,469	7,752,469	5,864,815
Public Safety	10,321,771	10,321,771	11,421,574
Sport and Recreation	8,902,940	8,902,940	7,155,248
Environmental Protection	0	0	0
Waste Management	8,755,523	8,755,523	6,042,911
Waste Water Management	22,052,472	22,052,472	18,303,493
Road Transport	48,210,034	48,210,034	47,745,354
Water	19,576,964	19,576,964	18,327,239
Electricity	91,375,370	91,375,370	105,533,553
OPERATING EXPENDITURE BY VOTE	309,687,343	309,687,343	305,600,476

It must be mentioned that this is only a projection and that the figures may differ from the actual Income and Expenditure as at 30 June 2008.

2007/2008 CAPITAL BUDGET

The table below gives a brief analysis of capital expenditure for the 2007/2008 financial year. This analysis examines the amounts spent compared to the budget. The figures below represent the budget and forecast to 30 June 2008 and the actual figures as at 30 June 2008 may differ from these amounts.

Table 2
2007/2008 Capital Budget and forecast.

SCHEDULE 3(a) CAPITAL EXPENDITURE BY GFS	Current Year 2007/08		
	Approved Budget	Adjusted Budget	Full Year Forecast
Executive & Council		40,000	40,000
Finance & Admin	860,600	990,000	990,000
Planning & Development	500,000	500,000	500,000
Health			
Community & Social Services	740,000	340,000	340,00
Housing			
Public Safety			
Sport and Recreation			
Environmental Protection			
Waste Management			
Waste Water Management			
Road Transport	22,511,108	22,381,108	22,381,108
Water			
Electricity	13,119,000	13,119,000	13,119,000
CAPITAL EXPENDITURE BY VOTE	37,730,108	37,370,108	37,370,108

REVIEW OF PAST PERFORMANCES BY DEPARTMENT

Some of the more significant activities and achievements of each department for the 2007/2008 financial year are summarized in the executive summary under item 4.1 of this report.

2008/2009 OPERATING BUDGET

During the drafting of this budget we were faced with certain challenges that had the potential to hamper service delivery and community development to a major extent if they were not addressed. Strategies were put in place to manage the challenges to such an extent that it will have the minimum effect on community development and accompanying service delivery.

Some of the challenges that have been addressed are summarized as follows:

Electricity Service

- Extending, upgrading and maintaining of infrastructure.
- Insufficient capacity for new development

- Maintenance in many areas is purely reactive and there is a need to migrate towards preventative maintenance.
- Theft of transformers and equipment.
- Slow, pace of electrification in rural areas.

Civil Engineering Services

- Maintenance of roads, water and sewer networks are mostly purely reactive and there is a need for preventative maintenance.
- Illegal water connections
- Vandalism of borehole equipment
- Finalization of water service level agreement
- Finalization of sewer service level agreement

Solid Waste

- Solid waste management in rural areas.

Health

- Finalization of Environmental and Community Health transfer agreements .

As mentioned in this report strategies have been put in place to address the challenges mentioned above and to minimize the effect they may have on service delivery.

All strategies mentioned above have been included in Greater Tzaneen Municipality Internal Financial Recovery Plan, which has been drafted, discussed with National Treasury and Implemented to curb the cash flow problems experienced by Council.

The 2008/2009 budget which is submitted to Council for approval can be summarized as follows:

Revenue by source

item	2007 2008	expenses 13	New 2008 2009	2009 2010	2010 2011
001PROPERTY RATES	-25,990,770	-15,001,329	-30,132,994	-31,488,979	-32,905,983
003PENALTIES IMPOSED AND COLLECTION CHARGES ON RATES	-945,433	-655,657	-1,500,000	-1,567,500	-1,638,038
005SERVICE CHARGES	-167,561,613	-88,971,108	-199,119,994	-208,080,394	-217,444,011
009RENT OF FACILITIES AND EQUIPMENT	-375,432	-218,251	-421,324	-440,284	-460,096
011INTEREST EARNED - EXTERNAL INVESTMENTS	-1,357,160	449,130	-2,700,000	-2,821,500	-2,948,468
012INTEREST EARNED - OUTSTANDING DEBTORS	-3,129,981	-2,773,047	-5,500,000	-5,747,500	-6,006,138
016FINES	-1,748,365	-563,985	-1,672,907	-1,748,188	-1,826,856
018LICENSES & PERMITS	-237,533	-192,602	-222,500	-232,513	-242,976
020INCOME FROM AGENCY SERVICES	-19,164,880	-12,569,094	-26,194,740	-27,373,503	-28,605,311
022OPERATING GRANTS & SUBSIDIES	-99,821,536	-54,147,553	-128,742,609	-134,536,026	-140,590,148
024OTHER REVENUE	-6,812,454	-512,543	-738,468	-771,699	-806,426
026GAIN ON DISPOSAL OF PROPERTY PLANT & EQUIPMENT	-1,048,000	-2,283,126	-1,500,000	-1,567,500	-1,638,038
031INCOME FOREGONE	6,119,320	2,787,775	7,558,095	7,898,209	8,253,629
	-322,073,837	-174,651,389	-390,887,441	-408,477,376	-426,858,858
	-322,073,837	-174,651,389	-390,887,441	-408,477,376	-426,858,858

Operating Expenditure by Vote/Department.

Department	2007 2008	expenses 13	New 2008 2009	2009 2010	2010 2011
01-Municipal Manager	5,403,753	1,813,674	5,375,621	5,617,524	5,870,312
02-Planning and Economic Development	14,912,031	8,196,654	12,638,669	13,207,409	13,801,742
03-Financial Services	28,496,940	11,672,093	34,710,429	36,272,398	37,904,656
04-Corporate Services	38,365,429	15,497,581	36,806,960	38,463,273	40,194,120
05-Engineering Services	64,075,552	33,014,379	81,902,770	85,588,395	89,439,873
06-Community Services	39,079,770	15,715,277	44,227,840	46,218,093	48,297,907
07-Transport, Safety, Security and Liaison	29,016,748	16,830,331	34,721,234	36,283,689	37,916,455
08-Electrical Engineering Services	91,375,370	53,214,383	124,470,036	130,071,187	135,924,391
	310,725,593	155,954,372	374,853,557	391,721,967	409,349,456

The table below shows the 2008/2009 draft budget as well as the budgets for the two projected consecutive years 2009/2010 and 2010/2011 on item level.

The budget is not approved on item level but on departmental level as shown above. This table is submitted to give Council an indication of the spending on items level.

Item	2007 2008	2007 2008 Exp	New 2008 2009	2009 2010	2010 2011
001PROPERTY RATES	-25,990,770	-15,001,329	-30,132,994	-31,488,979	-32,905,983
003PENALTIES IMPOSED AND COLLECTION CHARGES ON RATES	-945,433	-655,657	-1,500,000	-1,567,500	-1,638,038
005SERVICE CHARGES	-167,561,613	-88,971,108	-199,119,994	-208,080,394	-217,444,011
009RENT OF FACILITIES AND EQUIPMENT	-375,432	-218,251	-421,324	-440,284	-460,096
011INTEREST EARNED - EXTERNAL INVESTMENTS	-1,357,160	449,130	-2,700,000	-2,821,500	-2,948,468
012INTEREST EARNED - OUTSTANDING DEBTORS	-3,129,981	-2,773,047	-5,500,000	-5,747,500	-6,006,138
016FINES	-1,748,365	-563,985	-1,672,907	-1,748,188	-1,826,856
018LICENSES & PERMITS	-237,533	-192,602	-222,500	-232,513	-242,976
020INCOME FROM AGENCY SERVICES	-19,164,880	-12,569,094	-26,194,740	-27,373,503	-28,605,311
022OPERATING GRANTS & SUBSIDIES	-99,821,536	-54,147,553	-128,742,609	-134,536,026	-140,590,148
024OTHER REVENUE	-6,812,454	-512,543	-738,468	-771,699	-806,426
026GAIN ON DISPOSAL OF PROPERTY PLANT & EQUIPMENT	-1,048,000	-2,283,126	-1,500,000	-1,567,500	-1,638,038
031INCOME FOREGONE	6,119,320	2,787,775	7,558,095	7,898,209	8,253,629
	-322,073,837	-174,651,389	-390,887,441	-408,477,376	-426,858,858
051EMPLOYEE RELATED COSTS - WAGES & SALARIES	97,211,427	45,862,921	108,079,039	112,942,596	118,025,013
053EMPLOYEE RELATED COSTS - SOCIAL CONTRIBUTIONS	19,635,120	8,370,809	22,626,624	23,644,822	24,708,839
055EMPLOYEE COSTS CAPITALIZED	-5,231,941	0	-4,003,346	-4,183,497	-4,371,754
056EMPLOYEE COSTS ALLOCATED TO OTHER OPERATING ITEMS	-55,994,939	-28,305,997	-61,345,042	-64,105,569	-66,990,320
058REMUNERATIONS OF COUNCILLORS	12,282,384	5,812,409	13,680,169	14,295,777	14,939,087
060BAD DEBTS	6,603,007	0	10,229,558	10,689,888	11,170,933
062COLLECTION COSTS	104,800	-38,644	100,000	104,500	109,203
063INVENTORY SURPLUS/LOSS	0	0	0	0	0
064DEPRECIATION	17,224,925	10,076,643	26,158,592	27,335,728	28,565,836
066REPAIRS AND MAINTENANCE	80,283,100	37,980,769	87,853,157	91,806,549	95,937,843
068INTEREST EXPENSE - EXTERNAL BORROWINGS	13,140,049	3,744,527	12,367,941	12,924,498	13,506,101
072BULK PURCHASES	51,129,391	34,817,016	83,880,000	87,654,600	91,599,057
074CONTRACTED SERVICES	20,301,106	8,252,866	18,951,622	19,804,445	20,695,645
076GRANTS & SUBSIDIES PAID	5,617,804	4,928,095	3,912,885	4,088,965	4,272,968
078GENERAL EXPENSES - OTHER	48,419,360	24,452,958	52,362,359	54,718,665	57,181,005
	310,725,593	155,954,372	374,853,557	391,721,967	409,349,456
043INTERNAL RECOVERIES	-45,819,384	-27,406,279	-38,863,542	-40,612,401	-42,439,959
087INTERNAL CHARGES	45,819,384	28,315,442	38,863,542	40,612,401	42,439,959
	0	909,163	0	0	-0
600INFRASTRUCTURE	23,884,000	8,037,738	38,204,800	39,924,016	41,720,597
608OTHER ASSETS	130,000	20,638	0	0	0
	24,014,000	8,058,377	38,204,800	39,924,016	41,720,597
094CONTRIBUTIONS FROM OPERATING TO CAPITAL	9,432,000	0	9,432,000	9,856,440	10,299,980
095TRANSFERS FROM / (TO) RESERVES	-20,931,318	-6,736,705	-35,602,916	-37,205,047	-38,879,274
089CASH REQUIREMENTS	0	0	4,000,000	4,180,000	4,368,100
	-11,499,318	-6,736,705	-22,170,916	-23,168,607	-24,211,195
	1,166,438	-16,466,183	0	0	0

SIGNIFICANT ITEMS

INCOME ITEMS

It is clear from the above mentioned table that the most significant income item is the service charges which represents 50,9% of the total income. It is also important to note that the amount budgeted for grants and subsidies represents 32,9% of the total budget and increased from R99 million to R128 million in the 2008/2009 financial year.

Service Charges

Service charges represents 50,9% of the total income and is made up as follows:

<u>Service</u>	<u>2008/2009 Budget</u>
Electricity charges	R157 913 637
Water charges	R 17 885 808
Sewer charges	R 5 374 555
Refuse Removal charges	<u>R 14 785 449</u>
Total Service Charges	<u>R195 959 449</u>

These amounts will be levied through the monthly municipal accounts and every endeavour will be made to ensure that the money levied is recovered.

The allocation to operating grants and subsidies is also significant and amounts to R128 million. This allocation is however determined through the division of Revenue Act (DORA) and cannot be manipulated. The R128 million is made up as follows:

Free Basic Water	R 10 610 609
Equitable Share	R 87 601 000
Electrification Grant	R 1 601 000
Finance Management Grant	R 500 000
MIG	<u>R 28 404 000</u>
	<u>R128 716 609</u>

EXPENDITURE ITEMS

On the expenditure side the most significant items are salaries (34,9%), bulk purchases (22,4%) and repairs and maintenance representing (23,4%) of the total expenditure budget.

CONCLUSION

Although Greater Tzaneen Municipality faces many challenges, financial and non financial, we believe that through proper planning, fiscal discipline and the continued execution of sound financial management we will be able to build a prosperous municipality for all our residents.

Council should however guard against unrealistic demands and honour the high standards expected from a “high capacity” Municipality in the National Treasury Programme.

Although the Greater Tzaneen Municipality has not yet reached its goal, the Chief Financial Officer is confident that this budget is a well balanced budget and will continue to lay a solid foundation for the integration and upliftment of our communities.

The old warning that the 2008/2009 expenditure budget is solely dependent on the cash derived from the consumers is again repeated. The promotion of payment of accounts in all our towns is highly recommended and should receive special attention during the 2008/2009 financial year.

THANKS

A sincere word of thanks to every official for the many hours of hard work and especially the innovative thinking that went into this budget. I also want to thank our Councillors for the support that they have shown in all the community participation meetings and in various other ways that resulted in the compilation of this budget. A special word of thanks goes out to the Mayor for his invaluable inputs and contributions during this process. It was a daunting but rewarding task and I hope that our endeavour meets the expectations of our communities and enables us to discharge our constitutional mandate.

2. BUDGET SPEECH BY ALDERMAN O.J. MUSHWANA

Madam Speaker, Honorable Councillors, Mr. Municipal Manager, Managers, Distinguished guests and representatives of the media.

We are gathered here today with the main task to consider the final budget of Greater Tzaneen Municipality. This budget relates to the financial year 1 July 2008 to 30 June 2009 and was crafted with full consideration of our integrated development plan.

The main job of any Municipality is to make sure that services are provided and that it works to the advantage of the community. This Municipality would not want it any other way. Service provision like better roads, adequate water and sanitation and reliable electricity will not only improve the quality of our people's lives it will also encourage investment in our town. We are therefore committed to service delivery and also to address the infrastructure backlog Greater Tzaneen Municipality is faced with.

The provision of basic services alone will however not address our communities' social needs, therefore I want to reiterate what I said last year about the upliftment of our communities.

Our desired destination is a Municipality where basic services are provided, social economic development is promoted, where people live in a safe and healthy environment and where all people are skilled and earning an income.

These Madam Speaker are some of the objectives this Municipality is striving to achieve. Only when all our people live with dignity in a safe environment would we have succeeded in our goal as development agent.

I must however emphasize that service delivery and financial viability go hand in hand and budget control should therefore not be neglected. Budget control should take the front seat when services are rendered to ensure that our Municipality operates in a financially viable environment.

Failure to manage our financial resources will result in a shortage of cash which will have a negative impact on service delivery.

The budget which is submitted for consideration today has been crafted with full consideration of our Integrated Development Plan (IDP) - the plan which is regarded as the beacon that guides us in the channeling of our resources towards fulfillment of our developmental mandate.

After the tabling of the draft budget in March a series of consultative meetings were held with different stakeholders and in particular in all wards. The draft budget was also made available to the members of the public for their comments. I would like to thank all those members of the community who took the pains to attend these meetings and who gave inputs to this current budget that we are presenting today. I would like to give an assurance that our consultative meetings were not meant to be for compliance purposes only but to give the community an opportunity to input into the budget. This madam speaker is due to the acknowledgement of the fact that the community are the third component of the triad that forms a "municipality" as per the definition of the Municipal Systems Act. This budget should therefore not be seen as the Councilors' budget but the municipal budget.

Towards this end all the written submissions that were received were taken into account when drafting this budget. I would like to indicate that the conclusion that we got from perusing the submission and our own interaction with the communities were that our people are mainly concerned broadly with two issues: Affordability of the tariffs they will be charged and access to basic services. Both of these concerns have a serious bearing on the financial resources of the municipality. However Madam Speaker I am convinced that we have been able to get a balance between these two issues considering the limited resources at our disposal. Our decision in this regard was also dictated to by the current depressed state of the economy, not only in South Africa but over the whole world. It would have been irresponsible of us if we had not taken into account the trying times that are facing our people. We were acutely aware of the ever rising interest rates, the level of indebtedness of our communities, the risk of additional increases in electricity tariffs, the ever increasing costs of fuel, and so we could go on and on. All these factors have a major bearing on the cost of the municipality to render services and the ability of our

communities to pay for those services. As a municipality, all three components, we need to constantly engage with each other to ensure that we can collectively address these huge challenges facing us.

The budget was also drafted according to legislative requirements. We believe that the budget planning initiative and accompanying collective budget process not only resulted in a well balanced budget, but also one which we believe is sustainable, equitable and representative of our communities.

Madam Speaker our current operating expenditure budget amounts to R310 million while the budget we are going to vote on today amounts to R375 million, an increase of R65 million. This increase is mainly the result of the increase in bulk electricity purchases which increased due to the high demand in electricity consumption. Bulk electricity purchases was also addressed in the 2007/2008 Adjustment Budget and it is estimated that the purchase cost of electricity will increase from R51 million to R84 million. It must also be emphasized that an announcement with regard to an increase in electricity tariffs of Eskom will be made by National Government during June 2008.

Our current capital budget, PMU included, amounts to R37.7 million and we propose that it be increased to R44.6 million. This amount includes a grant of R1.6 million for Farm Labour Housing and a MIG allocation of R28 million. An amount of R15 million will be made available from loans.

The total budget for the 2008/2009 financial year that we are putting to the vote today is R419 million, an increase of R72 million on the previous year budget.

32.9% of our operating income will come from National Government which includes our equitable share allocation whilst 67.1% will come from own revenue. To raise this budget will require a collective effort from all rate payers and a culture of payment for services will have to be promoted and pursued to ensure that all monies owed to Greater Tzaneen Municipality are recovered. In this regard we have put in place a system through which Councillors and officials should lead by example by being up to date with their municipal accounts. This system ensures that all consumer charges of Councillors and officials are deducted directly from their salaries. We therefore appeal to all members of the community to ensure that they meet their part of the

obligation to ensure that the council is enabled to continue rendering the sterling services that it is renowned for.

We are however also sadly aware that there are elements within our communities that will try to enjoy a free ride and not pay for the services which they are legally entitled to pay for. As Council we have tried to ensure that all those issues that were raised by communities as matters impacting on their being able to pay for services are addressed. Major to this was the credibility of our billing database. An exercise to cleanse our database has been finalized and all community members have been given an opportunity to verify their information on the municipal database. Consultations have been held widely with the affected communities and we are convinced that, except for individual unique cases, all issues have been addressed. Our officials have therefore been instructed to ensure that full credit control is exercised rigorously as per the provisions of the Municipal Systems Act.

To ensure that the budgeted income is raised we propose that the income from property rates be increased by 8% and that the increase in the tariffs for water, sewerage and refuse removal be kept between 5% and 10%.

Due to the fact that NERSA already approved a tariff increase of 14,2% on Eskom's electricity tariff we could not keep the increase in our tariff below 14%. It must also be emphasized that various electricity tariff structures are in place and the increase in the tariffs is dependent on consumption.

These increases are higher than recommended by National Treasury but we believe that the total Municipal bill will still be affordable to our rate payers. This step must be seen as an investment in the future of our children and we appreciate the contribution of our rate payers in the development of our town.

The tariff structure of all services remained the same although we had to change the tariff structure for property rates due to legislative requirements.

The property rates tariff is based on the valuation of the property which was done by professional valuers. The valuation of the property is therefore out of our hands but we did everything possible to ensure that the property rates tariff is affordable. There will however be cases where people

experience high increases on the previous year bill but those are the people with high property values. To lessen the burden of the new property rates tariff we have made full use of rebates.

It was also resolved that the property rates tariff on agricultural land which is levied for the first time be phased in over a number of years to lessen their tax burden. Rebates up to 85% on the property rates tariff of agricultural land is available.

Households that experience a higher than 9% increase in their monthly municipal bill are those houses who either have a higher than average property value or those households who's consumption is higher than the consumption of an average household.

To accommodate our indigent people we propose that the monthly bill for poor households who qualify for free basic services be set at R30 per month plus water consumption above 6 kl.

R87 Million of grants budgeted for is our Municipalities Equitable share allocation. This grant is an unconditional grant which is allocated by National Treasury as our share of money that Government raises through taxes and other means. The equitable share consists of two components, one to provide basic services to the indigent and the other to assist the Municipality to fund the cost of administration and governance.

Madam Speaker our 2008/2009 equitable share allocation will be used to finance free basic electricity, to subsidized the accounts of registered indigent, to provide services in rural areas and to finance the administrative cost of rendering services to the indigent. R10 million of our equitable share has also been allocated for capital projects in our rural areas.

To ensure that the R328 million that we invested in infrastructure is not fruitless, we have made R87,8 million available for the repairs and maintenance thereof. The high increases in material, transport and labour cost are however a matter for concern and every endeavour will be made to render the same or better service than in the current year.

Our allocation for staff for the coming year has been increased from R116 million to R130 million.

I am acutely aware of the fact that the provision and access to basic services is a human right and we should endeavour to provide all our communities with at least basic services. It is in this context that an amount of R28 million will be spent to address infrastructure backlogs during the 2008/2009 financial year and that R33.2 million will be provided for the year there after.

The R28 million allocated for next year will be utilized for rural waist R8 million, Mamitwa taxi rank R3,8 million, Tzaneen landfill site R3,5 million and the rest will be utilized for the upgrading of roads in our villages.

A loan of R15 million will be taken up to finance capital projects of which R10 million will be directed to our electricity network.

With regard to our past and current achievements Madam Speaker I am proud to announce that despite cash flow problems we have achieved most of our goals as mentioned in the budget report of the Municipal Manager. We also practice good governance which goes beyond effective, efficient and economic administration and management.

I wish to thank all the people involved from the Executive Committee downwards in particular our gratitude to the Chief Financial Officer who really sweated blood in complying with our requests and demands.

The budget presented to you are:

-	Capital budget (Conditional Grants: MIG)	R28 Million
-	Capital budget (Conditional Grants: Elect)	R1.6 Million
-	Capital budget (Financed from loans)	R15 Million
-	Capital Budget (Unconditional grants)	R 10 Million
-	Neighborhood Development Grant	R 10 Million
-	Operating budget	R375 Million

The increase in tariffs is higher than the guideline set by National Treasury but I believe that the monthly Municipal bill will be affordable for our rate payers.

I therefore move that the recommendations stipulated in the agenda be considered and approved.

I thank you.

O.J. MUSHWANA
MAYOR

3. BUDGET RELATED RESOLUTIONS

RECOMMENDATION

- (a) That the draft budget of Greater Tzaneen Municipality for the financial year 2008/2009 and the indicative revenue and projected expenditure for the two subsequent years 2009/2010 and 2010/2011 be approved as contained in the following schedules:
- (a.1) Operating Revenue by source reflected in **Schedule 1.**
 - (a.2) Operating Expenditure by vote reflected in **Schedule 2.**
 - (a.3) Operating Expenditure by GFS classification reflected in **Schedule 2(a).**
 - (a.4) Capital Expenditure by vote reflected in **Schedule 3.**
 - (a.5) Capital Expenditure by GFS reflected in **Schedule 3(a)**
 - (a.6) Capital funding by source reflected in **Schedule 4.**
- (b) That Council takes cognizance that the increase in tariffs on the previous year tariffs are not within the guideline set by National Treasury.
- (c) That the budget for water, sewer and environmental health drafted by the Chief Financial Officer of Greater Tzaneen Municipality be submitted to Mopani District Municipality for consideration, approval and submission to National Treasury.
- (d) That the allocation from sources other than conditional grants for capital projects for the 2008/2009 financial year be approved as follows:

Loans	R15 000 000
Own Sources	R 0
TOTAL	R15 000 000

- (e) That the expenditure on the public entertainment and subsistence and travel votes be limited to the budgeted amounts and that no overspending on these votes be

allowed without the prior approval of the Municipal Manager and the Chief Financial Officer.

- (f) That Council vehicles be hired out to the private sector in accordance with Fleet Management Policy.
- (g) That the Municipal Manager finalizes the service level agreement of the Environmental Health Service with MDM as a matter of urgency.
- (h) That the monthly accounts of poor households (indigent) that qualify for free basic services be approved at R30,00 per month plus water consumption above 6 kilolitre per month as per Councils Indigent Policy.
- (i) That the measurable performance objectives for revenue for each source and for each vote as per **Item 5.9** be approved.

(j) **CAPITAL BUDGET**

- I That the capital budgets from grants and loans as set out in **Schedule 3** and **4** be approved as follows:

2008/2009 Financial year	R15 000 000
2009/2010 Financial year	R12 000 000
2010/2011 Financial year	R15 000 000

- II That an amount of R1 601 000 be approved from Grants.
- III That the amount of R15 000 000 be approved from loans.
- IV That the Municipal Manager finalizes the transfer of all assets which are still in the name of the previous homeland Governments to Greater Tzaneen Municipality.
- V That Council take cognizance of the R28 004 000 (2008/2009) MIG allocation as shown in the table below.

PROJECT NAME	AMOUNT
Tzaneen Landfill site Phase 2	R3 507 087.16
Tzaneen Rural Waste	R8 000 000.00
Mamitwa Taxi Rank	R3 871 995.75
Marironi Access Road	R5 601 498.78
Sedan Internal Street	R3 642 069.17
Hweetji Access Road Phase 1	R1 981 149.14
PMU – Management	R1 400 200.00

VI TRANSPORT BUDGET

- I That the transport budget as per **Annexure” H“** and tariffs applicable for each vehicle be approved.
- II That all vehicles be rationalized to the needs of the different departments to ensure optimal and cost effective fleet management to all departments.
- III That all departments adhere to the requirements of utilization and costing set out in the vehicle fleet policy.

(k) PERSONNEL

That the personnel budget for Tzaneen be approved. **Annexure “ G“**.

(l) INTEREST ON ARREARS OTHER THAN FOR RATES

That the interest rate in terms of the Local Government, Municipal Systems Act 32 of 2000 be determined the same as the current rate namely 18%.

(m) INTEREST ON AREAR RATES

That the interest rate of prime rate plus 1% as promulgated in Government Gazette no. 28113 of 13 October 2005 be approved and that the prime rate of ABSA Bank where Greater Tzaneen Municipality primary bank account is held be applicable.

- (n) That R200 168 be made available to the Mayor for the 2008/2009 financial year, allocated as follows:
- I R42 968 Special account which must be subjected to Audit.
 - II R157 200 For Bursaries
- (o) **SOLID WASTE: TARIFFS**

That the following tariffs for solid waste be approved.

		CURRENT	PROPOSED
1.	Residential per service per month	R64.04	R70.39
2.	Business per service per month	R216.80	R234.63
3.	The removal of animal carcasses per removal	R70.00	R88.00
4.	Departmental charge per service per month	R216.80	R234.63
5.	Industrial service per month	R173.45	R187.70
6.	Removal and destruction of condemned foodstuffs per load of one ton or part thereof	R380.00	R410.00
7.	Bulky Waste		
	I The removal of compactable bulky waste per 6m ³ skip per removal	R290.00	R310.00
	II The removal of non compactable bulky waste per 6m ³ skip per removal	R540.00	R580.00
8.	Private dumping at landfill/transfer/public off-loading sites.		
	I Per light delivery van or trailer load not exceeding one ton	R80.00	R88.00
	II Per lorry load not exceeding three ton but exceeding one ton	R200.00	R220.00
	III Per lorry load not exceeding six ton but exceeding three ton	R600.00	R660.00

	IV Per lorry load not exceeding ten ton but exceeding six ton	R900.00	R990.00
	V Per lorry load exceeding ten ton	R1 500.00	R1 650.00
9.	Incineration of bio-hazardous waste <ul style="list-style-type: none"> • 5 – 8 x lit sharps • 5 x lit human tissue • 10 x lit sharps • 10 x lit human tissue • 20 x lit sharps • 20 x lit human tissue • 85 x lit H.C.W. in liner • 140 x lit box + liner • 50 x lit box + liner • 140 x lit liners 	R63.60 R74.20 R106.00 R127.20 R222.60 R243.80 R74.20 R127.20 R84.80 R8.48	R78.00 R98.00 R130.00 R170.00 R230.00 R290.00 R90.00 R220.00 R110.00 R12.00

(p) WATER SUPPLY: TARIFFS

That the following tariffs for water supply be approved.

Tariffs Basic Charges

	CURRENT	PROPOSED
Domestic (AA)	R18.02	R19.00
Business (BA)	R28.62	R30.00
Industrial (CA)	R28.62	R30.00
State (EA)	R47.70	R51.00
Dept (FA)	R18.02	R19.00
Transnet (HA)	R47.70	R51.00
Flats	R28.62	R31.00
Education	R22.26	R24.00

Tariffs for Consumption

		CURRENT	PROPOSED
i	DOMESTIC (AA)		
	0 – 6 kl	R0.00 per kl	R0.50 per kl
	7 – 10 kl	R1.25 per kl	R1.35 per kl
	11 – 25 kl	R2.18 per kl	R2.35 per kl
	26 – 35 kl	R2.92 per kl	R3.16 per kl
	36 – 100 kl	R3.29 per kl	R3.55 per kl
	101 kl and more	R6.14 per kl	R6.63 per kl
ii	BUSINESS (BA)		
	0 – 50 kl	R1.57 per kl	R1.69 per kl
	51 – 100 kl	R2.61 per kl	R2.82 per kl
	101 and more	R3.14 per kl	R3.39 per kl
iii	INDUSTRIAL (CA)		
	0 – 50 kl	R1.57 per kl	R1.69 per kl
	51 – 100 kl	R2.61 per kl	R2.82 per kl
	101 and more	R3.14 per kl	R3.39 per kl
iv	STATE (EA)		
	0 – 50 kl	R4.11 per kl	R4.44 per kl
	51 – 250 kl	R3.38 per kl	R3.65 per kl
	251 and more	R2.41 per kl	R2.61 per kl
v	DEPT (FA)		
	0 – 6 kl	R0.00 per kl	R0.50 per kl
	7 – 10 kl	R1.25 per kl	R1.35 per kl
	11 – 25 kl	R2.19 per kl	R2.37 per kl
	26 – 35 kl	R2.62 per kl	R2.83 per kl
	36 – 100 kl	R3.29 per kl	R3.55 per kl
	101 kl and more	R6.14 per kl	R6.63 per kl
vi	TRANSNET (HA)		
	0 – 50 kl	R4.11 per kl	R4.44 per kl
	51 – 250 kl	R3.38 per kl	R3.65 per kl
	251kl and more	R2.41 per kl	R2.61 per kl
vii	FLATS		
	0 – 75 kl	R0.00 per kl	R0.50 per kl
	76 – 120 kl	R2.45 per kl	R2.64 per kl
	121 – 200 kl	R2.58 per kl	R2.79 per kl
	201 – 250 kl	R2.70 per kl	R2.92 per kl
	251 – 370 kl	R2.84 per kl	R3.06 per kl
	371kl and more	R3.09 per kl	R3.34 per kl
viii	EDUCATION		
	0 – 50 kl	R1.78 per kl	R1.92 per kl
	51 – 200 kl	R1.46 per kl	R1.57 per kl
	201 – 400 kl	R1.05 per kl	R1.13 per kl
	401 kl and more	R2.09 per kl	R2.26 per kl

(r) SEWERAGE: TARIFFS

That the following tariffs for sewer services be approved:

	CURRENT	PROPOSED
Charge per m ² (Basic Charge)	R0.18/year	R0.19/year
CHARGE PER KL WATER USAGE/MONTH		
Domestic (AA)	R0.42/kl	R0.46/kl
Business (BA)	R0.70/kl	R0.77/kl
Hotel (BB)	R0.58/kl	R0.64/kl
Guest Houses	R0.58/kl	R0.64/kl
Industrial (CA)	R0.70/kl	R0.77/kl
Flats (IA)	R0.42/kl	R0.46/kl
State (EA)	R0.54/kl	R0.59/kl
Education	R0.23/kl	R0.26/kl
Incentives	R0.23/kl	R0.26/kl

(s) GENERAL RATES AND REBATE

PROPERTY RATES TARIFFS

RATES TARIFFS	CENT IN THE RAND	
	2006/2007	2007/2008
Categories of properties in terms of the policy		
Agricultural Properties		
Tariff on land	0.00c	0.00c
Tariff on Improvement	0.00c	0.00c
Tariff on market value	0.00c	0.80c
Business and Commercial Properties		
Tariff on land	7.11c	0.00c
Tariff on Improvement	0.62c	0.00c
Tariff on market value	0.00c	0.80c
Cemeteries and Crematoriums Properties		
Tariff on land	0.00c	0.00c
Tariff on Improvement	0.00c	0.00c
Tariff on market value	0.00c	0.00c
Industrial Properties		
Tariff on land	7.11c	0.00c
Tariff on Improvement	0.62c	0.00c
Tariff on market value	0.00c	0.80c

State-Owned Properties		
Institutional Properties	6.41c	0.00c
Tariff on improvement	0.62c	0.00c
Tariff on market value	0.00c	0.80c
Multi-Purpose Properties		
Tariff on land	0.00c	0.00c
Tariff on Improvement	0.00c	0.00c
Tariff on market value	0.00c	0.80c
Municipal Properties		
Tariff on land	0.00c	0.00c
Tariff on Improvement	0.00c	0.00c
Tariff on market value	0.00c	0.00c
Privately Owned Vacant Land		
Tariff on land	0.00c	0.00c
Tariff on Improvement	0.00c	0.00c
Tariff on market value	0.00c	0.80c
Public Benefit Organisation Properties		
Tariff on land	0.00c	0.00c
Tariff on Improvement	0.00c	0.00c
Tariff on market value	0.00c	0.00c
Public Infrastructure Properties		
Tariff on land	0.00c	0.00c
Tariff on Improvement	0.00c	0.00c
Tariff on market value	0.00c	0.80c
Properties for Religious Use		
Tariff on land	0.00c	0.00c
Tariff on Improvement	0.00c	0.00c
Tariff on market value	0.00c	0.00c
Residential Properties		
Tariff on land	6.41c	0.00c
Tariff on Improvement	0.62c	0.00c
Tariff on market value	0.00c	0.80c
Special Properties		
Tariff on land	0.00c	0.00c
Tariff on Improvement	0.00c	0.00c
Tariff on market value	0.00c	0.80c

s be granted in terms of the Approved Property Rates Policy of Council.

That the rates be paid in a single amount before 31 August or in twelve (12) equal monthly installments.

That the interest rate on overdue amount on property rates be charged at prime rate plus one (1%) percent in terms of the Municipal Property Rates Act, 2004.

(t) **ELECTRICITY TARIFFS**

That the following electricity tariffs be approved

TARIFF A

- This tariff is available for single phase 230V up to a maximum of 30 Amp circuit breaker capacity
- This tariff will suit low consumption customers, typically less than approximately 500 units.

The following will be payable:

- A.1. A consumption charge, per kWh consumed
- 47,01c**
(Current 43,45c)

- A.2. The Municipality is currently busy with a pilot project for prepaid metering and the kWh rates applicable will be equal to that of Eskom Home light 1.

Regarding a 60A pre-paid supply, this will be subject to the following conditions:

1. Sufficient network capacity
2. Maximum 60A, single phase
3. Relevant Eskom home light 1 kWh tariff
4. Prior payment of the relevant connection cost as per the Eskom home light 1 tariff.

This tariff will therefore not be available as a standard tariff but only in the pilot areas at the discretion of the Municipality.

TARIFF B

- This tariff is available for single phase 230V (Capacity not exceeding 16 kVA) and three phase 400V (Capacity not exceeding 75 kVA)
- This tariff will suit medium to high consumption customers.

The following charges will be payable:

- B.1. A fixed charge, whether electricity is consumed or not, per point of supply:

The following size circuit breakers will be available:

		AGRIC/DOMEST	BUSINESS
16 kVA Single phase	70 Amp	R112.00	R310.00
25 kVA Three phase	45 Amp	R224.00	R392.00
50 kVA Three phase	80 Amp	R336.00	R616.00
75 kVA Three phase	100 Amp	R448.00	R672.00

NOTE 1: The capacity of a supply shall be the capacity as determined by the Engineer

PLUS

- B.2.1 A consumption charge, per kWh consumed
(Business) 26,31c
(Old tariff 23.49c)

- B.2.2 A consumption charge, per kWh consumed
(Agric/Domestic) Three phase 26,31c
(Old tariff 23.49c)

- B.2.3 A consumption charge, per kWh consumed
(Agric/Domestic) Single phase 29,26c
(Old tariff 24,17c)

PLUS

- B.3.1 On Three phase connections, an additional charge per kWh for every unit consumed above 3000 units.
3,76c
(Old tariff 3,18c)

OR

- B.3.2 On single phase connections, an additional charge per kWh for every unit consumed above 1500 units.

3,76c
(Old tariff 3,18c)

TARIFF C

- This tariff is available for three phase supplies at the available standard voltage with a minimum capacity of 100 kVA
- This tariff will suit high consumption customers

C.1 A fixed charge, whether electricity is consumed or not, per month, per point of supply:

C.1.1 If the demand meter is switched on all the time
R280, 00
(Old basic R250)

C.1.2 If the demand meter is switched off from 20:00 to 06:00 on weekdays, from 20:00 on Fridays to 06:00 on Mondays and Public Holidays as defined in the GTM tariff schedule.
R392, 00
(Old basic R350)

C.2 A demand charge, per kVA registered, per month, per point of supply for **Agriculture and Domestic** (Old tariff R42,49)
R47, 59

C.3 A demand charge, per kVA registered, per month, per point of supply for **Business** (Old Tariff R49,21)
R55, 12

C.4 A Consumption charge, per kWh consumed:

	<u>Old Tariff A/D</u>	<u>OldTariffB</u>	Agri/Dom/Bus
Normal (C1.1)	21c	21c	26,31c
Low Rate	16c	16c	20,04c

C.5 A discount according to the voltage at which the electricity is supplied:

C.5.1 If the electricity is supplied at three phase/400V
0%

C.5.2 If the electricity is supplied at a higher voltage but not exceeding 11 kV:

3%

C.5.3 If the electricity is supplied at a higher voltage than 11 kV (if available) but not exceeding 33 kV

5%

TARIFF D

This tariff is available for three phase bulk supplies at any voltage and with a minimum capacity of *(Old value 100 kVA)*

100 kVA

- This tariff will suit mostly large load customers who can shift load out of the GTM Peak hour periods.

The following charges will be payable:

D.1 A fixed charge, whether electricity is consumed or not, per month, per point of supply: **R840.00**

D.2 A demand charge, per kVA registered, per month, per point of supply:

D.2.1 If the demand is registered during the months of June, July or August: *(Old tariff R21,25)*
R23,80

D.2.2 If the demand is registered during the months of September to May: *(Old tariff R21,25)*
R23,80

NOTE: Demand registered during Off-peak Hours will not be taken into account when calculating the demand charge payable

D.3 A consumption charge, per kWh consumed:

D.3.1 If the kWh has been consumed during the months of June, July or August:

D.3.1.1 During Peak Hours **99,20c**

(Old tariff 88,57c)

D.3.1.2 During Standard Hours **28,63c**
(Old tariff 25,56c)

D.3.1.3 During Off-Peak Hours **18,44c**
(Old tariff 16,46c)

D.3.2 If the kWh has been consumed during the months of September to May:

D.3.2.1 During Peak Hours **32,55c**
(Old tariff 29,06c)

D.3.2.2 During Standard Hours **21,54c**
(Old tariff 19,23c)

D.3.2.3 During Off-Peak Hours **15,48c**
(Old tariff 13,82c)

NOTE 1: For the purpose of this tariff Peak Hours will be from 07:00 to 10:00 and 18:00 to 20:00 on weekdays.

Standard Hours will be from 06:00 to 07:00, 10:00 to 18:00 and 20:00 to 22:00 on weekdays and from 07:00 to 12:00 and 18:00 to 20:00 on Saturdays.

Off-Peak Hours will be from 22:00 to 06:00 on weekdays, 12:00 to 18:00 and 20:00 to 07:00 on Saturdays and all of Sundays.

A Public Holiday falling on a weekday will be treated similar to the Eskom Mega flex Tariff schedule.

Times to be such as to relate to GTM peaks/load curve.

D.4 A discount according to the voltage at which the electricity is supplied.

D.4.1 If the electricity is supplied at three phase / 400V : **0%**

D.4.2 If the electricity is supplied at a higher voltage than 400V but not exceeding 11 kV: **3%**

D.4.3 If the electricity is supplied at a higher voltage than 11kV (if available) But not exceeding 33 kV **5%**

D.5 Conversion Surcharge

In line with the Eskom tariffs, existing customers converting to TOU, where an impact study shows a financial saving due to the conversion will be subject to a conversion surcharge. The surcharge will reduce by 18% after 12 months, down to 0% after 5 years.

The surcharge will be as follows:

1 – 12 Months	13-24	25-36	37-48	49-60
90%	72%	54%	36%	18%

A similar study will be done for existing customers that converted to the TOU tariff during 2004, based on their 2003 consumption pattern, and a surcharged levied in line with the time since they converted. For example a customer that converted in February 2004, will as from the 1st of August 2005 be subjected to a surcharged of 72% of the calculated saving until February 2006, when the surcharge will be reduce to 54%.

- (u) That Council re-implement the 10 and 5 year (Refurbishment / Rebuilding) electricity programme approved in 2002.
- (v) Credit Control
 - i) That Council's adopted Credit Control Policy be strictly adhered to, to curb outstanding debt.
 - ii) That a monthly report be submitted to Council regarding Councillor arrears on consumer accounts.

SUNDRY TARIFFS 2007/2008

ELECTRICITY

That in terms of the provisions of section 11(3) of the Local Government Municipal Systems Act 2000, the Council by resolution amends the charges payable for the supply of electricity as contained in Municipal Notice No. 19 of 1988 and promulgated in Provincial Gazette no 4565 dated 1 June 1988 with effect from 1 July 2007 by the substitution for part (iii) of the tariff of charges of the following:

By the substitution for clause 2 (1) of the following:

RECONNECTIONS (When reconnections are done by the Electricians of Council)

Where premises are disconnected owing to non-payment of account or for non-compliance with any of the Councils By-Laws, or at the consumer's request, and then reconnected, the following charges shall be payable.

	<u>Working Hours</u>	<u>After Hours</u>
Up to 50 km	R500.00	R750.00
Over 50 km	R950.00	R1 300.00

RECONNECTIONS (When reconnections are done by the Meter Readers)

Where premises are disconnected owing to non-payment of account or for non-compliance with any of the Council's By-Laws, or at the consumer's request, and then reconnected, the following charges shall be payable.

	<u>CURRENT</u>	<u>PROPOSED</u>
I Within the Tzaneen Town	R390.00	R428.00
II Outside the Tzaneen Town	R723.00	R795.00

EVENTS

Due to high cost of maintenance and vandalism that is taking place, the following tariffs are recommended:

	<u>SECURITY</u>	<u>TARIFFS</u>
Major Soccer game	R5 000	R5 000
Sport bodies at club level:Stadium	R500	R500
Sport bodies at inter-district level	R1 000	R1 000

Disco: Community Hall	R1 000	R500
Film Show: Community Hall	R1 000	R500
Fashion Show: Community Hall	R1 000	R500
Political Rally: Community Hall	R1 000	R500
Traditional dance: Community Hall	R1 000	R500
Athletics (Adults)	R1 000	R500
Athletics (Schools)	R1 000	R500
Music Competition: Community Hall	R1 000	R500
Charitable Organisation (minimum 5 hours)	R400	R20/hour
Wedding Ceremony: Community Hall	R500	R500
Funeral Service: Community Hall	R500	R400
Church activities: Community Hall (minimum 5 hours)	R500	R50/hour
Sporting codes: Tennis, Netball etc	R500	R400

That 20% gate takings in respect of all events for which gate takings are collected be levied.

It is also recommended that Nkowankowa stadium be strictly used for sport.

WATER CONNECTIONS - 19MM

That in terms of the provisions of section 11 (3) of the Local Government Municipal System Act 2 000, the Council by resolution amends the charges payable for the supply of water contained in Municipal Notice 36 dated 22 September 1982 and published in official Gazette no. 4226 date 22 September 1982, with effect from 1 July 2008 by the substitution for item 3 of the following:

Miscellaneous Charges

- 1(a) For each separate 19 mm new water connection:
R1 760 Vat included
(Old Tariff + VAT = R 1 600-00)
- 1(b) For each new 50 mm water connection
R6 380 VAT included
(Old Tariff + VAT = R5 800-00)
- 1(c) For each new water connection bigger than 50 mm
Actual cost plus VAT plus 10%
- 1 (d) For each water re-connection:
R600 VAT included
Old Tariff + VAT = R550

RECONNECTIONS

Reconnection of water supply due to non-payment of services
Current R445.00 and Proposed R490.00

SEWER CONNECTIONS

That in terms of the provisions of section 11 (3) of the Local Government Municipal System Act 2000, the Council amends by resolution the charges payable in terms of the Drainage and Plumbing By-Laws and By-Laws for the Licensing and regulating of Plumbers and Drain Layers published under Municipal Notice No. 35 dated 22 September 1982, and promulgated in Official Gazette No. 4226 dated 22 September 1982 as follows with effect from 1 July 2008.

By the substitution in item 5 for the figure R1 452.00 VAT included,
by the figure R1 600 VAT included.

Sewer Honey sucker – R80-00 / kl
(Old tariff R70-00)

BURIAL SERVICE: TZANEEN COST CENTRE

That in terms of the provision of section 11 (3) of the Local Government Municipal System Act 2000 the Council by resolution amends the charges payable for burial services promulgated under Municipal Notice 63/1996 of 18 October 1996 as set out in the under mentioned schedule with effect from 1 July 2007.

SCHEDULE

TARIFF OF CHARGES: BURIAL SERVICES: TZANEEN

1. When the deceased lived in the Municipal area at the time of the passing:

Burial: Mondays to Fridays (08H00 to 17H00)

1.1 Per grave for any person under 12 years: R220-00
(Old tariff R220-00)

1.2 Per grave for any person 12 years and over:
R467-50
(Old tariff R467-50)

1.3 Opening for second burial R231-00

(Old tariff R231-00)

2. When the deceased lived outside the Municipal area at the time of the passing:

Burial: Mondays to Fridays (08H00 to 17H00)

- 2.1 Per grave for any person under 12 years: R660-00
(Old tariff R660-00)
- 2.2 Per grave for any person 12 years and over:
R1 144-00
(Old tariff R1 144-00)
- 2.3 Opening for second burial R264-00
(Old tariff R264-00)
3. Niches: Per niche per deceased R264-00
(Old tariff R264-00)
4. Memorial work: Removal or re-affixing to per memorial work
R121-00
(Old tariff R121-00)
5. Removal of ashes from a niche: Per removal R121-00
(Old tariff R121-00)

CHARGES FOR THE APPROVAL OF BUILDING PLANS

That in terms of the provision of section 11(3) of the Local Government Municipal System Act 2000 the Council by resolution amends the charges payable for the approval of building plans with effect from 1 July 2008 as set out in the schedule hereunder:

SCHEDULE

CHARGES FOR THE APPROVAL OF BUILDING PLANS

1. The charges payable for a building plan submitted for consideration shall be as follows:
 - 1.1 The minimum charge payable for any building plan with the exception of item 3 and 4: R220-00
(Old tariff R200-00).
 - 1.2 The charges payable for any building plans shall be R2-80 per m² (Old tariff R2-50)
 - 1.3 To apply the abovementioned charges, the total area

of any new building must be calculated at every floor level on the same erf, including verandas, galleries and balconies.

2. In addition to the charges payable in terms of item 1, a charge of 55c per m² (Old tariff 50 c) of the reinforced area is payable for every new building in which structural steelwork or concrete is utilized for the main framework as the main structural components of the building.
3. Charges payable for approval of alterations to existing buildings and buildings of special character such as factory chimneys, spires and similar erections, shall be calculated on the estimated value thereof at the rate of R10 for every R500-00 or part thereof, with a minimum charge of R250-00 and a maximum charge of R1 100-00.
4. Building plans for swimming pools will be approved at a charge of R170-00 per plan (Old tariff R150-00)
5. Charges payable for the re-inspection of buildings and swimming pools: R250-00 per re-inspection (Old tariff R200-00)
6. Town maps: R120-00 per copy (Old tariff R100-00)
7. Building statistics: R120-00 per year (Old tariff R110-00)

ELECTRICAL CHARGES

That in terms of the provision of section 11 (3) of the Local Government Municipal System Act 2000, the Council by resolution amends the charges payable for the supply of electricity as contained in Municipal Notice 19 of 1988, with effect from 1 July 2007 by the addition in part (iii) after clause (2) of the following:

TESTING OF METERS

		<u>OLD TARIFF</u>	<u>NEW TARIFF</u>
I	Rural	R350.00	R1 100.00
II	Town	R200.00	R 650.00

DETERMINATION OF CHARGES PAYABLE IN TERMS OF THE PROVISIONS OF THE TOWN PLANNING AND TOWNSHIPS ORDINANCE, NO. 15 OF 1986

Notice is hereby given in terms of the provisions of section 11 (3) of the Local Government Municipal Systems Act 2000, that the Greater Tzaneen Municipality has by Resolution determined

charges payable in terms of the provisions of the Town planning and Townships Ordinance, 1986 (no.15 of 1986), with effect from 1 July 2008 as set out in the Schedule below.

CHARGES PAYABLE TO LOCAL AUTHORITIES IN TERMS OF THE PROVISIONS OF THE TOWN-PLANNING AND TOWNSHIPS ORDINANCE 1986 (NO. 15 OF 1986).

FEES EXCLUDING ADVERTISEMENT AND INSPECTION

		<u>OLD TARIFF</u>	<u>NEW TARIFF</u>
i	Application for consent	R800.00	R880.00
ii	Application for amendment of interim scheme	R880.00	R970.00
iii	Application for amendment of Town planning scheme	R1 700.00	R1 900.00
iv	Application for establishment of a township or land development area (DFA)	R3 100.00	R3 500.00
v	Application for removal of restrictive conditions in Title Deeds and/or amendment of Town planning scheme.	R1 700.00	R1 900.00
vi	Application for extension of boundaries of an approved township	R1 700.00	R1 900.00
vii	Application for subdivision for property in 5 or less portions (Section 92 (1) (a) of Ordinance 15 of 1986 Regulation 293 and Regulation 188	R1 000.00	R1 100.00
viii	Application for subdivision for property in more than 5 portions (Section 92 (1) (a) Ordinance 15 of 1986 Regulation 293 and 188	R1 000.00 For the first 5 portions plus R100 in respect of each further Portion	R1 100.00 for the first 5 portions plus R110 in respect of each further portion

viii	Application for consolidation of properties	R400.00	R440.00
x	Application for other uses than residential on traditional land	R65.00	R70.00
xi	Application for Council's reasons and written consent	R330.00	R370.00
xii	Reimbursement of Chairman of Townships Advisory Committee established in terms of section 59 or Ordinance 40 of 1960	R520.00/day	R570.00/day
xiii	Comments of Council regarding applications in terms of Act 21/1940 Act 70/1970 permit rights and recommendation of layouts to R293.	R1 000.00	R1 100.00
ix	Comments of Council on application i.t.o. Act 70/1970		R1 100.00

ADVERTISEMENT AND INSPECTION FEES

Apart from the fees prescribed in Section A, the following fees shall be payable to the Local Authority:

	<u>OLD TARIFF</u>	<u>NEW TARIFF</u>
1. Notice of application in Provincial Gazette and Newspapers	R1 800.00	R2 000.00
2. Inspection and hearing regarding any application	R800.00	R880.00

DETERMINATION OF CHARGES

SCHEDULE

Tariff of charges in terms of the swimming bath By-Law of the Greater Tzaneen Municipality, published under Administrator's Notice no. 975 dated 21 June 1972, shall be as follows:

TARIFF OF CHARGES

ADMISSION FEES

	<u>OLD TARIFF</u>	<u>NEW TARIFF</u>
1. Season tickets per person	R90.00	R100.00
2. Single tickets per person	R6.00	R6.60

HIRE OF SWIMMING BATH

	<u>OLD TARIFF</u>	<u>NEW TARIFF</u>
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1. To an approved swimming club during hours determined by the Council per season	R418.00	R418.00
2. For galas or aquatic sports on dates previously approved:		
a) School galas or Aquatic sport events	R82.00	R82.00
b) Other galas or aquatic Sport events	R231.00	R231.00
3. All other functions at the swimming pool (not schools) refundable deposit	R253.00 R462.00	R253.00 R462.00
4. For instruction for remuneration during hours previously approved per season, per instructor	R500.00	R500.00
5. School children in groups free of charge per pupil making use of the swimming bath during school hours, provided that permission has previously been obtained and provided that:		
5.1 a teacher of the relevant school shall exercise direct supervision over the children at the swimming bath;		
5.2 the children shall not be allowed to stay in the water for a period exceeding 60 minutes, and		
5.3 the children on any school day, shall leave the		

premises not later than 13h00.

- 5.4 A fee of R60.00 per hour shall be payable to the life saving contractor for attendance after swimming hours. (Old tariff R60,00)

REVENUE

Refer to drawer cheques (R/D) – Admin Fee
Current R134.00 and Proposed R148.00

Unpaid debit orders – Admin fee
Current R134.00 and Proposed R148.00

Supply of information (faxes)
Current R4.80 and Proposed R5.30

Supply of Duplicate statements
Current R4.80 and Proposed R5.30

Furnishing of Clearance Certificate
Current R18.00 and Proposed R20.00

Furnishing of Valuation Certificate
Current R29.00 and Proposed R32.00

Furnishing of Duplicate Clearance Certificate
Current R13.00 and Proposed R14.00

Final reading levy
Current R33.50 and Proposed R37.00

Credit Control Action – Friendly Reminder Fee
Current R26.50 and Proposed R29.50

Copy of the Valuation Roll
Current R403.00 and Proposed R445.00

All above tariffs are VAT excluded

CLEANING OF STANDS

Cleaning of overgrown stands R0.35c/m² R0.50c/m²

CHARGES PAYABLE FOR THE USE OF THE PUBLIC LIBRARIES

Members of the Tzaneen Library	R60.00 or R140/family
Members of the Haenertsburg or Letsitele Libraries	R30.00 or R70/family
Deposit	R140,00 per person
Duplicate certificate of Membership	R6.00
Overdue Library material	R1,00 for every week
Block loans	R140.00 per year plus membership of person responsible for block loan.
Photocopies	
A4 Photocopy	R0,50 per page
A3 Photocopy	R1,00 per page
Rent of Minitzani Hall	R95.00 per day
Rent of the Tzaneen Library Study Hall (After hours)	R180.00 per day

LICENCING TARIFFS

Poster

With regard to posters the amount of R10.00 per advertisement of which R5.00 is refundable

Election Posters

A once only R150,00 deposit per candidate/applicant per election, as well as a amount of R300.00 per applicant candidate per election which is not refundable. Total amount R450.00

Pamphlets

An amount of R200.00 per applicant which is not refundable

Advertisement – Properties

With regard to advertisement of the selling of properties, an amount of R450.00 per calendar year or any part thereof.

Banners

With regard to banners, an amount of R200.00 of which R125.00 is refundable.

Dog Tax

Application for dog tax (Licensing) R40,00 amount payable per dog.

4. THE BUDGET

4.1 Executive Summary

INTRODUCTION

The drafting of the 2008/2009 budget commenced in August 2007 with the adoption of the IDP/Budget time table.

The main purpose of the IDP/Budget time table is to align the IDP, Budget and Performance plans and to ensure that the budget is informed by the IDP.

The total revenue for the 2008/2009 financial year amounts to R390 million, which represents an increase of R68 million over the 2007/2008 financial year. This increase is mainly due to the increase in service charges and external grants from central Government.

The total revenue budget includes an amount of R87 million which represents the equitable share allocation of Greater Tzaneen Municipality.

An amount of R30.1 million will be levied by way of property tax and R199 million will be sourced from user charges. Borrowed funds are limited to R15 million and will only be used to finance capital expenditure as determined in Section 18 of the MFMA.

An amount of R375 million has been made available on the operational budget for expenditure. This amount includes R130 million for salaries, R87 million for repairs and maintenance and R83 million for the purchase of bulk electricity and water.

An amount of R44.6 million has been allocated for capital expenditure for the 2008/2009 financial year. This amount includes the MIG allocation of R28 million as well as an amount of R10 million which will be spent on the upgrading of our electricity distribution network.

COMMUNITY CONSULTATION

After approval of the draft 2008/2009 budget on 25 March 2008 it was advertised in two local newspapers stating that the draft budget is available for public scrutiny. It was also made available on Councils website and a consultation process in line with the requirements of the Municipal Systems Act and the MFMA was conducted during March 2008 and April 2008.

The inputs received during this process have been submitted to the Mayor and the more pertinent and relevant inputs have been included in the budget.

The main concerns raised during the consultation process were:

- Need for water infrastructure
- Upgrading of cemeteries
- Grading of gravel roads
- Need for electricity infrastructure upgrading

ALIGNMENT WITH NATIONAL, PROVINCIAL AND DISTRICT PRIORITIES

The alignment of National, Provincial and District priorities is guided by the Local Government Municipal Systems Act which determines that the planning undertaken by a Municipality must be aligned with, and complement the development plans and strategies of affected Municipalities and organs of state.

Meetings regarding the alignment of Greater Tzaneen Municipality's IDP review were held during March 2008 and April 2008 and all stakeholders were invited to attend the meetings.

EXTERNAL FACTORS, INCLUDING ECONOMIC DEVELOPMENT AND TOURISM

The DPLG White Paper on Local Government states that it is the responsibility of Local Government to take active steps to ensure that the overall economic and social conditions of the locality are conducive to the creation of opportunities.

This forces Municipalities to focus on poverty alleviation through job creation and maximization of economic potential.

During the 2007/2008 financial year the Greater Tzaneen Municipality rendered the following functions which earned Greater

Tzaneen Municipality recognition as the best socio-economic service provider in Limpopo.

- Implementation of the Mefakeng Tourism Development project funded by Irish Aid – R13 million.
- The formation of the Greater Tzaneen Tourism Association in partnership with other stakeholders.
- Establishment of an Economic Development Agency funded by IDC – R800 000.
- Implementation of the Marketing Strategy funded by DBSA R210 000.
- Feasibility study on the Fruit and Nut Cluster funded by European Union – R800 000.
- Retention of the Sapekoe Tea Estate and support of other Land claims beneficiaries.
- Shopping Centre Development i.e. Maake, Bindzweni, Mamitwa, Tzaneng Mall expansion, and Moolman Development at Sasol filling station.

PAST AND CURRENT PERFORMANCE ACHIEVEMENTS,
MAJOR POLICY INITIATIVES AND CHALLENGES

Municipal Managers Department



The Tropical Paradise of Southern Africa (GTM) is on course. The municipality has over the years created an effective, efficient,

economic system of Governance i.e. to ensure a meaningful maximum community participation process.

Accountability reigns supreme through the vibrant ward committee system. The cluster meetings are continuously shaping items to Council with the participation of communities through Ward Councillors, mainly service delivery to the poor. The municipality clustered its thirty four wards into four multipurpose community centres: Lesedi, Runnymede, Bulamahlo and Relela, which chiefly provides a conducive infrastructure for all spheres of Government to deliver services to our rural communities.

The Municipality has recently fostered a cordial relationship with both Local, Provincial and National media houses. The administration has recently committed itself to ensure the thrust meetings and implementation of programme, resolutions of Council are adhered to for service delivery to our people. We are closer to achieving maximum integration of programmes internally to ensure we create an environment for sector departments to be on board. Our communication system needs to improve to ensure all employees of Council is informed and our external stakeholders.

Our conviction to create a seamless administration is irreversible . There are instructive lessons we have learned through the recent community needs and inputs, including Ward prioritization. The administration must be flexible, responsive to our communities. The adoption of our draft IDP is a step in the right direction. The Integrated Development Plan remains the only viable tool for all spheres of Government to deliver services effectively and in an integrated, sustainable way. Our IDP has the key components making it a credible Integrated Development Plan.

- Integrated Waste Management Plan
- Local Economic Development Strategy
- Performance Management System
- Environmental Management Plan
- HIV/Aids Strategy
- Spatial Development Framework

Our plans make Local Government work better for all.

The Performance Management System has achieved the following:

- Performance Management unit established
- Performance Agreements for Senior managers were reviewed.
- Cascading of departmental to Heads of Division by way of divisional Scorecards were finalized.

- A Remuneration Committee established with a clear Remuneration Policy and Salary Structure implemented.
- Development of a PMS Policy, PMS Tool and Assessment guidelines is underway to conclusively finalise the process.

The Supply Chain Management unit is moving on under difficult conditions of under staffing to discharge their mandate. The implementation is still underway for a complete system.

The Internal Audit unit continues to monitoring the implementation of systems and constant controls.

The PMU continues to co-ordinate the process of infrastructure projects from Municipal Infrastructure Grant.

Our implementation of the Municipal Finance Management Act 56 of 2003: We have created and sustained the systems that are well thought out for implementation.

The Executive committee, Council and Traditional leaders are continuously meeting to forge good Governance ahead, through EXCO Outreach programmes, Mayor meets the traditional leaders. The interface continues uninterrupted to service to our people.

The Disaster management continues to respond accordingly to minimize disaster and provide services. A coherent integrated management system is the only way for a proper corporate good Governance.

Internal Audit

RISK ASSESSMENTS

The division has managed to conduct risk assessment in consultation with managers of which its results were incorporated into the three year strategic plan.

THREE YEAR STRATEGIC PLAN

The division managed to comply with Section 165 of the MFMA by sumitting the strategic plan with annual plan to the Audit Committee.

ANNUAL AUDIT PLAN

The division managed to submit an annual plan to Audit committee for approval.

INTERNAL AUDIT CHARTER

The division also managed to update the internal audit charter which the changes were also approved by the Audit Committee.

INTERNAL AUDIT METHODOLOGY

During the external audit of 2005/2006 financial year it was reported that internal audit does not have a methodology and they were promised that for 2008/2009 this methodology shall be available and indeed it is ready for submission to Council before the end of 2007/2008.

INTERNAL AUDIT WORK

During the period under reporting the division managed to advise management on issues related to:

- ◇ Direct and unknown deposits
- ◇ Awarding of service contracts to service providers
- ◇ Personnel appointments
- ◇ Assets register
- ◇ Effective utilization of present staff
- ◇ We also discovered fraudulent activities by officials who were suspended.

QUARTERLY REPORTS

The division also managed to submit three quarterly reports to the Audit Committee.

OTHER ACTIVITY

We also managed to attend invitations by the National Treasury like risk forum meetings and internal audit indaba.

Disaster Management Division

Report of incidents, help to communities and special events that took place from July 2007 to December 2007.

July 2007	3 Food Parcels
	9 Mattresses
	9 Blankets
	150 Blankets: Radio Jakaranda

August 2007	3 Food Parcels 2 Tents 10 Mattresses 10 Blankets
September 2007	4 Food Parcels 4 Mattresses 11 Blankets
October 2007	3 Tents 7 Food Parcels
November 2007	3 Food Parcels 4 Tents 9 Blankets 9 Mattresses
December 2007	4 x Mattresses 4 x Blankets

As from December 2007 all food parcels were issued by the Department of Health and Social Development.

Special Events	:	41
Training Attended /Conducted	:	12

Community Services



Environment

Environmental Health has succeeded in striving to ensure a safe and healthy environment, conducted Food Safety Management

audits and hosted the Star grading system award function, it has also in promoting environmental sustainability, launched and hosted the Cleanest School Competition. We are managing Industrial Impact by conducting Occupational Health, Safety and Environmental evaluations in industrial premises.

Library

Main Programmes

Library development and reading promotion
Arts and culture programmes – book related
Assisting schools in establishing book collections

Achievements

- 61503 Library users benefited from the information resources available in the libraries.
- 81036 Books/magazines were circulated
- 115 School groups were hosted
- 5 Holiday programmes were hosted, with the emphasis on arts and crafts, using inexpensive materials
- 6 Major and 5 smaller cultural events were hosted. The highlights were the creative writing workshops presented by internationally renowned Belgian writers, Piet Daniel billiet and youth novelist Marita de Sterck from 17 – 21 September 2007.
- 536 Learners participated in the annual library competition.
- 269 Relevant books were donated to schools via the GTM Library Committees.
- The HOD Library Services delivered a successful Power Point presentation on the Library services outreach programmes at the Congress of the International Federation of Library Associations (IFLA) in Durban on 21 August 2007. Her paper has been selected for publication in the IFLA journal.
- The HOD Library Services received an award from the Limpopo branch of the Library Association of South Africa (LIASA) for Paired Reading, the presentation at the International Federation of Library Associations and regular contributions to the LIASA magazine.

Challenges

Communities from all over the Greater Tzaneen Municipality are and beyond use the Greater Tzaneen Municipal Libraries. For

communities outside Tzaneen, Letsitele and Haenertsburg transport costs are a factor, impacting negatively on the disadvantaged.

The high cost of establishing and operating much needed new municipal libraries, lack of sufficient staff at the Tzaneen Library, and the insufficient delivery of relevant new books from the Provincial Library Services are the main challenges facing the GTM Library services.

Parks, Recreation, Sports, Arts, Culture and Cemetery
July 2007 to March 2008

USAGE OF FACILITIES

- Swimming pool is closed due to maintenance challenge
- Nkowankowa stadium was closed for renovations from March 2007 and re-opened in January 2008.
- Lenyenye stadium and Julesburg were booked 95 times combined
- Club house 40 times
- Projector room at community hall was booked 96 times
- Community hall at Nkowankowa was booked 310 times

DECORATIONS: were done at Runnymede, Mandlakaki, Shihoko, Block 5, Tivumbeni, Lenyenye community hall 2x, Nkowankowa community hall, Mtupa, Dundee sport ground, Julesburg stadium, Park 379 Nkowankowa, Civic Center, Library

GRASS CUTTING

The following grass cuttings were done:

- Sidewalks – 755712 m²
- Parks: Recreational and developed -156683 m²
- Open spaces – 4824242 m²
- Sport facilities – 3237348 m²

SPORT FACILITIES MAINTINACE SCHEDULE

The maintenance schedule of our three stadiums are done as follows:

- Mondays – Nkowankowa stadium
- Tuesday & Wednesday- Lenyenye stadium

- Thursday - Julesburg
- Friday –Nkowankowa stadium is being prepared for week-ends bookings and time for servicing grass cutting machines. The stadium is closed for bookings on this day. Clubs such as Boxing, Aerobics, Athletics train from Monday till Thursday evenings only, so that when the facility is cleaned on Friday it must remain clean for week end activities.

Annual pitch maintenance- the ground is top dressed with 80 cubic meters top dressing and is done in June-July during PSL off season.

Every six weeks 8x50 kg bags 4:3:4 fertilizers are applied in summer and 2:3:2 in winter.

Value cost for maintaining stadiums went down this financial year because during synthetic track and steel pavilion renovations the stadium was not maintained as it was interfering with the renovations program (synthetic track)

CEMETERIES :

The following Cemeteries are maintained:

Lenyenye, Nkowankowa, Tzaneen, Old Letaba and Haenersburg. Nkowankowa and Lenyenye are maintained monthly and the rest weekly.

Total number of funerals:	Adults	175
	Children	24
	Paupers	09
	Muslim	04
Number of graves opened:	Nkowankowa	78
	Lenyenye	70
	Haenertsburg	02
	Tzaneen	38

Graves opened for second burial were 10

Four exhumations were done - (3 were buried where the Department of Education wanted to build a school at Rhelela and one was found in Municipality’s site in Nkowankowa.

N.B Children’s graves are excavated manually and 03 graves are kept open weekly.

Adult's graves, in Parks Area 1- 08-10 graves are kept on continuous basis.

MAINTENANCE OF SIDE WALKS

- Weed control was done at Nkowankowa- Bankuna Road
- Termite nest control – 32 nest were eradicated on side walks
- Dangerous trees removed/pruned -54 on side walks

Areas to be slashed were identified and the following was done:

- Slashed - 1683739 m2
- Termites nest control -76 nests
- Dangerous trees removed/ pruned- 01

PARKS RECREATIONAL & DEVELOPMENT

- Play apparatus repaired were 15
- Termites nest treated were 03
- Dangerous trees removed were 11

Grass cutting is also done at all Greater Tzaneen Municipality MPC's

GARDEN AREAS MANTAINED BY PARKS PERSONNEL AREA 2&3

- Minitzani, Adam circle, slopes in Boundary Street and are in front of Tzaneen Primary-School,
- Park at Tamboti Street
- Bird Park: King Edward

GARDEN REFUSE REMOVAL

Garden refuse is removed on continuous basis by a team from parks and garden areas. Streets trees are pruned and dead leaves are removed on continuous basis.

GARDEN EXPO

Parks Division together with Companies in the Green Industry around Greater Tzaneen Municipality organized a garden art show and three companies won trophies as the best exhibitors (published on Herald news paper).

WET LAND

Mgolobotho wetland was slashed during the 2007 financial year.

Solid Waste

A) **Waste minimization (Composting)**

- Presently all organic waste (garden-refuse) are treated at the composting site adjacent to the landfill.
- At present 24 000m³ / annum are re-routed to the composting plant, which represents all incoming garden-refuse from all the suburbs in the area viz, Tzaneen, Nkowankowa, Lenyenye, Letsitele and Haenertsburg.
- The operation creates a saving per annum of R960 000.00 (R160,00 @ 6000m³ with a compaction ratio of 4:1)



B) **Waste Minimization (Recycling @ Landfill)**

- Presently 8000 m³ of recyclables are recycled at the Landfill.
- A Municipal Service Provider is utilized to render this service which creates 10 x job opportunities at this workstation.
- The savings on Landfill air-space creates a saving of R321 120.00 per annum (R160.00 @ 2007 m³ with a compaction ration of 4:1)



- 1 x Recycling budget implementation plan is at present implemented in Tzaneen CBD
- 33 600 m³ of refuse is recycled by a Municipal Service Provider in the CBD.
- This creates a saving of R1 344 000.00 per annum on air space savings at the Landfill. (Compaction ratio 4:1)



C) Collection and Transportation (Health Care Waste)

- A full removal medical waste service is rendered to all generators of medical waste eg. Hospitals, Clinics, Consulting rooms, Veterinary consulting rooms, etc..
- This service is seldom rendered by Local Government, and Tzaneen is one of only a few L.A.'s in South Africa which are actively involved in rendering a service in accordance with the legal manifesto.(The Health Act)



D) Labour Motivation Model

INTRODUCTION

Responsible waste management requires a neat, tidy and healthy environment.

Generic labour problems, which prevent service delivery, were inter alia as follows: Late comings, leaving of the workplace without permission or authorized leave, alcohol abuse and poor work-standards.

METHODOLOGY

Management researched appropriate information to develop a performance management system. Planning was done in conjunction with organized labour as well as Council's top-management.

Scorecards were to be developed to measure critical performance indicators for teams.

CLEANSING SECTION CRITICAL CONTROL POINTS (CCP'S) RESULTS FOR THE MONTH OF JANUARY 2005													
REFUSE REMOVAL TEAMS			STREET CLEANSING TEAMS			PUBLIC TOILET TEAMS			UTILITY TEAMS				
CCP	Team 1	Team 2	CCP	Team 1	Team 2	CCP	Team 1	Team 2	CCP	Team 1	Team 2	Team 3	Team 4
CCP 1	✓	✓	CCP 1	✓	✓	CCP 1	✓	✓	CCP 1	✓	✓	✓	✓
CCP 2	✓	✓	CCP 2	✗	✓	CCP 2	✓	✓	CCP 2	✓	✓	✓	✓
CCP 3	✓	✓	CCP 3	✓	✓	CCP 3	✗	✗	CCP 3	✓	✓	✓	✓
CCP 4	✓	✗	CCP 4	✗	✗	CCP 4	✓	✓	CCP 4	✗	✗	✗	✗
CCP 5	✓	✓	CCP 5	✗	✗	CCP 5	✗	✗	CCP 5	✗	✗	✗	✗
CCP 6	✓	✓	CCP 6	✓	✓	CCP 6	✗	✗	CCP 6	✗	✗	✗	✗
CCP 7	✗	✓	CCP 7	✓	✓	CCP 7	✓	✓	CCP 7	✗	✗	✗	✗

A display board was erected to display achievements of different teams.

Human Resource Management enabled labour to understand the system, and initiated skills training.

Monthly awards were introduced to complement the remuneration of staff.

RESULTS:

Savings, increased productivity, decrease in personnel turn-over and, improved cleanliness.

A well-structured organogram was developed. (Table 4)

Initial saving on overtime budget to the value of R500 000.00 per annum.

Absenteeism decrease as follows viz: 1996 = 7% monthly (not verified) 2006 = 3% monthly (Verified)

Increased productivity: 1996 = 3% 2006 = 1,0%

Improved cleanliness of environment:

2002/3 = Cleanest Town in Limpopo
2003/4 = Cleanest Town in Limpopo
2004/5 = Cleanest Town in Limpopo
2005/6 = 2nd Cleanest Town in Limpopo
2006/7 = Cleanest Town in Limpopo
2006/7 = 2nd Cleanest Town in RSA
2007/8 = Cleanest Town in Limpopo

Motivated and a happy labour force.

KEYWORDS

Performance Management
Critical Control Points
Productivity
Performance Appraisal
Local Government
Labour Contentment



Rural Waste Minimization Drop of Centres

Planned to finalize drop-of-centres at the following schools
@ 4 x clusters:

Relela Cluster

- Motupkgomo Primary School
- Modipe Secondary School

Runnymede Cluster

- Ooghoek Primary School
- Mahwahwa Secondary School

Lesedi Cluster

- Mariveni Primary School
- Matani Secondary School

Bulamahlo Cluster

- Marovoni Primary School
- Dumela Secondary School

Schools must be visited 6 x annum (1st @ bi-monthly)
An inspection report for each visitation must be handed in at the HOD, appropriately signed by the Implementer/Contractor as well as the Headmaster, SGB Chairperson and Eco Club Chairperson.

The implementer must ensure awareness in compliance with “WISE-UP ON WASTE” guidelines.

Site meeting Motupakgomo School



Example Motupakgomo Primary School



Removal Schedules

- Bulk containers at schools must be removed 1x week or more on request of the S.G.B. to an approved " Drop-off-Centre" in Tzaneen.
- All recycling items must be recovered for reprocessing

Time frames:

- Removals shall take place from Mondays to Saturdays from 06h00 to 18h00.

Routes

- The contractor must submit a route plan
- 2 x Schools per cluster must be serviced – total of 8 schools (2 x Schools per cluster)

Containers

- 6 x m³ Containers must be utilized
- Containers will comply with the prescriptions of the requirements of the HOD Tzaneen Solid Waste
- Containers must be placed within the School yard.

Cleanest Town Competition

- Example of cleanest town competition



The results of proper planning in the abovementioned competition depicted as follows viz:-

2002/3 = Cleanest Town in Limpopo
2003/4 = Cleanest Town in Limpopo
2004/5 = Cleanest Town in Limpopo
2005/6 = 2nd Cleanest Town in Limpopo
2006/7 = Cleanest Town in Limpopo
2006/7 = 2nd Cleanest Town in RSA
2007/8 = Cleanest Town in Limpopo

TRANSPORT, SAFETY, SECURITY AND LIAISON



REVIEW OF PAST PERFORMANCES

License Division

For the period 1 July 2007 – 28 February 2008.

Learners Licenses issued	3745	R 179 760.00
Drivers Licenses issued	10096	R1 817 280.00
Vehicle Registrations	9208	R 714 360.00
Vehicle Licenses discs issued	29543	R9 311 429.00

Traffic Division

Summons issued	8613	
Face Value		R1 983 000.00

Escort Duties	16
Accidents attended to	119
Letaba show	1
Minitzani Week	1
Arrive Alive Campaigns	5

Corporate Services



The main purpose of the Corporate Services Department is to manage the following functions:-

- Human Resources
- Administrative Support
- Legal Support

- Information Services
- Public Participation and project support
- Communication and Marketing

ORGANISATIONAL DESIGN

Functional Organogram

A comprehensive OD exercise was conducted and a new service orientated organogram approved with effect from 1 July 2005.

Since then the organogram has been reviewed annually to cater for new needs/functions and also to align it to the IDP.

During the 2007/8 financial year a new department of Transport, Safety, Security and Liaison was created with the Law Enforcement and Licensing & Testing Divisions under its control.

The Community Services Department now consists of the Waste Management, Library Services, Health Services and Parks, Recreation & Cemeteries Divisions.

With the exception of the Internal Audit and Disaster Management Divisions all other divisions under the control of the Office of the Municipal Manager were relocated to mainly the Corporate Services and Planning and Economic Development Departments.

Staff Establishment

The staff establishment was updated in line with the new functional structure which came into effect on 1 October 2007.

Task Job Evaluation

Job Analysis Questionnaires (JAQ's) for all positions were prepared after the training of 30 identified departmental representatives. Final job descriptions were signed by all parties and submitted to the Regional Task Job Evaluation Committee on 30 March 2006. The final outcomes report after moderation was received on 6 December 2007. Implementation of the outcome can only be done once the grading and salary structuring process is finalized.

Labour

As on 1 January 2008, the staff register reflects the following:

Positions approved: 891
 Positions filled: 586
 Positions vacant: 305

The situation for the seven departments was as follows:

Department	Positions approved	Positions filled	Positions vacant
Municipal Manager	13	8	5
Planning & Economic Development	24	17	7
Financial Services	64	43	21
Corporate Services	70	52	18
Engineering Services	256	159	97
Community Services	261	161	100
Electrical Engineering	120	99	21
Transport, Safety, Security and Liaison	83	47	36
TOTAL	891	586	305

Employment Equity

The position in terms of representivity of the workforce profile as on 1 January 2006 is as follows:

Black	506
White	75
Coloured	4
Indian	1
Total	586

As far as gender is concerned, the position as on 1 January 2006 is as follows:

Male	425
Female	161
Total	586

In terms of appointment of people with disabilities as on 1 February 2008, the Municipality has achieved nearly 1.5% against the national benchmark of 4%.

SKILLS DEVELOPMENT

■ **Background**

The Greater Tzaneen Municipality is committed to skills development and fully subscribes to the provisions of the National Skills Development Strategy.

Development Strategy

The Work Place Skills Plan (WSP) for the 2007/2008 financial year was submitted to the Local Government SETA (LGSETA) and has been implemented, as far as finances permitting it.

■ **Training Budget**

As an indication of the Municipality's commitment to skills development an amount of R867 355 was budgeted for skills development during the 2007/2008 financial year.

The money was intended for, inter alia, finance training interventions which had been identified to address the skills gaps in the Municipality. The training interventions are conducted by accredited training providers to ensure quality of provision.

However, due to the severe financial constraints that was experienced only a fraction of this amount could be used. (± R110 000) (12.6%).

■ **Adult Basic Education and Training**

The Local Government SETA (LGSETA) has granted Council funding amounting to R126 000 for the training of employees on ABET. Quotations will be sourced from ABET Service Providers to conduct the interventions and the programme end during December 2007 when 42 employees wrote the IEB examination.

■ **Implementation of Learnerships**

⤴ Water Learnerships

The learnership has been concluded. The Energy SETA assessed the programme and 14 officials were certified competent and received their certificates.

⤴ LED Learnerships

The programme has been concluded.

⤴ Community Development Worker Learnerships

The first intake of four learners has concluded the programme successfully. Another intake of 24 learners have started with the programme during November 2006 and concluded at the end of December 2007.

⤴ Youth Development Worker Learnerships

The programme has been concluded successfully.

⤴ Electricity Learnerships

The Municipality will implement these learnerships from July 2007. Ten (10) employed learners and five (5) unemployed learners will participate in the learnership.

⤴ Other Learnerships

A needs analysis for the other learner ships was conducted in all the Departments in Council. These learnerships will hopefully be implemented during 2009.

■ **DBSA Grant Funding:**

- Customer Care - 150 employees will be trained.
- Middle Management – 51 employees will be trained
- Supervisory Skills – 52 employees will be trained.

These interventions were conducted from the last week of March 2007 until mid May 2007.

The other interventions for Councilors will be done from May to June 2006 and these are:

- Project Management
- Policy Development
- Community Development
- Local Government Legislation

OCCUPATIONAL HEALTH AND SAFETY (OHS)

■ **Occupational injuries and diseases**

Reported injuries on duty for the period 1 July 2007 to 28 February 2008 were 17. For the same period (July – February) in 2006/2007 financial year, there were 31 reported injuries on duty. No occupational disease was reported for the same period in 2007/2008 financial year.

Direct man-hour lost due to occupational injuries for the same period was 291.30 hours. There was one serious injury where the employee affected was given more than 40 days sick leave. There were no fatal injuries.

■ **Number of inspection conducted**

There were 213 inspections conducted for the period 1 July 2008 to 29 February 2008.

These inspections are conducted to monitor compliance in terms of OHS Act at different work stations.

■ **Occupational Health and Safety OHS Committee Meetings.**

As on 29 February 2008, 9 OHS Committee meetings were held.

■ **Occupational Stressors Monitoring**

Occupational hygiene monitoring equipment, i.e. gas detectors used to check risk factors (asphyxiation-insufficient oxygen) in confine spaces (sewage manholes), Lux meter to check quality and adequacy of light in offices and workshops and sound level meter to check level of occupational exposure to noise, were used to monitor these stressors (asphyxiants, poor lighting, noise). Where deviations occurred, recommendations were given to supervisors/superintendents to reduced stressors to acceptable levels e.g. addition and/or replacement of lights in offices and workshops, purging of manholes before entering, repairing noisy machinery and use of earplugs/muffs.

■ **Employee Assistance Programme (EAP)**

As on 29 February 2008, 31 employees utilized the EAP to seek assistance in resolving personal problems ranging from chronic illness (TB & HIV/Aids), emolument attachments orders, loan sharks, marital affairs and alcohol abuse. Out of 31 cases, 29 were finalized and 2 are carried over.

Health talks regarding prevention of HIV and tuberculosis at work were given during health and safety committee meetings to members of the committee who are having weekly health and safety talks in their respective workplaces.

Over and above the latter, HIV/AIDS, TB and Diabetic awareness through the Department of Health & Social Welfare were done for the period 11 February 2008 to 10 March 2008 and 419 officials attended. Staff was tested for TB on site and HIV/AIDS in the local clinic.

A number of 273 employees had their eyes tested for free by a local optometrist as part of their social responsibility programme.

■ ***OHS Risk Assessment***

An OHS Risk Assessment was conducted on 6 and 7 March 2008 for all the work places in the Greater Tzaneen Municipality by an independent Occupational Hygiene Technologist.

The purpose of conducting this statutory assessment is to identify risk and hazards associated with activities, to assess the seriousness of these hazards and formulate a system to reduce safety risks to a minimum or at least to an acceptable level as recommended.

ADMINISTRATIVE SUPPORT SERVICES DIVISION

The purpose of the Administrative Support Division is as follows:

- ▶ To render committee services to the Council and its committees through:
 - Co-ordinate translation activities
 - Provide meeting support services

- ▶ To render office auxiliary services by:
 - Providing archiving services
 - Providing messenger services
 - Providing cleaning services
 - Providing typing services
 - Providing reprographic services
 - Rendering telephone services

Some information on the following key services delivery areas and challenges are put forward:

- **Study Groups and Clusters**

In order to assist the Executive Committee to discharge their responsibilities contemplated in the Structures and Systems Act, the Council has established Section 80 Committees as working committees (Study groups) of the Executive Committee. A chairperson has been appointed for each of the six clusters. The following cluster were established in line with the Institutional and Strategy Map.

- Economic
- Social
- Infrastructure
- Governance and Administration
- Finance
- Sport, Arts and Culture

The roles of the clusters are as follows:

The different study groups resort under each cluster. Councillors have been appointed on the different study groups. The study groups are mandated to research and make recommendations on specific topics i.e. public participation, communication, water, electricity etc.. In this way Councillors play a leading role in the decision making process and also give political direction on matters serving before the Council. Presently all items are referred to the relevant Study Group to make a recommendation to the Executive Committee. In this way Councillors take ownership of the items that are submitted to Council.

Representatives of Ward Committees participate at study group level where they must give their inputs.

■ **Installation of the Collaborator System**

The Council has resolved to appoint Messrs Business engineering with regards to the deployment, implementation and commissioning of the Collaborator System within our Municipality. The company has made an on-site official available who is presently facilitating training of all individuals on the use of the collaborator system. Business Engineering has also made an official available to ensure that the overall implementation of the system meets with the set requirements. Significant progress has been made with the installation of the system.

The records office has been scanning all mail received at the municipality for the past couple of months. Electronic filing is presently being performed on all scanned documents. The electronic distribution of correspondence to all departments takes place on a daily basis. The items tracking and resolution management process has in the meantime been implemented by the service provider. The smooth implementation of the Collaborator System is dependent on the co-operation of each and every official because the system is people driven. The buy-in by everybody is thus necessary to ensure the success of the system.

■ **Storage space: Records Office**

The records office is presently experiencing problems with filing space. Hopefully this problem can be solved in the near future with the buying of three new Zippel filing cabinets.

■ **Identification of Training Needs**

Training needs were identify and a number of officials in the Administrative Division attended various training courses.

The following training opportunities were also attended:

- Performance Management Workshop
- Communication Workshop
- Delegation Workshop
- Two Strategic Sessions
- IMASA Conference

A number of officials in the Division are busy with further studies to improve their career opportunities.

■ **Client Survey**

During a client survey by internal customers which was conducted for the Corporate Services Department during February and March 2007 a score of 76% was achieved for the overall level of services by the Administration Section.

■ **Election as Chairperson of the Limpopo Branch of the Institution of Municipal Administration for Southern Africa (IMASA) Mr. ES Maake.**

The Corporate Services Manager, Mr. ES Maake was elected as Chairperson of the Institute of Municipal Administration for Southern Africa (Limpopo Branch) and he is also a member of the Executive Council of IMASA Nationally.

■ **Visit by Representatives of Blouberg Municipality**

Following a request by the Municipal Manager of the Blouberg Municipality representatives of the said Municipality visited our Municipality during the period 6-8 March 2007 to learn good practices with regard to inter alia the following:

- Organization structure
- Policies
- Implementation of By-Laws
- Resolution Management
- Councillors support
- Public Participation Mechanism
- Record Management

Internal Relations

Efforts have been made to foster relations with Municipalities abroad. In the pursuance of the relations the Municipality was part of the visit by the Limpopo Provincial Government to Mozambique's Gaza Province in November 2006. The visit offered the Municipality an opportunity to interact with the Xai Xai Municipality. The delegation that went to Xai Xai took the opportunity of being Mozambique to come back via Matola Municipality which we had already started interaction with in the previous years.

The interaction with Matola Municipality has resulted in a draft Memorandum of understanding which is now in the possession of both Municipalities. A meeting between the Municipalities was intended to take place at end of September 2007, unfortunately, it could not be held due to budgetary constraints.

Once the Memorandum of Understanding is concluded, the conduct of relations with Matola Municipality would be on its basis.

Further efforts have been made to foster relations with a Municipality in Netherlands. A profile of our Municipality has been sent to the South African Embassy in Netherlands to assist in identifying a suitable Municipality with which the Greater Tzaneen Municipality may foster relations.

The matter is still being considered by the Ambassador and would report back to us.

LEGAL SERVICES DIVISION

■ By-laws

The following draft By-Laws were finalized-

- Sport & Recreation
- Health Facility & Day Child Care
- Child Care
- Community Participation

The above By-Laws are a further addition to the 23 existing ones already approved by Council. Financial assistance is being sought from the Development Bank of South Africa to Gazette the By-Laws.

■ Policies

The review of policies to ensure legal compliance is in process. The Supply Chain Management Policy (Procedural Guidelines) was finalized.

■ Delegation of Powers

Although the Register of Delegated Powers, Statutory Powers and Roles and Responsibilities was approved during February 2007, it need review as far as the Supply Chain Management Policy is concerned.

- **Debt Collection & Credit Control**

The relationship with the Revenue Division was strengthened and strategies prepared to encourage debtors to make arrangements and/or to settle debt.

Monies collected through judgments for 2007 amount to R853 570.51 and settlement agreements for R1 781 739.30 were made.

The estimated bad debt to be written of is R114 802.51.

- **Contracts**

Preparation of contracts is now being done in-house with a saving of R275 000 in legal fees. Forty contracts were prepared.

- **Municipal Courts**

Research is being done to be able to establish a Municipal Court for Greater Tzaneen Municipality in the 2007/2008 financial year.

- **Information Services Division**

Although a position was provided for this function on the organogram, the Division will only be resourced in the 2006/2007 financial year.

Electrical Engineering Services



The electricity distribution system which includes in excess of 2000 km of overhead lines and total assets of an estimated R800 million performed satisfactory, despite the minimal capital and operating funds allocated. Concerns of the system deteriorating faster than

the refurbishment process were reinforced by the problem of capacity more especially in Tzaneen Town resulting in unplanned power interruptions, highlighting the weaknesses of the distribution system created by sustained under re-capitalization into the system. Further development has been suspended due to insufficient electrical capacity. Steps are however afoot to source alternative funding to upgrade the system. It needs to be noted that the current state of the electricity system and the under reinvestment into the system is considered a serious safety and performance concern.

Load shedding has now become an everyday experience with a national appeal for energy saving and efficiency receiving mixed results from the various sectors of the community. The department was recognized by Greater Tzaneen Chamber of Commerce for outstanding service to the community for the handling of the load shedding. The load shedding is however stressing our system, manifesting as blown cables and equipment as witnesses in PE and Kempton Park.

Despite the above mentioned concern, the 99 appointed personnel of the Electrical Department have however put in a valiant effort in keeping outages and faults to a minimum, considering the performance. 8620m of overhead lines were built for new connections and a total of around 79 new connections were supplied.

The rural villages and small rural towns of the Greater Tzaneen Municipality are within Eskom licensed area and will remain as such for the foreseeable future, especially since the RED's are imminent.

The Electrical Department acquired funding from DME for electrification of Settlements and Farm worker Housing in the Greater Tzaneen Municipality distribution network. A total of 255 Farm worker Houses and 1 connections for Settlements were electrified.

Despite its many challenges the Tzaneen Electrical Department is still recognized as a leader in the Limpopo Province, with the Greater Tzaneen not only being the EDI Ring Fencing Pilot Project but also having various personnel appointed to numerous positions in the AMEU and EDI committees and task teams.

With this large farming community (3500 square kilometers) and the towns of Tzaneen, Letsitele, Haenertsburg, Gravelotte and Politsi within its distribution area, the Electrical Department has,

and will continue to be the leader in the business of electricity distribution amongst municipalities.

Planning & Economic Development Department



VISION

To promote and network economic opportunities that will ensure job creation, poverty alleviation and investment for economic growth.

MISSION

To create better local economic well being through SMME, social services and to create investment opportunities through tourism and agriculture in partnership with other stakeholders.

RESPONSIBILITIES OF LED INCLUDE THE FOLLOWING

- Tourism Development and support
- Facilitated Community Tourism Awareness, Training and Campaign.
- Small Medium Macro enterprise support.
- Agricultural development and support.
- Sub-tropical fruit and nut clusters development
- Business development and retention
- Marketing and promotion of the Greater Tzaneen Municipality.
- Establishment of the Greater Tzaneen Economic Development Agency

- Land claim settlement support.
- Informal traders (hawkers) support and development.
- Skills development (cut across all departments)
- Community project support (NGO, CBO, etc)
- Mobilize resource (funding) for the developments of projects.
- Participate and involve stakeholder in strategic meetings/workshops.

PROGRAMME PERFORMANCE ANALYSIS

Socio-Economic Development, Tourism and LED

- Greater Tzaneen has reviewed the LED strategy and the Tourism Development Framework which was funded R80 000 by Irish Programme (Mefakeng Community Tourism Development Programme) and facilitated by Kayamandi Development Services (PTY) LTD.
- Greater Tzaneen Municipality has completed the establishment of the Greater Tzaneen Economic Development Agency, Establishment Officer and Financial Administrator were appointed. The project being funded by IDC the amount of R800 000.
- The Greater Tzaneen Municipality has completed the EU Fruit and Nut Feasibility Study Project as well as project profiling. The project was granted R745 000 by EU.
- Funding was received from EU R703 290.00 for Hawkers Research and Feasibility Study.
- The construction of Maake Shopping Centre by McCormick Property Developer has just started.
- The transfer of LIMAC to SEDA by the Presidency's Office was completed. The offices are still in Tzaneen, SEDA Mopani.
- The land claim beneficiaries have signed a memorandum of understanding with Cape Span i.e. Mokgoloboto, Kgatle and Ratlhabine.
- Facilitated the Mariveni, Selwana, Mabunda (Masema) citrus farmers on behalf of National Council of Provinces (NCOP)

to resolve the conflict. The process is almost 60% completion, chaired by District Manager, Department of Agriculture, Mrs. Raphunga.

- Launched the chicken project funded by the Department of Agriculture to the value of R21 million.
- Facilitated the Moshupatsela Project funded by Mopani district to assist four (4) co-operatives established by Council. A Project Management Unit is established to take care of the daily process of the project.
- The Mefakeng Tourism Development project is busy being implemented within the three nodal areas. The project funded R13m for both Letaba and Greater Tzaneen Municipalities.

Total departmental budget (2007/2008) = R893 464

PROGRAMME PERFORMANCE ANALYSIS

Town Planning

Spatial Development Framework (SDF)

Achievements:-

The division commenced with a detail review of the SDF to update existing baseline, spatial strategies and align it with the Reviewed Provincial Spatial Rationale and District SDF. The SDF Review focused strongly on consultation with the Traditional Authorities and awareness creation of the importance of spatial planning. The outcome is Traditional Area Spatial Development Plans compiled in conjunction with Traditional Authorities, as the first step to ensure co-ordination with the Traditional Authorities in terms of the future use of their land, and to make them aware of planning for optimal use of land, human safety and effective service delivery.

Tzaneen Nodal Development Plan was also drafted to re-determine growth patterns considering the growth experienced the past few years. Final approval of the plan is awaiting the outcomes of a Water and Sewer Analysis for Tzaneen town.

Land Use Management and Town planning application

Achievements:-

Greater Tzaneen Municipality completed the establishment of the following 4 townships during July 2007 – 20 March 2008, consisting of a total of 987 erven.

- Dan Extension 2, consisting of 689 erven, proclaimed on 13 July 2007
- Tzaneen Extension 75, consisting of 179 erven, proclaimed on 20 July 2007.
- Tzaneen Extension 81, consisting of 96 erven, proclaimed on 20 March 2008.
- Tzaneen Extension 67, consisting of 2 erven subdivided into further 23 erven, proclaimed on 30 November 2007.

The division also facilitated the demarcation of the following stands in the rural areas:

- ◇ Formalization of 900 sites at Nkomanini. – Layout plan approved by Council and Provincial department.
- ◇ Mandlakazi: 300 sites – Layout plan approved by Community.
- ◇ Ga-Ramotshinyadi: 400 sites – Layout plan approved by Community
- ◇ Petanenge: 300 sites – Layout plan approved by Community
- ◇ Berlyn/Mulati: 300 sites – Layout plan approved by Community
- ◇ Muhlava Headkraal: 50 sites – Layout plan approved by Council and Provincial department
- ◇ Ooghoek: 504 sites – Layout plan approved by Community
- ◇ Mabyepelong: 293 sites – Layout plan approved by Community

- ◇ Formalization of Mokgolobotho: 600 sites – In process with draft layout plan.
- ◇ Formalization of Mariveni: 200 sites – In process with draft layout plan

Number of town planning applications handled is included in Table 5.

Table 5: Number of Town Planning Applications processed 1 July 2007 – 20 March 2008			
Applications outstanding 1 July 2006	Category	New Applications Received	Pre-Assessment considered
23	Rezoning/permit/Special Consent	18	60
13	Township Establishment/ extension	2	8
11	Subdivision/consolidations	31	56

Due to the challenges with insufficient electrical and water capacity, the Divisions initiated the establishment of a Pre-Assessment Committee to integrate solutions for the provision of services to the various developments, and to ensure consistency in decision-making. This very successful initiative, who met 27 times since its establishment in July 2007 until 20 March 2008, thus on a weekly basis, administrated and considered in total 124 applications.

Socio-economic Development, Tourism & LED

- Greater Tzaneen is finalizing the Review of the LED strategy which was funded by Irish Programme (Mefakeng Community Tourism Development Programme) and facilitated by Kayamandi Development Services (Pty) Ltd.
- The reviewing process of the LED strategy includes the revised Tourism Development Framework.
- Greater Tzaneen Municipality has completed the establishment of the Greater Tzaneen Economic Development Agency, Establishment Officer and Financial Administrator were appointed.
- The Greater Tzaneen Municipality has completed the EU Fruit and Nut Feasibility Study Project as well as project profiling.
- Funding was received from EU R703 290.00 for Hawkers Research and Feasibility Study.
- The construction of Maake Shopping Centre by McCormick Property Developer has just started.
- The transfer of LIMAC to SEDA by the Presidency's Office was completed. The offices are still in Tzaneen, SEDA Mopani.

- The land claim beneficiaries have signed a memorandum of understanding with Cape Span i.e. Mokgoloboto, Kgatle and Ratlabane.
- Facilitated the Mariveni, Selwana, Mabunda (Masema) citrus farmers on behalf of National Council of Provinces (NCOP) to resolve the conflict. The process is almost 60% completion, chaired by District Manager, Department of Agriculture, Mrs Raphunga.
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- Facilitated the Moshupatsela Project funded by Mopani District to assist four (4) co-operatives established by Council. A Project Management Unit is established to take care of the daily process of the project.

YOUTH, GENDER & DISABILITY

Youth Development Framework Policy

Our municipality is amongst the first in the country to adopt a local youth development Framework Policy in 2005. We however need to begin to do research and review this policy to ensure that it truly responds to the current realities in terms of the challenges facing the youth.

The Department of Provincial and Local Government has began a consultative process to come up with a National Youth Development Framework for local government that will ultimately guide municipalities in implementing youth programmes in a more coherent, integrated, effective and efficient manner.

Skills development,

National Youth Service (NYS)

In line with the directive by the State President Thabo Mbeki during the State of the Nation Address in 2007, Umsobomvu Youth Fund, has embarked on a national drive to recruit young people to participate in the National Youth Service Programme.

NYS Projects with the GTM

As reported in our previous 2007 Mayoral address, Council, Umsobomvu Youth Fund and Letaba FET are implementing a R2,6 million NYS project involving 140 young people (*although the*

number has slightly dropped to 114 by now) where they are involved in construction skills training.

We are hopeful that despite the current challenges in the project, the programme will resume sooner than later for the benefit of our young people.

Umsobomvu Youth Fund in partnership with the National Department of Public Works will also be engaging 90 young people locally in a National Youth Service programme at the construction of the Tzaneen prison that will begin soon.

20 young people are also involved in another NYS programme with the Provincial department of Public Works at NQF level 3 in construction related fields.

LIST OF LEARNERS FOR LED AND COMMUNITY HOUSE BUILDER

LED LEARNERSHIPS

Name	Contact No.	Cluster
Unice Nkuna	073 332 6328	Runnymade
Edwin Ramalepe	073 571 7504	Bulamahlo
Morwarshetla Reggina	083 9653 118	Relela
Ruth Kgafane	073 677 4073	Lesedi
Dimakatso	076 690 0757	Bulamahlo

Comm. House Builder

Percy Sebashe	076 110 1037	Relela
Mmoye Alpheos Shai	079 134 2659	Bulamahlo
Manana Rikhotso	076 845 3487	Lesedi
Ramaahlo Letta	073 624 5082 / 083 648 1834	Runnymade

LAND, PROPERTY & HOUSING

- 540 units allocated to Dan Extension 1 and 2
 - 540 beneficiaries approved
 - Four developers were employed to construct houses
- 150 units allocated for PHP and approved beneficiaries
 - 100 units for Sedan Village
 - 50 around different villages of Greater Tzaneen Municipality build by Mama-Beka
 - Beneficiaries contributed as labourers and they were paid from the project funds (creating jobs)

- Property Rates Policy to be approved by June 2008 and implementation be effected by 1 July 2008.

GENERAL ACHIEVEMENTS BY DEPARTMENT

- 2157 new sites proclaimed
- 107 updates on zonings, cadastral changes
- R110,6m – grant funding acquired
- R2,6m – implementation of Umsombovu Youth Service Project
- R1,8m – money acquired through selling municipal houses
- R16,4m – alienation of sites
- R13,394-55 – income from properties leased
- R3,5m – five Arts & Culture Projects facilitated
- 985 houses – transfers (ownership) Tzaneen, Nkowankowa, Lenyenye – indirect impact through clearance certificates (3 months services ahead)
- R26,6m – property rates impact

External jobs recorded

- 232 jobs created by SEDA within municipal area (support services) R21 000
- 15 Tourism Development Agents (TDA’s) employed

Technical and Professional Services

- R998 197 – services
- R1 024 586 - catering

DONOR / GRANT FUNDING ACQUIRED

Land, Property & Housing

Limpopo Construction (300 housing units)	=	R10 214 700-00
PHP Sedan (150 housing units)	=	R 5 479 200-00
Umsombomvu (training for 140 youths)	=	R 2 671 200-00
Impumelelo Award	=	<u>R 20 000-00</u>
TOTAL	=	R18 385 100-00

Socio-economic Development, Tourism & LED

EU – Sub-Tropical Fruit & Nut Value Chain	=	R 745 290 00
DBSA – Marketing Strategy	=	R 418 351-56
IDC – Agency Establishment	=	R 800 000-00
EU – Hawkers Feasibility Study	=	<u>R 703 290-00</u>
TOTAL	=	<u>R2 666 931-56</u>

Other LED Projects

NDA - Choice Trust	}	=	R2 614 314-00			
Huresic						
Merekome Farmers Association						
Mohlago Educare Centre						
Lenyenye Creche						
Dept. of Arts & Culture						
Titirheleni Women's Project						
Gospel Explode						
Kopanang Community Project				}	=	R6 114 314
Hope is Vital						
Khataza	}	=	<u>R8 781 245-56</u>			
TOTAL						

Town Planning

Neighbourhood Grant	=	R80 million over 10 years
Demarcation of sites:		
Department of Local Government & Housing	=	3000 sites
Mopani District Municipality	=	50 sites
TOTAL AMOUNT	=	R3,5 million

TOTAL AMOUNT FOR DEPARTMENT

Land, Property & Housing	R18,4 m
Socio-economic Development, Tourism & LED	R8 781 245-56
Town Planning	R83,5 m
TOTAL	R110 681 245-56

Engineering Services

The Engineering Services Department's core function is sustainable service delivery to local communities. Focus on service delivery is centered on the marginalized i.e. the poorest of the poor.

The Engineering Services Department consists of the following sections:

- I Water and Sewer (maintenance)
- II Roads and Storm water (maintenance)
- III Building and Maintenance Section
- IV Mechanical Workshop Section

The PMU section forms an integral part of the Engineering Services Department though placed under the Municipal Managers

Department as it serves as a support function for Engineering Services Department hence its location in Engineering Services Department.

A lot has happened in this department as the mandate of this department is to reflect visibility of service delivery to local communities.

The Engineering Services Department has in the past financial year been geared for an integrated approach with both sector and internal departments to avoid duplication of projects, this is evident with Greater Tzaneen Municipality receiving the first runner up in the sanitation project and Silver Award from the Impumelelo competition i.e. Mawa peoples housing process.

The main intention is to strive for dedication, commitment and proper workmanship while at the same time delivering to the marginalized.

Water and Sewer

Greater Tzaneen Municipality during financial year 2006/2007 has been able to implement the following:

Water

- ▶ 175 New water meters connected
- ▶ Replacement 255 redundant meters
- ▶ 980 Cut-off water meters and 970 meter reconnected.
- ▶ 4 Tankers are running 7 days a week for provision of water to funerals and villages
- ▶ The donations received from Canada, China and Local suppliers led to Greater Tzaneen Municipality being able to install 6500 meters of new water lines from Letsitele to Mariveni, this exercise will be able to provide 20 000 people with water and is completed.

Sewer

- 175 New sewer connections have been installed in the Greater Tzaneen area.
- 2100 Sewer blockages have been attended to in the Greater Tzaneen Municipality area.
- Maintenance was done on 450m of sewer lines in the Greater Tzaneen Municipality's area of jurisdiction.
- A Honey Sucker is used to service the Letsitele Town and Farms and transported to Nkowankowa sewer plant.

- The Tzaneen Purification Plant has also been upgraded to accommodate 8 mega liters.

BUILDING AND MAINTENANCE DIVISION

The following building maintenance projects were completed:

PROJECT NAME	ACTIVITY
Sedan PHP 100 Units	96 completed 4 W/plate
Mama Beka 50 Units	40 Completed 6 w/plate 2 founds
Nkowankowa Testing Ground	Renovations – retiling
Traffic Officer	Renovations and tiling work
Plumbers Workshop	renovations
Adams Farm compound	Renovations
Haenertsburg Graveyard	Renovations
Stairs at sub-station (Tzaneng Mall)	Upgrade
Pre-cast wall (mech. w/shop_	Repair
Letsitele Library	Retiling
Pioneer old age House no. 4	Termite treatment

Although we were in the financial recovering plan and belt tightening there has not been much activities that were happening.

The 100 housing units allocated for Sedan PHP were successfully completed. The construction of services and 540 units at Dan extension has also started. Civil services are nearly completed.

PROJECT MANAGEMENT UNIT

PROJECT STATUS FOR THE FINANCIAL YERAR 2007/2008

PROJECT NAME	STATUS	PHYSICAL COMPLETION %
Nkowankowa rehab of road	Complete	100%
Zangoma rehab of road	Complete	100%
Mangweni access road	Complete	100%
Sedan access road	Complete	100%
Mokgwathi access road	Complete	100%
Nkowankowa stadium	Complete	100%
Leolo to maake access road	Construction	68%
Tzaneen landfill site phase one	Construction	77%
Rural waste removal phase one	Construction	84%

WATER AND SEWER DIVISION

WATER

- 6 Water tankers supplying water to funerals and villages.
- 157 New water meters connected
- 230 Replaced redundant water meters
- 143 Cut-off water meters
- 20 Reconnected water meters
- Thapane reticulation wash-aways addressed.
- 5 Standby generators installed at Thapane, Thabina, Nkambako, Tours and Nkowankowa water works.
- 4 Operator's houses constructed at Thapane and Nkambako water works.
- Pallisane fencing at Thabina, Thapane, Tours and Nkowankowa water works.
- Upgrading of water and filters at Tours and Nkambako water works.
- Refurbishment of vandalized boreholes at Tours and Thabina Water Scheme.

SEWER

- 157 New sewer connection installed
- 127 Sewer blockages attended
- 27 sewer lines maintained
- 3 Biocatalyst dosing system installed at Lenyenye, Shiluvani ponds and Nkowankowa sewage works.

ROADS AND STORMWATER DIVISION

During the last rains we have re-graveled 136,7 km of gravel roads and the budget spent was R3 000 000,00 of internal funds.

- Speed Hump R112 000 spent at Tzaneen, Nkowankowa, Lenyenye and Letsitele.
- Preventative maintenance R4 680 000,00 at Tzaneen, Nkowankowa, Lenyenye and Letsitele.

Financial Services



Multi Year Budgets (3 Years)

- The 2008/2011 Preliminary, Operational and Capital Budgets, which are based on the new financial structure as prescribed by National Treasury have been drafted, approved and submitted to National Treasury for notification.
- The contents of the budgets and the budget processes that were followed are according to the requirements as set out in chapter 4 of the Municipal Finance Management Act.

Internal Processes

All Financial / Accounting records are updated on a monthly basis.

Financial Reporting

All the Financial Reports required by the MFMA are completed and submitted to the MEC, NT, Mayor and Council on or before the dates stipulated in the Act.

Financial Statements

- The 2006/2007 Financial Statements were compiled during August 2007 in accordance with the new format required by National Treasury.
- The Financial Statements have been hand delivered to the Auditor, National Treasury and MEC on 30 August 2007.

Performance for the first half of 2007/2008

Debt Moratorium strategy

This strategy was successfully implemented from 1 July 2006 as a mechanism to encourage users of municipal services in Nkowankowa and Lenyenye to pay for the services rendered and also to write off outstanding debts of those users who participate in the programme and who do not default on the payments. The strategy was developed in order to achieve the objective of enhancing revenue collection at the same time writing off outstanding debts. The registration and participation rate of 61% was achieved which resulted in improvement of payment rates from 6% and 14% in Nkowankowa and Lenyenye respectively and the writing off of debts as irrecoverable to the value of R5.7 million.

Meter Reading Service

The meter reading service has shown a dramatic improvement during the first half of the 2007/2008 financial year with an average of 98,91% of all meters being read on monthly basis. This has resulted in a reduction of the number of queries received in relation to meter reading. The effectiveness of the meter reading service can also be seen with the actual income billed from metered services like water and electricity services where the actual income billed is 8% more than projected income for the 2007/2008 financial year as at 28 February 2008.

Procurement

Multifunctional copiers were installed to reduce expenditure.

Voice over IP phones were purchased and implemented at the new Nkowankowa testing ground as a pilot project and has been working well with limited down time. The IP phones will therefore be extended to all outdoor sites in the next financial year to reduce down time and costs spent on Telkom lines.

Supply Chain Management

A Supply Chain Management unit has been established within the Budget and Treasury office. This unit will be responsible for all procurement processes of the Municipality. Council has in this regard approved a Supply Chain Management Policy to regulate activities of the unit. All the officials engaged within the unit have undertaken the training offered by SAMDI for Municipal Supply Chain officials. The challenge still facing the unit is the appointment of sufficient staff members. Provision has been made

on the budget for the appointment of the head of the unit and other support staff in the 2008/2009 financial year.

Financial Recovery Plan

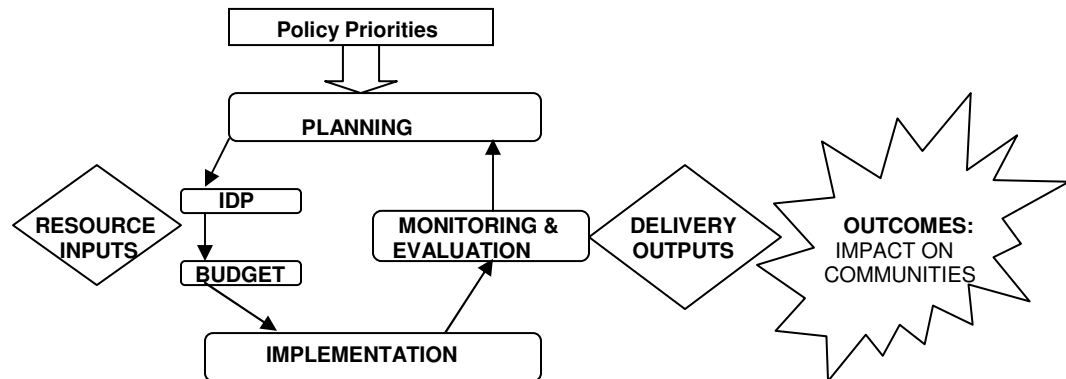
An internal financial recovery plan was drafted and adopted by Council during the financial year. This plan was intended to ensure that the municipality is returned to financial viability. The plan was submitted to both Provincial and National Treasury and the Department of Local Government. A team has been set up comprising of officials from these institutions and the municipality that are responsible for ensuring that the recovery plan bears the intended fruit.

POLITICAL PRIORITIES AND LINKAGES TO THE IDP

The political priorities form part of the strategic map of Greater Tzaneen Municipality and includes inter alia the following critical priorities.

- Addressing poverty, unemployment and skills shortage.
- Addressing infrastructure backlogs
- Improving service delivery, etc.

The process that was followed to ensure that the abovementioned political priorities are linked with the IDP and budget is as follows:



All the operating and capital projects in the 2008/2009 reviewed IDP have been evaluated through our prioritization system to ensure that the IDP, budget and performance targets are aligned. The IDP forms the basis of this process and all resources are focused on combining the different strategies in attaining our vision.

SERVICE DELIVERY STANDARDS, LEVELS OF SERVICES, OUTCOMES, TIMETABLE FOR ACHIEVEMENT AND FINANCIAL IMPLICATIONS

With regard to service delivery standards Greater Tzaneen Municipality endeavours to realize the following values.

- Give priority to the basic needs of the community
- Promote the development of the community
- Ensure that all members of the Local Community have access to at least the minimum level of basic Municipal services.

With regard to the levels of services currently rendered in our area of jurisdiction we are convinced, although much more needs and will be done, that Greater Tzaneen Municipality is one of the leading Municipalities in the country.

The level of the different services currently rendered by Council can be summarized as follows:

Waste Management

- Level of Service

A full curbside collection service is rendered to communities in Tzaneen, Nkowankowa, Lenyenye, Letsitele and Haenertsburg, which represents only 11% of all households. All general and health care waste are also removed from viz: Tzaneen, Nkowankowa, Lenyenye, Letsitele, Haenertsburg (at present 300 000m³).

- Backlogs

- » 0% of households in the total rural areas, representing +- 80034 households, receives a curbside collection service.
- » The cost to address the service in full with immediate effect, will be approximately R40 million for all 125 x Villages.

- Waste Minimization

- ◇ The following production of refuse exists in the Greater Tzaneen Municipality area, resulting in a life-span of +- 20 years for the landfill site.

- ~ Volumes generated = 200 000m³ p.a.
 - ~ Capacity of the Landfill = 1 600 000m³
 - ~ Compaction = 5:1
- ◇ The landfill site is presently utilized as a Regional landfill receiving solid waste from Tzaneen and Greater Letaba. (Modjajieskloof)
 - ◇ Presently all organic waste (Garden) is treated at the composting site adjacent to the landfill. (Presently +- 30 000m³)
- Litter Picking. (Main Roads & Streets)
 - » All streets and main roads are cleaned on a regular basis.
 - Recycling
 - » Recycling takes place at the source of origin and are removed by private enterprise from industrial and business premises. (31 000m³ p.a.)
 - » Recycling at the Tzaneen Landfill (16 800m³ p.a.)
The Services must be extended to include:
 - + - 125 Villages of another 80034 residential stands, which are situated within the jurisdiction area of Greater Tzaneen Municipality.
 - » The mandate of Greater Tzaneen Municipality is to:
Provide all households with a basic removal service.

Water and Sewer Services

Level of Service

■ Purifying of Water

The purifying of water by Greater Tzaneen Municipality is done in Tzaneen and Letsitele at a 100% efficiency level. The other areas which include Haenertsburg, Nkowankowa and Lenyenye are served by DWAF.

Many boreholes are used to supply water in the DWAF area but little information is available on the efficiency of these boreholes.

- Purifying of Sewer

Purifying of sewer by Greater Tzaneen Municipality is done in Tzaneen, Nkowankowa and Lenyenye. The sewer service at Haenertsburg is by means of a septic tank system and the service at Letsitele is by suction tank system. All other areas are utilising pit latrines.

- Maintenance of water and sewer networks

A 100% maintenance service is rendered by Greater Tzaneen Municipality to the following towns:

- ~ Tzaneen
- ~ Nkowankowa
- ~ Lenyenye
- ~ Letsitele
- ~ Haenertsburg

DWAF runs the maintenance in the rest of the areas.

Electricity

Tzaneen has the options of power delivery in single or three phase form. Pilot projects with pre-paid dispensers are also currently underway, which constitutes a possible future third option.

The Municipalities licensed distribution area is basically 99,9% electrified, with some minor farm labour electrification ongoing projects in progress, whilst where the Municipal area overlaps with the Eskom licensed distribution area, these areas are 68% electrified.

Power provision is on a 24 hour basis with minimal interruptions due to faults and maintenance, due to lack of funding for operational and capital activities systems integrity is being negatively affected.

The issue of FBE (Free Basic Electricity) to our indigent people has been fully addressed by Council and is implemented as far as the Eskom administrative constraints will allow.

FREE AND SUBSIDIZED BASIC SERVICES AND THE FINANCIAL IMPLICATION

The National guideline to determine indigent households are all households earning less than an average of R1 100,00 per month. This is R13 200,00 per year.

The actual threshold of Greater Tzaneen Municipality is R1 600 pm.

This budget has been drafted in such a way that it accommodates indigent households and assists poor people.

The financial implication to accommodate the social package amounts to R2.5 million.

FISCAL STRATEGY, FINANCIAL POSITION CONSTRAINTS, ONGOING VIABILITY AND SUSTAINABILITY

The long-term financial plan (Five year financial plan) aims at ensuring that certain critical viability targets are met and it focuses on inter alia financial viability, revenue raising strategies and debt collection.

To promote financial viability Greater Tzaneen Municipality has put in place proper benchmarking and a best practice model to ensure that the financial goals and objectives of Council are met.

The following best practices are already in place:

- Compliance with all Financial Legislation, Regulations and Policies of Council.
- Implementation of the Code of Conduct for Employees
- Compliance with GAMAP statements and accounting principles set by the Accounting Standards Board.

AMENDMENTS TO THE IDP, BUDGET RELATED POLICIES AND NOTEABLE BUDGET ASSUMPTIONS

Section 25 of the Local Government Municipal Systems Act, Act 32 of 2000 requires that each Municipal Council must adopt a single, inclusive and strategic plan for the development of the Municipality. This plan must link, integrate and co-ordinate plans and it should take into account proposals for the development of the Municipality.

Section 34 states that the IDP must be reviewed annually and it may be amended. The IDP of Greater Tzaneen Municipality has been reviewed and the allocation for capital projects has been set at R15 000 000. The projects included in the 2008/2009 Capital budget are contained in **Section 5.13** of this report.

SELECTED HIGHLIGHTS FROM THE CAPITAL PROGRAMME AND ELIMINATION OF BACKLOGS

The performance targets identified in Councils IDP process includes the upgrading of Council's electricity distribution network. The result of this was the resolution taken by Council to approve a 10 and 5 year program to rehabilitate the electricity distribution system. Council also resolved to make R10 million available during the 2008/2009 financial year for the upgrading of its electricity distribution network.

Council is also informed that an amount of R28 million has been allocated to Greater Tzaneen Municipality as a MIG allocation to eliminate backlogs.

4.2 Budget Schedules (Operating and Capital)

The budget schedules to be approved by Council are attached hereto as **Schedule 1 to 4**.

4.3 Budget Related Charts

Budget related charts are attached hereto as **Annexure "A"**.

5. SUPPORTING DOCUMENTATION (Budget Report)

5.1 Budget Process Overview

Financial planning or resource allocation is about splitting financial resources amongst competing priorities. It should therefore be accomplished by taking into account the policy priorities decided on at the political level on the one hand and the financial constraints on the other hand. Resources should also be allocated in such a way that it is linked with programme goals and objectives, and that the policy objectives are achieved.

Political Oversight of the Budget Process

Section 53(1)(a) of the Municipal Finance Management Act determines that the Mayor must provide general political guidance over the budget process and the priorities that must guide the preparation of the budget.

General political guidance over the budget process is essential to ensure that:

- The Council is responsible for policy and prioritization.
- The policy priorities are linked to departmental spending plans to ensure provision of services to communities in a sustainable manner.
- Social and Economic Development is promoted.
- A safe and healthy environment is promoted, and
- That the involvement of communities in Local Government matters is encouraged and visible.

Over the past decade Council approved strategies which we believe will address both causes and symptoms of poverty in a sustainable manner, policies were approved to support these strategies and a Integrated Development Plan was approved and reviewed to ensure that the needs of all Communities are captured and addressed.

It must however be emphasized that the key to strengthen the link between priorities and departmental plans lies in enhancing political oversight of the IDP and Budget process.

The Mayor and Councillors have, through the IDP process, guided the 2008/2009 budget process in such a way that the balance between policy priorities and fiscal realities resulted in a well balanced budget.

Schedule of Key Deadlines Relating to the Budget Process

The budget time table was approved by Council on 28 August 2007 item B40, 10 months before the start of the budget year to comply with the requirements of the MFMA. This time table guides all IDP, Budget, SDBIP and performance activities and is in line with legislative frameworks.

The following table provides a schedule of key deadlines relating to the budget process.

DATE	ACTIVITY	RESPONSIBILITY
9 July 2007	Announce new IDP/Budget schedule	Municipal Manager
5 Sept 2007	Review IDP status quo phase 1	Municipal Manager
5 Oct 2007	Submission of Community needs	Municipal Manager
8 Oct 2007	Review strategies, KPI's & Objectives	Municipal Manager
17 Oct 2007	Prioritization of projects	Municipal Manager
21 Jan 2008	Budget Request to CFO	All Managers
11 Feb 2008	Finalize detailed budget, IDP	CFO, IDP Manager

	and sector plans	MM and All Managers
26 Feb 2008	Exco adopts draft budget and changes to the IDP	Exco
March 2008	Public Hearings	CFL and Councillors
24 Apr 2008	Budget and IDP to Finance study group	CFO & MM
27 May 2008	Mayor tables budget & IDP to Council	Mayor
2 June 2008	Submission of approved IDP to MEC for Local Government	Municipal Manager
2 June 2008	Submission of budget and SDBIP to NT and the MEC	CFO

The tabling of the draft 2008/2009 budget on 25 March 2008 has been followed by publication of the budget documentation and public participation took place during March 2008 and April 2008.

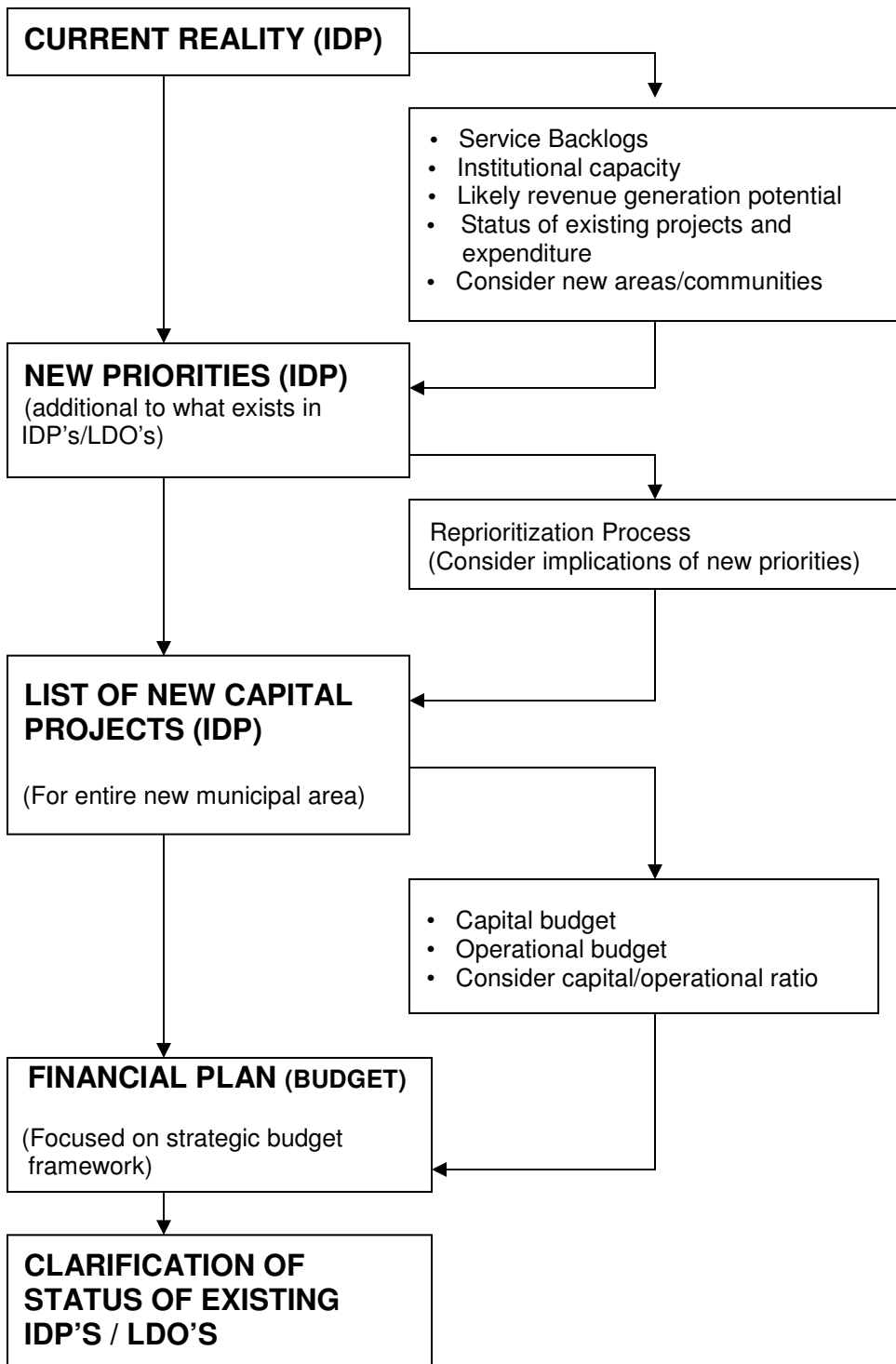
Process Used To Integrate the Review of the IDP and Preparation of the Budget

Chapter 4 section 16 and 17 of the Local Government Municipal Systems Act 32 of 2000 determines inter-alia that a Municipality must develop a culture of Municipal Governance with a system of participatory Governance. The Municipality must also encourage and create conditions for the local community to participate in its affairs, which include Integrated Development Planning and the Budget process, and it must be done through political structures.

Integrated Development Planning is one of the key tools for Local Government to cope with its new development role. A role in which Community participation is key to its success. In contrast to what role planning has played in the past, Integrated Development Planning is now seen as a function of Municipal Management which includes a system of planning and delivery. The Integrated Development Planning process is meant to arrive at decisions on issues that need to be provided for in Municipal budgets. Integrated Development Planning not only informs management it also guides the activities from the planning stage through the budget up to the execution thereof.

The review of the IDP and drafting of the budget is an evolving and interactive process over a 10 month period. This process commence with the approval of the IDP and Budget time table, followed by the public participation process, approval of the IDP and the drafting of the budget to determine the affordability of service delivery. The table below is a summary of the IDP/Budget methodology used by Greater Tzaneen Municipality.

INTERIM IDP/BUDGET METHODOLOGY (1-2 WORKSHOPS)



To comply with the requirement of the Act, Ward committees, residents, community organizations and other stakeholder formations, have been invited to participate in the IDP and budget process during the months mentioned above.

Process for Consultations With Each Group of Stakeholders and Outcomes

Section 22 (1) of the Municipal Finance Management Act determines that:

“22 PUBLICATION OF ANNUAL BUDGETS

Immediately after an annual budget is tabled in a Municipal council, the Accounting Officer of the Municipality must:-

in accordance with Chapter 4 of the Municipal Systems Act –

*make public the annual budget and the documents referred to in section 17(3); and
invite the local community to submit representations in connection with the budget; and*

submit the annual budget:-

*in both printed and electronic formats to the National Treasury and the relevant Provincial Treasury; and
in either format to any prescribed National or Provincial organs of state and to other Municipalities effected by the budget.”*

The draft budget have been made available on Greater Tzaneen Municipalities website and it was advertised in two local newspapers stating that the draft budget is available for public scrutiny.

34 Public hearings have been held which included all 34 wards. The meetings were held during March 2008 and April 2008. As per the list below.

Timing Number and Type of Consultation

Ward	Venue	Time	Date
01	Masupa High School	10:00	29-03-08
02	Mawa Primary School	10:00	29-03-08
03	Mmokobo Secondary School	10:00	29-03-08
04	Mdingazi Secondary School	10:00	29-03-08
05	Mahwahwa High School	10:00	29-03-08
06	Runnymede MPCC	08:30	29-03-08

07	Botludi Primary School	10:00	29-03-08
08	Thusong Com Centre	10:00	30-03-08
09	Kgwekgwe High School	10:00	06-04-08
10	Mohlatlego Machaba H/School	10:00	06-04-08
11	Mapula Primary School	10:00	05-04-08
12	Baloyi Tribal Offices	10:00	05-04-08
13	Mandlhazi Sports Ground	10:00	06-04-08
14	Politsi School	18:00	01-04-08
15	Laerskool Tzaneen	18:00	01-04-08
16	Haenertsburg	18:00	01-04-08
17	Sebone School	10:00	06-04-08
18	Ponani Primary school	10:00	06-04-08
19	Mhlaba Community Hall	18:00	01-04-08
20	Mavumba Primary	18:00	03-04-08
21	Bombeleni School	18:00	03-04-08
22	Moshango Ville	18:00	30-03-08
23	Dr. annecke Primary	18:00	03-04-08
24	Sasekani Creche	10:00	05-04-08
25	Professor	10:00	05-04-08
26	Nsolani Ware House	10:00	05-04-08
27	Bulamahlo MPCC	10:00	05-04-08
28	Rhandzacece Creche	10:00	05-04-08
29	Semana Primary School	10:00	05-04-08
30	Napscom	10:00	05-04-08
31	Lenyenye High Primary	18:00	03-04-08
32	Sekaba High School	10:00	30-03-08
33	Batlhabine Tribal Offices	10:00	30-03-08
34	Lesedi MPCC	10:00	30-03-08

Process for Tabling the Budget in Council for Consideration and Approval

The tabling of the draft budget in Council on 25 March 2008 was followed by extensive publication of the budget documentation in newspapers. It was also published on Council's website.

In terms of the Municipal Systems Act and in conjunction with the MFMA, public hearings on both the operating and capital budgets were held during March 2008 and April 2008.

The 2008/2009 draft budget was reviewed and the final budget is tabled in accordance with section 24(1) of the MFMA, which determines that the Municipal Council must, at least 30 days before the start of the budget year, consider approval of the annual budget.

After approval of the annual budget, the budget and relevant documentation will be submitted in both printed and electronic format to the National Treasury and the relevant Provincial Treasury to comply with section 24(3) of the MFMA.

Finally it will then be communicated to the community through publications and radio interviews.

Process to Record and Integrate Inputs from the Community in the Final Budget

During the consultative process all verbal questions and answers have been recorded.

All written submissions have been directed to the PED Manager who keeps record thereof.

All the submissions received during the consultation process have been submitted to the Mayor and were considered before the tabling of the final budget today.

Statistics Relevant to the Process (Submissions Received and Attendance at Forums)

On completion of the consultation process the PED Manager submitted a summarized report to the Chief Financial Officer who scrutinized the report and the Mayor, Municipal Manager and Chief Financial Officer determined what action has to be taken to address the concerns/needs of the community. Some of the requests are included in this budget.

5.2 Alignment of Budget with Integrated Development Plan

The Vision of Greater Tzaneen Municipality

To be the fastest growing Economy in Limpopo, which will ensure access to basic services to every household.

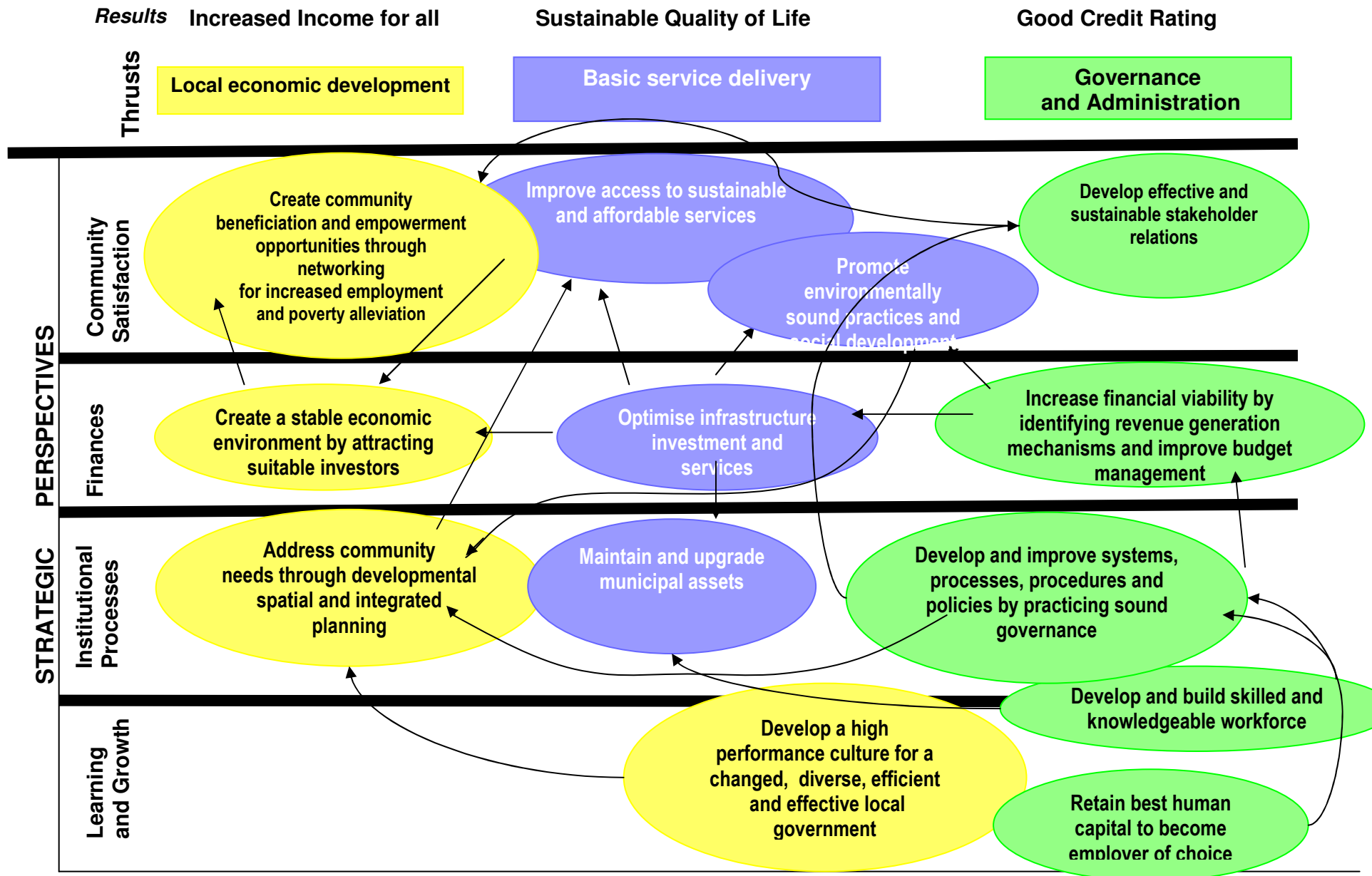
Strategic Focus (Key Performance Areas)

The strategic focus or strategic theme as it is known in Greater Tzaneen Municipality is an area of strategic focus that will enable Council to focus on achieving its strategic intent. Greater Tzaneen Municipality has followed the initiative from Provincial Government and District Municipality to align the strategic themes to that of the provincial clusters.

- » Economic growth (Increased income for all)
- » Social environmental sustainability and infrastructure development (Sustainable quality of live)
- » Governance and administration (Good credit rating)

Combining the strategic themes as identified above with the key performance areas as identified by DPLG (Local Government: Municipal performance regulations for Municipal Managers and Managers directly accountable to Municipal Managers 2006, 1 August 2006) will enable Greater Tzaneen Municipality to ensure effective integration and the development of a matrix represented by the strategic map. This map will ensure that Greater Tzaneen Municipality focuses on all relevant and required aspects as indicated by Council's mandate as a Local Government institution.

The methodology used in determining the strategic intent of Greater Tzaneen Municipality is depicted in the following diagram:



Medium and Long-Term Goals (The next three years and beyond)

The programs prioritized by Greater Tzaneen Municipality to achieve the medium and long-term goals are the following:-

- Cost Recovery
- Economic growth and investment strategy
- Marketing
- Integrated IDP
- Arts and Culture
- Visible Policing
- Environmentally Sustainable Programmes

Alignment with National, Provincial and District Plans

The commencement of the strategic planning process together with our current Integrated Development Planning and budget process has brought about a collective approach in which the contributions of all the stakeholders are valued.

Various meetings were held with stakeholders to comply with the requirement of the Local Government Municipal Systems Act which determines that the planning undertaken by a Municipality must be aligned with, and compliment the development plans and strategies of affected Municipalities and organs of state.

A road show was held regarding the alignment of Greater Tzaneen Municipality's IDP review and the following stakeholders were requested to make presentations regarding specific projects and budget allocations earmarked for the Greater Tzaneen Municipal area.

The stakeholders who were invited to make presentations are:

Department of Agriculture
Department of Education
Department of Safety, Security and Liaison
Department of Local Government and Housing
Department of Roads and Transport
Department of Health and Social Development
Department of Public Works
Department of Sport, Arts and Culture
Department of Economic Development, Environment and Tourism
Department of Finance
Department of Labour

Department of Water Affairs and Forestry
Department of Correctional Services
Department of Home Affairs
Department of Justice
Eskom
Lepele Northern Water
Telkom
LimDev
TIL

Measurable Performance Objectives

The measurable performance objectives are contained in item 5.9 of this report.

Prioritization System

The 2008/2009 Integrated Development Plan of Greater Tzaneen Municipality focuses on three strategic focus areas.

The process commences with an organizational assessment followed by a review of the strategy map of Greater Tzaneen Municipality. This includes the review of strategic objectives, strategies, programmes and projects. KPI's are also identified for each strategy. For each project a set of activities and tasks will be developed to lead budgeting and the cost estimation.

Consultative Process Undertaken to Review the IDP

To ensure integrated and focused service delivery between all spheres of Government, Greater Tzaneen Municipality embarked on a consultation process to align its budget priorities with that of National and Provincial Government. This process is based on information sharing and alignment of priorities. A list of stakeholders involved is contained in the section that deals with the alignment with National, Provincial and District plans.

In addition to the involvement of the sector departments workshops have been held in all 34 Wards to obtain their inputs.

Link between the IDP and Budget

As mentioned previously in this report the budget of Greater Tzaneen Municipality is informed by and aligned to the objectives in the IDP.

The budgetary allocations for both the capital and operating expenditure are determined in a manner that will not only ensure that the outcomes of the IDP are achieved but also to ensure that Council's vision is realized.

The Performance Management System (PMS) which is aligned with the IDP and Budget also allows Council an opportunity to monitor and evaluate the organisational performance as well as individual performances of Managers and HOD's to ensure that the IDP outcomes and vision of Council is met.

The link between the IDP and Budget is attached hereto as Annexure "k".

5.3 Budget Related Policies Overview and Amendments

Revenue Framework

It is required from Municipalities to table a balanced budget and according to section 18(2) of the MFMA the revenue projections in the budget must be realistic, taking into account the projected revenue for the current year based on collection levels to date and actual revenues collected in previous financial years.

The revenue estimates of this budget have been drafted taking into account previous collection levels as well as the needs of the residents and communities.

Budget revenue provisions have also been determined on an average collection ratio of some 95%, which adequately reflects Council's income performance objectives.

The anticipated income performance objectives are:

REVENUE SOURCE	PERCENTAGE
Rates	95%
Electricity	95%
Refuse	95%
Sanitation	95%
Water	95%

Property Rates

Property rates are used to fund services that benefit the community as a whole as opposed to individual households. These include maintaining streets, roads, sidewalks, storm water drainage, buildings, parks and recreational facilities. It is also used to fund administration costs such as stationary, insurance, meetings and the Councillors allowances. In short this revenue is used to accommodate all expenditure which is not financed by metered services such as electricity, water, sewerage and refuse removal.

Electricity

This service is classified as a trade service therefore provision must be made for a surplus.

Certain services provided by local authorities are regarded as business or trading undertakings with the objective of making a surplus. Municipal trading services are therefore regarded as services of which the tariffs are fixed in such a way that the provision of the services should yield a trading surplus. The classification depends on the intention behind the service and whether the public normally has a choice as to the extent to which the service is used. The Council's trading services are electricity and water.

Refuse Removal

The estimated surplus on this service amounts to R452 thousand.

Seeing that this service is classified as an economic service provision must be made to recover the expenditure. Economic services are services of which the tariffs are fixed in such a way that the full costs of providing them must be recovered.

Sanitation

This service is also classified as an economic service and the same principles are applicable as above.

Water

Water which is also a trade service is a scarce resource therefore the tariffs have been structured in such a way that it becomes more expensive the more water is consumed. The first 6kl water

consumption will also not be free of charge for all users. The indigent will however get the first 6kl consumption free of charge.

The water tariffs were calculated on a payment rate of 95%.

This service has been transferred to Mopani District Municipality and should Council approve the budget and tariffs it will be submitted to MDM for approval and submission to National Treasury.

Tariffs

The MFMA requires from Municipalities to adopt and implement a Tariff Policy. To comply with this requirement of the Act, Greater Tzaneen Municipality drafted a Rates Policy which was approved by Exco. The Policy addresses inter-alia the following:

- The Strategic Focus
- Equity
- Affordability
- Poverty Alleviation
- Limitation of rates increases
- Valuation of rateable properties
- Property not rated
- Rebates and
- Exemptions

The other budget related policies mentioned below are available on request and on Council's Web-site.

- Credit Control and Debt Collection Policy
- Equitable Share and Indigent Policy
- Investment Policy
- Supply Chain Management Policy

Policies that still need to be drafted are:

- » Free Basic Services
- » Virement, Adjustment budget, Unforeseen and Unavoidable expenditure.
- » Long Term Financial Planning
- » Infrastructure Investment and Funding

Operating Budget 2007/2008

The table below shows the 2007/2008 Operational Budget as well as the 2008/2009 and the two projected outer years 2009/2010 and 2010/2011 budgets.

item	2007	2008	expenses 13	New 2008	2009	2009	2010	2010	2011
001PROPERTY RATES	-25,990,770	-15,001,329	-30,132,994	-31,488,979	-32,905,983				
003PENALTIES IMPOSED AND COLLECTION CHARGES ON RATES	-945,433	-655,657	-1,500,000	-1,567,500	-1,638,038				
005SERVICE CHARGES	-167,561,613	-88,971,108	-199,119,994	208,080,394	-217,444,011				
009RENT OF FACILITIES AND EQUIPMENT	-375,432	-218,251	-421,324	-440,284	-460,096				
011INTEREST EARNED - EXTERNAL INVESTMENTS	-1,357,160	449,130	-2,700,000	-2,821,500	-2,948,468				
012INTEREST EARNED - OUTSTANDING DEBTORS	-3,129,981	-2,773,047	-5,500,000	-5,747,500	-6,006,138				
016FINES	-1,748,365	-563,985	-1,672,907	-1,748,188	-1,826,856				
018LICENSES & PERMITS	-237,533	-192,602	-222,500	-232,513	-242,976				
020INCOME FROM AGENCY SERVICES	-19,164,880	-12,569,094	-26,194,740	-27,373,503	-28,605,311				
022OPERATING GRANTS & SUBSIDIES	-99,821,536	-54,147,553	-128,742,609	134,536,026	-140,590,148				
024OTHER REVENUE	-6,812,454	-512,543	-738,468	-771,699	-806,426				
026GAIN ON DISPOSAL OF PROPERTY PLANT & EQUIPMENT	-1,048,000	-2,283,126	-1,500,000	-1,567,500	-1,638,038				
031INCOME FOREGONE	6,119,320	2,787,775	7,558,095	7,898,209	8,253,629				
	-322,073,837	-174,651,389	-390,887,441	408,477,376	-426,858,858				
051EMPLOYEE RELATED COSTS - WAGES & SALARIES	97,211,427	45,862,921	108,079,039	112,942,596	118,025,013				
053EMPLOYEE RELATED COSTS - SOCIAL CONTRIBUTIONS	19,635,120	8,370,809	22,626,624	23,644,822	24,708,839				
055EMPLOYEE COSTS CAPITALIZED	-5,231,941	0	-4,003,346	-4,183,497	-4,371,754				
056EMPLOYEE COSTS ALLOCATED TO OTHER OPERATING ITEMS	-55,994,939	-28,305,997	-61,345,042	-64,105,569	-66,990,320				
058REMUNERATIONS OF COUNCILLORS	12,282,384	5,812,409	13,680,169	14,295,777	14,939,087				
060BAD DEBTS	6,603,007	0	10,229,558	10,689,888	11,170,933				
062COLLECTION COSTS	104,800	-38,644	100,000	104,500	109,203				
063INVENTORY SURPLUS/LOSS	0	0	0	0	0				
064DEPRECIATION	17,224,925	10,076,643	26,158,592	27,335,728	28,565,836				
066REPAIRS AND MAINTENANCE	80,283,100	37,980,769	87,853,157	91,806,549	95,937,843				
068INTEREST EXPENSE - EXTERNAL BORROWINGS	13,140,049	3,744,527	12,367,941	12,924,498	13,506,101				
072BULK PURCHASES	51,129,391	34,817,016	83,880,000	87,654,600	91,599,057				
074CONTRACTED SERVICES	20,301,106	8,252,866	18,951,622	19,804,445	20,695,645				
076GRANTS & SUBSIDIES PAID	5,617,804	4,928,095	3,912,885	4,088,965	4,272,968				
078GENERAL EXPENSES - OTHER	48,419,360	24,452,958	52,362,359	54,718,665	57,181,005				
	310,725,593	155,954,372	374,853,557	391,721,967	409,349,456				
043INTERNAL RECOVERIES	-45,819,384	-27,406,279	-38,863,542	-40,612,401	-42,439,959				
087INTERNAL CHARGES	45,819,384	28,315,442	38,863,542	40,612,401	42,439,959				
	0	909,163	0	0	-0				
600INFRASTRUCTURE	23,884,000	8,037,738	38,204,800	39,924,016	41,720,597				
608OTHER ASSETS	130,000	20,638	0	0	0				
	24,014,000	8,058,377	38,204,800	39,924,016	41,720,597				
094CONTRIBUTIONS FROM OPERATING TO CAPITAL	9,432,000	0	9,432,000	9,856,440	10,299,980				
095TRANSFERS FROM / (TO) RESERVES	-20,931,318	-6,736,705	-35,602,916	-37,205,047	-38,879,274				
089CASH REQUIREMENTS	0	0	4,000,000	4,180,000	4,368,100				
	-11,499,318	-6,736,705	-22,170,916	-23,168,607	-24,211,195				
	1,166,438	-16,466,183	0	0	0				

Budget planning and implementation is important and normally attracts a lot of attention, but equally important is the control thereof. Budget control is a continuous function and the Municipal Officials need to ensure that the relevant Departmental budgets do not overspend. Officials need to realize that budget control is not managed through magic, but through strict discipline.

The balancing of this budget was not an easy task and some of the aspects need to be highlighted to give Council an overall picture.

BUDGET ALLOCATIONS

The most significant item of income is the service charges (50.9%) of the total income while the most significant expenditure items are, salaries (34.9%), repairs and maintenance (23.4%) and bulk purchases (22.4%) of the total expenditure budget.

The proposed 2008/2009 budget reflects no surplus.

The most significant items of expenditure and income are discussed as follows:

General

Before the expenditure and income is discussed Council needs to be informed that, due to various factors which will be discussed hereunder, an amount of R15 438 686, which represents depreciation had to be included in transfers from. This means that this amount, which is not a cash transaction, will be financed by the accumulated surplus of Council and not through the anticipated 2008/2009 income. The balance of depreciation represents depreciation on Grants and is allocated against transfers from, below the line. Depreciation is the only expenditure item which is not a cash transaction and Municipalities are allowed to finance it through the accumulated surplus.

EXPENDITURE

Salaries

An increase of 11.9%.

The main issues are as follows:

- Provision for a general salary increase of 10%.

- Provision for personnel in the Supply Chain Management and Disaster Management divisions were made
- The salary budget represents 34.9% of the total expenditure budget

Provision for Bad Debts

Provision for bad debts has been increased by 54.9%. It should however be emphasized that this item only represents 2.7% of the total expenditure budget. This provision is based on a 5% non payment rate.

Repairs and Maintenance

An increase of 9.4%.

It was not possible to make sufficient provision for repairs and maintenance because of insufficient funds. More funds will have to be provided for this purpose on future budgets. This is the 2nd largest expenditure vote and represents 23.4% of the total expenditure budget.

Bulk Electricity purchases

An increase of 64.1%.

- This is the 3rd largest single expenditure vote and represents 22% of the expenditure budget.
- The increase is a result of the fact that Council experienced an increase in demand for electricity during the 2007/2008 financial year to such an extent that Council could not supply the total demand. Bulk electricity purchases increased with R20 million during the 2006/2007 financial year and it had to be addressed in the 2007/2008 Adjustment Budget.
- A possible increase of 14,2%, by Eskom is anticipated.

General Expenditure

General Expenditure increased from R48 million to R52 million an increase of 8,1%. This increase is mainly the result of the increase of the following line items:

- Consultants and Professional fees increased with R248 thousand
- Fuel – Vehicles increased with R1,3 million
- Leases of vehicles increased with R752 thousand
- Provincial share license fee increased with R2.7 million

Revenue

As mentioned previously in this report the goal with the 2008/2009 budget is to ensure that the budget is affordable and acceptable to all rate payers and consumers.

Changes in legislation however made it difficult to keep tariff increases acceptable to all rate payers and it is anticipated that some of the communities (with high value properties) will express their opposition against the increase in property rates. The calculation of property rates is however guided by legislation and Council can not deviate from the Act. The Property Rates Policy was also extensively communicated to all our communities.

Electricity

The high increase in the electricity tariff will also attract negative attention but the proposed electricity tariff structure and tariffs were taken up with the NER who already approved the proposed tariffs.

Water

Due to various discussions in the past it was resolved to propose a tariff on the first 6kl water consumption. The result of this is that not all consumers will get the first 6kl free of charge. Only the indigent will receive 6kl water free of charge.

OTHER

Establishment of new Department

A new Department, Department of Transport, Safety, Security and Liaison was established and provision has been made on the 2008/2009 budget to accommodate this expenditure.

Personnel Cost

The personnel cost represents 34.9% of the total expenditure budget which is less than the acceptable level of 35% set by various political parties.

The personnel budget caters for all posts that are currently occupied by permanent as well as temporary staff.

No provision could be made for vacant positions.

Cost Recovery

The fact that services in all areas are not backed by cost recovery, puts Council in a vulnerable position and strategies to increase revenue will have to be investigated to ensure sustainability.

Issues that should be included in the strategy are:

- Long term financial planning
- Revenue management
- Pre-payment metering system
- Poor service payments
- Escalating debt
- Need to expedite cash collection
- Manage cash flow cycles
- Minimization of unnecessary expenses and maximization of activities that can increase revenue.

The maximization of revenue and the critical reduction of unnecessary costs cannot be over emphasized.

Tariff Setting

Tariff setting was performed in conjunction with the EEM and CSM to ensure proper review of primary rates and tariffs, and the assessment rates tariff was performed by Thlahola Dinamics who are specialists in the field of property rates. Specific consideration was given to:

- » the extent of the impact of the new general valuation of properties;
- » the structural amendments to tariffs;
- » impact of change in VAT Status on revenue;
- » Assessment of total municipal account;
- » Guideline set by National Treasury;

- » Value of stands in different towns;
- » Average consumption in different towns;
- » Average effect on consumers in various towns;
- » % Payment rates per service;

The basic principles and guidelines applied were:

- the ability of the consumer to pay for services rendered;
- realistically anticipated revenue from each revenue source;
- impact of inflation and other cost increases;
- aggressive approach to collection of revenue;
- set of collection improvement targets;
- tariff policy requirements;
- IDP requirements;

Tariff increases are unfortunately inevitable and necessary to ensure that Council can function effectively and efficiently, and to ensure that the residents have the benefit of well maintained services and facilities. Tariff increases in line with the CPIX is considered to be the benchmark, as per guidelines received from National Treasury, MFMA, circular no. 45.

The inflation rate is expected to stay within the target range of 3 to 6 percent, and as per the same guideline the inflation forecast have been announced for 2008/2009, 2009/2010 and 2010/2011 as 4,9 percent, 4,5 percent and 4,5 percent respectively. The actual figure is now around 10%.

The letter received from National Treasury attached as **Annexure “E”** indicates that Municipalities are expected to levy their rates and tariffs taking into account their local economic conditions, affordability levels and must remain broadly in line with macro-economic policy. Municipalities must also take account of the policy and recent developments in government sectors relevant to their local communities.

Rates and tariff increases must be thoroughly substantiated in the Municipal budget documentation for consultation with the community. Municipalities engaged in water and electricity distribution will need to fully explain the impact of bulk price increases and its implication on Municipal budgets.

It is unfortunately necessary for Municipalities to increase their tariffs on an annual basis to ensure sustainable services.

The increase on the previous year tariffs are calculated on the market value of property as well as the consumption of households. The increase in Municipal accounts will therefore be different for every household. The Municipal accounts below show the increase in Municipal accounts of average households per town.

The tariff increases are not within the limits set by National Treasury but Council must take cognizance that the tariff increases submitted to Council for approval cannot even fund the current level of services due to the high increases in material costs.

Municipal Accounts

The following are sample accounts of the different towns. It needs to be mentioned that all the tariffs are cost reflective and that the tariffs in all towns are the same. Any differences in accounts are attributed to the market value of the property, and the different average consumptions.

TZANEEN			VALUATION	VALUATION	Market
HGB	STAND	AREA M	LAND	IMPR	Value
REG	989	2073	53,000	330,000	945,000

		LEVY		2004 2005	2005 2006	2006 2007	2007 2008	2008 2009	%
DESCRIPTION	CONSUMP	VAT. EXC.	VAT	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT	DIFF
ASSESSMENT RATES							R 435.93	R 496.00	13.78%
IMPROVEMENTS				R 126.50	R 139.79	R 145.75	R 153.04		
LAND				R 232.76	R 256.39	R 269.42	R 282.89		
ELECTRICITY									
BASIC				R 80.00	R 80.00	R 90.00	R 100.00	R 112.00	12.00%
CONSUMPTION	2298.00			R 413.64	R 506.52	R 555.78	R 584.80	R 679.40	16.18%
REFUSE CHARGE									
REFUSE DOMESTIC				R 55.52	R 58.44	R 61.36	R 65.04	R 70.39	8.22%
SEWER CHARGE									
SEWER AVAILABILITY				R 27.64	R 27.27	R 28.68	R 30.40	R 32.82	7.98%
SEWER CONS. DOM.				R 14.63	R 29.10	R 30.57	R 32.40	R 35.42	9.31%
WATER CHARGE									
WATER AVAILABILITY				R 17.00	R 17.00	R 17.00	R 18.02	R 19.00	5.44%
WATER CONSUMPTION	77.00			R 184.65	R 184.65	R 193.95	R 205.08	R 224.35	9.40%
							-R 435.93		
TOTALS				R 1,152.34	R 1,299.17	R 1,392.50	R 1,471.67	R 1,669.38	13.43%

LETSITELE			VALUATION	VALUATION	Market Value R 878,000
	STAND	AREA M	LAND	IMPR	
REG	156	3411	R 35,000	R 325,000	

		LEVY		2004 2005	2005 2006	2006 2007	2007 2008	2008 2009	%
DESCRIPTION	CONSUMP	VAT. EXC.	VAT	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT	DIFF
ASSESSMENT RATES							R 337.53	R 460.27	36.36%
IMPROVEMENTS				R 124.58	R 137.67	R 143.54	R 150.72		
LAND				R 153.71	R 169.32	R 177.92	R 186.81		
ELECTRICITY									
BASIC				R 80.00	R 80.00	R 90.00	R 100.00	R 112.00	12.00%
CONSUMPTION	1088			R 195.84	R 228.48	R 241.97	R 255.57	R 318.35	24.56%
REFUSE CHARGE									
REFUSE DOMESTIC				R 55.52	R 58.44	R 61.36	R 65.04	R 70.39	8.22%
SEWER CHARGE									
SEWER AVAILABILITY									
SEWER CONS. DOM.									
WATER CHARGE									
WATER AVAILABILITY				R 17.00	R 17.00	R 17.00	R 18.02	R 19.00	5.44%
WATER CONSUMPTION	16			16.30	16.30	R 17.10	R 18.08	R 22.50	24.45%
							-R 337.53		
TOTALS				R 642.95	R 707.21	R 748.89	R 794.25	R 1,002.51	26.22%

HAENERTSBURG			VALUATION	VALUATION	Market
SB	STAND	AREA M	LAND	IMPR	Value
REG	909	991	R 60,000	R 230,000	R 850,000

		LEVY		2004/2005	2005 2006	2006 2007	2007 2008	2008 2009	%
DESCRIPTION	CONSUMP	VAT. EXC.	VAT	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT	DIFF
ASSESSMENT RATES							R 426.91	R 445.33	4.31%
IMPROVEMENTS				R 88.17	R 97.43	R 101.58	R 106.66		
LAND				R 263.50	R 290.26	R 305.00	R 320.25		
ELECTRICITY									
BASIC				R 80.00	R 80.00	R 90.00	R 100.00	R 112.00	12.00%
CONSUMPTION	800			R 144.00	R 168.00	R 177.92	R 187.92	R 234.08	24.56%
REFUSE CHARGE									
REFUSE DOMESTIC				R 55.52	R 58.44	R 61.36	R 65.04	R 70.39	8.22%
SEWER CHARGE									
SEWER AVAILABILITY									
SEWER CONS. DOM.									
WATER CHARGE									
WATER AVAILABILITY				R 17.00	R 17.00	R 17.00	R 18.02	R 19.00	5.44%
WATER CONSUMPTION	35			60.3	60.3	R 63.33	R 66.90	R 75.25	12.48%
TOTALS				R 708.49	R 771.43	R 816.19	R 864.79	R 956.05	10.55%

NKOWANKOWA			VALUATION	VALUATION	Market Value R 99,000
	STAND	AREA M	LAND	IMPR	
REG	1326	497	R 5,000	R 63,000	

		LEVY		2004 2005	2005 2006	2006 2007	2007 2008	2008 2009	%
DESCRIPTION	CONSUMP	VAT. EXC.	VAT	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT	DIFF
ASSESSMENT RATES							R 55.90	R 44.80	-19.86%
IMPROVEMENTS				R 24.15	R 26.69	R 27.83	R 29.22		
LAND				R 21.96	R 24.19	R 25.42	R 26.69		
ELECTRICITY									
BASIC									
CONSUMPTION									
REFUSE CHARGE									
REFUSE DOMESTIC				R 55.52	R 58.44	R 61.36	R 65.04	R 70.39	8.22%
SEWER CHARGE									
SEWER AVAILABILITY				R 6.63	R 6.54	R 6.88	R 7.29	R 7.87	7.98%
SEWER CONS. DOM.				R 3.04	R 6.05	R 6.35	R 6.73	R 7.36	9.31%
WATER CHARGE									
WATER AVAILABILITY				R 17.00	R 17.00	R 17.00	R 18.02	R 19.00	5.44%
WATER CONSUMPTION	16			R 16.30	R 16.30	R 17.10	R 18.08	R 22.50	24.45%
							-R 55.90		
TOTALS				R 144.60	R 155.20	R 161.93	R 171.07	R 171.92	0.50%

LENYENYE			VALUATION	VALUATION	Market
REG	STAND	AREA M	LAND	IMPR	Value
	1243	465	R 6,000	R 9,000	R 63,000

		LEVY		2004 2005	2005 2006	2006 2007	2007 2008	2008 2009	%
DESCRIPTION	CONSUMP	VAT. EXC.	VAT	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT	DIFF
ASSESSMENT RATES							R 36.20	R 25.60	-29.28%
IMPROVEMENTS				R 3.45	R 3.81	R 3.98	R 4.17		
LAND				R 26.35	R 29.03	R 30.50	R 32.03		
ELECTRICITY									
BASIC									
CONSUMPTION									
REFUSE CHARGE									
REFUSE DOMESTIC				R 55.52	R 58.44	R 61.36	R 65.04	R 70.39	8.22%
SEWER CHARGE									
SEWER AVAILABILITY				R 6.20	R 6.12	R 6.43	R 6.82	R 7.36	7.98%
SEWER CONS. DOM.				R 4.75	R 9.45	R 9.93	R 10.52	R 11.50	9.31%
WATER CHARGE									
WATER AVAILABILITY				R 17.00	R 17.00	R 17.00	R 18.02	R 19.00	5.44%
WATER CONSUMPTION	25			34.03	34.03	R 35.73	R 37.70	R 43.65	15.78%
							-R 36.20		
TOTALS				R 147.30	R 157.88	R 164.92	R 174.30	R 177.50	1.84%

Indigent support

The equitable share allocation of the municipality for the 2008/2009 financial year is R 87 million. This allocation is intended to assist Municipalities to render basic services to poor communities. The grant is not intended to fully fund the provision of these services but to top up the allocations that Municipalities provide themselves.

- The equitable share formula is: BS (Basic Services) + D (Development component) + I (Institutional) – R(Revenue raising capacity) +/- C (Correction)

The formula assumes that the provision of basic services per household costs R130 for serviced stands and R45 for un-serviced stands. Included in the formula is an amount of R36 000 to assist towards the support given to Councillors. The "I" component of the formula recognizes that the Municipality needs to maintain systems to supply services to the poor. The costs of supplying the services should therefore not only be seen as the direct costs of the actual services but also the costs associated with supplying those services. The above indicates that the support offered to indigents will depend on whether those indigents are in a serviced area or not. In a serviced area it is required that indigents should be registered as such on the municipality's indigent register. All such registered indigents only pay a flat rate of R30-00 per month provided that their consumption of water is below 6 kl per month and that of electricity 50kw per month. Consumptions above these levels will be charged at normal tariffs. The difference between the actual cost of services consumed by the indigent and the flat rate is subsidised by the equitable share allocation and reflected as income foregone on the budget. For unserviced areas the municipality is at present rendering minimum basic services to all residents. These are services at RDP standards. For this purpose the municipality pays for all electricity tokens of residents and the cost of maintaining boreholes or purchases of bulk water from Lepelle Northern Water board. There is a dire need to ensure that these types of free services are only rendered to registered indigents and not also to those who can afford to pay for services. However an additional challenge has been that not all indigent residents came forward to register as such when the municipality embarked on its campaign to register them. There is a need to publicize this project to ensure that all residents get access to the assistance that the municipality is affording them.

Provision for R87.6 million which represents 100% of the allocation has been made on the 2008/2009 budget for equitable share.

It is recommended that the funds be allocated to the different services as follows:

SERVICE	BUDGET 2006/2007 AMOUNT	BUDGET 2007/2008 AMOUNT	BUDGET 2008/2009 AMOUNT
Electricity (FBE)	R 5 653 003	R 0	R 0
Cleansing	R 2 873 385	R 3 873 385	R 3 600 000
Rates (Roads)	R49 866 612	R64 256 615	R84 001 000
Sewer	R 3 000 000	R 0	R 0
TOTAL	R61 393 000	R68 130 000	R87 601 000

The allocation has been determined by the CFO and is not cast in stone. The amounts were determined according to the expenditure in the areas where the need is the greatest and to ensure that the increases in tariffs remain at acceptable levels. As can be seen above R68 million of the equitable share has been allocated to non-trading services. These are those services which must be rendered in spite of the level of consumption and are aimed at all residents of the municipality – both indigents and non-indigents. These services include, but not limited to, library services, cemeteries, parks, recreational facilities, maintenance of roads, council support and all other municipal support services like finance and corporate services. Residents staying in serviced areas are contributing towards the costs of rendering these services through the property rates that they pay. The contribution of indigents is subsidised through the equitable share.

It must also be emphasized that an amount of R10 million has been provided on the budget for free basic water. This allocation has been obtained from Mopani District Municipality.

Council must also take cognizance that no provision has been made for equitable share from Mopani District Municipality for the water service seeing that they could not confirm that the grant will be paid to Greater Tzaneen Municipality.

As a service provider the Chief Financial Officer is of the opinion that the Greater Tzaneen Municipality is entitled to a portion of the equitable share of Mopani District Municipality. Provision will however only be made after confirmation has been received from Mopani District Municipality.

Free Basic Services

Free Basic Electricity

The National policy on Free Basic Electricity stipulates that Eskom or any other service provider will charge Free Basic Electricity in terms of the EBSST tariff which is currently R0,4084 per kWh excluding VAT.

The supply of Free Basic Electricity is a thorny issue and various problems were experienced with it in the past. Council therefore resolved that from 1 November 2005 Free Basic Electricity be rolled out to the 20 Amp beneficiaries under certain conditions, and that Eskom be requested to submit a list of all configured customers to the Planning and Economic Development Manager for verification and further that 20 Amp consumers who do not qualify for indigent status be removed from the list on a monthly basis.

With the resolution of Council to roll-out Free Basic Electricity to the 20 Amp beneficiaries under certain conditions it is anticipated that the number of beneficiaries will be +- 10 200. To accommodate this cost an amount of R2,5 million (10 200 beneficiaries x R0,4084 per kWh x 50 kWh x 12 months) has been provided on the 2008/2009 operational budget.

Free Basic Water

The concept policy on Free Basic Water was announced by the State President of South Africa in September 2000. This was done to alleviate poverty and to ensure that services are rendered to the community in a sustainable manner.

The primary intention of the policy is that no one is denied access to water supply because they are unable to pay for it.

As mentioned previously in this report the monthly account for the indigent is R30,00 plus water consumption above 6 kilo liter.

Rural waste minimization

Through the MIG funding the municipality has started a project on rural waste minimization with a number of schools being identified as projects. The aim of the project is that it will be replicated to the whole municipal area and that it will be model for the rest of the province and the country. The project is expected to cost R52 million over the next 5 years. The MIG funding is for the capital set-up of the project and the maintenance thereof will be funded by the

municipality through its normal operations. The equitable share will be used to subsidise the indigents in those areas.

Investment of Funds

It happens from time to time that Council has surplus funds available which are not needed immediately and which can be invested. Depending on circumstances some funds can be invested for a long term whilst other can only be invested on a short-term.

The long-term investments of Greater Tzaneen Municipality are made to repay loans on maturity date. The investments can therefore not be seen as available financial resources to finance capital or operational projects.

The long-term investments of Greater Tzaneen Municipality which amounts to R19 057 618 are as follows:

- An investment of R1,8 million has been made with Liberty to repay the loan of R10,3 million on 30 November 2009. This loan bears interest at a variable rate and the value of the investment amounts to R7 million.
- An investment of R6,9 million has been made with BOE to repay a loan of R20 million on 31 August 2012. This loan bears interest at a variable rate and the value of the investment amounts to R11,7 million.

The short-term investments of Greater Tzaneen Municipality are made with funds which are not needed immediately and are normally invested for 30 days or are put in a call account.

Greater Tzaneen Municipality had no short-term investment as at the end of April 2008.

Supply Chain Management Policy

Section 111 of the MFMA requires Municipalities to adopt and implement a Supply Chain Management Policy, which gives effect to the requirements of the Act.

The Supply Chain Management Policy of Greater Tzaneen Municipality was approved on 29 November 2005 and the three committees required by the Act are in place and operational.

The Supply Chain Policy provides systems for the following functions:

- Demand Management
- Acquisition Management
- Logistics Management
- Disposal Management
- Risk Management
- Performance Management

It also describes in detail the processes and procedures of the acquisition of goods, services and works as well as the disposal of unserviceable, redundant and obsolete goods.

Other matters which are discussed in the policy are:

- Ethical Standards
- Inducement, Rewards, gifts and favours
- Sponsorship
- Resolution of disputes, objections, complaints and queries

Virement, Adjustment Budgets and Unforeseen and Unavoidable Expenditure

The adjustment budget is governed by section 28 of the Municipal Finance Management Act and is aimed at establishing a responsible and accountable practice in Municipalities.

To give effect to this section of the Act a budget review has been undertaken during February 2008 and the subsequent adjustment budget was submitted to Council on 25 March 2008 item A1 for consideration and approval.

During this process a number of virements have also been identified and effected.

Council's attention is also drawn to the stipulations of the MFMA with regard to unauthorized expenditure. Section 32 (i) of the Act determines that a political office bearer of a Municipality is liable for unauthorized expenditure if he/she knowingly or after having been advised by the accounting officer that the expenditure is likely to result in unauthorized expenditure, instructed the official to incur the expenditure.

It further determines that the Municipality must recover unauthorized expenditure, under certain conditions, from that official or political office-bearer and writing off of any unauthorized, 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 relating to such unauthorized, irregular or fruitless and wasteful expenditure.

Monitoring (Management and Oversight)

The budget of Greater Tzaneen Municipality is monitored in terms of the National Treasury guidelines and directives. In particular, MFMA Section 71 and 72 reports are used as in-year control mechanisms to ensure adherence to approved budget provisions and implementation programmes.

Long Term Financial Planning Principles

The 5 year plan of Greater Tzaneen Municipality focuses on the improvement of service delivery and the addressing of the physical infrastructure backlog in its area of jurisdiction. The new organogramme which has been developed to realign and improve the administration of Greater Tzaneen Municipality will also contribute to Greater Tzaneen Municipality ensuring access to basic services to every household. During the Performance Management process Greater Tzaneen Municipality identified the following objectives to comply with the requirements of the constitution:

- Apply innovative systems to retain existing customers;
- Promote community based problem solving;
- Improve service delivery in a sustainable manner;
- Enhance economic development through funding and partnerships;
- Optimally leverage capital investment and utilization; and
- Increase financial viability

The following will also receive special attention during the 2008/2009 financial year:

- Youth gender and the disabled
- Strengthening of Ward Committees
- Strengthening of partnerships with private sector
- Intergovernmental relations
- Job creation

Personnel (Overtime, Vacancies and Temps)

The salary budget represents 34.9% of the total expenditure budget which is lower than the acceptable level of 35% set by various political parties. The personnel budget caters for all posts that are currently occupied by permanent as well as temporary staff. Currently provision has been made for 722 permanent posts. No provision has been made for vacant positions.

The salary budget represents 43.6% of the total expenditure budget if the Councillors allowances and contract services are added to the salaries of employees.

Infrastructure Investment and Funding

The PMU programme is aimed at providing a basic level of service for all residence of Greater Tzaneen Municipality. The MIG programme which is performed by the PMU is a key part of Governments overall drive to alleviate poverty in the country, therefore the infrastructure is to be provided in such a way that employment is maximized and opportunities are created.

An amount of R28 million has been made available for MIG projects whilst an amount of R15 million is submitted to Council for capital projects financed through loans. An amount of R1.6 million which will be funded by a grant has been provided on the Capital Budget for electrification of farm labour housing.

5.4 Budget Assumptions

Inflation outlook and its impact on Greater Tzaneen Municipality activities:

The following key factors have been taken into consideration in the development of the 2008/2009 budget.

► External Factors

National Treasury has advised that Municipalities are expected to levy their rates and tariffs taking into account their local economic conditions, affordability levels and remain broadly in line with macro-economic policy.

It has been assumed that no major increases in electricity tariffs will be effected that will affected the municipality before the next financial year.

► General Inflation Outlook

As per National Treasury Circular 45 of 08 February 2008 the inflation forecasts for 2008/2009, 2009/2010 and 2010/2011 are predicted to be 4,9 percent, 4,5 percent and 4,5 percent, respectively. In March 2008 STATSSA however released its CPI figures and set it at 10,6%. The next official figures indicating the movement for the ensuing months will only be released at the end of May 2008. However indications are that considering the general economic conditions all over the world this figure might be higher than the March 2008 one.

► Credit Rating Outlook

As a result of a weaker financial profile the long term credit rating of Greater Tzaneen Municipality has been lowered from a za BBB to a za BBB- and the short term rating has been lowered from za A2 to za A3. The rating outlook however remained the same. As full credit control is now going to be exercised over the whole municipal area it envisaged that the total amount of outstanding debtors will decrease which should have a positive effect on the municipality's rating.

► Interest Rates for Borrowing

It has been assumed that the loan that will be raised will be at the 5% interest rate as on the draft loan contract received from the DBSA.

► Rates Tariffs and Charges

That the increase in rates, tariffs and charges be calculated according to the need.

► Growth in Tax Base

That the economic growth be sustained at 3% over the next 10 years. This is in line with the assumption in the 2004 Local Economic Development plan of Greater Tzaneen Municipality.

► Bulk Purchases

That the increase in bulk purchases be based on consumption in previous years.

► Average Salary Increases

Allowance for a cost of living increase of 10,0% has been made to salaries and allowances in accordance with the South African Local Government Association proposal.

► Trends in Population and Households

Between 2006 and 2008 the population of Greater Tzaneen Municipality has grown fairly rapidly with an increase in population of 22 914 people.

According to the spatial development framework of Greater Tzaneen Municipality the population of Greater Tzaneen Municipality will grow from 543 867 in 2008 to 610 974 in 2013, an increase in population of 67 167 people.

► Changing Demand Characteristics

Water

The demand is primarily to eliminate the backlog in the informal settlements. The proposal is to firstly provide emergency services while eliminating the backlog over the next 5 years.

Electricity

The demand for free basic electricity services are expected to keep pace with the electrification programme.

Other Assumptions

- That unconditional grants and subsidies not be allocated to certain services but that it be allocated within the context of the overall financial position of Council.
- That the current financing practices (internal financial recovery plan) be sustained.
- That the short-term operational cash be utilized to finance short-term operating expenses.
- That a loan for R15 000 000 be taken up to finance capital projects for inter alia the emergency upgrading of the electricity distribution system.
- A 5% interest rate and a 20 year period be used for the R15 000 000 million loan.

- That indigent households who receive basic services will not pay for those services.
- That RED's will probably only be up and running after June 2010.
- The Equitable Share Grant was taken as per DORA and thereafter escalated at the inflation rate assumed in this report.
- Except for a Free Basic Water allocated no other capital or operational transfer from Mopani District Municipality was assumed.
- That although Mopani District Municipality is the service authority for water and sewer the expenditure for these services be financed through service levies and that no allocation from Mopani District Municipality is assumed.

Credit Rating Outlook

Moody's South Africa completed a credit rating for Greater Tzaneen Municipality for the 2004 and 2005 financial years. The following credit rating has been awarded to Greater Tzaneen Municipality.

RATING HISTORY	2005	2004
Long Term	ZaBBB-	ZaBBB
Short Term	ZaA3	ZaA2

As a result of the weaker financial profile Moody's South Africa has lowered the long term rating of Greater Tzaneen Municipality from ZaBBB to ZABBB- and the ZaA2 short term rating to ZaA3. These ratings reflect the Municipalities capacity to repay debt in SA Rand relative to other obligors.

Some of the constraining factors mentioned by Moody's South Africa in their report are:

- ~ Weakening liquidity due to low collection rate from debtors and inadequate provisioning for bad debts. It has adverse effects on its cash flow and reduces capacity for capital expenditure to eradicate infrastructure backlogs. Improved control over the collection of debtors remains of paramount importance to ensure financial sustainability.

- ~ Relatively high debt levels that are likely to remain high due to constrained revenue growth.

The credit rating of Greater Tzaneen Municipality is of great concern and measures to improve the financial position of Greater Tzaneen Municipality should be considered and implemented.

5.5 Funding the Budget

Fiscal Overview

The implementation of the MFMA required a reform in financial planning within Municipalities. The focus has shifted from the Municipal Manager and Chief Financial Officer to all Senior Managers who are responsible for managing the respective votes or departments of the Municipality, and to whom powers and duties for this purpose have been delegated. Top Management must also assist the Accounting Officer in managing and co-ordinating the financial administration of the Municipality

During the performance management process Greater Tzaneen Municipality identified the following objectives to comply with the requirements of the Constitution:

- Apply innovative systems to retain existing customers;
- Promote community based problem solving;
- Improve service delivery in a sustainable manner
- Enhance economic development through funding and partnerships;
- Optimally leverage capital investment and utilization; and
- Increase financial viability

The 5 year financial plan therefore focuses on the improvement of service delivery and the addressing of the physical infrastructure backlog's facing Greater Tzaneen Municipality.

Outcomes of the Past Years

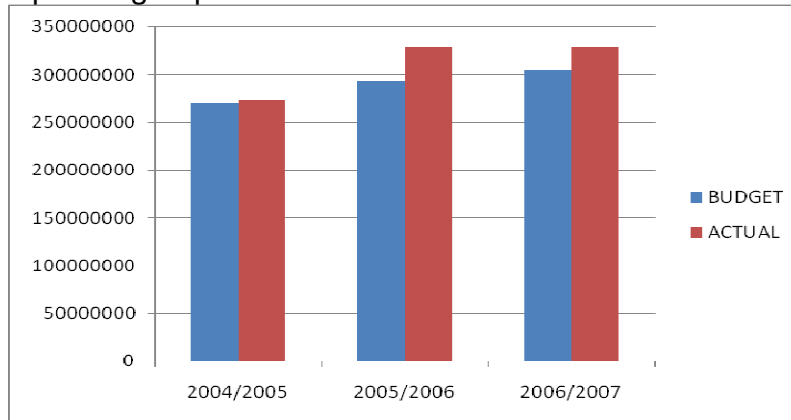
The graph below indicates the comparison between budgeted and actual operating expenditure over the past 3 years.

OPERATING EXPENDITURE

YEAR	BUDGET	ACTUAL
2004/2005	270 218 800	273 261 622
2005/2006	293 533 474	329 631 453
2006/2007	304 739 349	329 472 551

GRAPH

Operating Expenditure



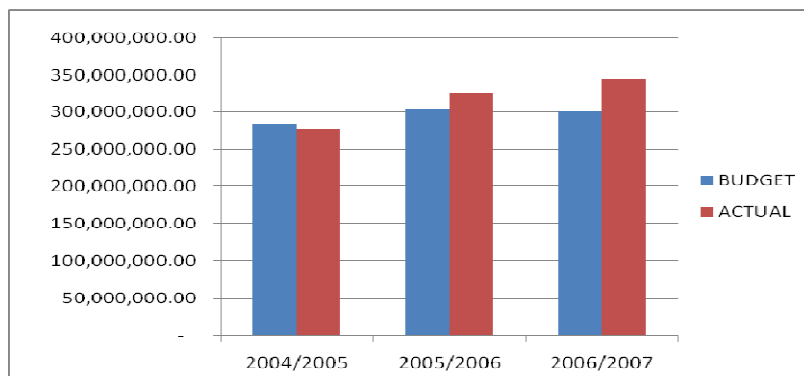
The graph below indicates the comparison between budgeted and actual operating Income over the past 3 years:

OPERATING INCOME

YEAR	BUDGET	ACTUAL
2004/2005	283 934 170	278 089 403
2005/2006	304 665 997	325 810 839
2006/2007	302 218 188	345 928 848

GRAPH

Operating Income



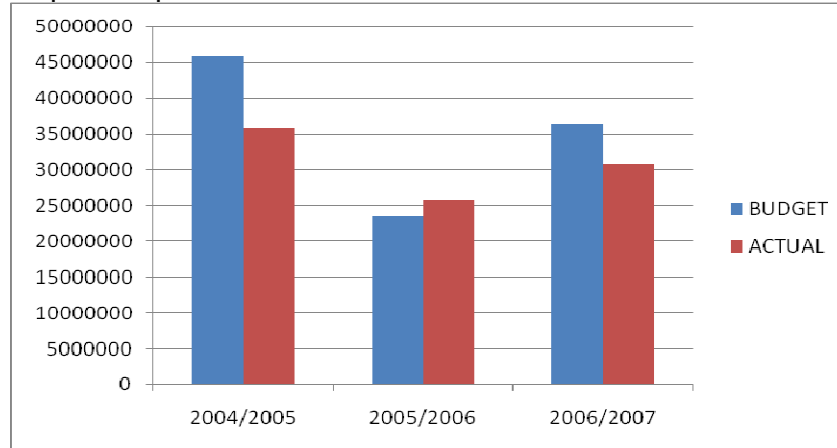
The capital expenditure against the budget of the past 3 years are also indicated graphically below:

CAPITAL EXPENDITURE – MIG INCLUDED

YEAR	BUDGET	ACTUAL
2004/2005	45 813 859	35 729 703
2005/2006	23 453 033	25 729 847
2006/2007	36 364 059	30 747 402

GRAPH

Capital Expenditure



Operating Revenue

The revenue of Greater Tzaneen Municipality is pre-dominantly raised through rates and tariffs. Grants and subsidies from National and Provincial Government constitutes a relative small portion of the total revenue and thus the budget is based on a strong base of own sources.

Metered services contributed the following revenue to Greater Tzaneen Municipality during the 2006/2007 financial year.

Electricity	47%
Water	5%
Refuse Removal	4%
Sewerage	1%

Property rates for the 2007/2008 financial year were based on the value of the land and improvements. For the 2008/2009 financial year the fair market value of a property will be applied in terms of the Property Rates Act. Property Rates contributed 7% to the total revenue of Greater Tzaneen Municipality during the 2006/2007 financial year.

The Greater Tzaneen Municipal operating income was funded as follows during 2006/07 Financial year.

REVENUE	ACTUAL	
	2007	2008
Property rates	23 863 351	21 418 953
Property rates – penalties imposed and collection charges	1 562 761	5 685 665
Service charges	190 298 056	164 014 798
Rental of facilities and equipment	428 501	516 797
Interest earned – external investments	5 079 177	5 449 762
Interest earned – outstanding debtors	6 379 766	2 963 724
Fines	1 336 961	1 666 536
Licenses and permits	427 967	648 092
Income from agency services	4 047 277	22 661 218
Government Grants and Subsidies	101 299 105	99 508 440
Other Income	11 205 926	5 205 758
Public contributions, donated and contributed Property, plant and equipment		
Gains on disposal of property, plant & Equip.	<u>0</u>	<u>29 518</u>
Operating Income Generated	345 928 848	329 769 261
Less: Income Foregone	0	3 958 422
TOTAL REVENUE	<u>345 928 848</u>	<u>325 810 839</u>

Debtors

The table below illustrates the debtor revenue in millions for the 6 months, July 2007 to December 2007:

DEBTOR REVENUE	JULY 07 R000,	AUG 07 R000,	SEPT 07 R000,	OCT 07 R000,	NOV 07 R000,	DEC 07 R000,
Revenue Billed	16 908	15 516	17 127	19 397	19 560	18 872
Revenue Collected	18 084	13 897	14 389	24 237	17 330	11 755
% Revenue Collected	107	90	84	125	89	62

The MFMA requires that the budget be based on realistic forecasts for revenue, and over the said period the collection rate for Greater Tzaneen Municipality amounted to 93%.

Operating Expenditure

The actual expenditure per item were as follows in 2005/2006 and 2006/2007 financial years:

ITEM	ACTUAL	
	2007	2006
Employee Related Costs	83 725 900	70 993 634
Remunerations of Councillors	11 478 864	7 541 152
Bad Debts	5 268 458	34 030 608
Collection Costs	464 480	96 382
Loss of Inventory	68 123	-26 733
Depreciation	20 291 746	15 605 091
Repairs and Maintenance	48 223 168	51 136 009
Interest paid	12 307 766	10 032 519
Bulk Purchases	91 026 144	72 634 831
Contracted Services	16 108 793	11 707 970
Grants & Subsidies paid	16 526 825	13 743 635
General Expenses	23 982 284	41 434 782
Contributions to / (transfers from)		
Provisions		<u>701 573</u>
	<u>329 472 551</u>	<u>329 631 453</u>

Review of the Past and Long-term Financial Outlook

A review of the past financial performance indicates that the financial position of Greater Tzaneen Municipality needs special attention. Some of the issues that can be attributed to the poor state of the Greater Tzaneen Municipality's financial position are:

- » Inadequate Debt Collection – Consumer Debtors Increased with R26,3 million from the 2005/2006 to the 2006/2007 financial year.
- » Cash funds decreased by R18,9 million in the 2006/2007 financial year resulting in the R21m overdraft bank balance at year end.
- » The current liabilities exceed the current assets by R7,7 million at 30 June 2007.
- » Conditional grant money received to fund capital expenditure has been utilized to fund operational expenditure.
- » Funds and reserves are not cash-backed.

The Current Overall Financial Position of GTM

Internal Financial Recovery Plan

At a previous Management meeting it was agreed that in order to resolve the cash flow problems which were experienced by Greater Tzaneen Municipality, quick-win interventions should be developed. It was also agreed that departments would come up with their own quick-win suggestions to ensure that the cash flow problems are addressed by all departments. Quick-win suggestions were received and it was consolidated in the following quick-win plan.

That the following issues be investigated and addressed.

- Personnel
 - Moratorium on filling of vacant posts
 - Temporary positions to be investigated
 - Overtime
 - Unproductive staff
 - Bonuses
 - Subsistence and Travelling expenses
 - Training
 - Payment of bursaries
- Disposal of Municipal land/stands
- Cancellation of Recognition day
- Credit Control and Debt collection
 - Municipal accounts (user charges) - Defaulters to be handed over for legal action.
 - Sundry Accounts – Defaulters to be handed over for legal action
- Property Rates
- Running Cost Analysis of Municipal Fleet
- Service Delivery Contracts
- Traffic Fines
- Administration of Grants

- Auction of Obsolete Assets
- Telephone Calls

It was also resolved that all officials should be made aware of the need to save costs in all areas. It was further resolved that teams should be set-up to immediately come up with action plans for each of the above areas, in particular those areas that require an investigation to be undertaken. The action plan should clearly indicate the action to be taken, by when it must be taken and by whom.

The following project teams were established:

Debt collection and Credit control	Raymond Maake (Convenor) Oupa Mokoena, Freddy Kanyane, Anton Killian, Nkopodi Phatudi
Property rates	Sanri Rademeyer (Convenor) Maggy Machumele, Christine Nell, Elna Fourie, Carin Von Wielligh
Electricity Income	Pierre Van den Heever (Convenor) Andrew Laubscher, Handswell Phakula, Mabakane Mangena
Other services income Sundry debtors collections (including land sales) Traffic fines	Obby Mkhombo (Convenor) Johannes Malatji, Henk Minnie, Andre Liversage, Lerato Molalatladi
Annual auction and sale of obsolete assets	Ludic Mahayi (Convenor) Rodger Shingange, Nic Fourie
Vehicle Running Costs	Martin Mashaba (Convenor) Andre Le Grange, Tiyani Hlayisi, Sam Lelope
Personnel	Vincent Maake (Convenor) Johan Biewenga, Tienus Visser, Annette Labuschagne
Other Expenditure Items	Rodger Shingange (Convenor) Andre Le Grange

It is anticipated that the overdraft of Council would be cleared by the end of April 2008 and that Council will have a positive bank balance at the end of June 2008.

Financial Challenges

The challenges facing Greater Tzaneen Municipality are inter alia the following:

- Debt collection and Credit control
- The levying of property rates with emphases on sub-divisions and consolidations

- Recovering of all Greater Tzaneen Municipality income with emphasis on land sales
- Execution of the Internal Financial Recovery Plan.

Sources of Funding

The 2008/2009 expenditure has been funded as follows:

Funding source	Amount
Grants & Subsidies	R128 742 609
Rates & Service Charges	R229 252 988
Sundry Income	<u>R 32 891 844</u>
Budgeted Revenue	<u>R390 887 441</u>

Rates Tariffs and other Charges

Property Rates

Property rates is the only tax available to Local Authorities and the revenue is not dependant on a metered service. There is no direct relationship between the services rendered to individual ratepayers and the tax levied. Property rates is based on the valuation of the property and the tariff is calculated as a cent in every rand of the valuation of the property.

The proceeds from property rates must cover the shortfall in the provision of general service. It is also seen as the most important source of general revenue for Municipalities, especially in developed areas. The revenue generated from property rates is used to fund services like maintaining streets, roads, sidewalks, lighting, storm water drainage, parks, cemeteries and the operating of clinics.

An increase in the assessment rates tariff of the previous year is proposed to ensure that revenue to the amount of R30 million is levied.

Water Service

This service is classified as a trade service therefore provision must be made for a surplus.

The water tariffs for other consumers are increased on an annual basis and it is therefore proposed that the water tariffs for the

2008/2009 financial year also be increased. The increase is required as a result of the projected increase in operating costs which includes staff cost and provision for bad debt. Increases are also required for backlogs in maintaining Councils assets resulting from financial constraints of the past financial year.

It should also be mentioned that this service has been transferred to Mopani District Municipality and this budget and tariff structure will be submitted to them after approval by Council.

A total income of R26,5 million is expected from water sales which includes the proposed increase on the previous year tariffs as well as a grant of R10,6 million. The budgeted income from water sales is based on the assumption that normal seasonal rainfall patterns and temperatures will prevail.

Council has also adopted an indigent policy whereby Council acknowledges that a certain group of our consumers cannot afford our services and therefore a tariff relief will have to be forwarded to the consumers.

The indigent receives a fixed account of R30-00 for all services provided that not more than 6kl water is consumed. This fixed amount is in place since the 2004 financial year.

Electricity Service

This service is also classified as a trade service and the same principles are applicable as above.

The budgeted income for this service amounts to R159,5 million which includes the proposed increase. It should however be noted that National Electricity Regulator of South Africa (NER SA) has already approve the electricity tariffs.

The free basic electricity for households will remain at 50 kWh per month for the 2008/2009 financial year. It is also applicable in Nkowankowa and Lenyenye which falls within the area of jurisdiction of Greater Tzaneen Municipality, but who are serviced by Eskom who are the License holder. The reimbursing of Eskom in this regard has been budgeted for.

Refuse Removal Service

According to the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996) a Municipality must ensure a safe and, healthy environment for its residents. Greater Tzaneen Municipality is therefore responsible to adequately maintain its refuse removal

service. We must also maintain our refuse sites and solid waste disposal.

The tariff structure of refuse removal is cost based seeing that this service is an economic service and is increased on an annual basis.

It is recommended that the tariff be increased by 8,2% on the 2007/2008 tariffs with effect from 1 July 2008.

Sewerage Service

This service is also classified as an economic service and the same principles are applicable as with the refuse removal. An increase of 9,3% on the previous tariffs is proposed, but seeing that this service has been transferred to Mopani District Municipality the budget and tariffs will be submitted to them for consideration and approval.

Savings and Efficiencies

To ensure value for money and efficient utilization of resources, performance indicators have been set for all Section 57 managers as well as all HOD's. In-year reports (monthly and quarterly) as well as annual reporting are done on functional service delivery against information contained in the approved SDBIP.

Performance plans and productivity measures exist for each manager and it is expected of top management (all managers) to manage their respective votes/departments.

Investments

Adequate provision has been made by way of external investments to ensure that cash is available on the maturity date of external sinking fund loans. Investment income on the other hand is utilized to fund the operational budget.

Details of the investments of Greater Tzaneen Municipality are disclosed under "investment of funds" (page 125) of this report.

The multi-year investment information are as follows:

Investment Type	30 June 07	30 June 08	30 June 09	30 June 2010	30 June 2011
Long Term deposit	R19 057 618	R22 059 193	R25 533 516	R29 555 045	R33 576 574

Grant Allocation

The grant allocation as published in the Division of Revenue Act are summarized as follows:

<u>Allocation</u>	<u>2007/2008</u>	<u>2008/2009</u>
Equitable Share	R68 130 000	R87 601 000
Infrastructure Grant	R19 611 000	R28 004 000
Financial Management Grant	R 500 000	R 500 000
INEP (Elect)	R 3 119 000	R 1 601 000
Mun. Systems Imp. Grant	-	R 400 000

Council must also take note that an Integrated National Electrification Programme: Indirect grant of R3 023 000 for 2008/2009 has been allocated to Greater Tzaneen Municipality. This is however an indirect Grant which means that the money will not be transferred to Council but that projects to the value of R3 023 000 will be executed in our area of jurisdiction.

According to the introduction of the Municipal Infrastructure Grant (MIG) the grant has been divided as follows for the National Budget year:

<u>MIG Projects</u>	<u>Amount</u>	(Actual)
2008/2009 MIG BUDGET	R28 004 000.00	

PROJECT NAME	AMOUNT
Tzaneen Landfill site Phase 2	R3 507 087.16
Tzaneen Rural Waste	R8 000 000.00
Mamitwa Taxi Rank	R3 871 995.75
Marironi Access Road	R5 601 498.78
Sedan Internal Street	R3 642 069.17
Hweetji Access Road Phase 1	R1 981 149.14
PMU – Management	R1 400 200.00

2009/2010 MIG BUDGET	R33 212 000.00	(Estimated)
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PROJECT NAME	AMOUNT
Hweetji Access Road Phase 2	R 2 446 050.86
Rural Waste Removal	R16 000 000.00
Pharate Access Road	R 2 442 001.00
Gabaza Access Road	R 2 779 584.00
Makhefora Access Road	R 3 037 200.00
Ramotshinyadi Internal Str. Phase 1	R 4 846 565.00
PMU Management	R 1 660 600.00

2010/2011 MIB BUDGET

R27 198 000.00

(Estimated)

PROJECT NAME	AMOUNT
Rural Waste Removal	R 3 220 926.00
Ramotshinyadi Internal Str. Phase 2	R20 245 975.00
Sasekani Access Road	R 2 371 200.00
PMU Management	R 1 359 900.00

Grant funding multi year allocations according to the Division of Revenue Act are summarized as follows:

GRANT	2008/2009	2009/2010	2010/2011
MSIG	400 000	400 000	750 000
MIG	28 004 000	33 212 000	27 198 000
INEG	1 601 000	2 600 000	3 228 000
EQUITABLE SHARE	87 601 000	109 733 000	136 521 000
FMG	500 000	750 000	1 000 000

Borrowing

NEW BORROWING	2006/07	2007/08	2008/09	2009/10
Long Term Borrowing	R7,048,600	R15,000,000	R12 000 000	R15 000 000

The actual cash received during the 2008/2009 financial year will determine if money will be available to finance projects from own sources during the 2009/2010 financial year and if a loan will have to be taken up.

5.6 Disclosure on Allocations made by the Municipality

The allocations made by Council during the first six months of the 2007/2008 financial year can be summarized as follows:

Museum	R 16 663
Sports Council	R 53 322
Eskom EBSST	R1 032 443
Mayor Special Account	R 4 106
SETA	R 129 137
SPCA	R 18 885

5.7 Disclosure on Salaries, Allowances and Benefits

Budget for Council allowances are as follows:

item	line item	New 2008			
		2007 2008	2009	2009 2010	2010 2011
058 REMUNERATIONS OF COUNCILLORS	1051 ALLOWANCE - MAYOR	362,210	400,000	418,000	436,810
	1052 ALLOWANCE - FULL TIME COUNCILLORS	1,648,058	1,821,332	1,903,292	1,988,940
	1053 ALLOWANCE - EXECUTIVE COMMITTEE	747,058	825,599	862,751	901,575
	1054 ALLOWANCE - OTHER COUNCILLORS	5,976,458	7,308,873	7,637,772	7,981,472
	1057 COUNCILLORS ALLOWANCE - TRAVEL	2,911,235	3,217,329	3,362,109	3,513,404
	1070 CONTRIBUTION - COUNCILLORS - OTHER	637,365	107,036	111,853	116,886
058 REMUNERATIONS OF COUNCILLORS Total		12,282,384	13,680,169	14,295,777	14,939,087
Grand Total		12,282,384	13,680,169	14,295,777	14,939,087

The salary budget for the Greater Tzaneen Municipal Officials can be summarized as follows:

item	line item	New 2008			
		2007 2008	2009	2009 2010	2010 2011
051 EMPLOYEE RELATED COSTS - WAGES & SALARIES	1001 SALARIES & WAGES - BASIC SCALE	65,609,594	74,785,774	78,151,134	81,667,935
	1002 SALARIES & WAGES - OVERTIME	7,751,593	6,071,025	6,344,221	6,629,711
	1002 SALARIES AND WAGES - OVERTIME	2,098		0	0
	1003 SALARIES & WAGES - PENSIONABLE ALLOWANCE	7,422,962	8,458,004	8,838,614	9,236,352
	1004 SALARIES & WAGES - ANNUAL BONUS	3,485,797	4,128,749	4,314,543	4,508,697
	1004 SALARIES & WAGES - ANNUAL PAYMENTS	113,376	72,714	75,986	79,406
	1005 SALARIES & WAGES - STANDBY ALLOWANCE	669,861	583,778	610,048	637,500
	1010 SALARIES & WAGES - LEAVE PAYMENTS	6,216,222	6,542,240	6,836,641	7,144,290
	1012 HOUSING ALLOWANCE	671,184	698,850	730,298	763,162
	1013 TRAVEL ALLOWANCE	3,836,497	4,796,572	5,012,418	5,237,977
	1014 RELOCATION ALLOWANCE	19,697		0	0
	1015 MEDICAL EXAMINATION	15,552		0	0
	1016 PERFORMANCE INCENTIVE SCHEMES	1,396,994	1,941,333	2,028,693	2,119,984
051 EMPLOYEE RELATED COSTS - WAGES & SALARIES Total		97,211,427	108,079,039	112,942,596	118,025,013
Grand Total		97,211,427	108,079,039	112,942,596	118,025,013

item	line item	2007 2008	New 2008 2009	2009 2010	2010 2011
053EMPLOYEE RELATED COSTS - SOCIAL CONTRIBUTIONS					
	1021CONTRIBUTION - MEDICAL AID SCHEME	5,893,500	6,825,870	7,133,034	7,454,021
	1022CONTRIBUTION - PENSION SCHEMES	11,199,594	12,745,655	13,319,209	13,918,574
	1023CONTRIBUTION - UIF	825,781	671,808	702,039	733,631
	1024CONTRIBUTION - GROUP INSURANCE	812,504	930,135	971,991	1,015,731
	1027CONTRIBUTION - WORKERS COMPENSATION	359,005	603,213	630,358	658,724
	1028LEVIES - SETA	521,157	821,299	858,257	896,879
	1029LEVIES - BARGAINING COUNCIL	23,579	28,644	29,933	31,280
053EMPLOYEE RELATED COSTS - SOCIAL CONTRIBUTIONS Total		19,635,120	22,626,624	23,644,822	24,708,839
Grand Total		19,635,120	22,626,624	23,644,822	24,708,839

Medium term forecast of the total salary package budget of Senior Municipal officials

SENIOR OFFICIALS OF GTM	Salary	Incentive	Leave Pay	Total Package
Municipal Manager	888 863	88 886	107 933	1 085 682
Chief Financial Officer	654 266	65 426	79 500	799 192
Corporate Services Manager	654 266	65 426	79 421	799 113
Community Services Manager	654 266	65 426	79 421	799 113
Civil Engineering Manager	654 266	65 426	21 180	740 873
Electrical Engineering Manager	690 960	69 096	83 776	843 831
Planning & Economic Dev. Manager	654 266	65 426	79 354	799 046
Transport, Safety, Security and Liaison	654 266	65 427	79 352	799 045

SENIOR OFFICIAL	2008/2009	2009/2010	2010/2011
Municipal Manager	1 085 682	1 134 538	1 185 592
Chief Financial Officer	799 192	835 155	872 738
Corporate Services Manager	799 113	835 073	872 651
Community Services Manager	799 113	835 073	872 651
Civil Engineering Manager	740 873	774 212	809 052
Electrical Engineering Manager	843 831	881 803	921 485
Planning and Economic Development Manager	799 046	835 003	872 578
Transport, Safety, Security and Liaison Manager	799 046	835 003	872 578

5.8 Monthly Cash Flow by Source

The monthly cash flow is attached hereto as **Annexure” F“**.

5.9 Measurable Performance Objectives

The table below highlights the measurable performance of objectives of Greater Tzaneen Municipality.

Greater Tzaneen Municipality				
Draft Strategic Objectives and KPIs per Theme				
Theme	Strategic Objective	KPI	Status	Target
Economic Growth	Create community beneficiation and empowerment opportunities through networking for increased employment and poverty	% Reduction in unemployment	tbd	tbd
		# of Permanent jobs created through municipal LED initiatives	tbd	tbd
		% of Municipal budget spent on promoting SMMEs	tbd	tbd
	Create a stable economic environment by attracting suitable investors	% Increase in municipal economic growth rate	tbd	tbd
		# of New businesses established through incentive strategy	tbd	tbd
	Address community needs	% Informal	tbd	tbd

	through developmental spatial and integrated planning	settlements upgraded		
		% Compliance to IDP/PMS and budget process plan		tbd
	Develop a high performance culture for a changed, diverse, efficient and effective local government	Average % scorecard rating of Managers	tbd	tbd
		# of Organisational Development initiatives	tbd	tbd
	Social, Environmental sustainability and Infrastructure Development	Improve access to sustainable quality and affordable services	% Backlog per type of service	tbd
R-value additional funding sourced for expanding service delivery			tbd	tbd
% of Households earning less than R1600 per month with access to basic services			tbd	tbd
% Households with access to electricity			tbd	tbd
% Households with access to RDP standard water			tbd	tbd
% Households with access to RDP standard sanitation			tbd	tbd
% Households with access to waste removal services			tbd	tbd
Promote environmentally sound practices and social development			% Decrease in new HIV/AIDS infections	tbd
		% Compliance to environmental legislation	tbd	tbd
		Number of lives lost due to disasters	tbd	tbd
		% of Budget spent on Sport, arts and culture	tbd	tbd
		% of population that is illiterate	tbd	tbd
Optimise infrastructure investment and services		% Cost recovery on municipal services	tbd	tbd
Maintain and upgrade municipal assets		% GAMAP compliance	tbd	tbd

		% of Total budget spent on repairs and maintenance	tbd	tbd
Good Governance and Administration	Develop effective and sustainable stakeholder relations	Customer satisfaction rating (%)	tbd	tbd
	Increase financial viability through increased revenue and efficient budget management	% compliance to financial viability index as stipulated by the Regulations	tbd	tbd
		% Annual increase in actual revenue generated	tbd	tbd
		% increase of revenue needed to address back log of services to meet national targets	tbd	tbd
		% donor/grant dependency (% revenue from grants / total revenue)	tbd	tbd
		% Reduction in municipal debt	tbd	tbd
		Develop and improve systems, processes, procedures and policies by practicing sound governance	% Fully functional ward committees	tbd
	% of Reported cases of corruption, prosecuted		tbd	tbd
	% Compliance to internal audit programme		tbd	tbd
	# of Municipal By-laws adopted			
	Develop and build a skilled and knowledgeable workforce	% of Municipal budget spent on implementing Workplace Skills Plan	tbd	tbd
		% Compliance to Work Place skills plan	tbd	tbd
	Develop and retain the best human capital to become employer of choice	% Employee satisfaction rating	tbd	tbd
		% Decrease in the # of working hours per employee lost due to absenteeism	tbd	tbd
		# of Industrial actions	tbd	tbd
		% Compliance to employment equity plan	tbd	tbd

		% Staff turnover	tbd	tbd
tbd - Status and targets for KPIs still needs to be determined/ confirmed				

5.10 Disclosure on Implementation of MFMA and other Legislation

The promulgation of the MFMA had a huge effect on the Local Government operations, particularly in financial management reforms. Council also needs to know that Greater Tzaneen Municipality has successfully implemented the MFMA and that the following activities are fully compliant with the MFMA requirements.

» Medium Term Budget

The budget MTEFW is 100% compliant with the MFMA requirements.

» Financial Reporting

100% Complaints of monthly and quarterly reporting to National Treasury.

» Annual Financial Statements

100% Complaints of annual financial statements to Auditor General, Provincial Treasury, National Treasury and the MEC.

» Internship Programme

Greater Tzaneen Municipality is participating in the Municipal Finance Management Internship programme and has currently 3 interns in its employment. Three interns have taken up permanent employment as HOD Financial Services at Bela-Bela Municipality, Accountant at Lydenburg and Accountant at Greater Tzaneen Municipality.

5.11 Summary of the Budget and the SDBIP – Departmental/Functional

The MFMA requires Municipalities to prepare a service delivery and budget implementation plan as a strategic financial management tool to ensure that budgetary decisions that are adopted by Municipalities are aligned with the IDP strategy.

The SDBIP serves to provide an implementation plan that covers all functional areas of the Municipality and focuses on actual implementation and delivery with mechanisms for regular review.

The primary objective of the SDBIP is to strengthen local accountability and governance and improve capital, as well as operational, planning, spending and service delivery. The SDBIP is an integral part of the financial planning process, and even though its approval occurs after the medium term budget, its preparation has occurred in tandem with the budget.

To avoid issues related to budgets being under spent and not achieving the programme's desired outcomes, quarterly projections of service delivery targets and performance indicators are also determined.

The service delivery targets and performance indicators are monitored and reported to Council quarterly on whether the desired outcomes are achieved.

5.12 SUMMARY OF BUDGET AND SDBIP – ENTITIES

Greater Tzaneen Municipality do not have an entity.

5.13 Summary of Detailed Capital Budget

Capital expenditure relates to the investment in major initiatives, the benefit of which are going to last for more than one financial year.

Although the benefits derived from capital projects will last for more than one year, Council must take cognizance that capital expenditure has ongoing financial implications on the operational budget. If a vehicle testing station is built it has ongoing financial implications with regard to staffing, furniture, municipal services (water and lights) interest on external loans and depreciation etc.. Not only must funds be made available on the capital budget but

sufficient funds must also be provided on the operational budget to sustain the operations into the future.

Section 19(2) of the MFMA determines that:

“(2) Before approving a capital project in terms of subsection (1)(b), the council of a municipality must consider:-

(a) the projected cost covering all financial years until the project is operational; and

(b) the future operational costs and revenue on the project, including municipal tax and tariff implication.”

Council must also take cognizance that the budget which includes the capital projects is informed by the IDP. The projects on the IDP are firstly subjected to a prioritization system and subject to the availability of funds, before they are included in the capital budget.

Section 19 of the MFMA determines that a Municipality may spent money on a capital project only if the money for the project has been appropriated in the capital budget. It also determines that the total cost of the project must be approved by Council and that the sources of funding for the project are available and have not been committed for other purposes.

Due to the fact that no capital project was implemented during the 2007/2008 financial year, it was resolved that the 2007/2008 capital budget be transferred to the 2008/2009 financial year.

Council's attention is also drawn to a resolution taken in 2002 in which Council approved a 10 and 5 year program to rehabilitate the electricity distribution system, since the implementation of the program the budget allocation to this maintenance program has never equaled the estimated required annual budget, hence the ongoing decline of the system and serious power outages experienced during November 2006 and December 2006 which resulted in major financial losses to the businesses and the local economy. The power outages is a matter of concern and a concerted effort and commitment will have to be made to address the challenges related to our ageing distribution system.

A further concern that Council needs to note is the fact that the system integrity is steadily becoming unsafe with regard to the safety of personnel and the public. Power lines that fall over may result in electrically live conductors being within easy reach of persons and animals.

Council resolved on 27 February 2007 that R10 million be made available to be utilized by the Electrical Department for the ongoing rebuilding and upgrading of the electrical distribution system and

related equipment to address the functional and safety integrity of Councils distribution system.

The detail capital budget is summarized as follows:

PROJECT	DEPARTMENT	2007/2008 CAPEX
Operational support equipment	ALL	R700 000
Waste Information Man. System	CFO	R 300 000
Cemetery Management	CS	R 200 000
Carport-Museum	ESD	R 110 000
Letsitele Library Ablution	ESD	R 190 000
New Satelite substation Ext 53 (phase 1 & 2)	EED	R3 500 000
Street lighting	EED	R 400 000
Letsitele Town – New substation	EED	R 750 000
Capital Tools (incl QOS)	EED	R 350 000
Replacing of Auto Reclosers (Rural)	EED	R 1 400 000
Rebuilding of lines (Rural)	EED	R 3 500 000
Purchase Capital Equipment	EED	R 100 000
Purchasing of tools, Electronic equipment and machines	MM	R 400 000
Township Establishment Tzaneen Ext 70	PED	R 500 000
Petanenge access road	ESD	R 127 272
Lephapane access road	ESD	R 84 000
Babanana access road	ESD	R 392 000

Maribathema access road	ESD	R 355 000
Tzangeni Pump station	ESD	R 92 200
Mokgolobotho access road	ESD	R 693 764
Luseka access road	ESD	R 595 764
Maake Clinic access road	ESD	R 100 000
Mokhuibidung access road	ESD	<u>R 160 000</u>
Total		<u>R15 000 000</u>

External Loans

Section 18 of the MFMA determines inter alia that a Municipality may make use of borrowed funds, but only to finance capital expenditure.

External borrowing therefore represents capital funds. It must however be emphasized that although external borrowing represents capital funds it has a negative effect on the operational budget in the form of interest and depreciation. The result of this is less funds available for maintenance and general administration cost.

The current outstanding external loans of Greater Tzaneen Municipality amounts to R57,8 million.

The need for capital projects has however increased to such an extent that a loan will have to be taken up to accommodate the cost of the projects.

Should Council approve the loan of R15 million to upgrade inter alia the electricity distribution system it will have the following financial implication on the operational budget.

LOAN	INTEREST	DEPRECIATION	TOTAL
R15 000 000	R750 000	R750 000	R1 500 000

These costs are based on a 20 year loan at a interest rate of 5%.

The capital cost, interest and depreciation, have been included in the operational budget. The 5% interest is based on the interest

rate of 5% approved by DBSA on the R15 million loan applied for during the 2007/2008 financial year.

5.14 BUDGETED FINANCIAL STATEMENTS

The budgeted financial statements are attach hereto as Annexure "1"

DEPARTMENTAL COMMENTS

COMMENTS FROM THE CORPORATE SERVICES MANAGER (E.S. MAAKE)

The recommendation of the Chief Financial Services is supported.

COMMENTS FROM THE COMMUNITY SERVICES MANAGER (V. MAAKE)

COMMENTS FROM THE ACTING ENGINEERING SERVICES MANAGER (L. MAHAI)

The recommendation of the Chief Financial Services is supported.

COMMENTS FROM THE PLANNING AND ECONOMIC DEVELOPMENT MANAGER (F.T. MASHIANOKE)

Will comments on the Cluster meeting.

COMMENTS OF THE ELECTRICAL ENGINEERING MANAGER (P. VAN DEN HEEVER)

The recommendation of the Chief Financial Services is supported.

COMMENTS FROM THE TRANSPORT, SAFETY, SECURITY AND LIAISON MANAGER (O.Z. MKHOMBO)

The recommendation of the Chief Financial Services is supported.

COMMENTS FROM THE MUNICIPAL MANAGER

The recommendation supported

Cluster Meeting Outcome

The recommendation of the Chief Financial Officer be supported

RESOLVED TO RECOMMEND

ATTACHMENT