

MATJHABENG

LOCAL MUNICIPALITY



BRIEFING SESSION

MATJHABENG LOCAL MUNICIPALITY

REPORT ON THE IMPLEMENTATION OF THE BUDGET 2006/2007 AND THE LINKAGE THEREOF WITH THE IDP FROM JULY 2006 TO JUNE 2007. ALSO FOR JULY 2007 TO AUGUST 2007.

The purpose of the report is to provide you with a review of the spending and implementation of the current financial year budget 2006/2007. The budget year commenced on 1 July 2006, therefore will the information in the report be from 1 July 2006 to 30 June 2007.

The Municipal Finance Management Act No.56 of 2003, section 16(1), (2) and (3) states the following:

1. The council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year.
2. In order for a municipality to comply with subsection (1), the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.
3. Subsection (1) does not preclude the appropriation of money for capital expenditure for a period not exceeding three financial years; provide a separate appropriation is made for each of those financial years.

The municipality did comply with section 16 of the Municipal Finance Management Act No.56 of 2003 by tabling and adopting the annual budget before the start of the budget year.

The following is an indication of the budget revenue and the actual revenue per source from the beginning of the financial year 1 July 2006 to 30 June 2007.

SUMMARY

The budget revenue for the months July 2006 to June 2007 was R 926, 59,679 which included the following revenues:

Table 1: Budgeted Revenue per source

Intergovernmental Grants	R 274,397,649
Consumer revenue and assessment rates	R 633,028,394
Other revenue	R 19,113,636
Total	R 926,539,679

The actual revenue for the months July 2006 to June 2007 was R 782,846,122 which included the following:

Table 2: Actual Revenue per source

Intergovernmental Grants	R 275,177,649
Consumer revenue and assessment rates	R 382,158,768
Other revenue	R 125,509,705
Total	R 782,846,122

Pay Rate 85%

The Actual revenue received from consumers and assessment rates for the year was R 382,158,768 against the budgeted amount of R 633,028,394 this means that the actual revenue is 40% below the budgeted amount.

EXPENDITURE

The budgeted expenditure per vote for July 2006 to June 2007 was R 786,318,574 and the actual expenditure for the period was R 574,106,629. There is a variance of 27% between the budgeted and the actual expenditure. The reason for this is that expenditure is according to the available cash flow and to only what is available on the Budget.

In January 2007 the outstanding Sedibeng Water account was R 56 million in arrears and the current account was R 13 million. **At the end of March 2007 the whole arrear account was fully paid.**

CAPITAL BUDGET

The actual capital expenditure from **July 2006 to June 2007** was R 108 715 397.

	2006/07 Budget	Year to date Expenditure
MIG Funding	R 125,806,648	R 93,176,718
LDM Funding	R 3,200,000	R 1,488,917
Counter Funding	R 34,167,348	R 14,049,762
TOTAL	R 163,173,996	R 108,715,397

The amount of R 53 million was taken away due to under spending. If this is taken in consideration, 98% of the Capital Budget was then spent.

Chapter 5 of the Municipal Systems Act and chapter 4 of the Municipal Finance Management act require that a revised IDP be adopted at the time of adopting the budget. Therefore, the process leading to the adoption of the budget and the IDP must be incorporated into one process. This will ensure credible plans and budgets that are realistic and implementable. The IDP should inform the budget and should be linked with the budget.

The municipal IDP and the budget 2006/07 is however linked. The budget was informed by the IDP during the compilation thereof, this indicates that the projects identified in the IDP has been provided for in the Capital budget The main objective for the municipality is to comply with the bucket eradication deadline of October 2007. The majority of the resources in the capital budget has been allocated to the bucket eradication projects in order to comply with the set deadline. The comments during the public participation of the IDP and the budget have been incorporated in the budget over the next three financial years. In terms of the budget, the municipality complies with all the requirements of the relevant legislation that govern local government.

INDIGENTS

Total number of Indigents from July 2006 to June 2007

July 2006	23 726
August 2006	24 286
September 2006	24 286
October 2006	23 407
November 2006	26 403
December 2006	26 394
January 2007	26 537
February 2007	26 988
March 2007	27 665
April 2007	28 165
May 2007	28 591
June 2007	29 584

SUMMARY – JULY 2007 to AUGUST 2007

The budget revenue for the months July 2007 to August 2007 was R 179,663,595 which included the following revenues:

Table 1: Budgeted Revenue per source

Intergovernmental Grants	R 62,616,714
Consumer revenue and assessment rates	R 90,662,989
Other revenue	R 26,383,892
Total	R 179,663,595

The actual revenue for the months July 2007 to August 2007 was R 167,059,242 which included the following:

Table 2: Actual Revenue per source

Intergovernmental Grants	R 75,434,192
Consumer revenue and assessment rates	R 63,265,201
Other revenue	R 28,359,849
Total	R 167,059,242

Pay Rate 70%

The Actual revenue received from consumers and assessment rates for the year to date was R 63,265,201 against the budgeted amount of R 90,662,989 this means that the actual revenue is 30% below the budgeted amount.

EXPENDITURE

The budgeted expenditure per vote for July 2007 to August 2007 was R 137,430,879 and the actual expenditure for the period was R 137,430,879. There is a variance of 26% between the budgeted and the actual expenditure. The reason for this is that expenditure is according to the available cash flow and to only what is available on the Budget.

CAPITAL BUDGET – JULY 2007 to AUGUST 2007

The actual capital expenditure from **July 20067 to August 2007** was R 20,899,052.

	2007/08 Budget	Year to date Expenditure
MIG Funding	R 204,559,283	R 18,293,094
LDM Funding	R 5,000,000	R 0
Counter Funding	R 34,587,523	R 2,605,958
TOTAL	R 244,146,806	R 20,899,052

Chapter 5 of the Municipal Systems Act and chapter 4 of the Municipal Finance Management act require that a revised IDP be adopted at the time of adopting the budget. Therefore, the process leading to the adoption of the budget and the IDP must be incorporated into one process. This will ensure credible plans and budgets that are realistic and implementable. The IDP should inform the budget and should be linked with the budget.

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INDIGENTS

Total number of Indigents from July 2006 to June 2007

July 2007	28 553
August 2007	29 830

GRANTS

Matjhabeng Local Municipality receives the following grants:

FMG Grant
MSIG Grant

PROVINCIAL TREASURY

Up to June 2007 Matjhabeng Local Municipality reported direct to National Treasury but as from July 2007 the municipality report to Provincial Treasury. There is a very good relationship and the municipality complies fully according the specifications of the MFMA. The Annual Financial Statements for 2006/2007 was fully GAMAP / GRAP compliant.

CAPACITY CONSTRAINTS

The employee structure makes provision for 4,100 posts but at present only 1,987 positions are filled.

Please see attached Annexure for more detail.

MATJHABENG LOCAL MUNICIPALITY BUDGET 2007/08

The Matjhabeng Budget for the 2007/2008 is totalled at **R 1 117 569 093**

The Capital Budget versus the Operational Budget is split as follows:

Operational Budget	873,422,287
Capital Budget	244,146,806
TOTAL	1,117,569,093

Sources of Income:

Capital:	
MIG	204,559,283
LDM	5,000,000
Own funds	34,587,523
	244,146,806

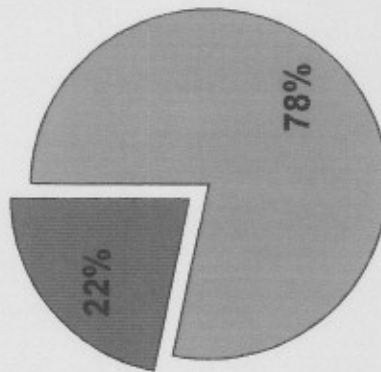
TARRIF INCREASES

	<u>2006/07</u>	<u>Rand</u>	<u>2007/08</u>	<u>Rand</u>	Difference
Assesment rates	4%		8%		
Water	0%	9.69 per kl	0%	9.69 per kl	0
Electricity	6%	0.35 per unit	8%	0.38 per unit	0.03c
Sewer	4%	62.99	8%	68.03	5.04
Refuse	4%	41.86	8%	45.21	3.35

The expected pay rate = 85%

Operational Budget	873,422,287
Capital Budget	244,146,806
	<u>1,117,569,093</u>

TOTAL BUDGET 2007/08



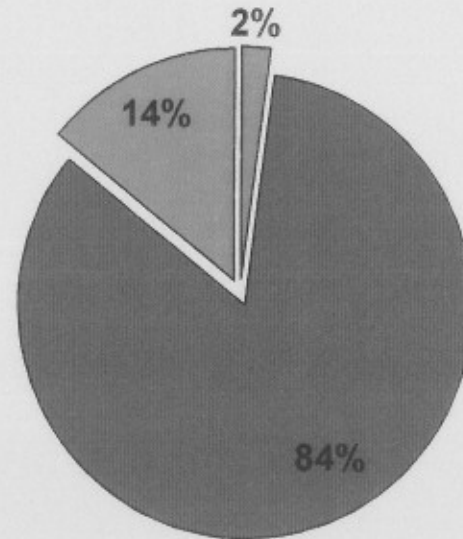
Operational Budget
 Capital Budget

Bucket eradication	115,987,731
Pump stations	12,300,000
Water connections	19,656,294
Taxi/bus roads	15,000,000
Electricity	9,142,770
Networks	18,265,520
Parks Sports & Recreation	5,473,185
Institutional Transformation	2,000,000
Multi Year Projects	35,300,571
Town planning	3,000,000
General	4,944,255
PMU	3,076,480

244,146,806

LDM	5,000,000
MIG	204,559,283
Own funds	34,587,523

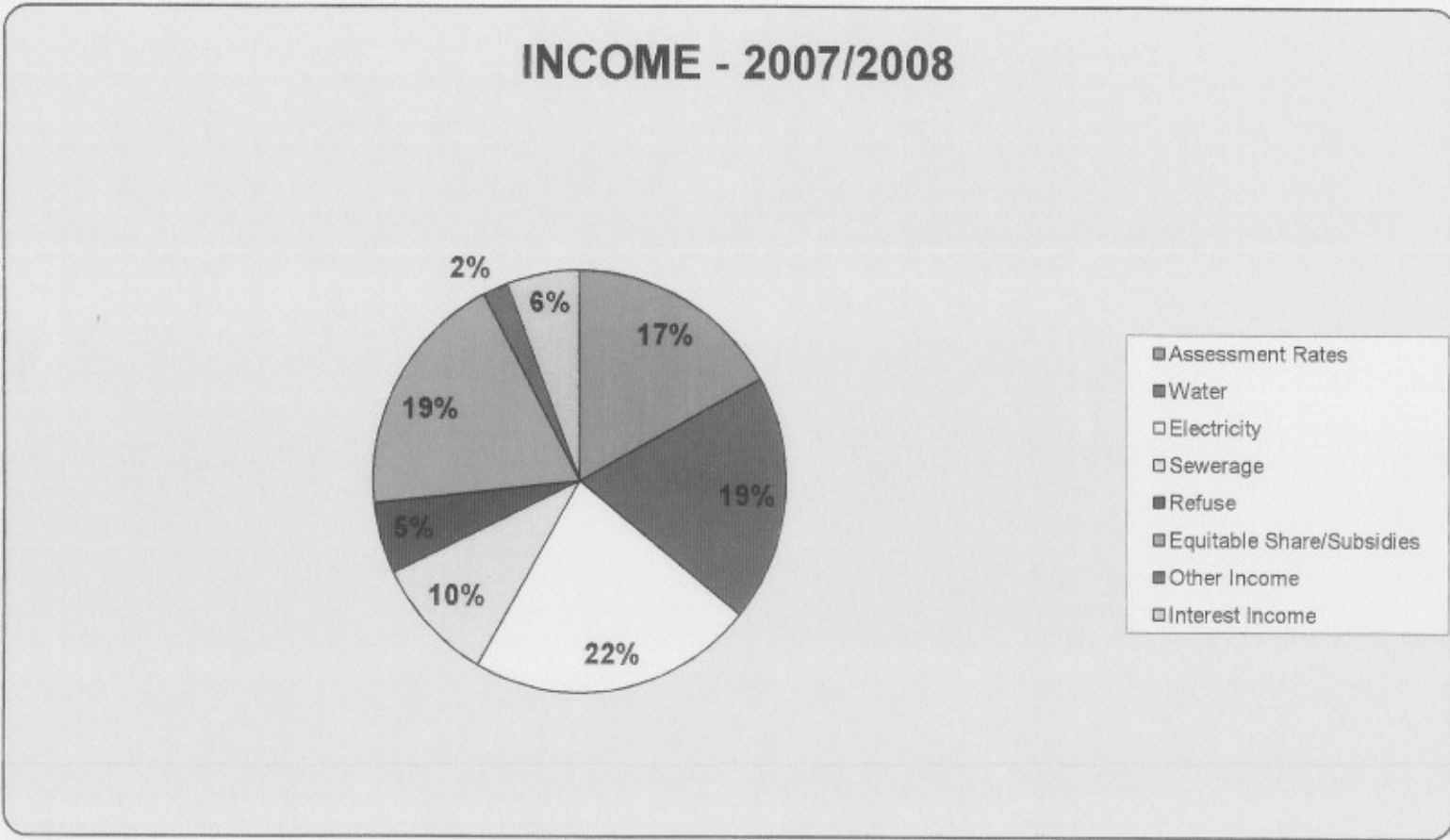
CAPITAL FUNDING 2007/08



■ LDM
 ■ MIG
 ■ Own funds

INCOME

Assessment Rates	148,196,180	
Water	164,898,154	
Electricity	195,513,924	
Sewerage	84,092,629	
Refuse	47,273,151	
Equitable Share/Subsidies	166,141,000	
Other Income	17,291,626	
Interest Income	50,015,623	<u><u>873,422,287</u></u>



EXPENDITURE

Salaries	303,426,902	
Bulk water	135,332,690	
Bulk electricity	104,645,824	
Other General expenses	93,393,805	
Repairs and Maintenance	55,025,604	
Interest and Capital redemption	28,496,979	
Contribution to capital expenditure	34,587,523	
Contribution to reserves	118,512,960	<u><u>873,422,287</u></u>

EXPENDITURE 2007/08

