

MUNICIPAL BUDGET 2010/11

PRESENTATION TO BUDGET STEERING COMMITTEE
MONDAY 12 APRIL 2010

INTRODUCTION & PURPOSE

- ▶ Administrative arrangements in respect of the budget process are set out in section 15 – 26 of the (MFMA) 56 of 2003
- ▶ National Treasury Circular 51 issued on 19 February 2010 provide guidelines for the compilation of the 2010/2011 budget.
- ▶ Government Gazette No. 32141 (Municipal Budget and Reporting Regulations) provide framework for format and minimum content of Municipal Budgets.

SUMMARY : NATIONAL TREASURY CIRCULAR 51 AND 51A

- ▶ ***Guidelines provided by Treasury :***
 - ***Expected CPI inflation for 2010/2011 - 5.7%***
 - ***Eskom bulk tariffs increased 28.9% (Circular 51A)***
 - ***Cost effective water tariff in place 2014***
 - ***Provision of potable drinking water to all***
 - ***Banning of Mayoral discretionary funds***
 - ***Process of rolling over unspent conditional grants***
 - ***Provision of free basic services***

REVENUE – ELECTRICITY

- ▶ The electricity revenue budget was compiled with the following assumptions:
 - 832 residential consumers (conventional meter)
 - 309 businesses
 - 20 bulk users
 - 13 schools
 - \pm 840 000 units pre paid electricity per month
 - 90% collection rate
 - Provision of 50 units per month to 4,100 indigents households
 - Total electricity revenue R43,075,689
 - 25% increase in tariffs

REVENUE – WATER

- ▶ The water revenue budget was compiled with the following assumptions:
 - 8,645 residential consumers
 - 309 businesses
 - 13 schools
 - Provision 6kl water per month to 4,100 indigents households
 - Collection rate 68%
 - Water department currently operating at loss of \pm R6,368m and therefore tariff needs to be adjusted to be in line with treasury guidelines by 2014
 - Therefore following proposed tariff increases:
 - 0–6 Kl : now only free for Registered Indigent Households, all other users R5,00 per kiloliter:
 - 7 – 10 Kl : 10% increase
 - 11 – 50 Kl : 11% increase
 - 51 – 100 Kl : 15% increase
 - 101 Kl and more : 17% increase
 - Total projected revenue R17,607,350

REVENUE – SANITATION

- ▶ The sanitation revenue budget was compiled with the following assumptions:
 - 8,645 residential consumers
 - 309 businesses
 - 13 schools
 - Provision of free basic sanitation at a cost of R67.92 per consumer per month for 4,100 indigents households
 - Collection rate 67%
 - Proposed tariff increase 7%
 - Total for sanitation revenue R15,600,361

REVENUE – REFUSE

- ▶ The refuse revenue budget was compiled with the following assumptions:
 - 8,645 residential consumers
 - 309 businesses
 - 13 schools
 - Provision of free basic refuse at a cost of R41,40 per consumer per month for 4,100 indigents households
 - Collection rate 68%
 - Proposed tariff increase 7%
 - Total solid waste removal revenue R6,577,964

REVENUE – PROPERTY RATES

- ▶ The property rates revenue budget was compiled with the following assumptions:
 - Implementation of valuation roll from 1 July 2010
 - Proposed property rates
 - Residential R0.01032 cents in the rand
 - Business R0.0172 cents in the rand
 - Agricultural holdings R0.001075 cents in the rand
 - Collection rate 71%
 - Total projected revenue R8,870,004

REVENUE – GRANTS AND SUBSIDIES

▶ OPERATING GRANTS AND SUBSIDIES

- Equitable share R50,646,000
- MSIG R750,000
- FMG R1,250,000
- Library grant R757,000
- DWAF Operating Subsidy R1,163,000

▶ CAPITAL GRANTS AND SUBSIDIES

- MIG R18,072,000
- FBDM R16,000,000
- INEP (ESKOM) R163,000

▶ TOTAL OPERATING REVENUE : R141,521,292

EXAMPLE MUNICIPAL ACCOUNT : Large Consumer

Current Tariff			New Tariff		% Change
Refuse Removal		38.69		41.40	7.00%
Sewerage:	Basic Charge	63.48		67.92	6.99%
Electricity:	Basic Charge	52.65		65.81	25.00%
	Consumption – 1,000Kwh	735.50		919.10	25.00%
Water:	Basic Charge	25.85		28.44	10.02%
	Consumption – 30Kl	182.80		232.60	27.24%
Property Rates	Market Value	238.95		253.70	6.17%
		1,337.72		1,608.97	
	14 % VAT	153.83		189.74	
	Total Account	1,491.55		1,798.71	20.59%

A large consumer will therefore pay ± R300 more per month that is approximately 20% more. The reason for this increase is the following:

25% Increase in Electricity

First 6 Kl of water now only free for registered Indigent Households

EXAMPLE MUNICIPAL ACCOUNT : Average Consumer

Current Tariff			New Tariff		% Change
Refuse Removal		38.69		41.40	7.00%
Sewerage:	Basic Charge	63.48		67.92	6.99%
Electricity:	Basic Charge	52.65		65.81	25.00%
	Consumption – 250Kwh	183.83		229.78	25.00%
Water:	Basic Charge	25.85		28.44	10.02%
	Consumption – 12Kl	43.30		77.80	79.68%
Property Rates	Market Value	48.60		51.60	6.17%
		456.40		562.75	
	14 % VAT	57.09		71.56	
	Total Account	513.49		634.41	23.53%

An average consumer will therefore pay ± R120 more per month that is approximately 23% more. The reason for this increase is the following:

25% Increase in Electricity

First 6 Kl of water now only free for registered Indigent Households

EXPENDITURE – SALARIES AND WAGES

▶ COUNCILLORS

- Councillors Grade 3 in terms of Government Gazette 32833 – Total Budget R5,273,143

▶ EMPLOYEE REMUNERATION

- Employees increase of 8.48% in terms of SALGBC collective agreement
- Total budget : R39,429,365

EXPENDITURE – OTHER EXPENSES

▶ BAD DEBT

- Provision off R13,910,150

▶ DEPRECIATION

- Provision in terms of GRAP to the amount off R6,119,258

▶ REPAIRS AND MAINTANENCE

- Provision for R4,740,495 (37.5% increase from 2009/2010 to address backlogs in maintenance specifically buildings, landfill sites and the water network

▶ BULK PURCHASES

- Electricity R27,050,000
- Water R7,000,000

EXPENDITURE CONTINUED

▶ GENERAL EXPENSES

- Indigent subsidies
 - Water R1,505,520
 - Electricity R2,260,986
 - Refuse R2,036,880
 - Sanitation R3,700,282

▶ CONTRACTED SERVICES

- Agency Fees : R5,810,240
- Legal Fees : R713,500
- Security Costs : R550,000

EXPENSES CONTINUED

- ▶ OPERATING GRANT EXPENDITURE
 - FMG R1,250,000
 - MSIG R750,000
 - Library Grant R757,000
 - DWAF Operating Subsidy R1,163,000
- ▶ TOTAL OPERATING EXP R141,521,292

CAPITAL EXPENDITURE

Project	Amount	Funding Source
Sakhile Bulk Sewer Line	8,000,000	MIG
Pampierstad Roads and Storm water	5,000,000	MIG
Ganspan Pressure Investigation	600,000	MIG
Ganspan Dry Sanitation	2,000,000	MIG
Thagadiepelajang Taxi Route	1,000,000	MIG
Bonita Park Sewer	800,000	MIG
Vaalspan Community Hall	672,000	MIG
Sakhile Bulk Water Line	4,000,000	FBDM
Jan Kempdorp Waste Water Treatment Plant	5,000,000	FBDM
Masakeng 840 Sanitation	5,000,000	FBDM
Magogong Water Reticulation	2,000,000	FBDM
Ganspan Electrification	163,000	INEP

MIG – Municipal Infrastructure Grant
FBDM – Francis Baard District Municipality
INEP – Integrated National Electrification Programme Grant