

PUBLICATION OF THE 2012/13 ANNUAL BUDGET

The background

The initial budget has been submitted for council consideration and prepared on the basis of an increase of 5 to 6 percent of the tariffs. This was in line with the MFMA Circular 58 that suggested the balance between the poor and the financial sustainability of the municipality. The financial plan to the Integrated Development Plan was also prepared using the same principle. It was however indicated in the Steering Committee presentation that the financial plan was a preliminary work as more work was still continuing of ensuring that the tariffs are more cost reflective.

The attached budget now suggests that work has been completed and motivations can be made of the suggested tariff increases.

REVISED ANNUAL BUDGET FOR 2012/13 AND THE TWO OUTER YEARS

Budgeted Financial Performance (revenue and expenditure)

Description	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure		
	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand							
Revenue By Source							
Property rates	32 105	–	–	32 105	44 764	47 450	50 297
Service charges - electricity revenue	186 504	–	–	186 504	214 613	227 490	241 140
Service charges - water revenue	54 197	–	–	54 197	70 505	74 735	79 220
Service charges - sanitation revenue	16 053	–	–	16 053	20 366	21 588	22 883
Service charges - refuse revenue	9 813	–	–	9 813	12 211	12 944	13 720
Rental of facilities and equipment	4 022	–	–	4 022	4 235	4 460	4 683
Interest earned - external investments	100	–	–	100	105	111	116
Interest earned - outstanding debtors	5 000	–	–	5 000	5 265	5 544	5 821
Dividends received	50	–	–	50	53	55	58
Fines	947	–	–	947	997	1 049	1 102
Transfers recognised - operational	147 421	–	–	147 421	165 544	177 585	192 091
Other revenue	11 125	–	–	11 125	11 715	12 336	12 953
Total Revenue (excluding capital transfers and	467 337	–	–	467 337	550 374	585 347	624 084
Expenditure By Type							
Employee related costs	161 949	–	–	161 949	170 532	179 571	188 549
Remuneration of councillors	13 544	–	–	13 544	14 262	15 018	15 768
Debt impairment	–	–	–	–	10 309	14 123	–
Depreciation & asset impairment	43 000	–	–	43 000	40 000	40 000	42 000
Finance charges	5 000	–	–	5 000	5 265	5 544	5 821
Bulk purchases	135 058	–	–	135 058	168 619	186 299	197 330
Contracted services	7 461	–	–	7 461	7 856	8 273	8 686
Other expenditure	78 451	–	–	78 451	82 609	86 987	91 336
Total Expenditure	444 463	–	–	444 463	499 452	535 815	549 490
Surplus/(Deficit)	22 874	–	–	22 874	50 922	49 533	74 594

Notes:

Property rates revenue

- Property rates revenue is expected to increase to R44.7m (2011/12: R32.1m). This is due to an increase in the valuation roll from R8 billion to R10.2 billion. There has been discounts factored into the valuation factor to ensure affordability by consumers (refer to property rates tariff schedule – annexure “J” page 1)

Water services revenue

- The recommended increase to water tariffs is 26% and is expected to generate revenue of R70.5m (2011/12 : R54.2m). The chemical prices have increased, maintenance and operating are also increasing as influenced by the labour rates. The municipality also needs to invest back into the infrastructure to accommodate developments and to comply with the minimum norms and standards in terms of maintenance. The 26% increase is intended to cover these costs (refer to page 2 to 3 – annexure “J”)

Sanitation revenue (Sewerage services revenue)

- The suggested increase to sewerage tariffs is 31% to cover the cost of providing this service. The expected revenue is at R20.4m (2011/12: R16.1m).

Refuse removal

- The expected revenue for the refuse removal is at R12.2m. This is due to suggested average tariff increase of 18%. The tariffs are expected to cover the operating loss that this trading service is operating at.

Electricity revenue

- The electricity tariffs is suggested to increase by 11.03% as per the guideline issued by NERSA on 09 March 2012. The 11.03% increase is based on the assumption that bulk purchases have increased by 13.5%, a consumer price index of 5.4%, salary and wage increase of 5%, repairs and maintenance and capital charges and other increasing by the CPI. The expected revenue for electricity is at R214m (2011/12: R186.5m)

OPERATING COSTS

Employee related costs

- The municipality currently employs a total of 825 employees. The projected percentage of salaries and wages on total operating expenses is 34%. This translates into a monthly the projected monthly wage bill of R14.2m. Taking the bulk purchases increase into account and the revenue collected, this wage bill seems to be too high and needs to be adjusted downwards. Council needs to be careful of the financial implications of the proposed organisational structure as the wage bill is likely to double.

Depreciation expenditure

- The current revaluation of the infrastructure assets and other immovable assets suggests a total value of R4.4 billion. This translates into a higher depreciation and repairs and maintenance expenditure.

Surplus

- The accrual surplus expected to be achieved is R50.9m. This is not equivalent to cash.

Budgeted Cash Flows

Description	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand							
CASH FLOW FROM OPERATING ACTIVITIES							
Receipts							
Ratepayers and other	302 794			302 794	308 091	314 611	330 342
Government - operating	147 421			147 421	165 544	177 585	192 091
Government - capital	41 833			41 833	46 897	49 471	52 331
Interest	4 000			4 000	2 500	2 000	1 500
Dividends	50			50	6	7	7
Payments							
Suppliers and employees	(426 684)			(426 684)	(438 672)	(451 269)	(478 345)
Finance charges	(1 500)			(1 500)	(5 265)	(5 544)	(5 821)
Transfers and Grants							
NET CASH FROM/(USED) OPERATING ACTIVITIES	67 914	-	-	67 914	79 101	86 861	92 105
CASH FLOWS FROM INVESTING ACTIVITIES							
Receipts							
Proceeds on disposal of PPE					-	-	-
Decrease (increase) in non-current debtors					-	-	-
Decrease (increase) other non-current receivables					-	-	-
Decrease (increase) in non-current investments					-	-	-
Payments							
Capital assets	(64 707)			(64 707)	(69 915)	(73 411)	(77 081)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(64 707)	-	-	(64 707)	(69 915)	(73 411)	(77 081)
CASH FLOWS FROM FINANCING ACTIVITIES							
Receipts							
Short term loans							
Borrowing long term/refinancing							
Increase (decrease) in consumer deposits	1 512			1 512	1 562	1 656	1 772
Payments							
Repayment of borrowing	(2 500)			(2 500)	(10 000)	(11 500)	(12 500)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(988)	-	-	(988)	(8 438)	(9 844)	(10 728)
NET INCREASE/(DECREASE) IN CASH HELD	2 219	-	-	2 219	748	3 606	4 296
Cash/cash equivalents at the year begin:				-	2 219	2 967	6 573
Cash/cash equivalents at the year end:	2 219	-	-	2 219	2 967	6 573	10 869

Comments

The operating cash flow is expected to improve. The closing cash balances will be positive for all represented years and this will improve the municipality's credit rating.

Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand							
Capital expenditure - Vote							
Multi-year expenditure to be appropriated							
Vote1 - 1100/00 SUMMARY COUNCILLORS	-	-	-	-	-	-	-
Vote2 - 1200/00 SUMMARY MUNICIPAL MANAGER	-	-	-	-	-	-	-
Vote3 - 1300/00 SUMMARY CORPORATE SERVICES	2 000	-	-	1 000	-	-	-
Vote4 - 1400/00 SUMMARY FINANCE SERVICES	300	-	-	300	-	-	-
Vote5 - 1500/00 SUMMARY TECHNICAL SERVICES	101 707	-	-	55 444	57 007	-	-
Vote6 - 1600/00 SUMMARY COMMUNITY SERVICES	6 000	-	-	6 000	-	-	-
Vote7 - Example 7	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	110 007	-	-	62 744	57 007	-	-
Single-year expenditure to be appropriated							
Vote1 - 1100/00 SUMMARY COUNCILLORS	-	-	-	-	-	-	-
Vote2 - 1200/00 SUMMARY MUNICIPAL MANAGER	-	-	-	-	-	-	-
Vote3 - 1300/00 SUMMARY CORPORATE SERVICES	-	-	-	-	-	-	-
Vote4 - 1400/00 SUMMARY FINANCE SERVICES	-	-	-	-	-	-	-
Vote5 - 1500/00 SUMMARY TECHNICAL SERVICES	-	-	-	-	-	-	-
Vote6 - 1600/00 SUMMARY COMMUNITY SERVICES	-	-	-	-	-	-	-
Capital single-year expenditure sub-total	-	-	-	-	-	-	-
Total Capital Expenditure - Vote	110 007	-	-	62 744	57 007	-	-
Capital Expenditure - Standard							
Governance and administration	2 300	-	-	2 300	-	-	-
Executive and council							
Budget and treasury office	300			300	-		
Corporate services	2 000			2 000	-		
Community and public safety	6 000	-	-	6 000	-	-	-
Community and social services	4 000			4 000			
Sport and recreation	1 000			1 000			
Public safety	1 000			1 000			
Housing							
Health							
Economic and environmental services	81 707	-	-	39 444	57 007	-	-
Planning and development	21 707			21 707			
Road transport	60 000			17 737	57 007		
Environmental protection							
Trading services	20 000	-	-	15 000	-	-	-
Electricity	10 000			5 000			
Water	5 000			5 000			
Waste water management	2 500			2 500			
Waste management	2 500			2 500			
Other							
Total Capital Expenditure - Standard	110 007	-	-	62 744	57 007	-	-
Funded by:							
National Government	87 133				57 007		
Provincial Government							
District Municipality							
Other transfers and grants							
Transfers recognised - capital	87 133	-	-	-	57 007	-	-
Public contributions & donations							
Borrowing							
Internally generated funds	22 874				52 754		
Total Capital Funding	110 007	-	-	-	109 761	-	-

Comments

The total capital budget is expected to be R109.8m broken down as follows:

Municipal Infrastructure Grant	R47m
Department of Water Affairs	R8m
Department of Energy	R2m
Own funding	R52.8m** (this is dependent on the actual revenue collected)

IDP Objectives and Budget (MIG Projects) for 2012/13

R thousand	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Moqhaka: The Upgrading of Demane Street in Constantia	2 736		
Moqhaka: Marabastad - Upgrading of 11th Avennnue Road	2 508		
Moqhaka: Rehabilitation of Several Main Collector Sewers	95		
Moqhaka: Marabastad - Upgrading of Internal Gravel roads and provision of proper stormwater system	420		
Moqhaka: Matlwangtlwang - Construction of internal roads 288 to 1289 and storm water drainage	13 520		
Moqhaka: Northleigh - Ablution Block and Internal Road for Cemetery	8 604		
Moqhaka: Installation of High Mast Lights in Moqhaka	3 198		
Moqhaka: Construction of Vehiclar Crossings in Maokeng	489		
Moqhaka: Demane Street - The Provision of Proper Storm Water Drainage System	2 065		
Moqhaka: Khalane Street - The Provision of Proper Storm Water	121		
Moqhaka: Khalane Street - Upgrading of internal Street in Constantia	115		
Moqhaka: Hleli Street - Upgrading of gravel road and provision of proper stormwater system in Constantia	2 582		
Moqhaka: Matlwangtlwang: Upgrading of Internal raod and providing of stromwate system	2 736		
Moqhaka: Marabastad - Upgrading of bus route and access road and providing of proper stormwater drainage	420		
Moqhaka: Rehabilitation and Upgrading of Water Purification Plants in Kroonstad, Viljoenskroon & Steynsrus	5 997		
	45 607	-	-

Transfers and grant receipts

Description R thousand	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		84 210	107 835	141 739	195 868	-	-	168 803	179 585	196 091
Local Government Equitable Share		82 921	105 820	135 789	145 180			163 244	175 215	189 641
Municipal Systems Improvement		735	735	750	790			800	870	950
Finance Management Integrated National Electrification Programme		554	1 280	1 200	1 450			1 500	1 500	1 500
EPWP, Human Settlement Grant, Water Affairs Grant				4 000	6 696			2 000	2 000	4 000
					41 752			1 259		
Provincial Government:		-	15 564	-	-	-	-	-	-	-
EPWP, Human Settlement Grant, Water Affairs Grant			15 564							
District Municipality:		-	12 003	-	-	-	-	-	-	-
[insert description]			12 003							
Other grant providers:		-	-	-	-	-	-	-	-	-
LG SETA										
Total Operating Transfers and Grants		84 210	135 402	141 739	195 868	-	-	168 803	179 585	196 091
Capital Transfers and Grants										
National Government:		20 615	-	32 144	38 661	-	-	46 897	49 471	52 331
Municipal Infrastructure Grant (MIG)		20 615		32 144	38 661			46 897	49 471	52 331
Provincial Government:		1 992	-	-	-	-	-	-	-	-
Housing Development		1 992								
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
Website Development										
Total Capital Transfers and Grants		22 607	-	32 144	38 661	-	-	46 897	49 471	52 331
TOTAL RECEIPTS OF TRANSFERS & GRANTS		106 817	135 402	173 883	234 529	-	-	215 700	229 056	248 422

