

OFFICE OF THE EXECUTIVE MAYOR

28 June 2010

For submission to Council

BUDGET PRESENTATION FOR THE 2010/2011 FINANCIAL YEAR

Purpose

Purpose of this submission is to present to Council, Xhariep District Municipality's annual budget for the 2010/2011 financial year.

Background

1) The Municipal Finance Management Act (MFMA) Section 24, stipulates that:

Approval of annual budgets

24. (2) An annual budget—
- (a) must be approved before the start of the budget year;
 - (b) is approved by the adoption by the council of a resolution referred to in Section 17(3)(a)(i);
and
 - (c) must be approved together with the adoption of resolutions as may be necessary—
 - (i) imposing any municipal tax for the budget year;
 - (ii) setting any municipal tariffs for the budget year;
 - (iii) approving measurable performance objectives for revenue from each source and for each vote in the budget;
 - (iv) approving any changes to the municipality's integrated development plan; and
 - (v) approving any changes to the municipality's budget-related policies.
- (3) The accounting officer of a municipality must submit the approved annual budget to the National Treasury and the relevant provincial treasury.

2) Section 25(3) of the Municipal Finance Management Act further stipulates that:

Failure to approve budget before start of budget year

25. (3) If a municipality has not approved an annual budget, including revenue-raising measures necessary to give effect to the budget, by the first day of the budget year, the mayor must immediately comply with section 55.

Discussions

In compliance with Section 24 of the MFMA, the Executive Mayor hereby present to council, Xhariep District Municipality's 2010/11 financial year budget for approval.

It must also be noted that on the latter presentation of the said budget on 31 May 2010, council recommended that the Executive Mayor together with the Accounting Officer, request additional funding from other spheres of Government to address a recorded budget deficit of R 19 513 169 after taking into consideration the Financial Assistance Grant of R10 Million as gazetted provincially.

The Executive Mayor together with the Accounting Officer engaged with the Provincial Treasury, the Provincial Department of Cooperative Governance and Traditional Affairs as well as the Office of the Premier to source additional funding to address the said budget deficit. Meetings were held and presentations were made by the Executive Mayor together with the Accounting Officer to the said Departments.

As at the date of this presentation, the Provincial Executive Committee would still hold a meeting to consider the municipality's request for additional funding to the tune of R 19.5 Million. The presentation is thus submitted for council to approve, subject to, and pending the Provincial Executive Committee's resolution.

Financial Implications

None.

Legal Implications

1. Compliance to Section 24 of the Municipal Finance Management Act – Approval of Annual Budgets.
2. Compliance to Section 25 of the Municipal Finance Management Act – Failure to approve budget before start of budget year.
3. Compliance to Section 26 of the Municipal Finance Management Act – Consequences of failure to approve budget before start of budget year.

Other Parties Consulted

The Provincial MEC for Treasury
The Provincial MEC for COGTA
The Provincial Director General
The Provincial CEO for Treasury
The Provincial HOD for COGTA
The Accounting Officer
All Directors
All Managers

Recommendations:

- 1) It is recommended that the council adopt the 2010/11 financial year budget, indicative for the two projected outer years, 2011/12 and 2012/13, as set out in the following schedules, and subject to and pending the Provincial Executive Committee's resolution.
 - a. Operating Revenue by source reflected in schedule 1 and 2;
 - b. Operating expenditure by vote reflected in schedule 1 and 2;
 - c. The multi-year capital appropriations by vote and associated funding reflected in schedule 3 of the 2010/11 MTREF.

- 2) Council adopt the rental rates contained in the tariff policy to be imposed for the budget year 2010/11.
- 3) Council note that the SDBIP submission and approval will be dealt with in accordance with sections 69(3)(a) and 53(1)(c)(ii) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

Cllr. M.G. Ntwanambi

Executive Mayor

XHARIEP DISTRICT MUNICIPALITY
BUDGET 2010/2011 FINANCIAL YEAR

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OFFICE OF THE EXECUTIVE MAYOR

INTRODUCTION – 2010/11 BUDGET

Vision of the Municipality

Be a community oriented municipality characterised by a sound political and administrative capacity with sustainable and enabling business environment.

Mission of the Municipality

To facilitate and support local municipalities in rendering effective services to communities

To create value and make a difference, everywhere we engage

To better the lives of the Xhariep District community

Promote Public Private Partnership

Create a safe health environment, pro-active risk disaster management

Values of the Municipality

Our values serve as a compass for our actions and describe how we behave in the world.

Leadership
Mutual Trust
Confidentiality
Integrity
Anti fraud and corruption
Innovation and continuous learning
Honesty
Inclusiveness
Responsiveness
Passion
Respect
Transparency
Accountability

The Honorable Speaker Cllr Mokgoro Shasha
Members of the Mayoral Committee
Fellow Councillors
The Municipal Manager
Directors and Designated Officials
Leaders from different political parties
Representatives from Provincial Departments (Provincial Treasury and COGTA)
KPMG and Office of the General Auditor
Distinguished members of the Community
Ladies and gentlemen

All Protocol Observed!

Madam Speaker, it is a great privilege and an honour to address this sitting of Council on this important occasion - the presentation of the 2010/11 Budget and Integrated Development Plan (IDP). In the Xhariep District Municipality, we see the budget as an instrument through which we manage public funds in a way that ensures that we improve the quality of life of our people.

We see the budget as an instrument of development and we do this through planning, allocation, control and proper accounting for every cent entrusted to this local government.

It should be noted that in last two financial years, 2008/2009 and 2009/2010 the Provincial Departments of COGTA and Treasury provided the District with financial assistance amounting to 5 million and 9, 2 million, respectively.

It is important to mention that it was a daunting task for the District to approve its budget for 2010/2011 financial year in time as Council mandated the Executive Mayor and the Municipal Manager to request additional funding from the Provincial Departments of Co-operative Governance and Traditional Affairs (COGTA) and Treasury to address the deficit.

The main reason for the record increase of the budget is the commitment by the Municipality to fulfill its Constitutional obligations and; powers and functions as outlined in Section 84 of the Local Government: Municipal Structures Act. As a result a provision has been made for Environmental Health and Disaster Management in the 2010/2011 financial year and other projects that will make a significant impact on service delivery.

We still have those who live in abject poverty, those who live in the misery of the earth as well as those who live in luxury. The ANC that also happens to be the ruling party went out to the people and asked them to list five things which they considered as priorities that needed immediate government attention and they listed the following:

Education

For the past financial year, our District prioritized education to such an extent it provided the following:

- Financial assistance to 3 Learners to study in tertiary level at the University of the Free State and Central University of Technology respectively.
- Provided shoes to 500 poor children in Jagersfontein, Trompsburg, Oppermansgronde, Gariep Dam, Edenburg and Bethulie.
- Provision of bicycles to children from remote areas in Rouxville, Gariep Dam, Jagersfontein, Jacobsdal, Faurismith and Oppermansgronde.
- Provision of school uniform to poor Children in Jagersfontein

Health

During the Nelson Mandela Day our District donated hospital equipments in Jagersfontein Diamandthoogte Hospital. We saw recruitment of 100 district employees offering their voluntary service to clean the hospital and clinic at Itumeleng Location in Jagersfontein.

In partnership with Department of Health, we played important part in the provincial government HIV/AIDS programmes. Our District Aids Council has participated in progressive programme for HIV Counseling and Testing.

Rural Development

- Our district screening committee comprised of the Executive Mayor, Department of Rural Development, Land Reform and one (1) Councillor representative from each Local Municipality have managed to advise the department in providing farms to the ordinary citizens in our communities.
- Our municipal IDPs have made specific reference to the development of the Commonage Policy and Management with the intention to convert communal farmers to commercial farmers.

Creation of Decent Jobs and sustainable livelihoods

- As a district we strived to create conducive environment for workers and created more job opportunities as we have already filled 90% of the vacancies in the organogram of our staff establishment.
- For 2009/2010 the Executive Mayor facilitated the appointment of fifty (50) contractors on behalf of the Department of Police, Roads and Transport. This road maintenance project created employment for about 2 000 workers within the District.

Crime

- We must ensure that we encourage our people to join and work hand in hand with our community policing forums and South African Police Services. It is also important to commend the good behavior of our communities during the World Cup as our district organized mobile big screens to bring World Cup closer to our people and those who cannot afford to buy tickets.

Operation Hlasela

The Premier of the Free State Provincial Government initiated this project with the intention to address the above-mentioned government five key priorities. The Provincial Government in collaboration with the District made interventions in Jagersfontein by constructing an access road, building RDP houses and refurbishing the stadium.

2010 FIFA World Cup

It is imperative to take this opportunity to commend our government and FIFA Local Organizing Committee for hosting a successful 2010 World Cup even though our national team, Bafana Bafana has been knocked out of the competition. I therefore urge the community of the District to support Ghana as it is the only African team that has proceeded to the knock-out stages of the competition. If it happens that Ghana is also knocked out of the competition we should be behind one of the South American teams as to ensure that the cup remains in the southern hemisphere.

Honorable Speaker

A special word of gratitude goes to the Premier and his Executive Council, the MEC for COGTA in particular for enabling us to pass a balanced budget.

I present this budget during the historic month in the history of our country and our continent Africa, whereby we host the most prestigious event, the World Cup and during the Youth Month, it is also important to highlight the fact that as a district we were unable to approve the budget as planned because of deficit.

Thanks to the Premier of the Free State Honourable Ntate Magashule and the MEC for Corporative Governance and Traditional Affairs Honourable MEC Zwane for showing support and trust in the leadership of our Municipality by financially assisting us to can be able to pass a balanced budget for 2010/2011. Everyone will witness that the Provincial Government under the Leadership of Premier Magashule has always shown such assistance to our municipality hopefully there is still more to come.

This demonstrates that **“Working Together We Can Do More”**

Honorable Speaker, fellow Councillors.

During the Public Participation processes of IDP and budget, communities have commended our Budget and IDP. I don't have any doubt that our Budget and IDP are community based because communities were granted with an opportunity to have inputs.

Honorable Speaker

The budget I stand to present today complies with the provision of Municipal Finance Management Act as required.

Our total budgeted expenditure is estimated at R 37, 060 117.00 Million

The following projects are included in the total estimated expenditure of the Municipality:

District Aids Council	R 110 000.00
Public Participation	R 170 000.00
Youth development Programmes	R 90 000.00
Special Programmes	R 80 000.00
Intergovernmental Relations	R 80 000.00
Social Responsibility	R 361 000.00
Mandela Day	R 30 000.00
Bicycles	R 40 000.00
Security Services	R1, 343 709.00

It was our ardent intention to make provision for more projects in the budget but due to financial constraints we could only budget for the above-mentioned projects. However, the Department Of COGTA and other Provincial Department will sponsor other developmental projects in the District.

This Budget focuses on the key priority areas agreed upon by the community and council, and it recognizes the role our council plays in achieving a better life for our residents and stakeholders.

Madam Speaker in my conclusion

African Americans and African South Africans are free but not equal, in jail they are the first to be in numbers, they have the shortest life span than any other race worldwide and they still are the servant in every economy worldwide.

For those who believe that South Africa has the best constitution and therefore a rainbow nation the question is if it is best, Best for whom? If we have this rainbow nation, where is the African color in the economy?

Ladies and Gentlemen what this message says is that there is still to be done by all of us. Once more, I repeat, as I move this budget for approval: **“Working Together We Can do More To Speed Up Service Delivery”**

Honorable Speaker

Let me extend the word of thanks to all Councillors, Municipal Manager and his Management team, staff in general in making efforts to ensure that this Council succeeds in its endeavors.

I therefore submit the balanced budget of 37, 060 117.00 and IDP for 2010/2011 for your approval.

I thank You!!

XHARIEP DISTRICT MUNICIPALITY

1.3 EXECUTIVE SUMMARY BUDGET : 2010/2011 FINANCIAL YEAR.

1.3.1. Introduction.

Xhariep District Municipality (XDM) was formally established on 06 December 2001 as a result of Section 21 of the Local Government Municipal Demarcation Act of 1998 whereby all areas of the former LG bodies were re-demarcated and new municipal entities established. The District is made up of three Local Municipalities, namely, Kopanong, Mohokare and Letsemeng.

The District constitutes the southern part of the Free State Province and covers an area of approximately 34, 131 km². There are 17 towns in this district, which boasts abundant natural resources such as water and agricultural land. As a matter of fact, the largest Dam in South Africa is situated at the southern tip of the District. Moreover, 3 National Roads (N1 – Gauteng to Cape Town, N6 – Eastern Cape to Bloemfontein and N8 – Bloemfontein to Kimberley) pass through the district. The area is also relatively crime free.

1.3.2. Personnel.

For the original 2009/2010 approved budget, total personnel costs constituted 57% of the total operating budget. The percentage for the final revised budget was 45% while the percentage for the 2010/2011 budget amounts constitutes 53% of the budget. Provision are made for a number of currently vacant, as well as new positions in the 2010/2011 budget.

In December 2009 a Gazette was distributed indicating increases in Council allowances (Gazette 32833, dated 21 Dec 2009) This had a major impact on the salary costs of Municipalities and Xhariep was no exception.

In the salary budget provision is made for the new wage curves as per SALGBC : Salary and Wage Collective Agreement signed on 21 April 2010. As in previous years, provision are made for pension fund contributions for all employees who are members of an accredited Pension Fund, as well as contributions for employees who are members of a Medical Aid. Provision are also made for contributions towards a Councilor Pension Fund.

1.3.3. Operational Budget 2010/2011 Financial Year.

1.3.3.1 Community Consultative Meetings

A series of community participation meetings were convened during April and May 2010 where the community and other stake-holders was briefed on the content of the current draft budget and IDP as well as other projects. Communities were provided the opportunity to make inputs, recommendations and concerns. Where possible, issues raised by the communities were included into the final budget considered by Council for approval on 31 May 2010. Where issues could not be accommodated within the 2010/2011 budget, provision were made in the 2011/2012 or 2012/2013 budgets.

The draft budget for 2010/11 financial year could not be approved by council on 31 May 2010 as it had an unfunded deficit. Council resolved that the Executive Mayor and the Municipal Manager source additional funding from other spheres of Government.

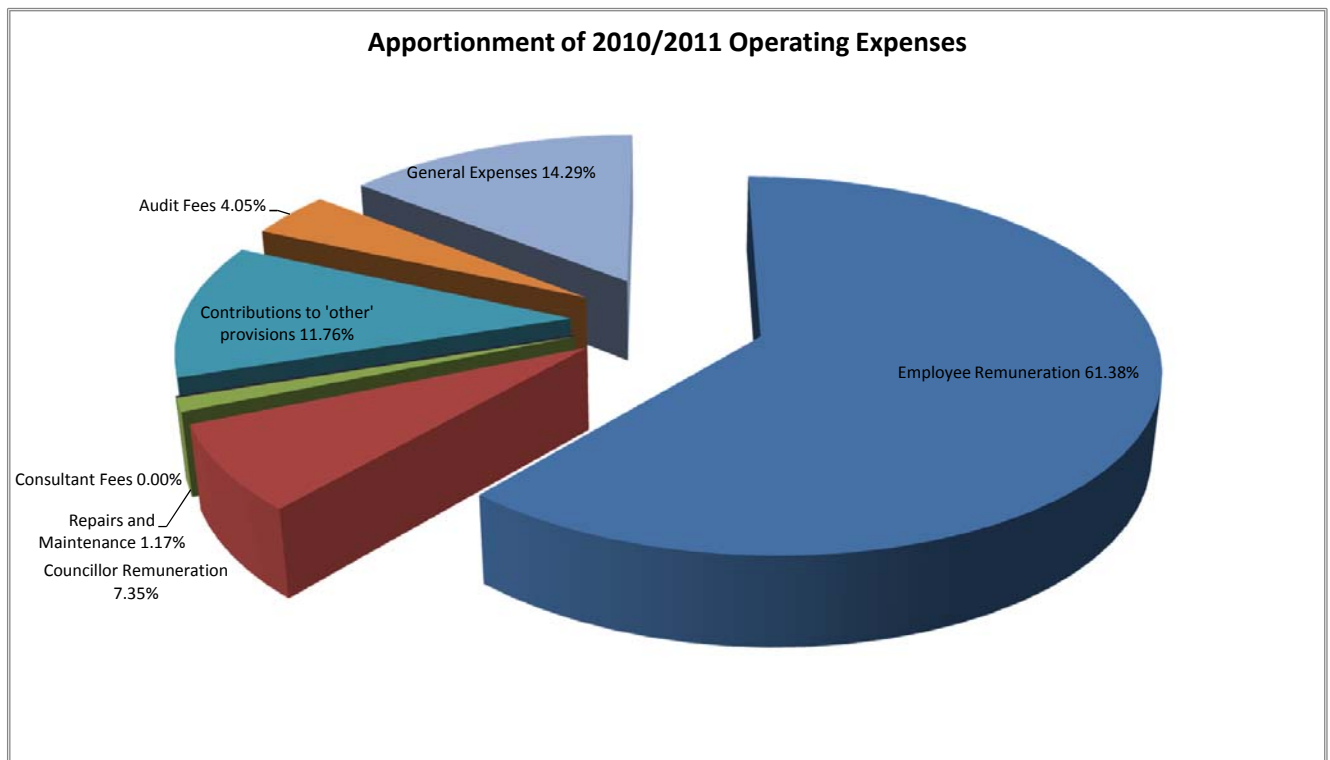
1.3.3.2 Summary of 2010/2011 Operating Expenditure

The approved original operational budget for 2009/2010 amounted to R 37.1 Million. This represents an increase of 72%. The main reasons for this increase is the commitment by the municipality to ensure compliance with Section 84 of the Municipal Structures Act, Functions and Powers of the District Municipalities.

Below is a summary of the Municipal Budget per vote and function:

ITEMS OF EXPENDITURE	COUNCIL	MM	CORP	P&D	BTO	TOTALS'
Repairs and maintenance (to be deleted)	110 978	27 800	230 000	38 044	27 800	434 622
Collection costs	-	-	-	-	-	-
Contributions to 'other' provisions	1 146 000	58 000	2 536 209	452 444	166 600	4 359 253
Consultant fees	-	-	-	-	-	-
Audit fees	-	1 500 000	-	-	-	1 500 000
General expenses	1 022 700	1 116 224	1 825 050	646 389	684 300	5 294 663
SALARIES	-	3 013 172	9 293 923	5 708 105	4 733 705	22 748 905
Councillor Remuneration	2 722 674	-	-	-	-	2 722 674
TOTAL	5 002 352	5 715 196	13 885 182	6 844 982	5 612 405	37 060 118

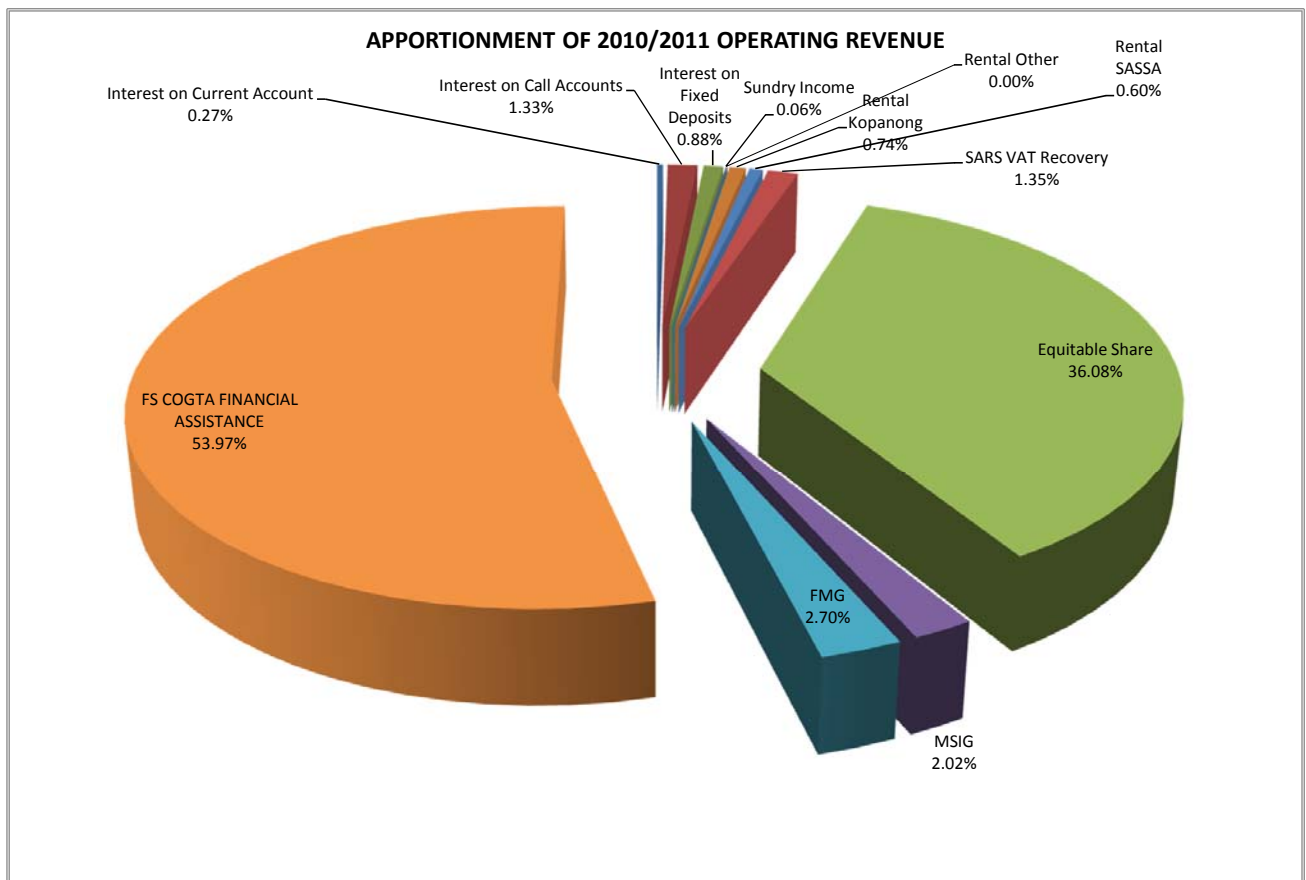
CHART: PERCENTAGE APPORTIONMENT OF 2010/2011 OPERATING EXPENSES



1.3.3.3 Summary of 2010/2011 Operating Revenue

The operational revenue budget for 2010/2011 amounts to R 48 073 288 and was compiled with the following inputs

REVENUE ALLOCATIONS	Council	Municipal Manager	Corporate Services	Planning & Development	Budget & Treasury	TOTALS
Interest on Current Account	12 988	9 277	41 748	17 627	18 555	100 196
Interest on Call Accounts	64 115	45 796	206 083	87 013	91 593	494 600
Interest on Fixed Deposits	42 247	30 176	135 794	57 335	60 353	325 906
Sundry Income	2 696	1 926	8 667	3 659	3 852	20 800
Rental Other	71	51	229	97	102	550
Rental Kopanong	35 527	25 376	114 194	48 215	50 753	274 065
Rental SASSA	28 778	20 556	92 500	39 056	41 111	222 000
SARS VAT Recovery	64 815	46 296	208 333	87 963	92 593	500 000
Equitable Share	1 733 407	1 238 148	5 571 667	2 352 481	2 476 296	13 372 000
MSIG	90 000	350 000	100 000	210 000	-	750 000
SUB TOTAL	2 074 645	1 767 603	6 479 215	2 903 447	2 835 207	16 060 117
FMG	-	-	-	-	1 000 000	1 000 000
FS COGTA FINANCIAL ASSISTANCE	2 927 708	3 947 591	7 405 967	3 941 537	1 777 198	20 000 001
TOTAL	5 002 353	5 715 194	13 885 182	6 844 984	5 612 405	37 060 118



1.3.4. IDP

The Local Government Municipal Systems Act, No 32 of 2000 requires that each municipality adopt a single, inclusive strategic plan for the development of the municipal area, which:

- Ø Link, integrate and co-ordinate plans and take into account proposals for the development of the municipal area;
- Ø Aligns the resources and capacity of the municipality with the implementation of the plan;
- Ø Forms the policy framework and general basis on which annual budgets must be based;
- Ø Complies with the provisions of Chapter 5 of the said Act; and
- Ø Is compatible with National and Provincial development plans and planning requirements binding on the municipality in terms of legislation.

The IDP (Integrated Development Plan) is the single and inclusive planning document for the municipal area. It therefore does not only inform the municipal management, but it is also supposed to guide the activities of any agency from the other spheres of government, corporate services providers, NGO's and the private sector within the municipal area.

Xhariep District Municipality started with the IDP review process during August 2009. A number of processes were followed in completing the document as summarized below:

1. Compilation of draft IDP by Steering Committee, co-ordinated by IDP Manager and tabled to council for consideration before inviting public comment;
2. Advertising of draft IDP for public comment;
3. Alignment of IDP with Local Council, National and Provincial policies and Plans;
4. Community participation from November 2009 in all wards;
5. Draft IDP tabled before Council on 31 March 2009 and submitted to MEC: Local and Housing.

DC16 Xhariep - Supporting Table SA37 Projects delayed from previous financial year/s

Municipal Vote/Capital project	Project name	Project number	Asset Class 3.	Asset Sub-Class 3.	Previous target year to complete	Current Year 2009/10		2010/11 Medium Term Revenue & Expenditure Framework		
						Original Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
R thousand										
Parent municipality: <i>List all capital projects grouped by Municipal Vote</i>										
			<i>Examples</i>		<i>Examples</i>					
Entities: <i>List all capital projects grouped by Municipal Entity</i>										

References

1. List all projects with planned completion dates in current year that have been re-budgeted in the MTREF
2. Refer MFMA s30
3. Asset category and sub-category must be selected from Table A34

XHARIEP DISTRICT MUNICIPALITY

2.5 ALIGNMENT OF BUDGET WITH INTEGRATED DEVELOPMENT PLAN

2.5.1 Introduction

Integrated development planning in the South African context is amongst others an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

The IDP is the result of a number of planning processes and comprises of a five year period which correlates to the term of the political incumbents.

2.5.2 Summary of Key Priorities For 2010/2011

Based on the analysis the following key priorities were identified for attention during 2009 IDP engagements. These are also given according to clusters which are adopted from the FS Provincial Growth and Development Strategy and modified to suite municipal reporting and implementation arrangements.

1. Water, Sanitation and Infrastructure.
2. Economic Development and SMME support.
3. Employment creation.
4. Tourism opportunities along NI and Gariep Dam.
5. Emerging farmer strategy and housing backlogs.
6. Financial viability, revenue strategies and organizational capacity of XDM.
7. Education, skills transfer and capacity building.
8. Special programmes: Youth, Women and people with disabilities.
9. Crime prevention.
10. Youth development.

2.5.3 Political Priorities and linkages to the IDP

The IDP is an all-encompassing plan which provides the framework for development within a municipality. It aims to co-ordinate the work of local and other spheres of government in coherent plans to improve the quality of life for all the people living in the Xhariep District Municipality district area.

All operating and capital programs in the 2010/2011 medium-term budget have been evaluated and prioritized to ensure that there is alignment to the development strategy of the municipality. The IDP formed the basis of the priorities identified in the strategic plan and all resources are focused on the achievement of the priorities.

2.5.4 IDP overview and key amendments

To encourage better planning, government has legislated that municipalities must produce Integrated Development Plans (IDP's). The IDP is a five year plan whose principle purpose is to ensure the development of the community in an integrated manner which involves strategic business units within the municipality, relevant strategic stakeholders and the community.

2.5.5 IDP review process and stakeholder participation

The current generation of Xhariep's Integrated Development Plan (IDP) is now undergoing its final review and is focusing on translating the Municipality's vision into tangible action. The public was invited to participate in process. The IDP is reviewed on an annual basis in order to inculcate a democratic approach to local governance by ensuring all stakeholders get an opportunity to voice their opinions in influencing the shape, form, direction and pace of development in their localities. The municipality is committed to address the needs of the people and values the inputs from communities and stakeholders.

As set out in the Municipal Systems Act (2000), in the review of the IDP on an annual basis, a stakeholder consultation process is necessary. Of critical importance was for the municipality to ensure that there was thorough consultation with the community and strategic stakeholders. As part of the Annual Review of the municipality's IDP as prescribed by the Municipal Systems Act, the Council embarked on an extensive process to engage with all stakeholders and elicit comments which was fed back in to the reviewed 2010/2011 IDP.

2.5.6 Link between the IDP and the Budget

In compliance with the Municipal Structures Act (1998) and the Municipal Financial Management Act (2003), Xhariep's budget is informed and aligned to the IDP objectives. The IDP determines and prioritizes the needs of the community. The budgetary allocations for both the capital and operating expenditure are undertaken in a manner that will not only ensure that the IDP outcomes are achieved, but also to ensure that the Municipality's vision is realized. The IDP remains the strategic driver of both the municipality's budget and its Turn Around Strategy.

XHARIEP DISTRICT MUNICIPALITY

2.8 2010/2011 BUDGET ASSUMPTIONS

Budget assumptions/parameters are determined in advance of the budget process to allow budgets to be constructed to support the achievement of the longer-term financial and strategic targets.

The municipal fiscal environment is influenced by a variety of macroeconomic control measures. National Treasury provides guidelines on the ceiling of year-on-year increases in Budget, whilst the National Electricity Regulator of South Africa (NERSA) regulates electricity tariff increases and DWAF regulates water tariff increases. Various government departments also affect municipal service delivery through the level of grants and subsidies.

Xhariep District Municipality is neither a bulk electricity distributor nor a water service authority.

The following principles and guidelines directly informed the compilation of the district's Budget:

- The priorities and targets in relation to the key strategic focus areas as determined in the IDP;
- Commitment by the municipality to comply substantially with the requirements of the Local Government Municipal Structures Act, Act No. 117 of 1998, specifically Section 84(1): Functions and Powers of the District Municipality.
- An assessment of the relative capacity to implement the Budget;
- No budget allocation to be made to programmes and projects, unless the respective programme and project plans are submitted by the relevant director's; and
- The need to enhance the municipality's revenue base.

The multi-year budget is therefore underpinned by the following assumptions:

2010/2011 OPERATING EXPENDITURE

- 29% increase purchase of electricity - Eskom : As per supplementary Circular 51 from National Treasury, dated 23 March 2010. Minimal impact is expected as the district is not a bulk electricity distributor.
- New wage curves as per SALGBC: Salary and Wage Collective Agreement - signed on 21 April 2010. Employee remuneration expenses provisionally comprise 53% of the total operating expenditure in the draft 2010/11 MTREF. The district has embarked on ensuring compliance with its statutory obligation to perform the functions and powers as contained in Section 84(1) of the Municipal Structures Act No. 117 of 1998. For this reason, a platform for service delivery was set and capacity built during the preceding financial year. Thus the 53% personnel cost remuneration as percentage of the total operating expenses.
- Repairs and maintenance expenses are reduced significantly due to the asset disposals that took place during the preceding financial year. Replacement assets will be in a more new condition and state and will not need a lot of repairs and maintenance costs.
- Over the past financial year, the district has seen growth in economic activity within its numerous towns. There is currently, an Expanded Public Works Programme going on within the district. The programme is labour intensive and involves working on the public roads.

There is a FIFA World Cup event taking place in the country. The N1 joining Cape town, Port Elizabeth and Bloemfontein, Johannesburg, passes through the district. This road is vulnerable to road accidents. For this reason and others, the municipality has never been faced with an urgent need for a fully fledged disaster management function as well as the municipal health services than now. Although the functions were set up during the preceding financial year, there is still a great need for a disaster management centre. This could not be budgeted for due to lack of funding for the project.

- A lower inflation scenario is expected in South Africa over the medium term, due to lower food and oil prices, weak domestic demand and the change in the target measure for inflation. The anticipated inflation rate for the 2010/2011 financial year is then 5.7%.
- All municipalities regardless of capacity are to comply with GRAP standards for the 2010/11 financial year. One of the requirements of GRAP 17 (Property, Plant and Equipment) is the depreciation of assets according to National Treasury's guidelines of estimated useful lifespan. In order for the Municipality to comply with this requirement, a depreciation budgeted amount must be included in the budget. This requirement could not be met as the municipality's GRAP Conversion process only started and the necessary figures were not yet readily available. The following are provisional depreciation amounts not included in the budget:

Item	Depreciation
Furniture & Equipment	51 451
Computer Equipment	174 750
Motor Vehicles	21 237
Equipment	20 102
Land and Buildings	441 907
Recreational Facilities	143 132
TOTAL	852 579
Intangible Assets	Amortisation
VIP Payroll	6 311
Pastel Evolution	70 189
End Point Security System	5 219
TOTAL	81 719

The depreciation and amortisation provisions will be considered in the adjustments budget after the mid-year budget performance review.

Another significant impact on the budget by the GRAP reporting requirements is the accounting treatment of the finance leases. Same as above, the impact of finance leases on the municipal's budget was not taken care of in the 2010/11 budget. The municipality's GRAP conversion process commenced very late and the relevant figures were not readily available for the budget purposes. Provisional Finance Lease amounts with impact on the budget can be summarised as follows:

Statement Of Financial Position	2011	2010	2009
Non Current Assets			
Lease Equipment			
Cost	475 414	475 414	62 879
Accumulated Depreciation	147 107	48 841	4 165
Carrying Value	328 307	426 573	58 714
TOTALS	950 827	950 827	125 757

Liabilities

Current Liabilities

Accrued Interest	1 009	3 135	542
Lease Payments	267 356	249 802	73 369

Non Current Liabilities

Lease Payments	206 466	473 821	26 258
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Statement Of Financial Performance	2011	2010	2009
Depreciation	98 266	44 676	4 165
Accrued Interest Expense	1 009	3 135	542
Lease Expense	276 120	162 420	54 362
Finance Charges	24 190	17 841	2 348
TOTALS	399 584	228 072	61 417

The depreciation, amortisations, assets and liabilities relating to the effect of finance lease liabilities are not included in the current 2010/11 budget and will be considered for the adjustments budget during the 2010/11 mid-year budget performance review.

2010/2011 CAPITAL EXPENDITURE

Xhariep District Municipality does not receive any Municipal Infrastructure Grants from National Treasury per the DORA allocations. The municipality does not have any significant infrastructure projects planned for the 2010/11 financial year.

2010/2011 OPERATING INCOME

Xhariep District Municipality rely solely on Grant revenue from the National and Provincial Governments. There is no other significant source of revenue except for the Kopanong Local Municipality's rental income levied on a monthly basis. The debt is impaired as there had been 0% collection rate over the past three to four years. The actual impairment will be assessed fairly with the compilation of the GRAP Compliant annual financial statements. Currently the two parties are in talks to agree on repayment terms. The amount will then be considered in the adjustments budget during the mid-year budget performance assessment.

- All investments with the various financial institutions are strictly in compliance with the Municipal Finance Management Act and Investment regulations. The municipality by its prudent investment policies has been in a position to generate substantial interest returns on its investments, ensuring at all times the safety of capital with the lowest possible risk.
- Expected average return on investments for 2010/2011 is 8%. The municipality has recently embarked on ensuring compliance to the service delivery commitments as promulgated by the Municipal Structures Act, Section 84(1). This resulted in most short-term investments being recalled to fund projects undertaken during the preceding financial year.

2010/2011 CAPITAL EXPENDITURE FUNDING

The MFMA specifies that borrowing can only be used to fund capital or refinancing of borrowing certain conditions. Due to cashflow constraints, Xhariep District Municipality is not in a position to take up any borrowing and is therefore 100% dependent on Grant Funding for any Capital Projects.

MTREF Social, Economic and demographic statistics and assumptions:

The following table represents the majority of social, economic and demographic assumptions used in the compilation of the 2010 - 2013 MTREF.

Description	2010/2011	2011/2012	2012/2013
<u>Demographic</u>			
According to the 2001 census data ¹ , the population of the district is approximately 135, 245, 50.8% being women and 49.2% men. Statistics SA (2001) estimates that 69% of this population is below 35 years. The total number of households within the district is estimated at about 38, 879 (Statistics SA, 2001)			
<u>Economic</u>			
	2010/2011	2011/2012	2012/2013
Inflation Rate	5.70%	6.20%	5.90%
Interest Rate - Borrowing	10.00%	10.00%	10.00%
Interest Rate - Investment	8.00%	8.00%	8.00%
Bulk Purchases	28.90%	24.80%	25.00%

XHARIEP DISTRICT MUNICIPALITY

2.18 DISCLOSURE ON IMPLEMENTATION OF MFMA AND OTHER LEGISLATION

2.18.1 Introduction

The passing of the MFMA into law was a key milestone that had a fundamental impact on municipal financial management that requires transformation in financial discipline and planning processes.

Xhariep District Municipality is classified as a low capacity municipality according to the Government Gazette No 26511 of 1 July 2004. With this classification it was exempt from a number of provisions of the ACT until 1 July 2009. Xhariep District Municipality was however not been waiting for these deadlines and a number of provisions were already implemented. A checklist is compiled on a monthly basis to monitor further progress on the implementation of the most important provisions of the act and an annual checklist is compiled for budget documentation.

2.18.2 IDP

The 2010/2011 IDP review process was followed according to the required legislation. The district has further improved and intensified public and other stake-holders participation on the budget and IDP public participation road-shows. These were further enhanced by the existence of the dedicated Inter-Governmental Relations in the municipality.

2.18.3 2010/2011 BUDGET

This 2010/2011 Annual Budget has been developed taking the MFMA, Municipal Budget and Reporting Regulations and National Treasury requirements into account. The budget was tabled on 31 May 2010 for council to consider approving. Due to insufficient funds per the DORA Allocations, council could not approve the budget 30 days before the start of the financial year, 31 May 2010. The council resolved that the Executive Mayor and the Municipal Manager source additional funding to curb the recorded budget deficit. The budget was eventually approved by council on 30 June 2010. This is in line with the statutory deadline as it is before the start of the budget year.

2.18.4 CAPACITY BUILDING AND FILLING OF VACANT POSTS

Section 56 and 57 positions of the municipality were filled during the financial year. However, the position for Director, Planning and Development became vacant towards the end of the financial year. This post is budgeted for and will be filled in the new budget year.

2.18.5 BUDGET AND TREASURY OFFICE

A budget and Treasury Office have in the past financial year been filled to about 80% capacity with staff. Most of the staff members have to undergo training initiatives aimed at enhancing their skills and efficiencies. Most of the appointments were made from within the municipality.

2.18.6 AUDIT COMMITTEE

Xhariep District Municipality is using a shared audit committee services. The services are shared by the District together with its three local municipalities.

2.18.7 GRAP IMPLEMENTATION

Dinatla Advisory Services were appointed by the Municipality on 3 May 2010 to implement GRAP, prepare GRAP compliant annual financial statements and assist with the handling of the Auditor-General audit queries. The project is anticipated to be concluded by 30 November 2010.

2.18.8 IN-YEAR REPORTING AND VAT RETURNS

Reporting obligations to the National and Provincial Treasuries have been met on most occasions during the past financial year. VAT returns have been lodged on time with the South African Revenue Services (SARS) during the past financial year. The municipality is embarking on an internal exercise of reviewing the whole year's returns to ensure maximum revenue enhancement.



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OFFICE OF THE MUNICIPAL MANAGER

28 June 2010

Submission to Council

QUALITY CERTIFICATE BY THE MUNICIPAL MANAGER

I, **Tshemedi Lucas Mkhwane**, Municipal Manager of **Xhariep District Municipality**, hereby certify that the 2010/2011 annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the Municipality.

Tshemedi Lucas Mkhwane
Municipal Manager

Date