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MAYORAL BUDGET SPEECH 2010/2011-2013 FINANCIAL YEARS

- Madam Speaker
- Chief Whip
- Executive Committee Members
- Honourable Councillors
- Ward Committees
- Traditional Leaders
- Business Fraternity (NAFCOC)
- Religious Fraternity (SACC)
- Municipality Management and all employees
- Trade Unions (SAMWU & IMATU)
- Community Development Workers
- Political Organisations
- Honourable Community Members
- Ladies & Gentlemen

Madam Speaker, it is a great honour to me to stand here in front of these multitudes of people to present this budget. This budget 2010/2011- 2013 is an important one since it is the last budget for the term of office of these councillors that were elected in March 2006. It is the plan where all the citizens of this municipality are pinning hopes that all their needs will be addressed. It is also a budget that will be used by all political parties in electioneering for the 2011 local government elections.

Madam Speaker, the budget we are presenting today is a culmination of the participatory process wherein, communities participated in the IDP representative fora through their leaders.

The budget that we are presenting today is a reflection of the developmental objectives and strategies that were developed by the IDP representative forum. These strategies informed the projects that were identified by the same forum. Budget 2010/11 -2013 is therefore informed by the IDP. People are governing in the true sense and the freedom charter clause that says "People shall Govern" is applied in reality.

It must also be appreciated that while we have a will, courage, commitment and dedication to ensure that our people are freed from bondage of oppression and poverty; it is a reality that the economy has been affected by the global recession. Our municipality is not immune and has been severely affected by this global recession since many people were laid off from their work and had to come back. This is burden that we will leave with it for some time.

PRESSURES ON THE MUNICIPALITY

Budget 2010/11 – 2013 caters for daily pressures that are exerted by the socio-economic conditions. These pressures are:

- Improving current service delivery
- Maintenance of infrastructure
- Dealing with increasing staff costs
- Increasing internal efficiency and improving customer care
- Improved financial management
- Service improvement
- Ensuring effective and efficient management

NATIONAL TREASURY GUIDELINES

- National Treasury issued many Circulars that serve as a guide to municipalities in preparing for municipal budget. Circular numbers 10, 28,51 etc are amongst the Circulars that have guided us in preparing this budget. National Treasury has made it clear that all municipalities must follow Circular 51 in preparing for 2010/2011 – 2013 financial years. The budget we are presenting today has been prepared in accordance with this Circular and all schedules have been prepared and will be sent as annexures to the budget.

- National treasury has also provided for the guide line growth limits for municipal budget for 2010/11, 2011/12 and 2012/13 financial years are 5.7%, 6.2% and 5.9% respectively. This is a guideline for self generated revenue sources
 - It excludes the increased national allocations provided for the purposes of expanding infrastructure and providing basic services to more households

KEY BUDGET ASSUMPTIONS AND STRATEGIES

In August 2009, management submitted to me (Mayor) budget assumptions for the development of 2010/11to 2012/13 budget. Throughout the year, some of

these assumptions were modified as more information became available. The following table identifies the current budget assumptions, which have been in this budget.

TABLE 5 : BUDGET ASSUMPTIONS

Description	2009/10	2010/11	2011/12	2012/13
National Treasury Guidelines				
CPIX	6.7%	5.7%	6.2%	5.9%
Salaries	13%	7.5%	7.2%	6.9%
Rates & Refuse	2.00%	2.00%	2.00%	2.00%
Telephone Costs	6.7%	5.7%	6.2%	5.9%
Free Basic Electricity (Indigent)	50 kwh	50 kwh	50 kwh	50 kwh

Operating Budget

We have considered the collective bargaining council agreement that provides for an increase of salaries for 2010/11- 2012/13 financial years.

CPIX as January and February + 1,5%.

We have also catered for the maximum of 5.7% increase in general expenses and repairs and maintenance. Tables 6, 7 & 8 and figures 1 & 2 show the operating budget, capital

OPERATIONAL BUDGET

PERSONNEL

R63 931 892

For the 2010/11 financial year we are budgeting R64.7 million which shows a reduction of R831 814 (R64 763 706 for 2009/10 financial year).

DISASTER MANAGEMENT**R200 000**

Notwithstanding the fact that Disaster Management is the core function of the District Municipality, we have set aside R200 000.

This is informed by the fact that the entire OR Tambo District Municipal area is disaster – prone area.

EVENTS AND PROGRAMMES**R1 350 000**

The above amount is allocated for the implementation of institutionalized / calendar events that we conduct in pursuance of the Special Programmes that are directed towards the designated / targeted groups.

INDEGENT SUPPORT**R800 000**

We have set aside R800 000 to subsidize the ratepayers who cannot afford to pay for services rendered by the municipality and also for the community who are using grid and non grid electricity.

SUBSITENCE AND TRAVELLING**R480 000**

This vote is meant for traveling, accommodation, subsistence and traveling for councilors and officials when discharging official duties.

SPU PROGRAMMES**R1 Million**

Special Programmes Unit is allocate R 1 million for Policy Development, Gender mainstreaming, SPU Training and Development and other programmes related thereto and we have also consolidated the Mayor's discretionary fund to this programmes.

ACCOUNTING AND AUDIT FEES**R1.1 Million**

For audit fees, accounting fees as well as matters related to financial statements we are allocating R1.1 Million so that we can comply with the requirements and provisions of the statutes that relate to auditing.

INSURANCE EXTERNAL

R700 000

The above amount is set aside for insurance policies for movable and immovable property as well as equipment.

STATIONERY & PRINTING

R400 000

For stationery and printing material we are allocating R400 000 so as to ensure smooth running of offices within our institution.

LEGAL FEES

R1.3 Million

For legal fees we are allocating R1.3 million so as to protect the institution from litigations.

STRATEGIC PLANNING & TEAMBUILDING R400 000

Teambuilding and strategic planning is one of the key pillars of a dynamic institution. For this to be realized we have set aside R400 000.

CAPITAL BUILDING

Our capital budget is outlined hereunder as follows:

MSIG

R735 000

This allocation is for the enhancement of the institutional capacity in respect of systems. This is in addition to the R400 000 that has been set aside for strategic planning and teambuilding to give a practical meaning to our resolve to enhancing our institutional capacity development.

POVERTY RELIEF PROJECTS

R500 000

Abject poverty continues to inflict pain and trauma to our communities. In this regard we are allocating R500 000 to fund poverty relief projects.

LED PROGRAMME**R3 Million**

As an additional effort of pushing back the frontiers of poverty, R3 million is allocated to LED Projects.

DRIVERS TESTING CENTER**R3 Million**

This allocation is for infrastructural development of driving testing center

FLAGSTAFF BY PASS**R1.1 Million**

This allocation is for the top up funding for the Flagstaff by pass road.

SOCIAL FACILITIES**R4.7 Million**

This allocation is for infrastructure relating to social facilities, like building of community halls

SPORT FIELDS**R500 000**

This allocation is for infrastructure relating to sport fields

MIG PROJECT**R20.3 Million**

We have inherited a dilapidated infrastructure from the legacy of the past, we want to allocate a sum of R20 259 173 as our direct response to the infrastructural backlog we are faced with.

INTERGRATED ELECTRIFICATION PROGRAMME R20 Million

This allocation is for electricity infrastructure.

ON GOING PROJECT

This allocation is for on going project which has not yet finalized in this financial year and also the amount of retention of capital projects for MIG

R11 303 700**MAJOR SOURCES OF REVENUE**

Equitable Share

R73 505 000

Refuse Removal	R 90 000
Grants (DBSA DLGTA)	R3 700 000
Vehicle Registration and Licensing	R2 650 000
Land Sales	R 500 000
Local Government Financial Management Grant	R 1 200 000
Municipal Infrastructure Grant	R26 226 000
Municipal Systems Improvement Grant	R750 000
Integrated Electrification Programme	R20 000 000
Other Income	R4 272 000
Internal Plant Unity	R4 000 000
Rates	R7 671 894
On Going Projects	R11 303 700
THE TOTAL ALLOCATION PER DEPARTMENT	
Council Department	R11 492 483
Municipal Manager Department	R 4 148 760
Budget and Treasury Department	R13 496 876
Corporate Services Department	R14 685 721
Community Services Department	R25 616 825
Strategic Planning, Develop &LED	R10 130 336
Planning & Infrastructure	R74 082 562
TOTAL BUDGET	R155 242 564

CONCLUSION

Our income is far less as compared to huge backlogs the municipality is having due to the historical injustices of the past regimes. Lets join hands in ensuring that our meagre resources are spent efficiently and effectively and that, there is a value for money.

Lets join hands in fighting corruption

EXECUTIVE SUMMARY

1.1. INTRODUCTION

Republic of South Africa is a developmental state, which means that all institutions like government are organised to such an extent that they make meaning impact on the development of its citizens. Local government, as a sphere of governance is developmental.

Developmental local government requires all municipalities to be proactive and developmental, dynamic and responsive, efficient service delivery agents that ultimately change the lives of people and as such, the IDP becomes central towards achieving community aspirations.

The adoption of the new constitution (Act 108 of 1996), White Paper in Local Government and many pieces of legislation that were passed brought about new methods of dealing with citizens in order to impact positively towards the achievements of the objects of local government enshrined in the constitution. The image of municipalities changed because of the implementations of the laws governing municipalities.

The definition of the municipality as the Municipal Systems Act No. 32 of 2000, emphasizes communities as another component of the municipality as opposed to the past definitions where only councillors and administration would be taken as components. Deriving from this definition, each of these inter-related components has certain rights and duties.

These are stipulated in the constitution as well as Chapters 4,5 and 6 of the Municipal Systems Act No. 32 of 2000. Amongst the objects of the local

government in the constitution “to provide democratic and accountable local government” and
“to encourage the involvement of communities and community organisations in the matters of local government”.

The notion of developmental local governmental has to be seen in practice and all its characteristics must find expression and witnessed by citizens. A contract of accountability has to be made with citizens and the municipality that gives them the right to know what the municipality intends to achieve and what it has accomplished. To ensure accountability; the municipality has prepared this annual report for 2008/2009 financial year which outlines municipal performance against predetermined objectives. The council has to express the opinion on such performance

1.2 CONTENTS OF THE IDP

The Constitution of the Republic of South Africa, 1996 (Act 108 of 1996) provides the main legal framework for *inter alia* defining the areas of operation of each sphere of government. Chapter seven of the Constitution acknowledges local government as an independent sphere of government with legislative and executive authority (section 151(2)). According to the Constitution, (section 152 and 153), local government is in charge of the development process in municipalities, and it in charge of municipal planning. The constitutional mandate to relate its management, budgeting and planning functions to its objectives gives a clear indication of the intended purposes of the municipal integrated planning.

- to ensure sustainable provision of services;
- to promote social and economic development;
- to promote a safe and healthy environment;

- to give priority to the basic needs of communities; and
- to encourage involvement of communities.

These development policy guidelines and principles can be summarized as follows:

- orientation towards people's needs;
- poverty alleviation with special consideration of marginalized and disadvantaged groups and gender equity;
- environmentally sustainable development and a safe and healthy environment;
- economic growth with creation of income and employment opportunities;
- involvement of residents, communities and stakeholders;
- sustainability of services, municipalities and settlements.

The White Paper on Local Government, 1998 is aligned with the spirit of the Constitution as it considers the integrated development planning explicitly as a tool for developmental local government. Besides relating integrated development planning to the developmental outcomes which are largely in line with the objectives stated in the Constitution, the White Paper on Local Government, 1998 outlines why integrated development planning is considered a necessary tool to achieve these purposes. Integrated Development Planning:

- helps to align scarce resources behind agreed policy objectives and programs;
- makes sure that actions are prioritized around urgent needs;

- ensures the necessary integration with other spheres of government; it serves as a tool for communication and interaction with them;
- serves as a basis for engagement between local government and communities / residents.

This framework includes:

- identification of plans and planning requirements binding in terms of legislation on the district and local municipalities;
- identification of all matters that should be included in the district IDP and local IDP's which require alignment;
- specification of the principles that are applied and the approach adopted in respect of such matters;
- determination of procedure for consultation between the district and local municipalities when drafting the respective IDP's as well as procedures to effect changes to the framework.

The Municipal Systems Act, 2000 (Act 32 of 2000) requires a municipal council to “promote and undertake development” (section 4(2)(g) and re-establishes Integrated Development Planning as a legal requirement. A municipality is required to undertake developmentally oriented planning (section 23(1)) to ensure that it complies with the objects of local government as set out in the Constitution (section 152). The capacity building duty of local government is strengthened by sections 23-24 of the Municipal Systems Act, 2000 by firmly establishing Integrated Development Planning as a function of the local sphere of government.

The Municipal Systems Act requires municipalities to adopt a single, inclusive plan for the development of municipality which, according to section 25 of the act:-

- Links, integrates and coordinates plans and takes into account proposals for the development of the municipality;
- Aligns the resources and capacity of the municipality with the implementation of the plan;
- Forms the policy framework and general basis on which annual budgets must be based; and
- Is compatible with national and provincial development and planning requirements that are on the municipality in terms of legislation.

An important aspect related to the IDP process is performance management. The Municipal Systems Act, 2000 (section 38-49) specifies that a municipality should establish a performance management system that is in line with the priorities, objectives and targets contained in the IDP. Through this a culture of performance management should be instilled among municipalities' political structures, political office bearers and councillors and in its administration. This should be done in order to ensure an effective and efficient and accountable administering of the municipality's activities. The Act specifies that the Municipal Manager plays an important role in this regard; especially against the backdrop is this position's accountability principle. Performance management system should:

- be developed;
- be properly monitored and reviewed;
- key performance indicators should be set in terms of the institution's performance related to the IDP and its intra-institutional performance;

- measurable targets should be set for development priorities and objectives;
- include mechanisms and process for community participation and involvement;
- be made known to the public and institutionally (KPIs and targets);
- be subjected to regular audits;
- be reflected in the annual report

1.3 PURPOSES/ OBJECTS OF IDP

- to ensure sustainable provision of services;
- to promote social and economic development;
- to promote a safe and healthy environment;
- to give priority to the basic needs of communities; and
- to encourage involvement of communities.

1.4 INTRODUCING IDP (Chapter 5 of the Municipal Systems Act 32 of 2000)

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- Forms the policy framework and general basis on which annual budgets must be based; and

Is compatible with national and provincial development and planning requirements that are on the municipality in terms of legislation.

1.5 PERFORMANCE MANAGEMENT

- IDP assists the municipality to benchmark its performance and services as a framework through which to measure performance of council structures , administration and role of communities. An important aspect related to the IDP process is performance management. The Municipal Systems Act, 2000 (section 38-49) specifies that a municipality should establish a performance management system that is in line with the priorities, objectives and targets contained in the IDP. Through this a culture of performance management should be instilled among municipalities' political structures, political office bearers and councillors and in its administration. This should be done in order to ensure an effective and efficient and accountable administering of the municipality's activities. The Act specifies that the Municipal Manager plays an important role in this regard, especially against the backdrop is this position's accountability principle. Performance management system should:

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- measurable targets should be set for development priorities and objectives;
- include mechanisms and process for community participation and involvement;
- be made known to the public and institutionally (KPIs and targets);
- be subjected to regular audits;
- be reflected in the annual report

This vision & mission remains the same since adopted in 2007.

Vision

"A developmental, economically viable and responsive municipality where communities enjoy equitable access to services in an environmentally sustainable manner"

Mission

To facilitate sustainable development by promoting development and ensuring service delivery in a just and equitable manner focusing on infrastructural and social services through a skilled, accountable and responsive administration and council that prioritizes community needs and good governance

1.6 PROCESS FOR THE REVIEWAL OF THE IDP

A long term vision was developed for the municipality, with special emphasis on the municipality's most critical development and internal transformation needs. Assessing the existing level of development in the municipality and identifying communities which do not have access to the basic municipal services. Setting out of development priorities and objectives for the council's elected term, including its local economic development aims and its internal transformation needs. A spatial development framework which included the provision of basic guidelines for a land use management system of the municipality.

The IDP process plan was adopted in August 2007 to guide the process towards the IDP development. This reflects on how the municipality had geared its in the IDP development process. Extensive consultation was done with communities and all stakeholders. A long term vision was developed for the municipality, with special emphasis on the municipality's most critical development and internal transformation needs. Assessing the existing level of development in the municipality and identifying communities which do not have access to the basic municipal services. Setting out of development priorities and objectives for the council's elected term, including its local economic development aims and its internal transformation needs. A spatial development framework which included the provision of basic guidelines for a land use management system of the municipality.

The IDP process plan was adopted in August 2007 to guide the process towards the IDP development. This reflects on how the municipality had geared its in the IDP development process. Extensive consultation was done with communities and all stakeholders.

An understanding has been made to spend time understanding local economies and what the economic development needs are. Thus local economic

development proposals must not simply be an agglomeration of projects rather than a sound economic recovery strategy which is what we most require.

However, the most pressing need for us is to receive guidance on the substantive issues of planning. Notwithstanding the latter, there is also a lack of financial planning which is vital for the on going sustainability of our municipality which is already experiencing financial crisis.

Moreover, there was a tendency to identify sectoral priority issues rather than to have an issue-based integrated focus. The capital budget focus is particularly problematic in relation to us as a small municipality where it very small and shrinking in future years to come. The IDP should indicate the down stream impacts on operational budgets but linkages have not been shown.

The other limitation on the budget processes is that in most cases we planned without the clear understanding of what budgetary allocation by provincial and other national departments to us. Further not knowing what macro plans and priorities and technical parameters are for major service providers, including parastatals such as Eskom and Telkom. Although there were cases of inter-governmental coordination and cooperation, Ingquza Hill Local municipality continued to have fairly sectoral approaches and did not manage to make conceptual leap to integrated planning. There is, however, a growing awareness of more integrated solutions, and cross-cutting issues such as gender, HIV /AIDS and LED did receive prominence. These plans are significant to the success and future of the municipality because they tend to create an approach that seeks to streamline deliverables to all affected communities. Moreover, communities suffer to get services with to them are bread and butter issues.

Significant progress has been made in ensuring that our IDP is implementation – oriented and that planning is linked to budgeting. Indeed, we are dealing well with projects planning and we have arrived at a much more realistic number of

projects although there is often uncertainty regarding funding sources for some projects.

Our wish for the next IDP is to organise resources, financial, human et. and have time to embark on community based planning (CBP) that will culminate into all inclusive IDP that will be owned by the whole communities since the majority of community from street and villages levels will have participated.

Furthermore, Ingquza Hill Local Municipality has considered the following as necessary for the development of the five year IDP:-

- Develop the IDP in terms of the strategic planning contributions and perhaps focus on a few strategic intentions that can make the most impact on viability and sustainability of planned projects;
- Accept that we are dealing with imperfect and incomplete information but ensure that an in depth analysis is done to establish root causes of the problems that these few strategic intentions (mentioned above) are going to address. This will avoid time and resources being spent addressing the wrong problems and enable them to be addressed in a substantive way.
- Review the institutional structure and ensure that the institutional structure is in synchronise by setting up appropriate IDP structures within the municipality that will continue functioning even beyond the adoption of the IDP. This will ensure that the monitoring and evaluation is done periodically and there is no breakdown of communication and understanding in communities.
- Review the financial planning that is ambitions in its entirety and sharpen it so as to respond to the opportunities that are presented by the environmental and economic conditions.

1.7 KEY ISSUES AND STRATEGIC DIRECTION

The key issues for new Ingquza Hill Local Municipality have not changed from those of the old municipality and the only difference would be on the magnitude.

Key Issues

The key issues for Ingquza Hill Local Municipality for the five years are:

- The need for housing.
- All access Roads Needs to be upgraded – to have number of Kms of roads in bad condition. (Transportation plan)
- The need to extend the water supply and for water tanks to be maintained.
- The need for adequate sanitation.
- The need for an electricity supply.
- The need for a vibrant and visionary FET technical institution that responds to technical skills and provide access to information
- The need for home based care institution and orphanages

IDP details the development priorities and objectives, which contribute towards achieving this vision and mission. It further reflects strategies, which are the means by which these objectives will be achieved. The IDP programmes and projects are linked to the strategies, with funding for these being detailed in the budget

1.8 CAPITAL BUDGET

This poses a much greater challenge on the notion of the service delivery strategies. It is clear that the council has to review its strategy. It is further clear that without government (SOE'S) included and private financial support and injection. There is no revenue being generated

The immediate challenge is the formula used by finance and fiscal commission (FFC) in determining the equitable distribution of resources.

1.9 PROJECT PRIORITISATION

All potential programmes and projects were identified as part of the extensive process of strategy development within each IDP theme and as such these projects and programmes are considered meaningful and as contributing to the delivery of Ingquza Hill Local Municipality's IDP.

However, the challenge of the capital budget is that the number of projects outstrips the available capital substantially.

Given the challenges, the prioritisation process is critical. The Spatial Development Framework guides spatial prioritisation. Whilst the framework below, was agreed as a guideline for allocating Ingquza Hill Local Municipality's own capital funding to each IDP theme or cluster:

TABLE 1 : GUIDELINE FOR APPORTIONMENT OF CAPITAL BUDGET

IDP Strategy	IDP Priority Split %
Strategic Planning & Development	6%
Technical Services	93%
Budget and Treasury	1%
Social Development & Community Services	2%
Total	100%

Within the funding available to strategies, consideration had to be given to a variety of factors in the prioritisation of programmes and projects:

- The immediate role of Council in addressing poverty and unemployment;
- Distribution of wealth and circulation of income with the municipality;
- Creating sustainable livelihoods;
- Future funding allocations versus deteriorating infrastructure and services;
- the future impact of the programme or project on the operational budget.
- functional responsibility between spheres of government
- counter-funding requirements

1.9.1 ALIGNMENT OF THE INTEGRATED DEVELOPMENT PLAN WITH THE BUDGET

The table below identifies the spread of the Operating and Capital Budgets across the Integrated Development Plan.

TABLE 2 : OPERATING AND CAPITAL BUDGET TO INTEGRATED DEVELOPMENT PLAN

	Strategic Planning & development	Infrastructure	Finance & Institutional Transformation	Community	TOTAL
	R,000	R,000	R,000	R,000	R,000
2009/10 Original Budget					
Capital Expenditure	500 000	55,078,115	780 000	1,560, 000	57,918,115
Operating Expenditure	7,446,531	14,634,915	42,751,043.00	22,533,979	87,366,468
Income	1,720,500	52,332,000	89,473,318	1,990, 000	145, 515,818
2010/11 Proposed Budget					
Capital Expenditure	3, 000, 000	60,492,809	250 000	800 000	64,542,809
Operating Expenditure	8,719,336	13,589,753	43,573,841	24,816,825	90,699,755
Income	1,589,000	64,659,700	86,116,894	2,913,000	155,242,564

2011/12 Proposed Budget					
Capital Expenditure	4, 500,000	54,050,000	265 500	0	58,815,500
Operating Expenditure	9,305,828	14,522,020	46,469,643	26,550,043	96,847,534
Income	944, 118	55,929,060	96,309,931	2,739,960	155,923,069
2012/13 Proposed Budget					
Capital Expenditure	6,000,000	62,000,000	281,165	0	68,281,164
Operating Expenditure	9,904,070	15,465,167	49,424,483	28,325,080	103,118,800
Income	1,009,262	62,989,065	105,228,984	2,901,618	172,128,930

1.10 FINANCIAL ESTIMATES

Table 3 identifies the estimated Income and Expenditure from 2010/11 to 2012/13.

Table 4 provides Capital Expenditure for the same period.

TABLE 3 : SUMMARISED 3 YEAR OPERATING BUDGET FOR THE 2010/11 TO 2012/13 FINANCIAL YEARS

Operating Budget	2010 / 11 R	2011/12 R	2012 / 13 R
Income	155,278,594	155,923,069	172,128,930
Expenditure	155,242,564	155,663,034	171,399,966
<u>Surplus / (Deficit)</u>	36,030	260 031	728,963

TABLE 4 : SUMMARISED 3-YEAR CAPITAL INVESTMENT PROGRAMME FOR THE 2010/11 TO 2012/13 FINANCIAL YEARS

CAPITAL BUDGET	2010/11 R	2011/12 R	2012/13 R
Total Budget	64,542,809	58,815,500	68,281,164

As highlighted above, the strategic planning of Ingquza Hill Local Municipality held in May 2007 agreed that the percentage allocations for IDP and budget implementation be as follows:-

- Strategic Planning & Development 8%
- Infrastructure 46%
- Finance & Institutional 29%
- Community Services 17%

2 REVIEW OF PAST PERFORMANCE

Before considering the 2010/11 budget, attention should be given to the current year's budget and achievements, in order to determine the extent to which the municipality has met its objectives.

2.1 OPERATING INCOME AND EXPENDITURE

Table 5 below contains the following information: -

- Actual Income and Expenditure for the 2009 financial year.
- Original Income and Expenditure Budget for the 2009/10 financial year.
- Approved revised Income and Expenditure Budget for the 2009/10 financial year.

TABLE 5: STATEMENT OF FINANCIAL PERFORMANCE FOR THE 2009/10 FINANCIAL YEAR WITH PRIOR YEAR COMPARATIVES

Description	2008 / 09 Actual R000	2009 / 10 Budget R000	2009 / 10 Adjusted R000
<u>Income</u>			
Grants Received	60,244,416	57,062,000	52,814,423
Assessment Rates	5,610,973	6,448,094	10,671,894
Rental of facilities	33,042	220,000	230,889
Refuse	1,280,588	1,500,000	1,000,000
Interest on investments	246,311	370,000	140,000
Other	4,897,293	23,599,003	19,540,500
<u>Direct Operating Income</u>	72,312,623	89,199,097	84,397,706
Total Operating Income	72,312,623	89,199,097	84,397,706
<u>Expenditure</u>			
Salaries, Wages & Allowances	45,306,673	59,064,564	62,561,995
General Expenses	23,835,435	25,352,000	19,625,837
Purchase of Electricity		200,000	454,593
Interest paid	105,682	300,000	127,047
Repairs & Maintenance	3,099,865	4,310,000	1,586,288
<u>Direct Operating Expenditure</u>	72,347,655	89,226,564	84,355,760
Total Operating Expenditure	72,347,655	89,226,564	84,355,760
<u>Surplus/(Deficit)</u>	(35 032)	(27,467)	(41,946)

2.2 CAPITAL EXPENDITURE

Table 6 below provides a brief analysis of capital expenditure for the 2008/09 to 2009/10 financial years. The analysis examines the amounts spent compared to the budget, from the Municipality's own funds.

CAPITAL FUNDING ALLOCATIONS FOR THE 2008/09 to 2009/10 FINANCIAL YEARS

Description	Actual 2008/09 R000	Actual 2009/10 R000	Estimated 2009/10 R000
<u>Capital Allocation: Internal Funds</u>			
Budget	10,950,000	1,840,000	1,840,000
Funds spent	6,009,878	446,211	546,211
% of Budget spent	55	25	30
<u>Capital Allocation: External Funds</u>			
Budget	28,545,170	51,346,342	56,078,112
Funds Spent	23,551,122	41,188,599	43,688,939
% of Budget spent	83	81	78
<u>Capital Allocation: Totals</u>			
Budget	39,495,170	53,186,342	57,918,112
Funds spent	29,561,000	41,632,553	44,235,150
% of Budget spent	75	79	77

OPERATING AND CAPITAL BUDGET FOR 2010 TO 2013

3.1 INTRODUCTION

The 2010/11 to 2012/13 Operating and Capital Budget is submitted for consideration and adoption.

The formulation of this Budget commenced in August 2009 with the submission of the Budget Process Plan. This Budget Process Plan as in the previous year ensured that the Budget and Integrated Development Plan were formulated concurrently resulting in the budget being aligned to the Integrated Development Plan.

It will become evident when reading this document that the IDP and Budget compliment each other and the community can have confidence that the budget is supporting Council's direction as identified in the IDP.

The community was consulted during the process and this culminated in a comprehensive feedback gathering exercise in which all wards were consulted and consideration of the feedback included in the budget for 2010/11, details of which follow.

Over the past years Ingquza Hill Local Municipality introduced budget reform with initiatives such as creation of a specialist Budget Department, production of a three year budget, ensuring that the budget consists of realistic figures, reliable indicators and reporting in accordance with the Municipal Finance Management Act. The municipality can now have more reliance on its financial reports. A major initiative which supports the reliability of the Budgets has been the implementation of tariff setting.

Following are the budget pressures and National Treasury guidelines which influence the direction of the budget

3.2 PRESSURES ON THE MUNICIPALITY

- Improving current service delivery
- Maintenance of infrastructure.
- Dealing with increasing staff costs.
- Increasing internal efficiency and improving customer care.
- Ensuring efficient and effective management.
- Service improvement.
- Improved financial management

3.3 NATIONAL TREASURY GUIDELINES

National Treasury in its MFMA Circulars No. 10 on the 2005/06 and No 51 Budget Process require the following:

- The Mayor is required to coordinate the process of the annual budget and the revision of the Integrated Development Plan and budget related policies.
- The accounting officer is tasked with assisting the mayor in developing and implementing the budgetary process.
- A review of the budget process is undertaken in early August before determining the new schedule of key deadlines.
- A revised IDP is adopted at the time of adopting the budget. Therefore, the process leading to the adoption of the 2010/11 budget and IDP must be incorporated into one process, together with the process for approving taxes, user charges and budget related policies.
- The Budget process must be consultative and the collective product of all within the municipality.
- Budget preparation includes the following processes: -

- Winning support for the priorities that will shape the way budget allocations will be determined
 - Integration of strategic objectives with budget allocations
 - Appropriate planning and improved project management
 - Assessing affordability of rates and service charges, and identifying poor households unable to afford such rates and charges
 - Estimation of accurate revenue and expenditure projections
 - Consultation and review of national, provincial and local priorities
 - Assessment of previous year performance and corrective action to be incorporated in the next budget
- Municipalities are required to produce a 3 year capital plan when tabling the draft budget. This is required to be disaggregated by municipal ward and reflect the MIG sector priorities to enable national and provincial transfers to flow directly to municipalities.
 - The final step of the implementation of the budget is the approval of the Service Delivery and Budget Implementation Plan (SDBIP) within 28 days of the adoption of the Budget and the performance agreements for the municipal manager and other senior managers for the coming financial year.
 - Municipalities are required to prepare their budget in accordance with the regulations and the budget formats as per the circular No 51

National Treasury also provided the following Revenue and Guideline Growth Parameters

- The guideline growth limits for municipal budgets for 2010/11, 2011/12 and 2012/13 are 5.7 %, 6.2 % and 5.9 %, respectively. This is a guideline, for self-generated revenue sources.
- It excludes the increased national allocations provided for the purposes of expanding infrastructure and providing basic services to more households.
- An increase in municipal rates and tariffs above the guideline growth limits must be fully motivated and explained to the local and business communities. Municipalities are obliged to ensure that their budgets are balanced, and all expenditure is fully funded.

3.4 KEY BUDGET ASSUMPTIONS AND STRATEGIES

3.4.1 Assumptions

In August 2009, Management submitted to the mayor a Budget Assumptions for the development of the 2010/11 to 2012/13 budget.

Throughout the year, some of these assumptions were modified as more information became available.

The following table identifies the current Budget Assumptions, which have been in this budget

TABLE 5 : BUDGET ASSUMPTIONS

Description	2009/10	2010/11	2011/12	2012/13
National Treasury Guidelines				
CPIX	6.7%	5.7%	6.2%	5.9%
Salaries	13%	7.5%	7.2%	6.9%
Rates	0.02c	0.015 – 0.02	0.015-0.02	0.015-0.02
Refuse	6.00%	6.00%	7.5%	6.5%
Growth				
Telephone Costs	6.7%	5.7%	6.2%	5.9%
Free Basic Electricity (Indigent)	50 kwh	50 kwh	50 kwh	50 kwh
Free Basic Water (Indigent)	N/A	N/A	N/A	N/A
Equitable Share Allocation		22.35%	12.57%	9.90%

3.4.2 Strategies

The following strategies were adopted:

- Increase the indigent consumer database.
- Provide free basic services for electricity
- Provide free basic energy
- Refine the alignment of the operating budget to the IDP. (Identify programmes, compile business plans and provide costing)
- Identify actual revenue to be realised in order to adequately provide for bad debts.
- Continue the enhancement of revenue management.
- Reallocate resources in terms of the IDP strategic priorities. (move funds between Directorates)

- Maximum of 5.7 percent increase in general expenses and repairs and maintenance.

Review budget performance and address budget variance

3.5 OPERATING BUDGET 2010/11 TO 2012/13

Table 8 below, identifies the 3 year Medium Term Expenditure operating budget for the 2010/11 to 2012/13 financial years with the actual expenditure for 2009/10 and **projected** operating expenditure for the 2009/10 financial year illustrated for comparative purposes.

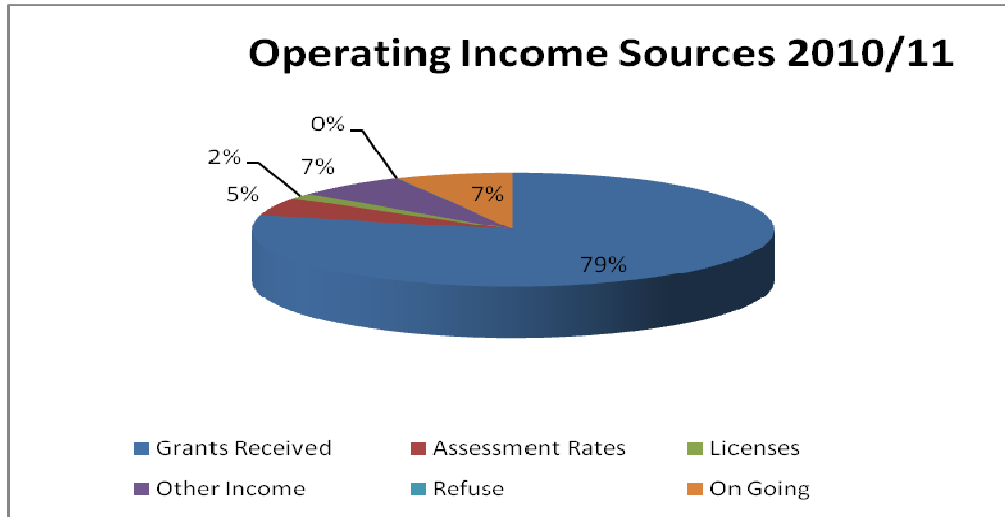
TABLE 6 : STATEMENT OF FINANCIAL PERFORMANCE FOR THE 2010/11 TO 2012/13 FINANCIAL YEARS WITH PRIOR YEAR'S COMPARATIVE

	2008/09	2009/10	2010/11	2011/12	2012/13
	Actual	Adjusted	Budget	Budget	Budget
	R	R	R	R	R
<u>Income</u>					
Grants Received	61 497 416	107 502 534	122 381 000	136 530 000	151 591 000
Assessment Rates	5 276 991	10 671 894	7 671 894	8 147 551	8 628 257
Water	0	0	0	0	0
Refuse	1 280 588	48 087	90 000	95 580	101 028
Sewerage	0	0	0	0	0
Other Income	5 959 389	14 411 389	25,135,700	11 149 938	11 808 645
<u>Direct Operating Income</u>					
Net Internal Transfers	0	0	0	0	0
<u>Total Operating Income</u>	74 014 384	145 515 818	155,278,594	155 923 069	172 128 930

<u>Expenditure</u>					
Salaries, Wages & Allowances	45 306 673	64 763 706	63 931 892	68 420 063	73 023 923
General Expenses	21 925 288	21 116 473	24 587 863	26 112 311	27 647 649
Depreciation	5 845 538	0	0		
Interest Paid	105 682	0			
Repairs & Maintenance	3 099 865	1 486 288	2 180 000	2 315 160	2 447 230
Loss on Disposal of PPE	188 930	0	0	0	0
<u>Direct Operating Expenditure</u>	76 471 977	87 366 467	90 699 754	96 847 534	103 118 802
Net Internal Transfers	0	0	0	0	0
<u>Total Operating Expenditure</u>	76 471 977	87 366 467	90 699 754	96 847 534	103 118 802
<u>Surplus/(Deficit)</u>	(2 457 593)	58 149 351	64,578,840	59 075 535	69 010 128

FIGURE 1 : OPERATING BUDGET 2010/11 – INCOME SOURCES

Figure 1, details the anticipated composition of operating funds for the 2010/11 financial year.



3.6 SALARIES, WAGES AND ALLOWANCES

TABLE 7 : STAFF COST DETAILS

Description	2009/10 Budget	2009/10 Adjusted Budget	2010/11 Budget
	R	R	R
Salaries, Wages & Allowances	36 546 941	39 220 175	39 214 988
Housing Subsidy	3 462 309	595 187	3 982 941
Leave Bonus	1 957 247	2 230 011	2 230 011
Travel Allowance	3 704 299	4 758 731	4 510 856
Medical Aid	4 758 441	4 314 789	4 748 796
Pension/ Provident	2 769 108	4 471 649	3 440 782
Other	5 866 219	9 173 164	5 803 518
	59 064 564	64 763 706	63 931 892

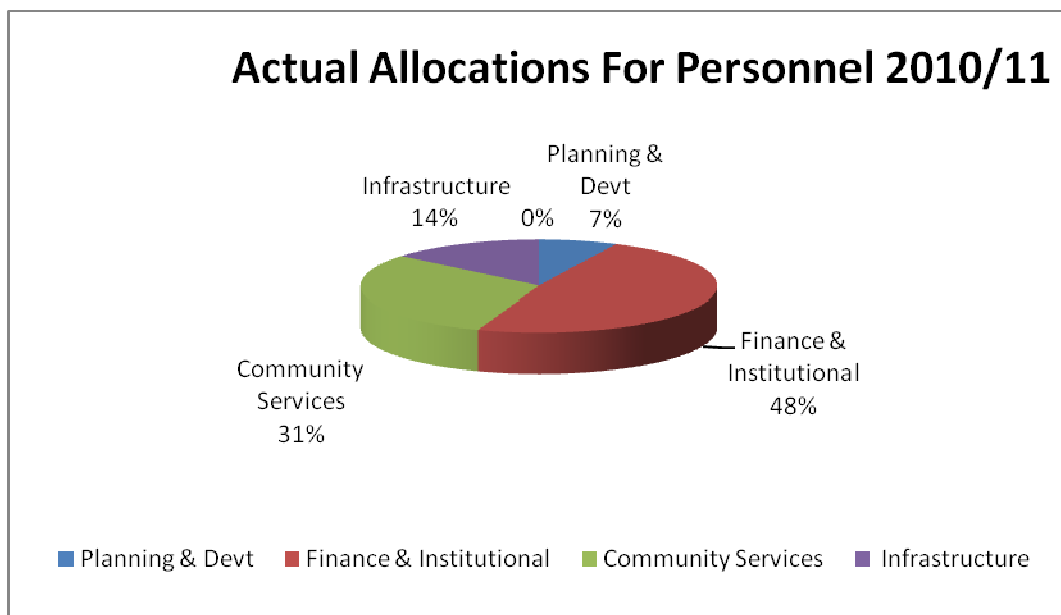
The decrease of the 2010/11 salaries budget over the 2009/10 original budget is 2%

TABLE 8 : SALARIES, ALLOWANCES AND BENEFITS OF COUNCILLORS AND SENIOR OFFICIALS

The following table reflects the cost to the Municipality of Political Office bearers, Councillors and Senior Officials in 2010/11.

Political Office Bearers And Senior Officials	No.	Salary R	Allowance R	Benefits R
Mayor and Executive Committee	10	2 110 460	702 760	118 812
Councillors	44	6 045 138	2 015 275	500 038
Senior Management	6	2 642 909	1 761 940	86 400

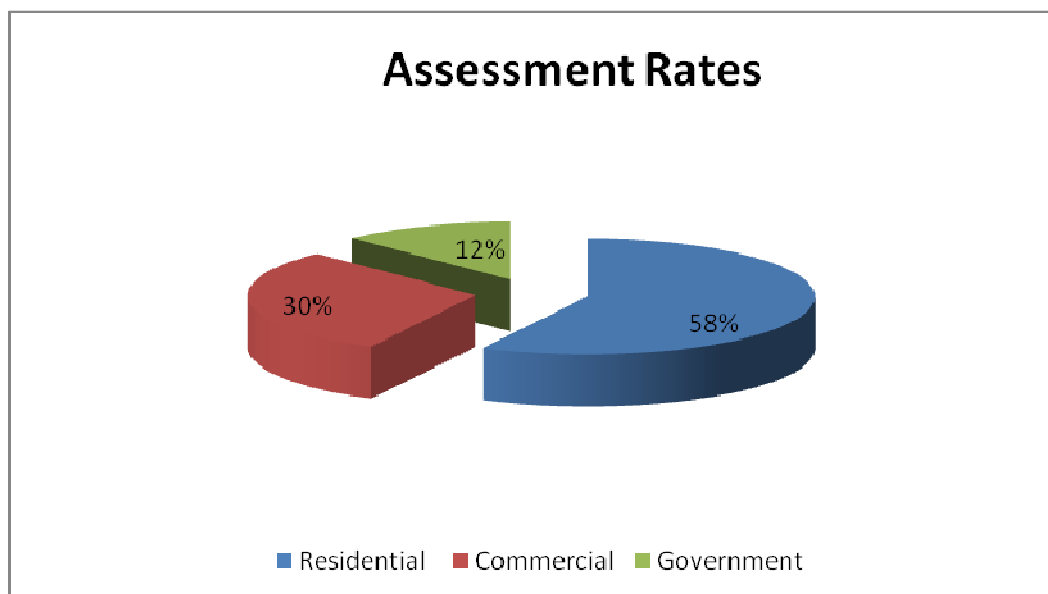
FIGURE 2 : STAFF BUDGET DETAILS 2010/11



3.7 ASSESSMENT RATES

Figure 3 below, reflects rates income for 2010/11 to 2012/13.

FIGURE 3 : COMPOSITION OF ASSESSMENT RATES BUDGET FOR 2010/11



3.8 SUMMARY AND PROPOSED TARIFF INCREASES

Tariffs have been increased as detailed in Table 8 below in order to balance the budget.

**TABLE 8 : PROPOSED TARIFF INCREASE FOR THE 2010/11 TO 2012/13
FINANCIAL YEAR WITH PRIOR YEAR COMPARATIVES**

The table below gives you an indication of proposed tariffs for 2010 and 2011 financial year.

Category	Old Tariff	New Tariff
	2009/10	2010/2011

Property Rates

Assessment Rates (Residential)	2.00c/R	1.50c/R
Assessment Rates (Business)	2.00c/R	2.00c/R
Assessment Rates (Government)	2.00c/R	2.00c/R

Refuse Removal (Basic charge)

Households – Low Cost Houses	R30.00	R30.00
Households – In Town	R82.00	R87.00
Households – With One Block of Tenants	R114.00	R120.00
Households – With Two Block of Tenants	R171.00	R177.00
Households – With Three Block of Tenants	R256.50	R260.00
Businesses (1 x Weekly)	R114.00	R120.00
Businesses (3 x Weekly)	R171.00	R177.00
Businesses (Daily)	R256.50	R260.00
Government (1 x Weekly)	R114.00	R120.00
Government (3 x Weekly)	R171.00	R177.00
Government (Daily)	R256.50	R260.00

Advertising Rates / Billboards

Local		
Billboard: 1m(h) x 1.5m(w)	R300.00	R324.00
Billboard: 1.5m(h) x 2m(w)	R350.00	R378.00
Billboard: 2m(h) x 3m(w)	R400.00	R432.00
Billboard: 3m(h) x 4m(w)	R450.00	R486.00
National		
Billboard: 1.5m(h) x 3m(w)	R1,000.00	R1,080.00
Billboard: 3m(h) x 6m(w)	R1,500.00	R1,620.00
Billboard: 6m(h) x 4m(w)	R2,000.00	R2,160.00
Billboard: 9m(h) x 6m(w)	R5,000.00	R5,400.00

Plan Fees & Servitude (class of building – rates up to 1000m2 thereafter R1.2 per sqm)

Dwelling House	R1,323.00	R1,323.00
Outbuilding	R1,102.50	R1,102.50
Flats/Hotel/Townhouses	R1,512.00	R1,512.00
Shops/Schools/Churches	R1,512.00	R1,512.00
Offices	R1,512.00	R1,512.00
Carport	R567.00	R567.00
Patio/Verandah	R567.00	R567.00
Basement parking	R819.00	R819.00

Hall hire

Monday – Thursday: 08h00 – 18h00	R200.00	R200.00
18h00 – 06h00	R200.00	R200.00
Friday – Sunday : 08h00 – 18h00	R300.00	R300.00
18h00 – 06h00	R400.00	R400.00
Security (Refundable)	R400.00	R500.00

Tender Documents

0 – 100 pages	R150.00	R150.00
100 – 200 pages	R200.00	R200.00
200 pages and above	R300.00	R300.00

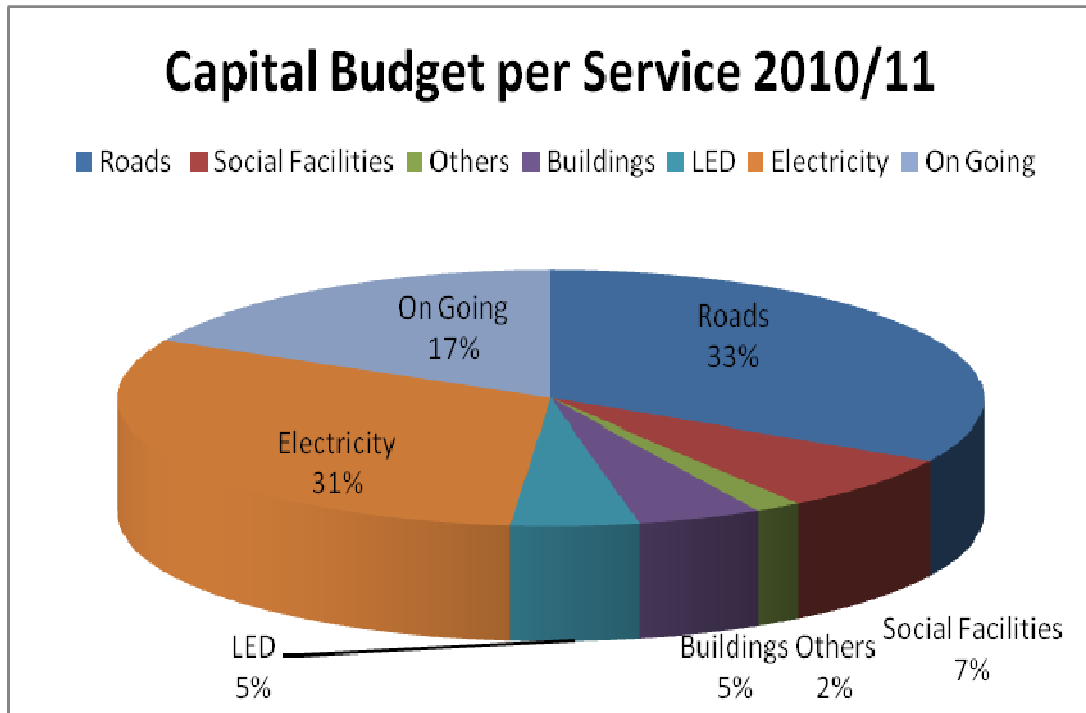
3.9 2010/11 CAPITAL BUDGET

Proposed capital expenditure to be incurred for the next three years is as follows:

TABLE 9 : 3-YEAR CAPITAL INVESTMENT PROGRAMME PER SERVICE

Capital Budget Per Service	2010/11	2010/11	2011/12	2012/13
	R	%	R	R
Social Facilities	4 684 936	22%	6 000 000	5 000 000
Electricity	20 000 000	0%	20 000 000	20 000 000
Roads & Stormwater	21 359 173	11%	24 000 000	27 000 000
Buildings	3 000 000	0%	0	10 000 000
LED	3 080 000	64%	8 500 000	6 000 000
Other	1 115 000	(72%)	315 500	281 164
On Going	11 303 700	0%	0	0
TOTAL	64 542 809	(8%)	58 815 500	68 281 164

FIGURE 4 : CAPITAL BUDGET PER SERVICE FOR THE 2010/11 FINANCIAL YEAR



3.10 BUDGET SUMMARY 2010/11

The table below presents a high level budget summary of the 2010/11 Budget. It identifies appropriations and funding as per the functions of the municipality. Please refer to Annexure 1(b) for summaries of the 2010/11 and 2011/12 budgets

TABLE 10 : BUDGET SUMMARY 2010/11

Table 10 is the high level summary of the Operating and Capital budget for each Department

SCHEDULE 5	2010/11					
	Appropriations			Funding		
	Capital	Operating	Total	Own Source	External	Total
SUMMARY OF REV & EXP BY VOTE	R'000	R'000	R'000	R'000	R'000	R'000
Executive & Council	0	11 492 483	11 492 483	4 596 993	6 895 490	11 492 483
Municipal Manager Offices	0	4 148 760	4 418 760	4 148 760	0	4 148 760
Budget & Treasury	0	13 496 876	13 496 876	2 735 405	10 797 501	13 532 906
Corporate Services	250 000	14 435 722	14 435 722	2 887 144	11 548 578	14 435 722
Community & Social Services	800 000	24 816 825	25 616 825	3 928 622	21 688 203	25 616 825
Planning & Development	3 000 000	8 719 336	11 719 336	0	11 719 336	11 719 336
Engineering Services	60 492 809	13 589 753	74 082 562	11 303 700	62 778 862	62 778 862
TOTAL	64 542 809	90 699 755	155 242 564	29 600 624	125 677 970	155 278 594