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**REPORT OF THE DEPARTMENT OF THE CHIEF FINANCIAL  
OFFICER (MR. A.J.J. LE GRANGE)**

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# 1.1 ANNEXURES

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# 1.2 INTRODUCTION

## PURPOSE OF THIS REPORT

The purpose of this report is to request Council to consider the 2010/2011 (MTREF) Medium-term Revenue and Expenditure Framework in terms of Section 24 (1) of the Municipal Finance Management Act 2003, Act no. 56 of 2003.

## INTRODUCTION

The (MTREF) Medium – term Revenue and Expenditure Framework submitted to Council today is the collective effort of the Budget Committee and Managers.

The MTREF or Budget is in line with the requirements of the Municipal Finance Management Act, 2003 and is the financial assertion of our political mandate.

It is 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.

This budget is based on realistically anticipated revenues to be collected and we need to be conscious not to raise people expectations with false promises. The harsh economic circumstances in which South Africa and therefore our consumers find themselves may impact negatively on our income generation strategy seeing that many of our consumers already struggle to pay rates and service charges.

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.

The budget has been drafted according to legislation and the Budget Steering Committee believes that the 2010/2011 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 no. 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.

## **2. BUDGET SPEECH BY ALDERMAN O.J. MUSHWANA**

The budget speech of the Mayor will be distributed under separate cover.

### 3. **BUDGET RELATED RESOLUTIONS**

#### **RECOMMENDATIONS**

- (a) That the draft budget of Greater Tzaneen Municipality for the financial year 2010/2011 and the indicative revenue and projected expenditure for the two subsequent years 2011/2012 and 2012/2013 be approved as contained in the following schedules:

Supporting tables:

A1 to A10  
SA 1 to SA 37  
Supporting Charts

- (b) That Council takes cognizance thereof that the increase in tariffs on the previous year tariffs are 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 (MDM) for consideration, approval and submission to National Treasury.
- (d) That the allocation from sources other than conditional grants for capital projects for the 2010/2011 financial year be approved as follows:

Loans	R40 000 000
Own Sources	<u>R10 000 000</u>
TOTAL	R50 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 no overspending be allowed on the entertainment votes without the prior approval of the Municipal Manager.

- (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 12 kilolitre per month.
- (i) That the measurable performance objectives for revenue for each source and for each vote as per **Item 8** be approved.
- (j) CAPITAL BUDGET
- I That the capital budgets from own sources and loans be approved as follows:
- |                          |             |
|--------------------------|-------------|
| 2010/2011 Financial year | R50 000 000 |
| 2011/2012 Financial year | R50 000 000 |
| 2012/2013 Financial year | R50 000 000 |
- II That an amount of R61 897 000 be approved from Grants.
- III That the amount of R40 000 000 for the 2010/2011 financial year 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 takes cognizance of the R36 897 000 (2010/2011) MIG allocation for capital projects.
- 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 Greater Tzaneen Municipality 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 R208 168 be made available to the Mayor for the 2009/2010 financial year, allocated as follows:

I R60 000 Special account which must be subjected to Audit. (Funds will only be transferred to an organization).

II R157 200 For Bursaries



(o) SOLID WASTE: TARIFFS

That the following tariffs for solid waste be approved:

		<b>CURRENT</b>	<b>PROPOSED</b>
1.	Residential per service per month	R 74.21	R 77.55
2.	Business per service per month	R 247.35	R 258.49
3.	The removal of animal carcasses per removal	R 95.00	R 110.00
4.	Departmental charge per service per month	R 247.35	R 258.49
5.	Industrial service per month	R 197.88	R 206.79
6.	Removal and destruction of condemned foodstuffs per load of one ton or part thereof	R 470.00	R 520.00
7.	<b>Bulky Waste</b>		
	I The removal of compactable bulky waste per 6m <sup>3</sup> skip per removal	R 350.00	R 390.00
	II The removal of non compactable bulky waste per 6m <sup>3</sup> skip per removal	R 650.00	R 700.00
8.	<b>Private dumping at landfill/transfer/public off-loading sites.</b>		
	I Per light delivery van or trailer load not exceeding one ton	R 95.00	R 105.00
	II Per lorry load not exceeding three ton, but exceeding one ton	R 240.00	R 270.00
	III Per lorry load not exceeding six ton, but exceeding three ton	R 720.00	R 790.00
	IV Per lorry load not exceeding ten Ton, but exceeding six ton	R1 090.00	R1 200.00

	V Per lorry load exceeding ten ton	R1 810.00	R1 990.00
9.	Incineration of bio-hazardous waste <ul style="list-style-type: none"> <li>• 5 – 8 x lit sharps</li> <li>• 5 x lit human tissue</li> <li>• 10 x lit sharps</li> <li>• 10 x lit human tissue</li> <li>• 20 x lit sharps</li> <li>• 20 x lit human tissue</li> <li>• 85 x lit H.C.W. in liner</li> <li>• 140 x lit box + liner</li> <li>• 50 x lit box + liner</li> <li>• 140 x lit liners</li> </ul>	R 85.00 R150.00 R140.00 R190.00 R240.00 R290.00 R100.00 R240.00 R120.00 R 13.00	R 95.00 R165.00 R155.00 R210.00 R265.00 R320.00 R110.00 R265.00 R135.00 R 15.00

(p) WATER SUPPLY: TARIFFS

That the following tariffs for water supply be approved:

**Tariffs Basic Charges**

	CURRENT	PROPOSED
Domestic (AA)	R20.03	R20.93
Business (BA)	R31.62	R33.04
Industrial (CA)	R31.62	R33.04
State (EA)	R53.75	R56.17
Dept (FA)	R20.03	R20.93
Transnet (HA)	R53.75	R56.17
Flats	R32.67	R34.14
Education	R25.30	R26.43

## Tariffs for Consumption

		<b>CURRENT</b>	<b>PROPOSED</b>
i	<b>DOMESTIC (AA)</b>		
	0 – 6 kl	R0.51 per kl	R0.53 per kl
	7 – 10 kl	R1.40 per kl	R1.46 per kl
	11 – 25 kl	R2.48 per kl	R2.59 per kl
	26 – 35 kl	R3.33 per kl	R3.48 per kl
	36 – 100 kl	R3.75 per kl	R3.92 per kl
	101 kl and more	R6.99 per kl	R7.30 per kl
ii	<b>BUSINESS (BA)</b>		
	0 – 50 kl	R1.78 per kl	R1.87 per kl
	51 – 100 kl	R2.97 per kl	R3.11 per kl
	101 and more	R3.57 per kl	R3.73 per kl
iii	<b>INDUSTRIAL (CA)</b>		
	0 – 50 kl	R1.78 per kl	R1.87 per kl
	51 – 100 kl	R2.97 per kl	R3.11 per kl
	101 and more	R3.57 per kl	R3.73 per kl
iv	<b>STATE (EA)</b>		
	0 – 50 kl	R4.68 per kl	R4.89 per kl
	51 – 250 kl	R3.85 per kl	R4.02 per kl
	251 and more	R2.75 per kl	R2.87 per kl
v	<b>DEPT (FA)</b>		
	0 – 6 kl	R0.53 per kl	R0.55 per kl
	7 – 10 kl	R1.42 per kl	R1.48 per kl
	11 – 25 kl	R2.49 per kl	R2.61 per kl
	26 – 35 kl	R2.99 per kl	R3.12 per kl
	36 – 100 kl	R3.75 per kl	R3.92 per kl
	101 kl and more	R6.99 per kl	R7.30 per kl
vi	<b>TRANSNET (HA)</b>		
	0 – 50 kl	R4.68 per kl	R4.89 per kl
	51 – 250 kl	R3.85 per kl	R4.02 per kl
	251kl and more	R2.75 per kl	R2.87 per kl
vii	<b>FLATS</b>		
	0 – 75 kl	R0.53 per kl	R0.55 per kl
	76 – 120 kl	R2.78 per kl	R2.91 per kl
	121 – 200 kl	R2.94 per kl	R3.07 per kl
	201 – 250 kl	R3.08 per kl	R3.21 per kl
	251 – 370 kl	R3.23 per kl	R3.37 per kl
	371kl and more	R3.52 per kl	R3.68 per kl
viii	<b>EDUCATION</b>		
	0 – 50 kl	R2.03 per kl	R2.12 per kl
	51 – 200 kl	R1.66 per kl	R1.73 per kl
	201 – 400 kl	R1.19 per kl	R1.24 per kl
	401 kl and more	R2.38 per kl	R2.49 per kl

(r)

## SEWERAGE: TARIFFS

That the following tariffs for sewer services be approved:

	<b>CURRENT</b>	<b>PROPOSED</b>
Charge per m <sup>2</sup> (Basic Charge)	R0.20/year	R0.21/year
<b>CHARGE PER KL WATER USAGE/MONTH</b>		
Domestic (AA)	R0.485/kl	R0.508/kl
Business (BA)	R0.81/kl	R0.85/kl
Hotel (BB)	R0.68/kl	R0.71/kl
Guest Houses	R0.68/kl	R0.71/kl
Industrial (CA)	R0.81/kl	R0.85/kl
Flats (IA)	R0.49/kl	R0.51/kl
State (EA)	R0.62/kl	R0.65/kl
Education	R0.27/kl	R0.28/kl
Incentives	R0.27/kl	R0.28/kl

### (s) GENERAL RATES AND REBATE

#### PROPERTY RATES TARIFFS

<b>RATES TARIFFS</b>	<b>CENT IN THE RAND</b>	
	<b>CURRENT</b>	<b>PROPOSED</b>
Categories of properties in terms of the policy		
<b>Agricultural Properties</b>		
Tariff on market value	0.843c	0.176c
<b>Business and Commercial Properties</b>		
Tariff on market value	0.843c	0.88c
<b>Cemeteries and Crematoriums Properties</b>		
Tariff on market value	0.00c	0.00c
<b>Industrial Properties</b>		
Tariff on market value	0.843c	0.88c
<b>Institutional Properties</b>		
Tariff on market value	0.843c	0.88c
<b>Multi-Purpose Properties</b>		
Tariff on market value	0.843c	0.88c

<b>Municipal Properties</b>		
Tariff on market value	0.000c	0.000c
<b>Privately Owned Vacant Land</b>		
Tariff on market value	0.843c	0.88c
<b>Public Benefit Organization Properties</b>		
Tariff on market value	0.000c	0.88c
<b>Public Infrastructure Properties</b>		
Tariff on market value	0.843c	0.88c
<b>Properties for Religious Use</b>		
Tariff on market value	0.000c	0.000c
<b>Residential Properties</b>		
Tariff on market value	0.843c	0.88c
<b>Special Properties</b>		
Tariff on market value	0.843c	0.88c
<b>State-Owned Properties</b>		
Tariff on market value	0.843c	0.88c

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 650 units.

The following will be payable:

- A.1. A consumption charge, per kWh consumed  
**91,69c**  
*(Current 43,47c)*

- 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:

		<b>AGRIC/DOMEST</b>	<b>BUSINESS</b>
16 kVA Single phase	70 Amp	<b>R217.93</b>	<b>R598.10</b>
25 kVA Three phase	45 Amp	<b>R434.22</b>	<b>R760.32</b>
50 kVA Three phase	80 Amp	<b>R652.18</b>	<b>R1 194.55</b>
75 kVA Three phase	100 Amp	<b>R868.47</b>	<b>R1 304.35</b>

*NOTE 1: The capacity of a supply shall be the capacity as determined by the Electrical Engineering Manager*

**PLUS**

B.2.1 A consumption charge, per kWh consumed  
**(Business) 51,04c**  
*(Old tariff 40.90c)*

B.2.2 A consumption charge, per kWh consumed  
**(Agric/Domestic) Three phase 51,04c**  
*(Old tariff 40.90c)*

B.2.3 A consumption charge, per kWh consumed  
**(Agric/Domestic) Single phase 56,11c**  
*(Old tariff 44,96c)*

**PLUS**

B.3.1 On three phase connections, an additional charge per kWh for every unit consumed above 3 000 units.  
(3% of B.2.1/2) **1,53c**  
*(Old tariff 1.23c)*

**OR**

B.3.2 On single phase connections, an additional charge per kWh for every unit consumed above 1 500 units.  
(3% of B.2.3) **1,68c**  
*(Old tariff 1,35c)*

## 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

**R544.03**

*(Old basic R435.92)*

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.

**R760.32**

*(Old basic R609.23)*

**C.2** A demand charge, per kVA registered, per month, per point of supply for **Agriculture and Domestic** *(Old tariff R73,97)*

**R106, 93**

**C.3** A demand charge, per kVA registered, per month, per point of supply for **Business** *(Old Tariff R85,68)*

**R92, 31**

**C.4** A Consumption charge, per kWh consumed:

	<u>Old Tariff A/D</u>	<u>OldTariffB</u>	<b>Agri/Dom/Bus</b>
Normal (C1.1)	21c	21c	<b>51,04c</b>
Low Rate	16c	16c	<b>38,86c</b>

**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:

**R1 630.42**

**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 R36,99*) **R46.16**

D.2.2 If the demand is registered during the months of September to May: (*Old tariff R36.99*) **R46.16**

*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 **R1,92**  
(Old tariff R1.54)

D.3.1.2 During Standard Hours **55,52c**  
(Old tariff 44,49c)

D.3.1.3 During Off-Peak Hours **35,77c**  
(Old tariff 28,66c)

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

D.3.2.1 During Peak Hours **63.14c**  
(Old tariff 50,59c)

D.3.2.2 During Standard Hours **41,78c**  
(Old tariff 33,48c)

D.3.2.3 During Off-Peak Hours **30,04c**  
(Old tariff 24,07c)

**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 during February 2004, will as from the 1<sup>st</sup> 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 2009/2010**

**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 2009 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	R870.00	R1 192.00
Over 50 km	R1 813.00	R2 134.00

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	R773.00	R810.00
II	Outside the Tzaneen Town	R1 350.00	R1 420.00
III	Illegal Connection Fine	R0.00	R10 000.00

## **EVENTS**

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

	<u>SECURITY DEPOSIT</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
Meeting at Nkowankowa Community Hall		R50/hour

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 dated 22 September 1982, with effect from 1 July 2009 by the substitution for item 3 of the following:

#### Miscellaneous Charges

- 1(a) For each separate 19 mm new water connection:  
R2 000 Vat included  
(Old Tariff + VAT = R 1 850-00)
- 1(b) For each new 50 mm water connection  
R7 000 VAT included  
(Old Tariff + VAT = R6 500-00)
- 1(c) For each new water connection bigger than 50 mm  
Actual cost plus VAT plus 10%
- 1 (d) For each water re-connection:  
R700 VAT included  
Old Tariff + VAT = R650

#### **RECONNECTIONS**

Reconnection of water supply due to non-payment of services  
2010/2011 tariff – R600.00 and 2009/2010 tariff - R540.00

#### **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 2009:

By the substitution in item 5 for the figure R1 750.00 VAT included, by the figure R1 920 VAT included.

Sewer Honey sucker – R100-00 / kl  
(Old tariff R90-00)

## **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 2009:

### **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 2009 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 items 3 and 4: R270-00 (Old tariff R240-00).
  - 1.2 The charges payable for any building plans shall be R3-50 per m<sup>2</sup> (Old tariff R3-00)
  - 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 70c per m<sup>2</sup> (Old tariff 60c) 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 R12 for every R500-00 or part thereof, with a minimum charge of R300-00 and a maximum charge of R3 000-00.



4. Building plans for swimming pools will be approved at a charge of R210-00 per plan (Old tariff R190-00).
5. Charges payable for the re-inspection of buildings and swimming pools: R310-00 per re-inspection (Old tariff R280-00).
6. Town maps: R150-00 per copy (Old tariff R150-00).
7. Building statistics: R120-00 per year (Old tariff R120-00).

#### 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 2009 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	R1 100.00	R2 000.00
II	Town	R650.00	R1 400.00

#### 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 2009 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	R960.00	R1 050.00

ii	Application for amendment of interim scheme	R1 060.00	R1 150.00
iii	Application for amendment of Town Planning Scheme	R2 090.00	R2 300.00
iv	Application for establishment of a township or land development area (DFA)	R3 850.00	R4 200.00
v	Application for removal of restrictive conditions in Title Deeds and/or amendment of Town Planning Scheme.	R2 090.00	R2 300.00
vi	Application for extension of boundaries of an approved township i.t.o. Section 88 (1) of Town Planning and Townships Ordinance, 15 of 1986	R2 090.00	R2 300.00
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 200.00	R1 300.00
viii	Application for subdivision for property in more than 5 portions (Section 92 (1) (a) Ordinance 15 of 1986 Regulation 293 and 188	R1 200.00 For the first 5 portions plus R110 in respect of each further Portion	R1 300.00 for the first 5 portions plus R120 in respect of each further portion
viii	Application for consolidation of properties	R480.00	R520.00
x	Application for other uses than residential on traditional land	R75.00	R82.00
xi	Application for Council's reasons and written consent	R400.00	R440.00

xii	Reimbursement of Chairpersons of Townships Advisory Committee established in terms of Section 59 or Ordinance 40 of 1960	R620.00/day	R680.00/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 200.00	R1 300.00
ix	Comments of Council on application i.t.o. Act 70/1970	R1 200.00	R1 300.00
xv	Amendment of pending division application – Section 17(3), Division of Land Ordinance, 1986	R1 000.00	R1 100.00
xvi	Amendment of pending Township application – Section 96, Town planning and Townships Ordinances, 15 of 1986		
	<ul style="list-style-type: none"> <li>• Amendment not material</li> <li>• Material amendment</li> </ul>	R1 000.00 R3 300.00	R1 100.00 R3 600.00
xvii	Phasing of Township Application – Section 99, Town Planning and Township Ordinance, 15 of 1986	R1 000.00	R1 100.00
xviii	Consideration of a Site Development Plan Tzaneen Town Planning Scheme, 2000	R1 000.00	R1 100.00
Xix	Application for extension of time –		
	All applications	R500.00	R550.00
	1 <sup>st</sup> Application (Year 1)	R500.00	R550.00
	2 <sup>nd</sup> Application (Year 2)	R1 000.00	R1 100.00
	3 <sup>rd</sup> Application (Year 3)	R1 500.00	R1 650.00

## 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	R2 000.00	R2 420.00
2. Inspection and hearing regarding any application	R960.00	R1 050.00

## ALLOCATION AND RATES FOR HAWKERS BUSINESSES

<u>Site Allocation</u>	<u>Type of Business</u>	<u>Rates</u>
Market Stall	Hairdressing	R10/d
	Food and Soft drinks	R20/d
	Fruit and Vegetables	R10/d
	Accessories and other Appliances (Cell/ Jeweler/hair/books)	R10/d
	Clothing	R20/d
Pavements/Sidewalks	Fruit and Vegetables	R5/d
	Accessories (Cell/Jewelery/Hair)	R5/d
	Clothing and Toys	R10/d
Trolleys/Designated Cart	Food and Soft drinks	R10/d
	Accessories	R5/d
	Fruit and Vegetables	R5/d
Junction/Road side	Food and Soft drinks	R10/d
	Fruit and Vegetables	R10/d
	Décor materials (flower pots/flowers, etc.)	R10/d
Open designated site	Bush mechanics	R30/d

## REVENUE

Refer to drawer cheques (R/D) – Admin Fee  
Current R156.00 and Proposed R164.00

Unpaid debit orders – Admin fee  
Current R156.00 and Proposed R164.00  
Supply of information (faxes)  
Current R5.60 and Proposed R5.90

Supply of Duplicate statements  
Current R5.60 and Proposed R5.90

Furnishing of Clearance Certificate  
Current R21.00 and Proposed R22.00

Furnishing of Valuation Certificate  
Current R34.00 and Proposed R36.00

Furnishing of Duplicate Clearance Certificate  
Current R15.00 and Proposed R16.00

Final reading levy  
Current R39.00 and Proposed R40.00

Credit Control Action – Friendly Reminder Fee  
Current R31.00 and Proposed R33.00

Copy of the Valuation Roll  
Current R469.00 and Proposed R493.00

All above tariffs are VAT excluded.

## **CLEANING OF STANDS**

Cleaning of overgrown stands    R0.35c/m<sup>2</sup>    R0.50c/m<sup>2</sup>

## **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 per day
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
Copies printed from the Internet and copies of documents created by library users:	
Black & White	R3.00 per page
Colour	R6.00 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

An once only R150,00 deposit per candidate/applicant per election, as well as an 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**

### **EXECUTIVE SUMMARY**

#### **(A) SUMMARY OF THE TOTAL SERVICE DELIVERY PACKAGE AND FINANCIAL IMPLICATIONS**

The total revenue for the 2010/2011 financial year amounts to R646,4 million, which represents an increase of R66,8 million over the 2009/2010 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 R154 million which represents the equitable share allocation to the Greater Tzaneen Municipality.

An amount of R37 million will be levied by way of property tax and R305 million will be sourced from user charges. Borrowed funds are limited to R40 million and will only be used to finance capital expenditure as determined in Section 18 of the MFMA.

An amount of R565,4 million has been made available on the operational budget for expenditure. This substantial increase is largely due to the significant increase in ESKOM's tariff for bulk electricity purchases. The amount also includes R162 million for salaries, R105 million for repairs and maintenance and R172 million for the purchase of bulk electricity and water.

An amount of R111 million has been allocated for capital expenditure for the 2010/2011 financial year. This amount includes the MIG allocation of R36 million as well as an amount of R15 million which has been made available for Neighborhood Development and R60 million for roads and electricity.

(B) THE EFFECT OF THE ANNUAL BUDGET

The growth of Council's Medium-Term Revenue and Expenditure Framework (MTREF) is based on a combination of factors of which, the most important is the fact that National Treasury advised Council not to increase its budget due to financial constraints.

A contributing factor is Section 3 of the Municipal Budget Circular of the 2010/2011 MTREF which determines the following:

**Revising rates tariffs and other charges.**

***“National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as practically possible.”***

The operating budget, revenue and expenditure reflect the following increases:

- Property rates 4,4%

Revenue increases to consumptive tariff-based services are:

- Electricity 24,8%
- Water 4,5%
- Sanitation 4,8%
- Solid Waste 4,5%

Expenditure categories as a % of total expenditure:

- Staff cost 28,7%
- Bulk Purchases 30,5%
- Repairs & Maintenance 18,6%
- General Expenses 12,7%



(C) PAST AND CURRENT PERFORMANCE ACHIEVEMENTS

**MUNICIPAL MANAGER'S DEPARTMENT**

**DISASTER MANAGEMENT SECTION**

- Incidents: Incidents that are likely to occur within the Greater Tzaneen Municipality's jurisdictional area are fires, windstorms and rain. 49 of the damaged houses assessed were assisted with blankets, mattresses and food parcels.
- Other disaster related incidents: Another disaster related incident was swine flu (H<sub>1</sub>N<sub>1</sub>), first sick learners came from Nwamitwa Primary School, and there were forty patients who were screened and tested. Another report was from Leretjene Village (Maloti School) of which 149 learners with the symptoms were taken to hospital. On the site screening was done by doctors and nurses and 16 patients were admitted at Letaba and Van Velden Hospitals.
- Training and Workshops: Training and workshops conducted and attended by the section: Disaster Management Aircraft Workshop, Disaster Training Workshop for SPCA, Risk Assessment Training Workshop, Training session for the development of Municipal Disaster Management Plan and Limpopo Provincial Disaster Management Summit.
- Awareness Campaigns and Projects Done: Road Safety Forum, Disaster Victims' Awareness Campaign, Road Show on Swine Flu and Fire Awareness Campaigns, Rabies and Cholera.
- Disaster Management Plans done and submitted: Mayoral Inauguration for District Mayors Charity Cup, Nwamitwa Day Celebrations, Opening of the Water Project at Mawa Village, In die Mandjie Fees, Letaba

Show, Air Race, Tzangeni Disaster Management Corporate Plan, and Mass funeral for the five Soccer Players at Burgersdorp, Siyabonga Rally, Public Presentation by Independent Development Trust and Launching of EPWP Project

**Progress with the review and implementation of PMS at GTM can be summarized as follows:**

- SDBIP: The 2009/10 SDBIP was approved by the Mayor on the 10th of July 2009. The first and 2<sup>nd</sup> Quarter SDBIP reports were submitted to Council.
- Performance Agreements: Only 2 of the 6 Section 57 Managers currently employed have signed their Performance Agreements. Continuous requests for changes to the performance plans have delayed the process of finalization.
- Performance Assessment: The Annual Performance Assessment for 2008/09 was concluded in September with the report approved by Council in November '09. None of the Section 57 Managers qualified for a Performance Bonus.
- PMS framework & policy: The PMS framework and policy is in urgent need of revision.
- Cascading PMS: The PMS have only been cascaded to level 3; the development of an incentive policy for permanent employees is a precondition to further cascading.
- Annual Report: The Annual Report for 2008/09 have not been finalized due to delays in submission of information, the report will therefore not serve before Council by end January as required.

### **Internal Audit Activity - July 2009 To Date**

- Performed risk assessment, compiled Annual and Three Year Strategic Plan. Completed and submitted first quarter report to Audit Committee. Held two divisional meetings. Completed the following projects: Personnel files, Cancelled Receipt, Missing canopy – FCB603N, Illegal squatting Nkowankowa, Memo issuing of material stores, Section 44 Supply Chain, Memo section 57 and HOD assessment 07/08 & 08/09, Memo fixed travel allowance, report on fixed travel allowance of B. Mashala, E. Ramahlo & Law enforcement officers and response to Provincial Treasury's Review Report.
- Currently auditing Performance information on SDBIP and compiling second quarter report.

### **IDP Past Performance Report 2009 To Date**

- The IDP/Budget/PMS Process Plan was approved by Council on the 25<sup>th</sup> August 2009.
- We have already held 4 IDP Steering Committee meetings.
- We have already held 2 IDP Representative Forums.
- We have already finalized the Reviewed IDP Analysis and Strategies Phases.

## **FINANCIAL SERVICES DEPARTMENT**

### **Multi Year Budgets (3 Years)**

- The 2010/2011 Preliminary, Operational and Capital Budgets, which are based on the new financial structure as prescribed by National Treasury were done.
- 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 2008/2009 Financial Statements were compiled during August 2009 in accordance with the new format required by National Treasury and are GRAP compliant.
- The Financial Statements have been hand delivered to the Auditor, National Treasury and MEC on 29 August 2009.

## **Revenue**

Greater Tzaneen Municipality engaged into a Revenue enhancement programme. The improvement of revenue is captured as per the Revenue Enhancement Strategy tabled in Council during February 2010.

The Municipal Property Rates Act was implemented which also lead to an improved revenue base.

Various initiatives have been undertaken by the Revenue Division with the aim of putting appropriate policies in place to improve its internal organization efficiency.

The Revenue Division engaged into a data cleaning and correct billing project to enhance income.

## **Supply Chain Management**

A Supply Chain Management Unit has been established within the Budget and Treasury Office. This Unit is 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 undergone the training offered by SAMDI for Municipal Supply Chain Officials. The head of the unit has been appointed who also chairs the Adjudication Committee.

### **Financial Recovery Plan**

An internal financial recovery plan was in place 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.

### **ENGINEERING SERVICES DEPARTMENT**

Engineering Services was tasked to provide Roads and Storm Water, Water and Sewer, Building and Fleet Management as well as implementation of all infrastructure projects through the Projects Management Unit. This mandate is distributed amongst 34 wards and 126 villages within Greater Tzaneen Municipality.

It must be noted that there are more than 2 100 km of roads within the area of jurisdiction. Some need maintenance whereas others need to be rehabilitated due to their condition. The shortage of funds resulted in some roads being re-graveled to improve its status and condition, whilst those earmarked for being paved were not attended to. More than 60% of the sand seal roads proved to be ineffective as it got damaged before the communities can start to enjoy driving on it.

Many developments were kept on hold due to insufficient water quota allocated to Greater Tzaneen Municipality. GTM has an allocation of 3 600 000m<sup>3</sup>/year. Both water works at Georges Valley and Tzaneen Dam has produced 3 650 675m<sup>3</sup> and experienced a plant loss of 7.0% during the 2008/2009 financial year. An application to increase

the allocation to 6 000 000m<sup>3</sup>/year had been submitted to Department of Water and Environmental Affairs. It must be noted that the shortage of water does not only hinders development, but also prevent all benefits that comes with it for example, job creation.

The challenge to supply water to rural areas remains a mammoth one. This situation was aggravated by the drying of boreholes and dams which were the sole source of water, particularly in both Thapane and Nkambako schemes. Despite the fact that Mopani District Municipality is the Water Service Authority and has all finance needed to service those areas and GTM being the Water Service Provider for MDM and has no cash for that function some which was exempted.

There is a SLA between GTM and MDM with regard to Water and Sanitation, but it is not implemented.

Projects benefiting from MIG funds were successfully completed. There is, however, concern on some projects where the contractors are slow and behind schedule.

The Engineering Services Department is currently putting in place all systems that will see its services to be reliable and sustainable. This will be done by:

- Implementing a maintenance plan in all existing infrastructures,
- Establishment and maintenance of Waste water by laws to enhance income.
- Establishment of Roads and Water Master Plans.

In order to remain competitive, the Engineering Services Department intends to protect the newly won Prize of Greenest Municipality.

## **ELECTRICAL ENGINEERING DEPARTMENT**

The electricity distribution system which includes in excess of 2 000km of overhead lines and total assets of an estimated R1.5 billion performed below

standards as a result of the historical 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. Various 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.

Council is procuring a R30 million loan which will be used to initiate the capacity recovery program in the Tzaneen CBD and surrounding area. Unfortunately the project still requires a further R80 million before the CBD capacity crisis will be resolved.

Local internal load shedding will become an everyday occurrence as saving and efficiency receiving mixed results from the various sectors of the community.

Despite the above mentioned concern, the 102 appointed personnel of the Electrical Department have however put in a valiant effort in keeping outages and faults to a minimum. A total of 12.2 km of overhead lines were built for new connections and a total of around 21 new connections were supplied.

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

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 526 farm worker houses received pre-paid electrical connections.

With this large farming community (3 500 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.

A Section 78, (ring fencing exercise) was recently completed and the resultant report will receive the necessary urgent attention.

The Services Contribution Policy is approaching finality and once implemented will become a useful tool which will assist in addressing the maintenance and capital backlogs within the distribution system.

## **CORPORATE SERVICES DEPARTMENT**

The Corporate Services Department is responsible for providing legal services and administrative support to Council and administration, also to ensure proper human resource management and to coordinate the communications, public participation and marketing efforts of Council. The performance highlights per division are as follows:

### **ADMINISTRATIVE SUPPORT**

- Implementation of decisions management on Collaborator system.
- A client satisfaction rating of 80,2% was achieved
- All Council agenda and minutes were distributed within prescribed time period.
- Statistics of Councillors attendance to Council and Exco meetings were kept in the prescribed manner.
- The establishment of the Events Coordinating Committee.
- The electronic records process implemented now fully functional and utilized (workflow of incoming and outgoing correspondence).



## COMMUNICATIONS AND MARKETING

- A communications unit has been established.
- The Division has organized, hosted or assisted with the following events: World Consumer Rights Day in Lenyeye Community Hall, Heroes walk, Provincial Batho Pele Day event, WADA event. (To mention just a few).
- Drafted and got the Batho Pele Policy adopted by Council and the roll out plan accepted.

## HUMAN RESOURCES

- New aligned organogram compiled during the 1<sup>st</sup> half of 2009
- Comprehensive skills audit conducted for all staff including DWAE staff.
- WSP compiled by using electronic data from the comprehensive skills audit
- Update of HR Ringfencing for RED 6 was done.
- Corporate Services client survey was done.

## LEGAL SERVICES

- Over 2 000 verbal and written opinions have been provided to Council.
- The 2 legal officials have undergone training on Legislative drafting with the Justice College.
- 32 draft by laws have been drafted and concluded.
- About 18 internal hearing and conciliation and arbitration matters were concluded.

## PUBLIC PARTICIPATION AND PROJECT SUPPORT

- All the 34 wars were established and are fully functional.
- The establishment notice for ward committees have been amended to be in line with the new legislative framework.
- The process of resuscitating the Community Based Planning is in place.
- The Division is fully supporting all the departments during implementation of projects.
- All the 4 Thusong centres are functional and fully utilized by communities.

## **PLANNING & ECONOMIC DEVELOPMENT DEPARTMENT**

PVA (Public Viewing Area)

Greater Tzaneen Municipality (Nkowankowa Stadium) is one of the 47 identified, tested and approved SABC Public Viewing Areas in the country for FIFA 2010 matches.

NDPG (Neighbourhood Development Partnership Grant)

R80m (implementation over 5 years) approved for neighbourhood development of Nkowankowa funding by National Treasury. Approval received to extend the programme to Dan Village and Lenyenye. Current projects at Nkowankowa – Ritavi Rehabilitation, cemetery and entrance, CBD upgrade, community parks, services hub (Thusong services)

New look for Department

Revamped office look to be Batho Pele friendly and to improve PED's corporate image. Theme colours Monday dress formal in powder blue shirt and dark skirt/pants and Friday smart casual with red tops.

Local Tourism Association

Greater Tzaneen Municipality established a Local Tourism Association (as guided by Limpopo Tourism and Parks) to forge a working relationship with the private sector on tourism matters.

Departmental Strategic Session

Held on 29 and 30 October 2009.

Housing Demand Database Project

Greater Tzaneen Municipality served as a pilot for LG&H (Local Government & Housing) for the development of database compilation for housing applications.

### Housing units allocated by LG&H for 2009/2010

Nkowankowa (Dan Extension 1 & 2)	540 units
Mbambamencisi	500 units
Mandhakazi	100 units
Lephepane	100 units
Mariveni	50 units
Disaster	20 units

### Hawkers Feasibility Study

Completed and Council is in the process of establishing mechanisms for regulating the informal sector.

### GTEDA (Greater Tzaneen Economic Development Agency)

On the implementation phase and completed feasibility studies and focused on the following:

- Letaba River Mile, livestock improvement, Subtropical Fruit & Nut Cluster, new shopping centres, Sapekoe Tea Estate, Community Radio Station, Business Support Centre.

### Umsobomvu Youth Project

Closing report developed in liaison with students and existing projects to be lobbied continuously where opportunities arise.

### Spatial Development Framework & LUMS

Approved by Council. Demarcation of rural sites allocated by LG&H (2 100 sites) Maribathema, Leola, Mawa 12.

### Mefakeng Project (Irish funded project)

5 Rural/town tourism establishments constructed and project closing phase extended to June 2010 – Nkowankowa Township, Mohlaba, Dan, Bathlabine tented camp. Private partners to be identified to carry on with the initiative.

## **COMMUNITY SERVICES DEPARTMENT**

Community Services Department comprise six divisions which are Waste Management, Licensing, Law Enforcement, Environmental Health, Libraries and Parks, Cemeteries, Sports and Recreation

### **Law Enforcement Services**

The Division renders Traffic Law Enforcement including By-Laws enforcement. The Division is also responsible for road safety. From 1 July 2009 to 31 December 2009, 2 659 traffic fines to the value of R659 405.00 was issued and attended 70 accidents.

### **Licensing Services**

The Division is responsible for licensing of drivers and vehicles. During that period:

Learners Licenses issued	2 909
Driver's Licenses issued	8 005
Vehicles Licensed	23 187
Vehicles Registered	5 476
Permits issued	129

### **Library Division**

Library services provide valuable information to the community and promote a culture of reading. Three holiday programmes for learners were hosted. 847 Learners participated in library competitions.

### **Environmental Health Services**

The Division renders community health and environmental health services. The Municipality has been selected to participate in a SALGA partnered initiative to benchmark HIV/AIDS good practice in municipalities. Activities undertaken include:-

- HIV/Aids internal focus awareness campaigns at all work stations.
- Red Ribbon month seminar celebrated and World Aids day supported.
- 4 Aids Council meetings held.

Environmental health promotes public health through evaluation and management of caterers during events. The SANDF Military Health Services declared that food prepared for Siyabonga rally was safe for consumption by the State President. Activities undertaken include:-

- Hygiene promotion
- Identification of wetlands, assessment, classification and prioritization for rehabilitation.
- Evaluation of food premises to ensure food safety
- Mosquito larvae control
- Auditing of landfill site
- Cleanest School competition

### **Waste Management Services**

#### Waste Minimization (Composting)

- Presently all organic waste (garden refuse) are treated at the composting site adjacent to the landfill where 15 436m<sup>3</sup> are re-routed.
- The operation creates a saving per annum of R773 000,00 (R200,00 @ 3 856m<sup>3</sup> with a compaction ratio of 4:1)

#### Waste Minimization (Recycling @ Landfill)

- 5 343m<sup>3</sup> of loose recyclables are recycled at the Landfill by a Municipal Service Provider (10 x job opportunities)
- The savings on Landfill air-space creates a saving of R312 720,00 per annum (R200,00 @ 1 068m<sup>3</sup> with a compaction ration of 5:1)
- 56 499m<sup>3</sup> of refuse are recycled by a Municipal Service Provider in the CBD.
- This creates a saving of R1 807 968,00 per annum on air space savings at the Landfill. (R160,00 x 112 299m<sup>3</sup> @ compaction ration 5:1)

#### Collection and Transportation (Health Care Waste)

- H.C.W. Removals are rendered to all generators of medical waste eg: Clinics, Consulting rooms, Veterinary, 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)

#### Labour Motivation Model

- Responsible waste management requires a neat, tidy and healthy environment.
- Generic problems as follows: late comings, leaving of the workplace without permission or authorized leave, alcohol abuse and poor work-standards.
- Planning was done to develop scorecards to measure critical performance indicators for teams.
- Monthly awards were introduced.

#### Rural Waste Minimization Drop-Of Centers

- Planned to finalize 56 x Drop-of Centers at Schools
- Bulk containers at schools must be removed 1 x per week or more on request.

#### Cleanest Town Competition

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

2002/2003	-	Cleanest Town in Limpopo
2003/2004	-	Cleanest Town in Limpopo
2004/2005	-	Cleanest Town in Limpopo
2005/2006	-	2 <sup>nd</sup> Cleanest Town in Limpopo
2006/2007	-	Cleanest Town in Limpopo
2006/2007	-	2 <sup>nd</sup> Cleanest Town in RSA
2007/2008	-	Cleanest Town in Limpopo
2008/2009	-	Cleanest Town in Limpopo
2009/2010	-	Cleanest Town in Limpopo

#### (D) CONSOLIDATED FINANCIAL POSITION

The 2010/2011 Budget which is submitted to Council for approval can be summarized as follows:

## Operating Expenditure by Vote / Department

<b>DEPARTMENT</b>	<b>2009/2010</b>	<b>2010/2011</b>	<b>2011/2012</b>	<b>2012/2013</b>
Municipal Manager	7 008 616	7 677 655	8 023 149	8 384 191
Planning & Economic Dev.	18 844 942	16 348 742	17 084 435	17 853 235
Financial Services	40 027 348	46 438 845	48 528 593	50 712 380
Corporate Services	40 325 146	47 577 180	49 718 153	51 955 470
Engineering Services	115 671 061	127 289 273	133 017 290	139 003 068
Community Services	93 376 969	102 303 489	106 907 146	111 717 967
Electrical Engineering	180 481 100	217 827 719	227 629 966	237 873 315
<b>TOTAL</b>	<b>495 735 182</b>	<b>565 462 903</b>	<b>590 908 735</b>	<b>617 499 627</b>

The table below shows the 2009/2010 operational budget as well as the 2010/2011 and the two projected outer years 2011/2012 and 2012/2013 budgets.

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

<b>ITEM</b>	<b>2009/2010</b>	<b>2010/2011</b>	<b>2011/2012</b>	<b>2012/2013</b>
<b>INCOME</b>				
001 Property Rates	-51 760 175	-37 000 000	-38 665 000	-40 404 925
003 Penalties Imposed and Collection Charges	-1 500 000	-2 500 000	-2 612 500	-2 730 063
005 Service Charges	-263 210 804	-305 181 672	-318 914 847	-333 266 015
009 Rent of Facilities and Equipment	-458 914	-458 914	-479 565	-501 146
011 Interest Earned – External Investments	-1 650 000	-550 000	-574 750	-600 614
012 Interest Earned – Outstanding Debtors	-6 000 000	-7 000 000	-7 315 000	-7 644 175
016 Fines	-730 707	-2 230 707	-2 331 089	-2 435 988
018 Licenses & Permits	-226 375	-276 250	-288 681	-301 672
020 Income from Agency Services	-32 743 425	-32 743 425	-34 216 879	-35 756 639
022 Operating Grants & Subsidies	-226 487 609	-264 538 000	-276 442 210	-288 882 109
024 Other Revenue	-1 075 185	-1 407 178	-1 470 501	-1 536 674
026 Gain on Disposal of Property Plant & Equipm	-1 500 000	-1 500 000	-1 567 500	-1 638 038
031 Income Foregone	7 784 383	8 946 405	9 348 993	9 769 698
<b>INCOME TOTAL</b>				

<b>EXPENDITURE</b>				
051 Employee Related cost Wages & Salaries	120 095 084	136 792 123	142 947 769	149 380 418
053 Employee Related cost Social Contribution	21 443 720	25 884 573	27 049 379	28 266 601
055 Employee Cost Capitalized	-5 583 014	-6 605 350	-6 902 591	-7 213 207
056 Employee Cost Allocated to other operation	-66 418 216	-74 936 743	-78 308 896	-81 832 797
058 Remunerations of Councillors	15 380 429	16 074 080	16 793 652	17 549 366
060 Bad Debts	11 252 513	11 815 140	12 346 821	12 902 428
062 Collective Costs	100 000	100 000	104 500	109 203
063 Inventory Surplus/ loss	0	0	0	0
064 Depreciation	22 778 406	24 917 316	26 038 595	27 210 332
066 Repairs and Maintenance	95 263 436	105 258 059	109 994 672	114 944 432
068 Interest Expense – External Borrowings	14 341 706	14 372 514	15 019 277	15 695 145
072 Bulk Purchases	136 163 320	172 660 104	180 429 809	188 549 150
074 Contracted Services	56 924 293	58 874 293	61 523 636	64 292 200
076 Grants & Subsidies	10 086 125	8 492 051	8 874 193	9 273 532
078 General Expenses - Other	63 907 380	71 768 343	74 997 918	78 372 825
<b>EXPENDITURE TOTAL</b>	<b>495 735 182</b>	<b>565 462 903</b>	<b>590 908 734</b>	<b>617 499 627</b>
<b>ABC</b>				
043 Internal Recovery	-51 603 338	-63 438 379	-66 293 106	-69 276 296
087 Internal Charges	51 603 338	63 438 379	66 293 106	69 276 296
<b>ABC TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>CAPITAL</b>				
600 Infrastructure	80 471 940	56 897 050	59 457 417	62 133 001
608 Other Assets	13 000	0	0	0
610 Specialized Vehicles	10 000 000	0	0	0
602 Community	0	15 000 000	15 675 000	16 380 375
<b>CAPITAL TOTAL</b>	<b>90 484 940</b>	<b>71 897 050</b>	<b>75 132 417</b>	<b>78 513 376</b>
<b>APP</b>				
089 Cash Requirements	17 000 000	17 000 001	17 765 001	18 564 426
094 Contributions From Operating to Capital	10 000 000	10 000 000	10 450 000	10 920 250
095 Transfers from / to Reserves	-17 543 060	-17 920 213	-18 726 623	-19 569 321
<b>APP TOTAL</b>	<b>9 456 940</b>	<b>9 079 788</b>	<b>9 488 378</b>	<b>9 915 355</b>
<b>GRAND TOTAL</b>	<b>16 118 706</b>			

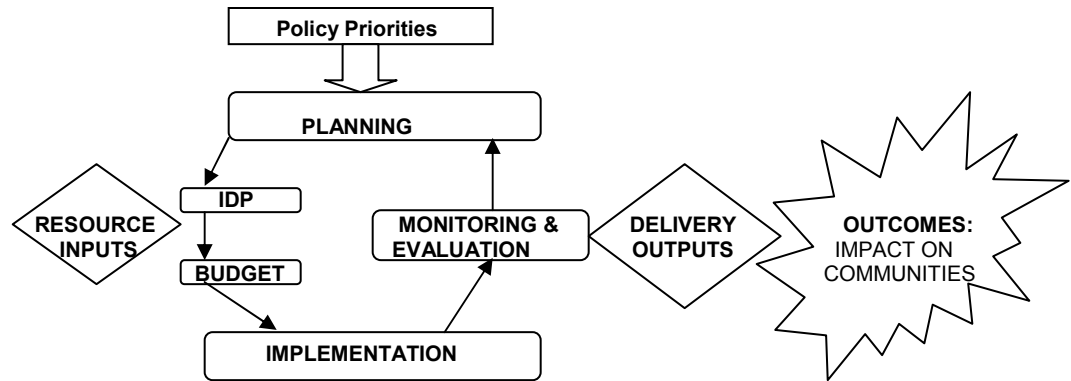
#### (E) MUNICIPAL PRIORITIES AND LINKAGES TO THE IDP

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 shortages.
- 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 2009/2010 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.

(F) KEY AMENDMENTS TO THE IDP

- ✓ Preparation Phase
  - *No amendments were made*
  - *However, a new IDP/Budget/PMS Process Plan for 2009/10 was approved by Council on the 25<sup>th</sup> August 2009*
  
- ✓ Analysis Phase
  - *No amendments were made*
  - *However, analysis was made on the current 2009/10 status quo of the Municipality in terms of the six (6) KPA's of local government*
  
- ✓ Strategies Phase
  - *New strategies and possible projects were identified*
  
- ✓ Project Phase
  - *New projects are being prioritized for implementation for 2010/11*

- ✓ Integration Phase
  - *No amendments were made on sector plans*

(G) ALIGNMENT WITH NATIONAL, PROVINCIAL AND DISTRICT PRIORITIES

To attain the Strategic Intent, with limited resources, forces the Municipality to develop strategies on how to achieve these through optimal utilization of human and capital resources. Using the BSC methodology the Municipality has a proven way of developing their strategies to ensure that they can attain their strategic intent. Taking into account the various aspects and challenges facing Greater Tzaneen Municipality, the BSC methodology is implemented to develop strategies to ensure that the Municipality focuses on all perspectives as contained within the BSC methodology:

- Customer perspectives (defines what the organization will do to satisfy customers and community members)
- Financial perspectives (defines how effectively the Municipality is utilizing its resources to deliver on the community expectations)
- Internal processes perspective (defines and clarifies activities and processes required at providing the value expected by community)
- Learning and growth perspective (defines the foundation of strategic attainment by focusing on the development of skills and capabilities of human resources.

In addition to the above mentioned perspective Greater Tzaneen Municipality has identified and aligned strategic themes that will provide the essential components of the strategies developed. A theme can be defined as an area of strategic focus within the organization that will enable the organization to focus on achieving their strategic intent. The three themes are mentioned below.

- Economic Growth
- Social, Environmental Sustainability and Infrastructure Development
- Governance and Administration

The first two themes are contributing towards the growth strategy of Greater Tzaneen Municipality. (The focus of growth within the Municipality will be towards increasing the income for all and to contribute towards a quality of life for all living within the Municipal boundaries).

(H) KEY AMENDMENTS TO BUDGET RELATED POLICIES

No amendment has been effected on any budget related policy for the 2010/2011 financial year.

(I) DEMOGRAPHIC, ECONOMIC AND OTHER ASSUMPTIONS

All assumptions are contained in Item 10, Budget assumptions.

(J) PROGRESS WITH PROVISION OF BASIC SERVICES

Basic Services	GTM Households	Receiving	Backlogs	% Receiving	% Backlogs
Water	89 831	68 589	21 242	76.35	23.65
Sanitation	89 831	29 590	60 241	32.9%	67.1%
Electricity	89 831	69 307	20 524	77.1%	22.9%
Basic Services	Houses built	Backlog	% Built	% Backlogs	
Housing	9 024	14 045	39.1%	60.9%	
Poverty Alleviation	GTM Households	Received Food Parcels			
Food Parcels	89 831	2 094			

## **5. ANNUAL BUDGET TABLES**

The budget tables to be approved by Council are attached hereto as Tables A1 to A 10 and SA 1 to SA 37.

### **PART 2:**

## **SUPPORTING DOCUMENTATION (Budget Report)**

## **6. OVERVIEW OF ANNUAL BUDGET PROCESS**

### **(a) Overview 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 budgetary process and the priorities that must guide the preparation of the budget.

Section 21(1) of the Municipal Finance Management Act further states that the Mayor of a Municipality must co-ordinate the processes for preparing the annual budget and for reviewing the Municipality's Integrated Development Plan and Budget related policies, to ensure that the tabled budget and any revisions of the Integrated Development Plan and Budget related policies are credible. This section also stipulates that the Mayor must at least 10 months before the start of the budget year, table in Council a time schedule outlining key deadlines for the preparation, tabling and approval of the annual budget.

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 an Integrated Development Plan was approved and reviewed to ensure that the needs of all Communities are captured, evaluated and addressed.

It must, however, be emphasized that the key to strengthening 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 2010/2011 budget process in such a manner that the balance between policy priorities and fiscal realities resulted in a balanced budget.

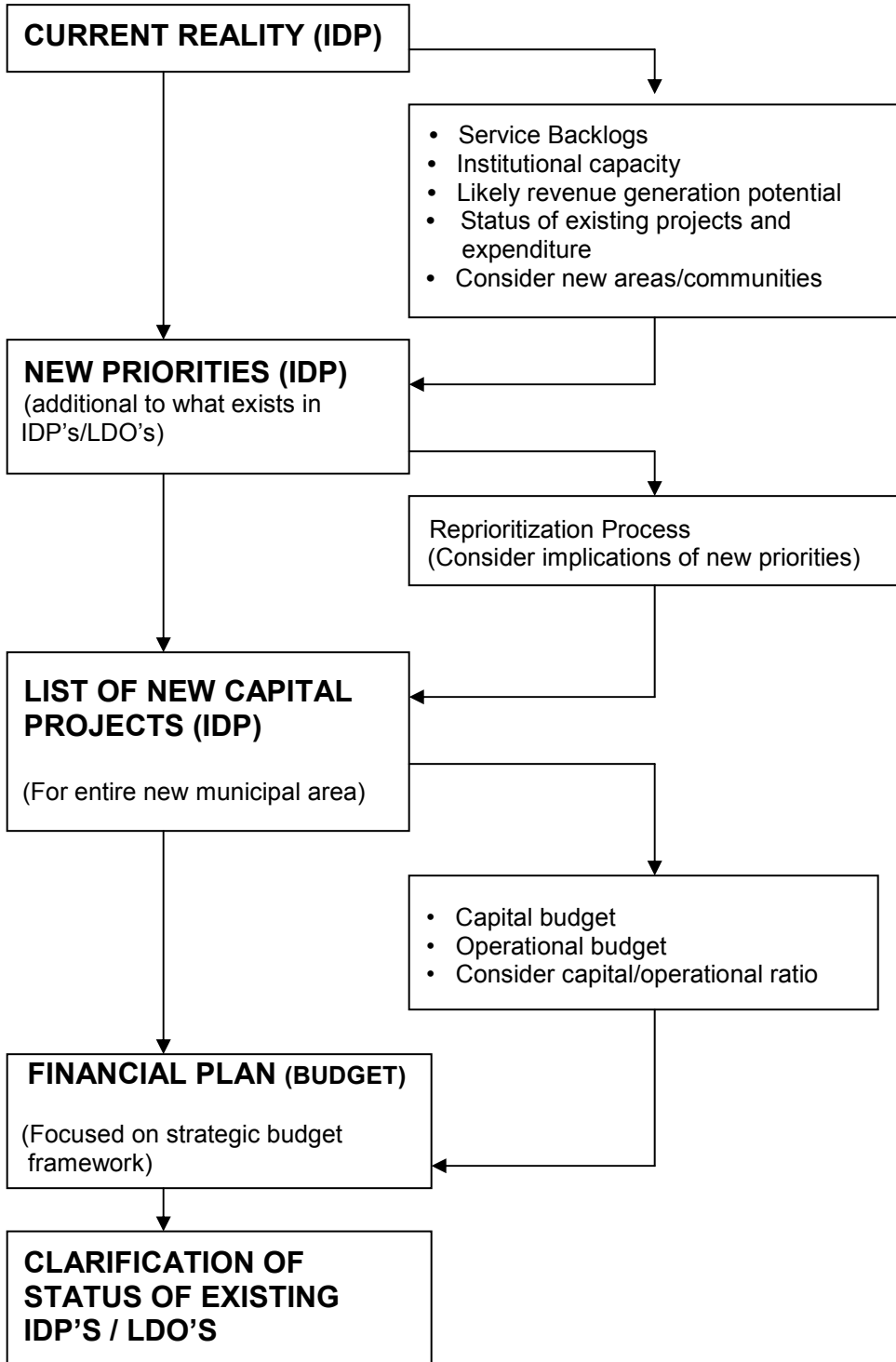
**(b) Planning Process**

The review of the IDP and drafting of the budget is an evolving and interactive process over a 10 month period. This process commences 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.

In contrast to the 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 culminating in the execution thereof.

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 interest groups, have been invited to participate in the IDP and budget process.

**(c) 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.”***

After approval of the draft budget it will be submitted to National Treasury and Provincial Treasury for their consideration in line with Section 22 of the MFMA.

The draft budget will also be made available on Greater Tzaneen Municipality’s website and it will be advertised in two local newspapers.

Community representatives and organizations will also be given the opportunity to review the priorities indicated previously to ascertain whether it has been captured as agreed upon.

Public hearings will be held in all 34 Wards. The meetings are scheduled during April 2010 as per the list below:

## Timing Number and Type of Consultation

Ward	Venue	Time	Date
01	Masupa High School	10:00	04-04-2010
02	Mawa Primary School	10:00	04-04-2010
03	Mmokobo Secondary Sch	10:00	11-04-2010
04	Nwamungololo Prim Sch	10:00	11-04-2010
05	Mahwahwa High School	10:00	18-04-2010
06	Runnymede MPCC	08:00	18-04-2010
07	Botludi Primary School	09:00	04-04-2010
08	Thusong Com Centre	14:00	04-04-2010
09	Kgwegkwe High School	14:00	11-04-2010
10	Mohlatlego Machaba H/Sch	09:00	11-04-2010
11	Mapula Primary School	14:00	18-04-2010
12	Baloyi Tribal Offices	14:00	18-04-2010
13	Mandlahazi Sports Ground	14:00	05-04-2010
14	Politsi School	18:00	15-04-2010
15	Laerskool Tzaneen	18:00	15-04-2010
16	Haenertsburg	18:00	15-04-2010
17	Sebone School	18:00	04-04-2010
18	Ponani Primary school	10:00	11-04-2010
19	Nkowankowa Comm Hall	18:00	13-04-2010
20	Mavumba Primary	10:00	11-04-2010
21	Bombeleni School	18:00	11-04-2010
22	Mafarana	08:00	04-04-2010
23	Tifo Mboweni Prim Sch	08:00	05-04-2010
24	Sasekani Creche	08:00	04-04-2010
25	Professor	10:00	11-04-2010
26	Julesburg Sport Field	10:00	11-04-2010
27	Bulamahlo MPCC	10:00	18-04-2010
28	Rhandzacece Creche	10:00	11-04-2010
29	Semana Primary School	14:00	11-04-2010
30	Motsheng	10:00	05-04-2010
31	Lenyenye Community Cen	18:00	15-04-2010
32	Sekaba High School	14:00	18-04-2010
33	Bakgaga Tribal Offices	14:00	18-04-2010
34	Lesedi MPCC	14:00	18-04-2010

The IDP and budget time table was approved by Council on 25 August 2009 (Item B62), 10 months before the start of the budget year in order 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
31 Aug 2009	Announce new IDP/Budget schedule	Municipal Manager
31 Aug 2009	Review IDP status quo phase 1	Municipal Manager
31 Jul 2009	Submission of Community needs	Municipal Manager
18 Sept 2009	Review strategies, KPI's & Objectives	Municipal Manager
21 Nov 2009	Prioritization of projects	Municipal Manager
01 Feb 2010	Budget Request to CFO	All Managers
28 Feb 2010	Finalize detailed budget, IDP and sector plans	CFO, IDP Manager MM and All Managers
31 Mar 2010	Exco adopts draft budget and changes to the IDP	Exco
April 2010	Public Hearings	CFL and Councillors
21 May 2010	Budget and IDP to Finance Study Group	CFO & MM
26 May 2010	Mayor tables budget & IDP to Council	Mayor
7 June 2010	Submission of approved IDP to MEC for Local Government	Municipal Manager
7 June 2010	Submission of budget and SDBIP to NT and the MEC	CFO

The tabling of the draft 2010/2011 budget on 31 March 2010 will be followed by publication of the budget documentation and public participation will take place during April 2010.

## 7. 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 the Mopani 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)

**(A) Details of proposed amendments to the IDP**

- ✓ Strategies Phase
  - *New strategies and possible projects were identified*
  
- ✓ Project Phase
  - *New projects were prioritized for implementation for the 2010/11 financial year.*

**(B) Revenue, Operating Expenditure and Capital Expenditure aligned to action plans of the IDP**

**PRIORITIZED PROJECTS 2009/10 IDP**

<b>Rural Projects 2009/10 IDP</b>									
Project No	Project Name	Project Output	Dept	Start date	End date	Capex	Location	Ward	Sources of Funding
						2009/2010			
ESD	Water Meters	Increase Revenue	ESD	01/07/2009	30/06/2010	R 1,000,000.00	Dan and Mariveni	20, 23	Loan
ESD	Rural projects	Improved roads	ESD	01/07/2009	30/06/2010	R 11,000,000.00	All ward	All wards	Own source
ESD	Mafarana to Sedan road	Improved roads	ESD	01/07/2009	30/06/2010	R 10,000,000.00	Mafarana , Sedan	20, 25	Loan
ESD	Lephephane, Khopo, Khujwana road	Improved roads	ESD	01/07/2009	30/06/2010	R 10,000,000.00	Lephephane, Khopo and Khujwana	18, 34	Loan
ESD	Morapalala road	Improved roads	ESD	01/07/2009	30/06/2010	R 7,000,000.00	Morapalala	1	Loan
ESD	Moruji, Thapane Road	Improved roads	ESD	01/07/2009	30/06/2010	R 7,000,000.00	Moruji, Thapane	7	Loan
ESD	Humps in Mokgapene, Mariveni, Nkambako, Bolobedu South and Nwamitwa	Road safety	ESD	01/07/2009	30/06/2010	R 1,000,000.00	Mokgapene, Mariveni, Nkambako, Bolobedu South and Nwamitwa		Own Source
MM	Disaster Housing	Provide housing in case of a disaster	MM	01/07/2009	30/06/2010	R 100,000	All wards	All wards	Own Source
EED	Rural Electrification	Delivery of a basic services to ensure access to households electricity	EED	01/07/2009	30/06/2010	R 5, 000, 000.00			Own Source
EED	Rita turn-off Maake Street lighting	Safety for our communities	EED	01/07/2009	30/06/2010	R 333, 333.00	Rita	30	Own Source
	Nkambako four-way stop Street Lighting	Safety for our communities	EED	01/07/2009	30/06/2010	R 333, 333.00	Nkambako	5	Own Source
EED	Moruji, Relela Taxi Rank Street Lighting	Safety for our communities	EED	01/07/2009	30/06/2010	R 333, 333.00	Moruji and Relela	7, 8	Own Source

EED	Mokwati Cross Street lighting	Safety for our communities	EED	01/07/2009	30/06/2010	R 333, 333.00	Mokwati	2	Own Source
EED	Mafarana Taxi Rank Street lighting	Safety for our communities	EED	01/07/2009	30/06/2010	R 333, 333.00	Mafarana	22	Own Source
EED	Nwamitwa Taxi Rank Street lighting	Safety for our communities	EED	01/07/2009	30/06/2010	R 333, 335.00	Nwamitwa	12	Loan
EED	Refurbish Electricity distribution area	Improve the network to for effective distribution	EED	01/07/2009	30/06/2010	R 10, 000, 000.0	Tzaneen	15	

**Electrical Department Capital Projects 2009/10 IDP  
RURAL**

Project No	Project Name	Project Output	Dept	Start date	End date	Capex	Location	Ward	Sources of Funding
						2009/2010			
EED	Rebuilding lines	Improved access to the network and availability	EED	01/07/2009	30/06/2010	R 3,300,000.00			
EED	Power Factor Correction equipment		EED	01/07/2009	30/06/2010	R 1,500,000.00			
EED	Ring Feeds		EED	01/07/2009	30/06/2010	R 700,000.00			
EED	Metering Unit		EED	01/07/2009	30/06/2010	R 100,000.00			
EED	Capital Tools		EED	01/07/2009	30/06/2010	R 150,000.00			
EED	Auto recloser		EED	01/07/2009	30/06/2010	R 800,000.00			
EED	Waterbok		EED	01/07/2009	30/06/2010	R 600,000.00			

**Electrical Department Capital Projects 2009/10 IDP  
TOWN**

Project No	Project Name	Project Output	Dept	Start date	End date	Capex	Location	Ward	Sources of Funding
						2009/2010			
EED	Strategic Lighting		EED	01/07/2009	30/06/2010	R 400,000.00	Tzaneen		
EED	Street Lights		EED	01/07/2009	30/06/2010	R 1,000,000.00	Tzaneen		
EED	Capital Tools		EED	01/07/2009	30/06/2010	R 500,000.00			

EED	Upgrading of HT Cables		EED	01/07/2009	30/06/2010	R 950,000.00			Own Source
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**Electrical Department Capital Projects 2009/10 IDP  
CAPACITY PROJECTS**

Project No	Project Name	Project Output	Dept	Start date	End date	Capex	Location	Ward	Sources of Funding
						2009/2010			
EED	Purchase transformer (1x20Mva 66/11kv Design Line and Sub, EIA, Purchase Land Build 6 km 66 Kv Overhead lines		EED	01/07/2009	30/06/2010	R 30,000,000.00			Own Source
EED	Farm Labour Housing (545 connections) Electrification of Mafarana, Ntsako, Lefara and Mogwazeni		EED		30/03/2010	R 20,829,000.00	Mafarana, Ntsako, Lefara and Mogwazeni		DME

**MIG Projects 2009/10 IDP  
CAPACITY PROJECTS**

Project No	Project Name	Project Output	Dept	Start date	End date	Capex	Location	Ward	Sources of Funding
						2009/2010			
ESD	Pharare Access Road		ESD	01/07/2009	30/06/2010	R 2,442,0001.00			MIG
ESD	Ramotshinyadi Internal streets – Phase 1		ESD	01/07/2009	30/06/2010	R 4,846,565.00			MIG
ESD	Tzaneen Rural Waste Removal – Phase 2		ESD	01/07/2009	30/06/2010	R 16,000,000.00			MIG
ESD	Gavaza Access Road		ESD	01/07/2009	30/06/2010	R 2,779,584.00			MIG
ESD	Hweetsi Access Road – Phase 1		ESD	01/07/2009	30/06/2010	R 2,446,050.00			MIG
ESD	Makhefora Access Road – Phase		ESD	01/07/2009	30/06/2010	R 3,037,200.00			MIG

## Alignment with National, Provincial and District Plans

An integrated process plan budget and performance calendar was drafted and approved by Council on 25 August 2009. This plan which includes various processes i.e. Strategic Planning, Integrated Development Planning and the budget process had 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 requirements 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.

### 8. **MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS**

#### (A) KEY FINANCIAL INDICATORS AND RATIO'S FOR:

##### OUTSTANDING SERVICE DEBTORS

A = B

C

"A" Outstanding service debtors to revenue	70%
"B" Total outstanding service debtors	<u>171 728 897</u>
"C" Annual revenue actually received for services	246 801 574

##### DEBT COVERAGE

A = B – C

D

"A" Debt Coverage	12.98
"B" Total Operating Revenue Received	<u>29 136 431.76</u>
"C" Operating Grants	4 507 000.00
"D" Debt Service Payments	1 898 201.00

## COST COVERAGE

$$A = B + C$$

D

"A" Cost Coverage	0.59
"B" All available cash at a particular time	<u>4 033.34</u>
"C" Investments	15 348 371.00
"D" Monthly Fixed Operating Expenditure	25 997 694.00

### (B) MEASURABLE PERFORMANCE OBJECTIVES FOR:

The measurable performance objectives are attached as Annexure "K".

#### **Providing clean water and managing waste water.**

Mopani District Municipality is a Water Service Authority (WSA) while Greater Tzaneen Municipality is the Water Service Provider (WSP). Under the SLA, GTM operates and manage the following Water and Waste water works:

Name of Water Works	Capacity
1. Georges Valley Water Works	9.0MI/d
2. Tzaneen Dam Water Works	6.0MI/d
3. Letsitele Water Works	1.4MI/d
4. Tzaneen Waste water Works	8MI/d

Greater Tzaneen Municipality is partially assisting DWEA in the maintenance of Nkowankowa Waste water and Lenyenye Maturation Ponds. In this case GTM supplies chemicals and maintains it.

- Blue and Green Drop performance ratings

Greater Tzaneen Municipality had gone through Blue Drop Certification (BDC) assessment by DWEA on the 22<sup>nd</sup> January 2010 at MJ Gateway. This was the first assessment where all documents required for BDC were submitted. The second assessment, which is the assessment of Water works and their systems, will be done as soon as a DWEA assessment team had satisfied themselves that the submitted documents are complete.

- GTM's quality water results are loaded into DWEA's website for Blue Drop status on a monthly basis. Water Safety Plans with other documents for Greater Tzaneen Municipality can be googled in the website. Our water quality results sampled and analyzed by a Water laboratory in Giyani (an accredited laboratory), shows that the water meets both micro and chemical requirements as class 1.
- As elaborated, our WSP is in place and will be improved as time goes, especially with improvement of the system.
- There was no assessment done for Green Drop Certification assessment, but all data and necessary procedures in operating and management of the Tzaneen Waste water Works are being captured and adhered to respectively. The capacity of Waste water works is 8MI/day and is now operating at 4.5 – 5.6MI/d. The plant meets the set General Standard for Waste water effluent.
- We have reached the maximum water allocation for both Tzaneen and Georges Valley Water Works. Our application to have the allocation increased by DWEA was not successful. This challenge will handicap developments, especially when water is required.
- The current operational budget is enough to cater for the schemes we are currently operating. The challenge will be if the other scheme be transferred to us by Mopani District Municipality without transferring the budget. Hence, 2010/11 budget is sufficient to keep both Blue and Green Certification on track.

The certificate of analysis is attached as **Annexure "J"**.



## 9. **BUDGET RELATED POLICIES OVERVIEW AND AMENDMENTS**

### 9.1 LIST OF BUDGET RELATED POLICIES

#### Revenue Framework

Section 18 of the Municipal Finance Management Act (MFMA) states that the Budget can only be funded by realistically anticipated revenue to be collected, and cash-backed accumulated funds from previous years, which was not committed for other purposes.

Furthermore, National Treasury Circular 42 stipulates that the Budget be managed in a full accrual manner reflecting a transparent budget and accounting system approach.

The MFMA further requires the Municipality to adopt and implement a Tariff Policy. Council has approved policies for main services provided by the Municipality, which are attached as Annexure “D” to this document.

Council is required to adopt budgetary provisions based on realistic anticipated revenue for the budget year from each revenue source as per the requirements of the MFMA (Chapter 17 (1) (a) and (3) (b)).

#### 9.1.1 Revenue-related policies

##### a) Tariff Policy

The Municipal System Act requires Council to adopt a Tariff Policy. The general financial management functions covered in Section 62 of the MFMA includes the implementation of a Tariff Policy. Specific legislation applicable to each service has been taken into consideration when determining this policy.

b) Credit Control and Debt Collection Policy

This has been formulated in terms of Section 96 (b) and 98 of the Local Government: Municipal Systems Act, 2000 and the Credit Control and Debt Collection By-Law.

9.1.2 Budget-related policies

The following budget-related policies have been approved by Council, or have been reviewed/amended and/or are currently being reviewed/amended, in line with National Guidelines and Legislation.

a) Budget Policy

The Budget Policy which was approved by Council deals with the objectives, budgeting principles, Responsibilities of the Chief Financial Officer's Legal requirements, Funding of Expenditure and Adjustment budget and is attached to this report for easy reference.

b) Standard Financial Policy

This policy which deals with Expenditure Job Costing, Revenue, Management, Asset Management, Investment, Risk Management, Procurement and Inventory as well as Internal control and Audit was approved by Council on 26 August 2003.

c) Equitable Share and Indigent Policy

This policy deals with the Equitable Share allocation and Indigent Subsidy and was approved by Council on 17 March 2003.

d) Supply Chain Management Policy

Section 111 of the MFMA requires each municipality and municipal entity to adopt and implement a Supply Chain Management Policy, which gives effect to the requirements of the Act. The Municipal Supply Chain Management Policy was adopted by Council on 29 November 2005 and the three committees required by the Act have been established and are functional.

The Supply Chain Management 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 process and procedures of the acquisition of goods, services and works as well as the disposal of inscrutable, redundant and obsolete goods.

e) Rates Policy

In 2008 Greater Tzaneen Municipality prepared a General Valuation Roll of all property in terms of the Local Government: Municipal Property Rates Act of 2004 (MPRA) and it was implemented on 1 July 2008. The policy is attached to the report.

f) Investment and Cash Management Policy

The Council, at its meeting on 13 July 2004 (Item B 145) approved the Investment Policy that deals with the

management of the surplus cash resources and the investment thereof.

## **9.2 PROPOSED AMENDMENTS TO THE BUDGET RELATED POLICIES**

Amendments proposed by Council will be included in the final budget.

## **10. BUDGET ASSUMPTIONS**

Municipalities long-term financial viability depends largely on the extent to which improved and sustainable revenue capacity on the one hand - and sound financial management of its resources on the other hand – can be achieved. These imperatives necessitate proper multi-year financial planning. Future impacts of revenue and expenditure streams and the financial implications for the community at large (i.e. the potential influence on property tax rates, tariffs and service charges) must be identified and assessed to determine the sustainability of planned interventions programmes, projects and sundry service delivery actions.

A Municipality's Medium-Term Revenue and Expenditure Framework (MTREF) typically represents a three-to-five year financial plan and integrates the financial relationships of various revenue and expenditure streams of proposals considered for inclusion in the IDP. It provides guidance for the development of current budgets and assesses financial impacts on other years' budgets by incorporating capital expenditure outcomes, operating expenditure trends, optimal asset management plans and the consequential impact on rates, tariffs and other service charges.

The MTREF model aims to determine the future revenue and expenditure parameters within which the Municipality should operate and to facilitate a balanced Budget that is affordable, sustainable and ultimately identifies the consequential financial impact of planned capital projects on the Municipality's operational budget.

The outcomes of the MTREF modeling incorporates the strategic focus areas of the current Draft IDP as well as core economic, financial and technical data obtained at local and national level. The following paragraphs outline the

assumptions made and modeled, supported by the Budget Committee:

#### A) INFLATION TARGET

At the beginning of each calendar year National Treasury issues a budget circular that is intended to guide Municipalities in the preparation of their budgets. Amongst other things the circular indicates anticipated inflation figures that are to guide the Municipalities when setting increases to their tariffs. Circular no 51 indicates an inflation rate of 5,7% for the 2010/2011 financial year.

Circular 51 also determines the following:

***“National Treasury continues to encourage Municipalities to keep increases in rates, tariffs and other charges as low as practically possible.”***

#### PERSONNEL ISSUES

- **Salary increases:** Salary increases are subject to the agreement reached at the SALGBC. As to the date of this assessment no firm indication of any salary increases had been received. The assumption was that the salary increase would be linked to the average of the CIPX during the preceding financial year. It was therefore assumed that the salary increase would be 9%.
- **Number of employees:** When preparing the salary budget, unlike in previous years when the budget was prepared for all positions that have been vacant in the past six months, this year provision has been made for vacant positions for the past 12 months to accommodate only critical and essential positions. Priority will therefore be given to service delivery departments. The total number of employees can, however, drastically increase due to the absorption of the DWAE staff which will be transferred to the Municipality as part of the integration of DWAE employees into the Municipality.

It should additionally be stated that one of the resolutions of the convention of development planners for municipalities, National and Provincial departments which was held in November 2008 is that IDP units should as a minimum be composed of 3 capacitated officials, one of which should be a researcher.

B) COUNCILLOR'S ALLOWANCES

Composition of and increases to Councillor's allowances are determined annually by the Minister of the Department of Co-operation and Traditional Affairs (COGTA) through a Gazette setting out the upper limits of the allowances to Councillors. This Gazette is normally issued towards the end of December to apply retrospectively from July of that year. The Gazette had not been issued yet. An increase of 9%, the same as for officials, was therefore assumed for budgeting purposes.

C) INTEREST RATES

Borrowing interest rates were factored at a prime rate of 12%. It was assumed that the average prime rate will stabilize at this level for the forecasted period. Investment interest rate was assumed at 7%.

D) COLLECTION RATES

In accordance with relevant legislation and national directives, revenue recovery rates are based on realistic and sustainable trends. The municipal collection rate is set at an average of 90% and is based on a combination of actual rates achieved to date and estimated outcomes of the current financial period. Adequate provision is made for non-recovery. While collection rates will vary between different services and be based on current trends. Special provision was made to cater for the implementation affect of an improved indigent programme.

E) BAD DEBTS PROVISION

Taking into account the collection rate of Council, the bad debt provision has been set at 4% of the amount to be billed.

F) TARIFF ADJUSTMENTS

An average Property Tax Rates tariff increase of 4,5% was modeled.

The electricity tariff adjustment is 24.8%, largely due to the anticipated 24,8% increase for Eskom bulk purchases. In the absence of the National Energy Regulator of South Africa's (NERSA) ruling on the 2010/11 tariff increase, a 24,8% increase was assumed. An additional provision was made to cater for the two cents Environmental Levy. (A two cents per kWh levy on the sale of all non-renewable generated electricity will be implemented on 1 July 2010)

Water and Sewerage tariff adjustments are 4,5%, while Refuse and Disposal charges are modeled to increase by 4,5%

G) REPAIRS AND MAINTENANCE

Greater Tzaneen Municipality's target with regard to repairs and maintenance is set between 10% and 15% of total expenditure to address backlogs. The current allocations represent 7,7% of the budget.

H) DEPRECIATION

Depreciation which is prescribed by the Budget Regulations on new capital expenditure is calculated at a varying rate ranging between 5 and 20 years, depending on the nature of the asset. Actual depreciation was modeled on existing assets.

An annual capital expenditure implementation rate of 100% over 6 months was factored to the model.

I) EQUITABLE SHARE GRANT

The equitable share allocations supplement municipalities' own revenues for the provision of basic services to poor households. In terms of the 2010 DORA , the annual allocation to the Council is as follows:

2010/2011 - R154 million

J) DWAE TRANSFER

The Municipality has been appointed as a water service provider for the whole of its area of jurisdiction. Its functions and responsibility will cover operational issues that were previously performed by DWAE and the Mopani District Municipality. Towards this end, a process was set in motion to transfer DWAE employees and the whole of its operations to the Local Municipality and the District Municipality. This process which should have been finalized some time back was delayed due to conditions attached to this transfer not being agreed upon by the relevant stakeholders. Agreement on the major points have been reached and it is anticipated that the transfer should be finalized within the current financial year. The transfer agreement provides that the Municipality will be paid a grant equal to 100% of the operational needs of DWAE in the first year, with the amount reducing on a sliding scale to be phased out in three years. This transfer will see approximately 200 staff members being transferred to the Municipality. A provision of R33 million has been made on the budget for this purpose which will be recovered from DWAE as per the funding agreement detailed above. While the other operational expenses of the DWAE offices will be covered also on a sliding scale as indicated above a concern has been raised in that the Municipality might have to top up the funding required to make the DWAE operations of acceptable standards where this was not the case. It is however difficult to quantify this cost and therefore it has not been taken into account in the drafting of the budget.



K) ESKOM

ESKOM had indicated previously that it would ask for an increase that is substantially more than the inflation rate. There had been some talk of a proposed increase of 35% but this had not been confirmed.

Provision of 25% has been provided seeing that confirmation has been received that 24,8% was approved which will increase to 25.8% in April 2011.

National Treasury, however, wants to take this issue up with NERSA to ensure that changes in tariffs are with effect from 1 July each year.

L) TARGETED GROWTH

As part of the normal budgeting process consideration is normally given of the anticipated growth in the population of the Municipality due to normal increment and mobility of people into the urban areas where cost recovery is taking place. However due to stagnation of development in areas where cost recovery is taking place due to infrastructural capacity constraints no increases in the population has been taken into account. However, should the capacity issues be addressed the actual income from services charges might be higher than the budgeted amounts and in that case as part of the half-yearly performance assessment an adjustment budget will have to be passed to appropriate the additional revenue realized.

M) CAPITAL EXPENDITURE

Due to financial constraints and the input of National Treasury on the Municipality's financial recovery plan serious consideration should be made before a decision is taken to increase the budget substantially more than in the previous financial years. Council has, however, also taken a decision that priority should be given to the electricity infrastructure due to its critical importance to the financial well-being of the Municipality. In the previous financial year R10 million was appropriated for the electricity infrastructure. It is recommended that an amount of R15 million be appropriated this year for electricity.

This suggestion is made in case steps to raise the required R140 million to upgrade the electricity infrastructure do not bear fruit. It is, however, recommended that everything in the Municipality's power should be done to address the electricity infrastructure problems in a comprehensive manner.

Very little has been done in terms of maintenance and general investment into the infrastructure of the Municipality in general to ensure continued availability of the system. Should this not be addressed the Municipality might face a catastrophe in a few year's time of the same magnitude that ESKOM is facing.

#### N) GENERAL MAINTENANCE

The Municipality is going through the same challenges as that of all institutions that are going through a period of financial stress. This is with regards to expenditure on maintenance. Due to financial constraints the expenditure on repairs and maintenance has been maintained at the 2009/2010 levels. This is, however, unrealistic due to the fact that new assets have been acquired through normal operations and as indicated above, these will have to be maintained. An additional challenge is that due to reduced maintenance budgets in previous years, the infrastructure of the Municipality has been deteriorating at a faster rate than normal. This will require substantial expenditure in future years in order to maintain these assets in a working condition.

#### O) BUDGET REFORMS

National Treasury is busy with a process to implement the new Municipal Budgeting and Reporting Regulations. The regulations agree by and large with the provisions of the MFMA and the current GRAP standards. The major shift is regarding the schedules that must be completed to support the budget. A plan will be put in place to fully implement this and to ensure compliance.

P) PROPERTY RATES

The new valuation roll has been implemented with effect from 1 July 2008. The process has to a large extent been smooth and accepted by all stakeholders. The challenge that the Municipality is still facing and which will have an impact on the current budget is that of the objections that are still outstanding. The process of attending to objections is the responsibility of the valuer. There are indications that this process is not being properly handled. We have, however, noted the critical risk of some of the objections not being addressed in time. The risk that might be eminent is that of possible legal action to be taken against the Municipality. While we are confident of the legality of the process followed we are, however, worried about the negative impact such an action may have on Council and also on the payment of services. Council should, therefore, do everything in its power to protect its income and to foster good relations with the rate payers.

Towards this end, the assumption made on the property rates is that there will be no major increase in number of new property owners. It has also been assumed that due to the outstanding issues on the valuation roll, the phasing-in period for the implementation of the new valuation roll will be extended to cover the 2010/2011 financial year.

Q) 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.

R) GENERAL INFLATION OUTLOOK

The inflation forecast for 2010/2011 is predicted to be 5.7%.

S) BULK PURCHASES

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

T) OTHER CONSUMPTIONS

- ▶ 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 R40 million be taken up to finance capital projects for, inter alia the emergency upgrading of the electricity distribution system and rural projects.
- ▶ A 12% interest rate and a 20 year period be used for the R40 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 2012.
- ▶ 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 allocation 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.

## 11. OVERVIEW OF BUDGET FUNDING

### Fiscal Overview

The implementation of the MFMA required a reform in financial planning within Municipality's. 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.

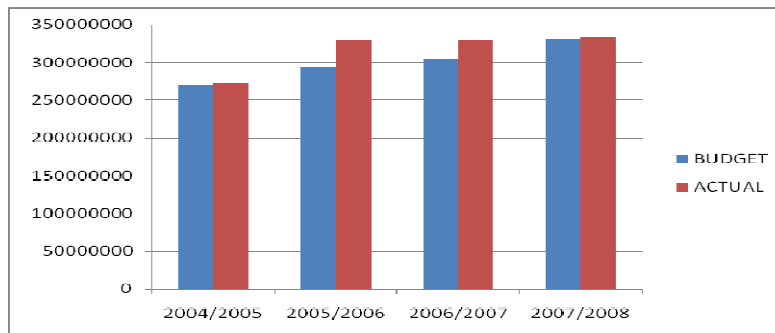
### (A) Outcomes of the Past Years and Current year

The graph below indicates the comparison between budgeted and actual operating expenditure over the past 5 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
2007/2008	331 225 571	333 231 173
2008/2009	399 323 160	368 815 783

**GRAPH**  
Operating Expenditure

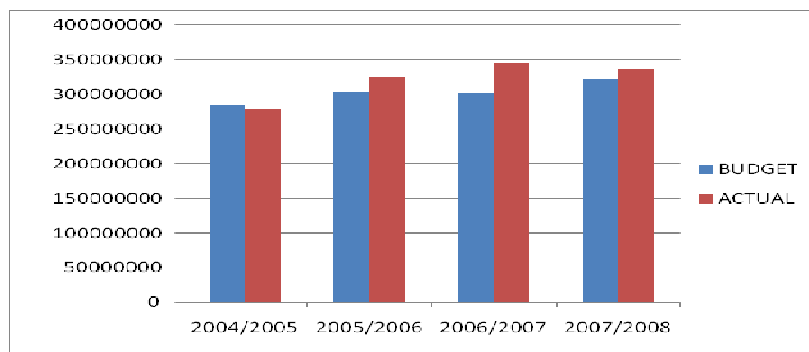


The graph below indicates the comparison between budgeted and actual operating Income over the past 5 years:

**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
2007/2008	321 808 837	336 481 594
2008/2009	430 916 687	382 896 432

**GRAPH**  
Operating Income



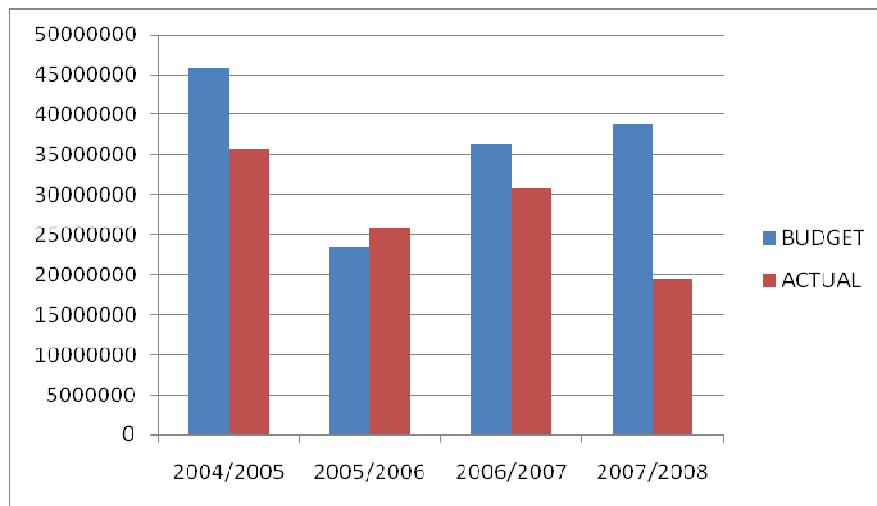
The capital expenditure against the budget of the past 5 years are also indicated graphically below:

## 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
2007/2008	38 888 000	19 406 629
2008/2009	54 605 000	54 626 953

### GRAPH

#### Capital Expenditure



## OPERATING BUDGET 2010/2011

### Operating Revenue

The revenue of Greater Tzaneen Municipality is predominantly raised through rates and tariffs. Grants and subsidies from National and Provincial Government constitute 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 2008/2009 financial year:

Electricity	42%
Water	5%
Refuse Removal	4%
Sewerage	1%

Since the 2008/2009 financial year the fair market value of a property has been applied in terms of the Property Rates Act.

The Greater Tzaneen Municipal operating income will be allocated as follows during 2010/11 Financial year:

<b>REVENUE</b>	<b>BUDGET 2010/2011</b>
Property rates	R 37 000 000
Property rates – penalties imposed and collection charges	R 2 500 000
Service charges	R305 181 672
Rental of facilities and equipment	R 458 914
Interest earned – external investments	R 550 000
Interest earned – outstanding debtors	R 7 000 000
Fines	R 2 230 707
Licenses and permits	R 276 250
Income from agency services	R 32 743 425
Government Grants and Subsidies	R264 538 000
Other Revenue	R 1 407 178
Gains on disposal of property, plant & Equip.	R 1 500 000
Income Foregone	R 8 946 405
<b>TOTAL REVENUE</b>	<b><u>R646 439 741</u></b>

#### Operating Expenditure

The budgeted expenditure per item are as follows for the 2010/2011 financial year:

<b>ITEM</b>	<b>Budget 2010/2011</b>
Employee Related Costs	R136 792 123
Employee Related Cost Social Contributions	R 25 884 573
Employee Cost Capitalized	-R 6 605 350
Employee Costs Allocated to other Operating Items	-R 74 936 743
Remunerations of Councillors	R 16 070 480
Bad Debts	R 11 815 140
Collection Costs	R 100 000
Inventory Surplus/Loss	R 0
Depreciation	R 24 917 316
Repairs and Maintenance	R105 258 059
Interest Expense – External Borrowings	R 14 372 514
Bulk Purchases	R172 660 104
Contracted Services	R 58 874 293
Grants & Subsidies paid	R 8 492 051
General Expenses	R 71 768 343
<b>EXPENDITURE TOTAL</b>	<b><u>R565 462 903</u></b>



## **(b) FUNDING MEASURES**

### **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.

Council is also informed that the financial position of Greater Tzaneen Municipality has improved from a R21 million overdraft at 30 June 2007 to a positive bank balance of R257 085 at 30 June 2009.

### **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 2010/2011 expenditure will be funded as follows:

Funding source	Amount
Grants & Subsidies	R264 million
Rates & Service Charges	R343 million
Sundry Income	<u>R 39 million</u>
Budgeted Revenue	<u>R646 million</u>

**(c) PROPERTY VALUATION 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 and cemeteries.

An increase in the assessment rates tariff on the previous year is proposed to ensure that revenue to the amount of R37 million is levied.

Water Service

The proposed Water and Sanitation Tariffs for 2010/2011 are consistent with National Policy on the extension of free basic services, the National Strategic Framework for Water and Sanitation and with Council's Indigent Relief Measures, Rates and Tariff Policies and Equitable Service Framework.

The progressive nature of the existing domestic stepped tariff structure both for water and sanitation is pro-poor and allows for the needs of the indigent. It is also designed to discourage high water consumption levels, which have an impact on the size of both the water and sanitation portions of a consumer's bill. It enables all consumers to adjust their consumption levels to ensure affordability.

It is proposed that the tariff step structure from the 2010/2011 financial year be retained, with a proposed

4,5% increase in volumetric water tariffs generally, and a proposed 4,5% increase in sanitation tariffs generally.

The proposed tariffs are cost-reflective and will provide the income to cover the cost of water and sanitation during the 2010/2011 financial year.

The water and sanitation services are subsidized by the equitable share at R10,3 million and R2,7 million, respectively.

The indigent received a fixed account of R30,00 for all services provided that not more than 12kl water is consumed. This fixed amount is in place since the 2004 financial year.

#### Electricity Service

The proposed revisions to the tariffs have been formulated in accordance with Section 74 of the Municipal Systems Act as well as the recommendations of the National Energy Regulator of South Africa (NERSA).

Guidelines for the Municipal Electricity tariff increases in July are normally published by NERSA in the previous December. In the absence of the guidelines, National Treasury has indicated that municipalities must prepare their budgets using assumed ESKOM bulk increases.

#### 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 efforts.

The solid waste tariffs are levied to recover costs of services provided directly to customers and include collection fees, disposal fees and other ad hoc services.

It is proposed that the tariff be increased by 4,5% on the 2009/2010 tariffs with effect from 1 July 2010.

#### Tariffs and Charges Book

Council is permitted to levy rates, fees and charges in accordance with the Local Government Municipal Property Rates Act, the Local Government: Municipal Systems Act, Act 32 of 2000, Section 75A and the Municipal Finance Management Act, no. 56 of 2003, 17 (a)(ii).

### (d) DEBTORS

The table below illustrates the debtor revenue in millions for the 6 months, July 2009 to December 2009:

DEBTOR REVENUE	JULY 09 R000,	AUG 09 R000,	SEPT 09 R000,	OCT 09 R000,	NOV 09 R000,	DEC 09 R000,	JAN 10 R000,
Revenue Billed	25 703	27 187	31 218	31 218	21 162	24 541	22 062
Revenue Collected	20 489	19 087	25 911	30 883	21 278	24 569	20 897
% Revenue Collected	80	70	83	99	101	100	95

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 90%.

### (e) 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.

## **(f) 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.

Valuation of unlisted Investments

Liberty	R 838 756
BOE (Sinking fund)	R14 509 615
Liberty	R10 516 978

### **Excelsior 1000 Investment**

An investment of R855 619 has been made with Liberty to repay a loan of R15 million on maturity date. The loan bears interest on variable rate and the value of the investment amounts to R838 756.

### **Sinking Fund**

An investment of R6 982 292 has been made with BOE to repay a loan of R20 000 000 on maturity date. The loan bears interest on a variable rate and the value of the investment amounts to R14 509 615. The BOE investment has been ceded to ABSA.

### **Local registered Stock**

An investment of R1 800 000 has been made with Liberty to repay the loan of R10 292 000 on maturity date. This loan bears interest on a variable rate and the value of the investment amounts to R10 516 978.

## (g) GRANT ALLOCATION

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

<u>Allocation</u>	<u>2008/2009</u>	<u>2009/2010</u>	<u>2010/2011</u>
Equitable Share	R87 601 000	R121 187 000	R154 949 000
Infrastructure Grant	R28 004 000	R 34 711 000	R 38 839 000
Financial Man Grant	R 500 000	R 750 000	R 1 000
INEP (Elect)	R 1 601 000	R 20 829 000	R 10 000 000
Mun. Syst Imp. Grant	R 400 000	R 400 000	R 750 000
Neighbourh Dev Grant	R -	R 5 000 000	R 15 000 000

Council must also take note that an Integrated National Electrification Programme: Indirect grant of R3 million and R8,8 million Integrated National Electrification Grant (Eskom) for 2010/2011 has been allocated to Greater Tzaneen Municipality. These are, however, indirect grants which means that the money will not be transferred to Council, but that projects to the value of R11.8 million will be executed in our area of jurisdiction.

## 12. EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES

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>	<u>(Actual)</u>
2010/2011 MIG BUDGET	R38 839 000	

This Grant is divided as follows:

Administration	R 1 941 950
Capital Projects	<u>R36 897 050</u>
<b>Total Grant</b>	<b><u>R38 839 000</u></b>

The MIG for the following two years have been allocated as follows:

<b>Grant</b>	<b>2010/2011</b>	<b>2011/2012</b>	<b>2012/2013</b>
MIG	R38 839 000	R46 712 000	R56 798 000

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

GRANT	2010/2011	2011/2012	2012/2013
MSIG	750 000	790 000	800 000
MIG	38 839 000	46 712 000	56 798 000
INEG	10 000 000	5 000 000	5 000 000
EQUITABLE SHARE	154 949 000	174 825 000	192 570 000
FMG	1 000 000	1 250 000	1 500 000
Neighbourhood	15 000 000	10 092 000	10 092 000

### 13. **ALLOCATIONS OF GRANTS MADE BY THE MUNICIPALITY**

The allocations made by Council during the first six months for the 2010/2011 financial year can be summarized as follows:

Museum	R 33 326
Eskom EBSST	R3 500 000
Mayor Special Account	R 60 000
SETA	R 26 000
SPCA	R 90 000
Mayors Bursary Account	R 157 200
Sport Council	R 106 644
Arts & Cultural	R 24 217
Solid Waste	R 450 766
MSIG	R1 154 595
Other	R2 889 303



**14. DISCLOSURE ON COUNCILLORS ALLOWANCES AND EMPLOYEE BENEFITS**

**(A) COUNCILLORS ALLOWANCES AND COST TO COUNCIL**

	SALARY	TRAVELLING	UIF	TEL. ALL	SETA
<b>EXCO</b>	971 654	323 882	0	58 141	2 050
<b>FULL TIME</b>	1 766 640	588 883	8 161	93 195	8 300
<b>MAYOR</b>	471 105	157 035	1 632	18 639	0
<b>OTHER</b>	7 773 182	2 591 034	0	639 547	69 912
<b>SPEAKER</b>	376 884	125 628	1 632	18 639	4 706
<b>TOTAL</b>	11 359 464	3 786 463	11 425	828 160	84 967

**(B) EMPLOYER BENEFITS FOR MUNICIPAL MANAGER AND OTHER SENIOR MANAGERS**

	MUNICIPAL MANAGER	PLANNING & ECONOMIC DEVELOPMENT MANAGER	CHIEF FINANCIAL MANAGER	CORPORATE SERVICES MANAGER	COMMUNITY SERVICES MANAGER	ELECTRICAL ENGINEERING MANAGER	ENGINEERING SERVICES MANAGER
B/SALARY	1 058 515	779 141	779 141	779 141	779 141	822 839	779 141
INSENTIVE Bonus	32 700	32 700	32 700	32 700	32 700	32 700	32 700
A/BONUS	88 209	64 928	64 928	64 928	64 928	68 569	64 928
UIF	1 632	1 632	1 632	1 632	1 632	1 632	1 632
SETA	10 748	6 585	6 554	6 686	6 291	6 250	6 554
TEL. ALL	16 350	13 080	13 080	13 080	13 080	13 080	13 080
LEAVE RED	33 872	24 932	24 932	24 932	24 932	26 330	24 932
<b>TOTAL</b>	<b>1 242 076</b>	<b>923 049</b>	<b>923 017</b>	<b>923 149</b>	<b>922 754</b>	<b>971 451</b>	<b>923 018</b>

**(C) EMPLOYEE BENEFITS FOR OTHER MUNICIPAL EMPLOYEES**

BENEFIT	AMOUNT
Basic Salary	R 96 320 608
Overtime	R 11 394 605
Bonus	R 7 707 109
Travel Allowance	R 4 548 867
Standby	R 1 418 623
Housing Allowance	R 1 041 687

Telephone Allowance	R	365 436
Leave Redemption	R	7 276 141
Medical Aid Contribution	R	4 874 320
Pension Scheme Contribution	R	15 856 438
UIF Contribution	R	847 282
Group Insurance	R	1 253 371
Workmens Compensation	R	696 580
SETA	R	1 150 592
PBO	R	34 335
<b>TOTAL</b>		<b><u>R154 785 994</u></b>

Cost to Council: Political Office – Bearers and collectively

LEVEL	B/SALARY	TRAVEL ALL	UIF	TELEPHONE	COST TO COUNCIL
EXCO	194 331	64 776	0	11 628	270 735
OTHER	141 331	47 110	0	11 628	200 068
FULL TIME	353 328	117 777	1 632	18 639	491 376
MAYOR	471 105	157 035	1 632	18 639	648 411
SPEAKER	376 884	125 628	1 632	18 639	522 783
<b>TOTAL</b>	<b>1 536 978</b>	<b>512 326</b>	<b>4 896</b>	<b>79 173</b>	<b>2 133 373</b>

Number of Councillors: 67

Number of Personnel: 625

Greater Tzaneen has 625 full time personnel employed which includes 7 Senior Managers appointed in terms of Section 57 of the Municipal Systems Act. The Senior Managers are:

The Municipal Manager	Mr. MF Mangena
The PED Manager	Me FT Mashianoke
The Manager Corporate Services	Me TC Mametja
The Chief Financial Officer	Mr. AJJ Le Grange
The Engineering Services Manager	VACANT
The Electrical Engineering Manager	Mr. P Van den Heever
The Community Services Manager	Mr. O.Z. Mkhombo

15. **MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASHFLOW**

(a) **CONSOLIDATED PROJECTION OF REVENUE BY SOURCE AND EXPENDITURE BY TIPE.**

Attached as Annexure “L”

**(b) CONSOLIDATED PROJECTION OF REVENUE AND EXPENDITURE BY VOTE.**

Attached as Annexure “M”

**(c) CAPITAL EXPENDITURE BY VOTE.**

	<b>OWN SOURCES</b>	<b>LOANS</b>	<b>GRANTS</b>	<b>TOTAL</b>
Eng. Services	10 000 000	25 000 000	38 839 000	73 839 000
Elect. Services		15 000 000	10 000 000	25 000 000
PED			15 000 000	15 000 000
<b>TOTAL</b>	<b>10 000 000</b>	<b>40 000 000</b>	<b>63 839 000</b>	<b>113 839 000</b>

**(d) CASH FLOW SETTING OUT RECEIPTS BY SOURCE AND PAYMENT BY TIPE.**

Attached as Annexure “F”

**16. SUMMARY OF THE BUDGET AND THE SDBIP – INTERNAL DEPARTMENTS**

**A) Executive summary of the SDBIP for each internal department.**

In terms of Section 53 (1) (c) (ii) of the Municipal Finance Management Act, the Service Delivery and Budget Implementation Plan (SDBIP) is defined as a detailed plan approved by the Mayor of a Municipality for implementing its delivery of municipal services and its annual budget and which must indicate the following:-

a) Monthly projections of-

- I Revenue to be collected, by source; and
- II Operational and capital expenditure by vote

b) Service delivery targets and performance indicators for each quarter, and

c) Other matters prescribed.

The Mayor, in accordance with Section 53 of the MFMA, is expected to approve the SDBIP within 28 days after the approval of the Budget. In addition, the Mayor must ensure that the revenue and expenditure projections for each month and the service delivery targets and performance indicators as set out in the SDBIP are made public within 14 days after its approval.

The SDBIP gives effect to the Integrated Development Plan and the Budget of the Municipality. It is an expression of the objectives of the Municipality in quantifiable outcomes which will be implemented by the administration for the financial period from 1 July 2010 to 30 June 2011. It includes the service delivery targets and performance indicators for each quarter, which should be linked to the performance agreements of senior management. It therefore facilitates oversight of financial and non-financial performance of the Municipality and allows the Municipal Manager to monitor the performance of the managers.

**B) Services provided including level of services**

With regard to service delivery standards Greater Tzaneen Municipality endeavors 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 30 000m<sup>3</sup> compacted refuse).

- Backlogs

- » 5% of households in the total rural areas, representing ± 80 034 households, receives a basic collection service.
- » The cost to address the service in full with immediate effect will be approximately R75 million for all 126 x Villages.

- Waste Minimization

◇ The following production of refuse exists in the Greater Tzaneen Municipality area, resulting in a life-span of ± 19 years for the landfill site:

- ~ Volumes generated = 30 000m<sup>3</sup> p.a. compacted
- ~ Capacity of the Landfill = 1 600 000m<sup>3</sup>
- ~ Compaction = 5:1

◇ The landfill site is presently utilized as a Regional landfill site receiving solid waste from Tzaneen and Greater Letaba. (Modjajikloof)

◇ Presently all organic waste (garden) is treated at the composting site adjacent to the landfill.

(Presently ± 15 436m<sup>3</sup>)

- 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. (56, 590m<sup>3</sup> p.a.)
  - » Recycling at the Tzaneen Landfill (5 343m<sup>3</sup> p.a.)

#### Collections

The services must be extended to include:

+ - 126 Villages of another (75 537 residential stands) which are situated within the rural 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 MDM as water services authority.

Boreholes are mainly used to augment the non-functional reticulation system in the Rural areas. Although a few of these boreholes are non-functional due to vandalism and theft, Council supplies water to the rest of the rural community through water tankers.

- 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 a suction tank system. All other areas are utilizing 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

MDM runs the maintenance in the rest of the areas, but it is anticipated that the service will eventually be transferred to Greater Tzaneen Municipality.

## **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 Municipality's licensed distribution area is basically 98% electrified, with some minor farm labour electrification projects in progress, whilst where the

municipal area overlaps with the Eskom licensed distribution area, these areas are 78% 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.

### **C) Senior Management Capability and Structure**

The organizational structure of the Municipality provides for the following service departments:

- Office of the Municipal Manager
- Office of the Chief Financial Officer
- Planning & Economic Development Services
- Corporate Services
- Engineering Services
- Community Services
- Electrical Engineering Services

Each department is headed by a Section 56/57 Manager appointed on a fixed term contract coupled to an Annual Performance Agreement.

As on 1<sup>st</sup> March 2010 all senior management positions were filled, except for the Manager: Engineering Services. The latter filling of the vacancy is at an advanced stage with interviews already conducted.

Care is being taken that capable Senior Managers are being appointed who have the necessary qualifications and experience to do justice to their respective functions and responsibilities.

### **D) Changes to service levels and standards**

The service levels and standards are contained in item 16 (B) of this report.



17. **SUMMARY OF BUDGET AND SDBIP – ENTITIES**

Greater Tzaneen Municipality does not have an entity.

18. **CONTRACTS HAVING FUTURE AND BUDGETARY IMPLICATIONS**

a) **NAMES OF ALL CONTRACTING PARTIES**

NAME	SERVICE
Quality Plant Hire	- Maintenance of tarred Roads. Plant and Equipment Hire
Selby Construction	- Maintenance of Drainage and Storm Water System
African Meter Reading	- Fleet Lease Agreement
Siphiwe Engineering	- 66 kV Line and Western Substation
Motla Engineering	- 66 kV Line and Western Substation
Motla Engineering	- Specialized Engineering Services
Green Valley Contractors	- Rebuilding and Refurbishing of lines
Thlaola Dynamics	- Municipal Valuation Roll
Tukisha Trading	- Supply of Fuel and Oil
Nkumisi Trading Enterprise	- Motor Vehicle Parking Meter Management
TMT Transport Solutions	- Maintenance of a Turnkey Digital Red Light
Cetlelo Supplies	- Supply and Delivery of Protective clothing

b) **INFORMATION ON EXPENDITURE ON EACH CONTRACT FOR THE LAST THREE YEARS**

Quality Plant Hire	-	R19 446 514.44
Selby Construction	-	R9 354 542.91
African Meter Reading	-	R5 480 874.69
Siphiwe Engineering	-	R0
Motla engineering	-	R0
Motla Engineering	-	R1 915 692.00
Green Valley Contractors	-	R2 889 115.38
Thlaola Dynamics	-	R2 981 776.38
Tukisha Trading	-	R7 537 752.00
Nkumisi Trading Enterprise	-	R0
TMT Transport Solutions	-	R0
Cetlelo Supplies	-	R0

**c) THE TOTAL EXPENDITURE ON EACH CONTRACT TO DATE**

Quality Plant Hire	-	R25 352 946.50
Selby Construction	-	R21 937 442.66
African Meter Reading	-	R8 538 825.69
Siphiwe Engineering	-	R0
Motla Engineering	-	R0
Motla Engineering	-	R2 611 564.00
Green Valley Contractors	-	R6 670 767.00
Thlaola Dynamics	-	R2 981 776.38
Tukisha Trading	-	R8 997 409.00
Nkumisi Trading Enterprise	-	R0
TMT Transport Solutions	-	R0
Cetlelo Supplies	-	R248 329.85

**d) PLANNED EXPENDITURE ON EACH CONTRACT FOR THE BUDGET YEAR AND THE FOLLOWING TWO YEARS**

Quality Plant Hire	-	R8 450 982.17
Selby Construction	-	R7 312 480.89
African Meter Reading	-	R2 134 706.42
Siphiwe Engineering	-	R0
Motla Engineering	-	R0
Motla Engineering	-	R870 521.33
Green Valley Contractors	-	R3 335 383.50
Thlaola Dynamics	-	R1 192 710.55
Tukisha Trading	-	R2 999 136.33
Nkumisi Trading Enterprise	-	R0
TMT Transport Solutions	-	R0
Cetlelo Supplies	-	R0

**e) ESTIMATE OF THE TOTAL BUDGETARY IMPLICATIONS OF EACH CONTRACT**

Provision has been made on the budget by the department to accommodate the cost i.e. Contracted Services, Repairs & Maintenance, Depreciation, etc., of all contracts.

**19. SUMMARY OF DETAILED CAPITAL BUDGET**

Capital expenditure relates to the investment in major initiatives, the benefit of which is 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 it is 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.

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 are 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.

The details of the capital budget are summarized as follows:

<b>Service</b>	<b>Amount</b>
Rural Projects	R35 000 000
Electricity Projects	<u>R15 000 000</u>
<b>TOTAL</b>	<b><u>R50 000 000</u></b>

## **FINANCIAL IMPLICATIONS OF CAPITAL EXPENDITURE**

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 costs.

The current outstanding external loans of Greater Tzaneen Municipality amounts to R54,2 million. This does not include the loan of R75 million which has not been approved yet.

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 a loan of R40 million for rural projects and to upgrade, inter alia, the electricity distribution system it will have the following financial implication on the operational budget:

LOAN	INTEREST	DEPRECIATION	TOTAL
R40 000 000	R4 800 000	R2 000 000	R6 800 000

These costs are based on a 20 year loan at a interest rate of 12%.

The capital cost, interest and depreciation, for six months have been included in the operational budget.

## 20. **LEGISLATIVE COMPLIANCE STATUS**

Compliance with the MFMA requirements have been substantially adhered to through the following activities:

- Budget and Treasury Office have been established in accordance with the MFMA.
- Budget Steering Committee required by the Budget Regulations has been established.
- The Annual Budget has been prepared in accordance with the requirements prescribed by National Treasury, the MFMA and budget regulations.
- 100% compliance with regard to monthly, quarterly and annual reporting to the Mayor, Executive Committee, Council, Provincial Government and National Treasury.
- The Annual Financial Statements complies with all the statements of GRAP.
- The Annual Report has been prepared in accordance with the MFMA and National Treasury requirements.

## 21. **OTHER SUPPORTING DOCUMENTS**

21.1 Providing clean water and managing waste water.

Attached as Annexure “J” is a certificate of analysis of water samples of Greater Tzaneen Municipality.

## 22. **ANNUAL BUDGET OF MUNICIPAL ENTITIES**

Greater Tzaneen Municipality does not have an Entity.

## 23. **MUNICIPAL MANAGERS QUALITY CERTIFICATION**

The Quality Certificate is attached as Annexure “ N “.

**DEPARTMENTAL COMMENTS**

**COMMENTS FROM CORPORATE SERVICES**

**COMMENTS FROM ENGINEERING SERVICES**

**COMMENTS FROM ELECTRICAL ENGINEERING**

**COMMENTS FROM PLANNING AND ECONOMIC  
DEVELOPMENT**

**COMMENTS FROM COMMUNITY SERVICES**

**COMMENTS FROM THE CFO**

**COMMENTS FROM THE MUNICIPAL MANAGER**

**COMMITTEE OUTCOME OR STUDY GROUP OUTCOMES**

**RESOLVED TO RECOMMEND**

**ATTACHMENT**