

OVERSTRAND MUNICIPALITY



ADDENDUM 1

BUDGET REPORT

2010/2011

Compiled by:

*Overstrand Municipality: Budget Office
for Director: Finance*

OVERSTRAND MUNICIPALITY: BUDGET 2010/2011

OPERATIONAL AND CAPITAL BUDGET FOR 2010/11 AND ESTIMATES FOR 2011/12 TO 2012/13

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1. Overview of the IDP/Budget process

This part of the report gives a brief overview of the 2010/11 IDP/Budget process undertaken and the key milestones that were achieved.

Corporate strategic planning

- Council received a detailed timetable in August 2009 on the new IDP/Budget process for the 2010/11 cycle.
- The new process started with a strategic review of priorities that included workshops with Councillors and Management. This exercise culminated in the Mayoral Directional Speech presented to the Mayoral Committee on 1 September 2009.

Business planning

- Regular communications were circulated regarding further strategy for the completion of the 2010/11 budget.

Public and stakeholders participation

- Guidance from the Mayoral Speech of the priorities identified for 2010/11 were available for information.
- Ward Committees and Managers were requested to identify new projects and/or put forward existing projects on the IDP.
- The Mayoral Review Panel met regularly and was involved in the prioritising process. Valuable inputs were received from members of this committee throughout the budget cycle.
- Overstrand Municipal Advisory Forum (OMAF) meetings were held on 24 November 2009 and 9 April 2010.
- Regular draft budget review sessions were held with all directors and managers from December 2009 to March 2010.
- This culminated in final strategic review sessions for tariffs and charges, budget related policies, salary budget strategy, operational budget and capital projects finalisation by the Mayoral Review Panel during March 2010.
- The draft budget was tabled in Council on 31 March 2010.
- The draft budget was advertised for comments till 30 April 2010.
- The Provincial LG MTEC deliberations were held on 11 May 2010.

- Representations and comments received from the public have been included in the agenda for the council meeting
- The final operational and capital reviews, tariff reviews, policy reviews and a review of all comments was held during April/May 2010 for the final compilation and completion of the 2010/11 budget.

2. Alignment of Budget with Integrated Development Plan

The IDP has been reviewed as required by the Municipal Systems Act and the MFMA (Municipal Finance and Management Act, 56 of 2003). The final budget for 2010/11 was compiled in such a way to ensure sustainability of service delivery and financial viability of the Municipality. The departmental **Service Delivery and Budget Implementation Plans** (SDBIPs) will be finally aligned to the IDP and Budget.

A summary of each departmental or functional SDBIP will be provided showing the information set out in MFMA Circular 13, which includes the following:

- Purpose (outcomes);
- Service delivery description (outputs);
- Resources utilised (inputs);
- Inputs to detailed sector capital plans; and
- The link between performance measures in the SDBIP and performance contracts.

The MFMA allows for SDBIPs to be approved by the Mayor up to 28 days after the approval of the budget.

3. Sources of funding

Each source of funding was examined with a view to its optimisation within affordability levels. These sources include the following:

- Rates, tariffs and other charges;
- Savings and efficiencies;
- Investments;
- Grant allocations;
- Contributions and donations;
- Sale of assets;
- Accumulated Surplus;
- Proposed Future Revenue Sources; and
- Borrowing.

In terms of Council's accounting policy and **Generally Recognised Accounting Practice** (GRAP), estimates for the sale of assets (carrying value) must be credited to the Accumulated Surplus.

4. National Treasury Guidance

MFMA Circular 51 relates to Municipal Budgets for the 2010/2011 MTREF and provided guidance on the following matters:

- National priorities – Doing more with existing resources
- Headline inflation forecasts
- Revising rates, tariffs and other charges
- Funding choices and management issues
- Conditional transfers to municipalities
- Municipal budget and reporting regulations
- Budget process and submissions for the 2010/2011 MTREF

National Treasury recognises that it will take time to achieve full compliance with both the letter and spirit of the new formats for municipal budgets, adjustment budgets and in-year reporting.

The new formats require substantial changes to systems, procedures and parameters. The financial system service provider is continually updating programmes to adhere to these requirements. Stand alone and bridging programmes address certain of the issues encountered in compiling the budgets according to the new formats.

Much of the statistical type of information has to be compiled manually and via other systems and/or hard copy documents.

We have endeavoured to comply with the formats as far as practically possible. Improvements have been effected since the draft budget and further improvements will be implemented over the course of the MTREF period.

Investigations into other improved financial and data systems are being undertaken.

5. Executive summary of the 2010/11 budget proposals

5.1 Background

The guidance provided in MFMA Circular 51 regarding requirements of the MFMA in relation to budget information & documentation for consultation and approval was taken into account in compiling the budget. Furthermore, the implementation of and continuous amendments to GRAP has also contributed to changes in the presentation, contents and format of the budget. It is therefore quite clear that the council has a great challenge to adhere to these requirements.

It should be noted that although the 2010/2011 operational budget and indicative years indicate budgeted deficits, this does not reflect the actual cash position. These circumstances arose as the result of the implementation of GRAP, with special reference to GRAP 17 (Property, Plant and Equipment-PPE). The introduction of reflecting PPE at Depreciated Replacement Cost (DRC) has increased the asset value from R659 million to R5,123 billion, thus depreciating assets at the increased value. Although accurately reflecting asset value, the cost of a substantial portion of these assets has been fully redeemed. The replacement thereof can thus not be recouped via current tariffs as this would lead to taxation in advance of need and no reserves may be established for these purposes.

These factors were taken into account with the determination of tariffs.

The trend of budgeting for a deficit is likely to continue for the next decade.

See schedules 1 & 2.

5.2 2010/11 Operating Expenditure Budget

The operational expenditure budget proposed for 2010/11 is R708 004 860 compared to a current amended budget of R574 622 698 for 2009/10 and represents a 23% increase compared to a 22% increase of the 2008/09 budget. The expenditure is summarised in the following table:

Table 1: Increases in the 2010/11 Operational Budget compared to 2009/10 Adjusted Budget

	2009/10 Current Budget R'000	2010/11 Estimate R'000	% Increase / (Decrease)	% Compared to Total Expenditure
<u>Expenditure type</u>				
- Salaries and Wages	159 417	180 161	13%	25,4%
- General expenses	318 812	393 632	23,5%	55,6%
- Repairs and Maintenance	51 663	62 758	21,5%	8,9%
- Capital costs	125 231	148 596	18,7%	21%
- Provisions		9 800		1,4%
Less: Recharges	655 122 (80 502)	794 947 (86 942)	8%	(12,3%)
Total Expenditure Budget	574 621	708 005	23%	100%

5.3 Explanation and discussion of major expense type

- Salaries and Wages

The 2010/11 budget for salaries, wages and allowances for the municipality in total is R180,1 million which comprises 25,4% of the operational

expenditure budget. This includes a salary budget savings contingency based on 2,5% (R4,62m) of the total salary budget and will comprise savings from vacant posts, without impairing service delivery.

The labour cost of permanent staff that will be involved with the completion of capital projects, have not been apportioned to those projects.

This total figure also includes Councillors' remuneration, but excludes cost of staff employed on agency projects.

Expenditure from the DWAF: Working-for-Water project is ring-fenced as an agency service.

Top Management has given consideration to the enlargement of the staff complement at a total cost of R8,79m. This has been necessitated for the further improvement of service delivery. The staff of the former entity, Overstrand Local Economic Development Agency (OLEDA), will be incorporated into the staff establishment of the municipality from 1 July 2010. Seasonal workers and other temporary staff have been budgeted.

The estimates include salary increases of 8,1%, based on the average rate of inflation over the past twelve months in accordance with the three year wage agreement. The salary increases are negotiated nationally.

The total estimate figure of Councillors' remuneration includes proposed increases at the same rate as for permanent staff. Councillors' remuneration is subject to approval thereof by the National Minister of Local Government and Traditional Affairs.

Furthermore, the MFMA requires that the Budget Report contains a detailed analysis of the salaries and allowances of Councillors, the Municipal Manager and Senior Management. This information is presented in Annexure C.

- General Expenses and Repairs & Maintenance

Most items classified under these two headings have been increased from the 2009/10 adjusted budget by the estimated general rate of inflation, budget growth requests from managers for increased service delivery, increased tariff adjustments by Eskom, ever rising cost of chemicals for water purification works and fluctuating fuel costs.

The Eskom increase, as approved by the National Electricity Regulator (NERSA) amounts to 28,9% for municipalities. This relates to the 24,1% average increase by Eskom to its direct consumers and recoverable from municipalities over a period of nine months till March 2011. The direct increase passes on to the municipal consumers for unit consumption only and at the rate of 28,9%.

The contributions to the Central Improvement District (known as HPP) and an allocation of R2 750 000 for the established Destination Marketing Organisation (DMO) have been budgeted as expenditure according to GRAP. The DMO will operate tourism as per a service delivery agreement, which includes tourism bureau's, marketing and festivals.

The disestablishment of OLEDA relates to a saving of the grant of R900 000 in return of expenditure for the incorporation at R1,6m. The Funding from the Independent Development Corporation (IDC) is not yet known. The incorporated staff will still focus on the facilitation of economic development.

Contingency Budgets: No amounts have been specifically budgeted in this regard. Any savings identified during the financial year will be allocated to a contingency and be dealt with during the adjustment budget processes.

- Equitable Share: Low Income Subsidy and Indigents

The low income subsidy budget, R20 million for 2010/11, makes provision to fully fund the Council's Indigent Policy. This is a substantial increase from the R14 million budgeted in the previous financial year.

This programme is further expanded from the previous participants who, upon application and registration, are unemployed and/or receive a social pension or income per household that is equal or less than the amount of four times the government social pension to also include all owner occupied properties with a rateable valuation up to R50 000.

- Basic Services Projects Local Labour Promotion Project (LLPP)

Projects are identified on the capital and operational budgets to continue the LLPP concept. Projects such as storm water, roads, cleaning projects, etc. will be undertaken in the entire Overstrand. The LLPP concept makes a contribution towards Local Economic Development. This concept entails the delivery of services, whereby a portion of earnings goes towards decreasing municipal account debt.

- Contribution to Working Capital

This contribution is made to a provision for the write-off of irrecoverable debts. This is reduced from the previous budget levels because it has been assumed that the full implementation of the Council's Indigent Policy and the raising of the ceiling for the qualification as indigent will reduce the level of irrecoverable debts. The appointment, on contract, of debt collectors should still further reduce irrecoverable debts.

- Capital Costs

The items in this category relate to debt servicing payments and depreciation. The sharp increase in depreciation, from R36 million (Original budget 2008/2009) to R120 million has been explained in para. 5.1

- Contributions to Provisions

Council has certain legal obligations to provide for the rehabilitation of landfill sites, post retirement benefits and long service awards. The value of the present obligation is calculated annually and contributions appropriated and adjusted accordingly. Expenses relating to these provisions are expensed directly against the provision.

- Contributions to/from Funds and Reserves (Appropriations)

The implementation of GRAP has changed the accounting treatment and presentation of Funds and Reserves.

- Capital Replacement Reserve (CRR)
Previously for the proceeds on the sale of assets to fund capital projects. This reserve is now incorporated in the accumulated surplus. The profit or loss on the sale of assets will be reflected in the Statement of Financial Performance.
- Self-Insurance Reserve (SIR)
Now ring-fenced within the accumulated surplus. A directional change towards insuring smaller risks from the SIR was implemented during the previous financial year. The claims history points to favourable conditions for this implementation.
- Capitalisation, Government Grants and Public Contributions Reserves
This reserve is now incorporated in the accumulated surplus. No more offsetting of depreciation via appropriations due to GRAP.

5.4 2010/11 Operational Budget – Revenue

5.4.1 Summary

The total revenue budget proposed for 2010/11 is R624 263 550. This is in relation to an adjusted budget of R524 149 449 in 2009/10 and represents an 19,1% increase.

The principle governing tariff increases relates to a baseline of a general increase of 8% for residential rates and consumer services and 10% for business rates and other service fees.

The budgeted revenue in terms of revenue source is summarised in schedule 1.

5.4.2 Budget methodology undertaken

A limited zero based budgeting approach was adopted in respect of the operational budget. Further initiatives have been launched to investigate existing revenue sources and the costs of delivering services such as sewerage (tanker services), costing of supplying potable water and punitive water usage measures, the use of consultants to check, clean up and verify debtors' data and contracting of debt collecting agents on performance basis, amongst others.

- Revenue from Property Rates

The valuation roll in use came into effect from July 2008.

The average increase in property rates for 2010/11 is set at 8% on residential and 10% on business properties.

For residential properties, the following exemptions and rebates are proposed:

- An exemption on the first R15 000 of the market value of a property assigned in the valuation roll or supplementary valuation roll as determined in clause 17(1)(b) of the Municipal Property Rates Act (MPRA)
- An exemption on the next R35 000 of the market value of a property assigned in the valuation roll or supplementary valuation roll as determined in clause 10(b)(ii) of the Rates Policy of the Overstrand Municipality, and
- A further residential rebate of 20% on rates levied for residential properties, where a residential completion certificate as determined in clause 10(b)(iii) of the Rates Policy of the Overstrand Municipality

The Council's Rates Policy also allows for other rebates to residents and businesses. These include pensioners, guesthouses & B&Bs, residential, business and agricultural properties outside the traditional urban areas, subject to certain conditions.

Under the new Property Rates Act, the 2010/11 budget must show the total rates revenue with the cost of the rebates and exemptions allowed as expenditure. Income foregone is shown as a reduction of rates income.

- Revenue from Tariff Services

The tariffs for electricity, water, sewage and refuse collection have been set to recover costs of delivering the respective services.

Electricity: The substantial increase of 28,9% for the purchase of electricity from Eskom will have a far reaching negative impact for consumers and the delivery of services in an ailing economy.

This increase remains beyond the control of the municipality as it is under the auspices of the National Electricity Regulator (NERSA) on application from Eskom for price increases. As the municipality cannot absorb these increases, the direct price hikes for consumption only have been passed on to the consumers.

Water: The sustainable supply of potable water is becoming an ever increasing challenge. This scarce commodity has to be optimally managed. The increase in the price of electricity and chemicals for purification has contributed to the cost of delivering this service. The water usage block tariff has been structured for a basic affordable tariff for up to 30kl per household per month.

Punitive tariffs were introduced in the previous financial year for excessive water consumption and to equalise under recovery. As the culture of water consumption conservation filters through from consumers, the lower end of the block tariff will have to be reviewed to balance the recovery cost of water supply.

Sewage: An equalisation of tariffs for all properties in the urban areas has been introduced. This equalisation will be phased in over a two year period, whereby all the mentioned properties will be charged a uniform basic tariff. The introduction of volumetric usage will be determined according to water usage with maximum ceilings and charged accordingly.

The changes to the pricing structure are set out in the detailed tariffs lists.

Refuse: The fuel price syndrome impacts negatively on tariffs for the delivery of this service.

The Karwyderskraal regional dumping site still remains a contentious issue as this municipality utilises this facility in excess of 90%. The facility is controlled by the District Municipality.

Rates, tariffs and charges for 2010/11 are attached to the agenda item.

- Service Charges – Other (Other Revenue)

This category comprises all the rest of the revenue received by the Municipality, primarily from user charges. The most significant individual items in this category are revenue from building plan fees, vehicle registration fees etc.

- Interest and Investment Revenue

This comprises primarily the interest revenue received from investing cash available for periods on call and above, interest received on cash held in the Council's bank accounts and interest on debtors' arrears.

- Government Grants

The MFMA requires that detailed information is given with respect to all grants received by the Municipality (summarised below).

These grants have been appropriated by National and Provincial governments and allocated via the Division of Revenue Act (DORA)

Table 2: National & Provincial Grants & Subsidies

Project descriptions	2010/11 (R'000)	2011/12 (R'000)	2012/13 (R'000)
National Treasury			
Equitable Share	26 920	32 250	34 244
Financial Management Grant	1 000	1 250	1 250
Municipal Systems Improvement Grant	750	790	800
Municipal Infrastructure Grant (MIG)	11 616	13 970	16 987
Integrated National Electrification Grant	3 639		
Neighborhood Development Grant	8 500		
TOTAL NATIONAL	52 425	48 260	53 281
Provincial Grant			
Housing	31 314	36 276	34 678
Public Library Services Grant	100	104	108
Community development worker	608	640	
Main Road Subsidy	50		
Cleanest Town Competition	120		
TOTAL PROVINCIAL	32 192	37 020	34 786
TOTAL NATIONAL AND PROVINCIAL	84 617	85 280	88 067

Grants from Central Government comprise the Equitable Share (Municipal share of revenue raised nationally - subsidising low income consumers), Financial Management Grant (which funds the costs of MFMA implementation and the appointment of financial interns), MSIG (Systems improvement), MIG (Municipal Infrastructure Grant) and INEG (Integrated National Electricity Grant).

Included in the Equitable Share grant is amounts of R0,942m, R0,941m and R1,051m respectively over the three years for a special contribution towards councillors' remuneration.

It should be noted that a portion of the MIG grant (R5,63m) is being utilised during the 2009/10 municipal financial year for the national financial year that already commenced on 1 April 2010.

Grants received from Province include the provision of housing on an agency basis (Top structures and internal reticulation for services), subsidising of public libraries (Provincial function) and maintenance of provincial main roads (Provincial function). The Community Development Workers grant is used to offset expenses of this provincial initiative.

Of the total amount of R62,55m government grants received, an amount of R23,820m relates to direct operating revenue, which constitutes 5% of total revenue.

Included in the item of Government Grants in schedule 1 of the sources of revenue is an amount of R8,5m for the Neighbourhood Development Programme and an amount of R120 000 for the prize money for the Cleanest Town Competition. These funds will be utilised for Local Economic Development projects and cleanup projects respectively.

- Public contributions

This category comprises other funding accessed from other sources. These include an amount of R16,4m CSIR allocation for technologies developed for the housing projects, that could not be utilised in the previous financial year due to delays in the Kleinmond housing project. This project is now in progress.

Various other contributions have been negotiated by agreements already reached. These relate to ABSA Bank-Gansbaai Sport Complex, ODM Whale Coast Signage, Cape Town Routes Unlimited, WWF-Table Mountain Fund and Umsombumvo Youth Fund.

5.5 Key Risk Areas in the 2010/11 Operational Budget

The following are the key risk areas in the budget which will need to be closely monitored over the course of the 2010/11 financial year.

- Changes in seasonal weather patterns from the norm can decrease the consumption of water and/or electricity services and whilst this is beneficial in environmental terms it does put at risk the achievement of the revenue budget.

- Eskom price hikes over the next three years are bound to have a negative effect on growth. Residents and businesses alike will have to carefully consider electricity usage.
- A cut-back on the level of overtime payments will require active management by the Managers and Directors to keep the expenditure within the new budget as vacant posts are filled.
- No appropriation for a contingency budget as a zero based budget methodology was applied.
- The 2010 Soccer World Cup is on the doorstep and it is hoped that the Overstrand area could benefit economically from this.
- The full impact of the implementation of GRAP and the new accounting standards that arose since its inception from 1 July 2004 and further revisions of accounting standards and issuing of further new accounting standards by the Accounting Standards Board has already had a impact on the operational budget. The issue that stands out in this regard is the effect of depreciation on the operational bottom line.
- The increases in the cost of chemicals used for the treatment of waste water and for purification of potable water over the past two years still pose a threat.

6. 2009/10 Capital Budget

6.1 Background of developmental needs

The Municipality has a backlog both in investing in new and upgrading of existing bulk infrastructure that has been partially addressed since the 2008/09, 2009/10 and now the 2010/11 and future capital budgets.

The economy is recovering from a recession at a slow pace.

An aging infrastructure places huge strain on the capital budget, which necessitated a water and sewage infrastructure basic charge for a ring-fenced loan to address urgent water and sewerage treatment works. Forth flowing from the above-mentioned demand for urgent capital services, the Executive Mayoral Committee has kept the capital budget spend for 2010/2011 at R120m from own sources, to further improve infrastructure. The future capital budgets would have to carefully balance cost and affordability as external borrowing cannot continue indefinitely.

Further details regarding the capital budget and projects are presented in schedules 3 & 4.

6.2 Summary

The proposed capital budget for 2010/11 is R161 809 088. This is an increase of 18,8% from the 2009/10 adjusted budget of R136 227 000.

The following tables represent summaries of the capital votes and financing sources:

Table 3: Summary of 2010/11 Capital Votes (GFS Classifications/Votes)

Corporate Services	9 604 000
Sport and Recreation	3 137 000
Housing	10 829 000
Planning & Development	22 695 000
Road Transport	15 050 000
Electricity	33 125 000
Water	38 902 000
Waste Water Management	26 467 000
Waste Management	2 000 000
TOTAL	161 809 088

Table 4: Financing of the 2010/11 Capital Budget

EXTERNAL LOAN	60 000 000
EXTERNAL LOAN (RING-FENCED)	37 660 000
OWN FUNDS (LAND SALES)	38 146 088
MIG	5 986 000
PROVINCIAL LIBRARY	49 500
INEG	3 639 000
NDPG	8 500 000
PROVINCIAL GRANT	7 828 500
TOTAL	161 809 088

Table 5: Summary of 2010/11 Capital per Service and Funding

Service	COUNCIL	AD - HOC	TOTAL
INFORMATION & COMMUNICATION TECHNOLOGY	2 546 238	0	2 546 238
PROPERTY SERVICES	13 195 000	0	13 195 000
SPORT & RECREATION	2 500 000	636 778	3 136 778
HOUSING	3 000 000	7 828 500	10 828 500
LOCAL ECONOMIC DEVELOPMENT	1 000 000	8 500 000	9 500 000
ROADS	14 250 000	800 000	15 050 000
ELECTRICITY	29 486 000	3 639 000	33 125 000
WATER	37 760 000	1 142 000	38 902 000
SEWERAGE	20 560 000	0	20 560 000
STORMWATER	2 500 000	3 407 223	5 907 223
WASTE MANAGEMENT	2 000 000	0	2 000 000
VEHICLES	3 490 000	0	3 490 000
MINOR ASSETS	3 518 850	49 500	3 568 350
Total	135 806 088	26 003 000	161 809 088

6.3 Funding of Capital Budget

The total Council Funded Capital Budget proposed for 2010/11 is R135,8m. It is intended to finance the 2010/11 Council-funded capital budget with an external loan of R60 million, part of a ring-fenced external loan over three years amounting to R95 million, cash from 2010/2011 land sales amounting to R38,1 million.

The funding of projects are directly linked to the sale of land.

The costs to the operational budget of financing the capital budget are included in the Medium Term Financial Forecast.

The Executive Mayor has once again awarded an amount of R6 million for further Ward specific projects, which could be of a capital or operational nature to enable wards to prioritise further projects, in line with the IDP.

Each of the ten wards thus received an additional amount of R600,000 for their ward specific needs.

These proposals are included in the operational and capital budgets.

See Annexure B.

- Ad-hoc Capital Budget

The ad-hoc capital budget refers to those capital projects which will be funded from external sources, primarily grants from other spheres of government. Government Grants are published in the Division of Revenue Act.

It should be noted that some portions of the funding is of an operational nature only. An example of this relates to the Provincial Housing Grant. Although the total housing grant amounts to R31,314m, only R9,069m is reflected in the capital budget. The remaining portion is a direct operational expense (Top structures).

Other projects for which funding has been secured by means of a definite letter from the government department or donor organisation has been included in the capital budget.

Projects within this category include the grants of R8,5m for the Neighbourhood Development Programme.

Any further funding secured during the course of 2010/11 from Government spheres may be appropriated in an adjustments budget.

7. 2010/11 Forecast Cash Flow Position

A cash flow forecast for 2010/2011 is represented in the table below.

Table 6: Estimates of Cash Flow for 2010/2011

Figures in R'000s	Cash Flow
Estimated Balance C/Fwd from 2009/2010	20 015 022
Add:	
Revenue from rates and service charges	436 017 300
Other revenue	59 283 540
Government and other Grants and Receipts	68 986 500
External loan receipts	97 660 000
Land Sales	38 756 461
	720 718 823
Less:	
Salaries, wages and allowances	180 160 800
General expenses	252 293 720
Maintenance expenses	62 758 440
Interest & Redemption on external loans	41 310 521
Capital expenditure	161 809 088
TOTAL ESTIMATED BALANCE END OF 2010/11	22 386 254

The balance carried forward is represented by unspent grants and receipts totalling R20 924 848, thus realising a cash deficit of R909 826.

The estimate at 30 June 2011 of R22 386 254 is represented by unspent grants and receipts of R20 924 848 and an investment of R1 447 200, with a cash balance of R14 206.

See schedule 5.

8. The Medium Term Revenue and Expenditure Framework

The Council's financial objective over the medium term is for increases in property rates, tariffs for user charges to be as affordable and sustainable as possible. This objective is a key factor in budget decision-making.

It is likely, however, that tariffs for particular services may need to rise above inflation as significant infrastructure works are undertaken for the services in question. Such rises in the tariffs will be needed to fund the resultant operational budget costs of the capital investments.

Another financing source of the capital budget is the grants from other spheres of government. The Municipality needs to increase its ability to bid for all relevant grant funding opportunities. The latter will have a favourable impact on

the MTREF and will most certainly be of great help to Council to render sustainable services at affordable user charges and property rates.

9. Way Forward – Strategic Planning over the Medium Term

The Council's objective to keep rates and tariff increases affordable and sustainable by limiting the increases will require some difficult budget decisions, such as:

- All services will need to be reviewed in order to assess whether the service is "core business" or whether the service is either low priority or non-statutory.
- The service levels that the Municipality will work to and can afford will need to be agreed by Council and the community and be published.
- Alternative ways of providing services need to be actively investigated. Further Business Process Re-engineering reviews should be undertaken to identify both more efficient and cost-effective ways of delivering services.
- Housing projects are having an effect on operational and capital budgets. The benefits/contribution/liability of these projects towards local economic development should also be investigated.

10. CONCLUSION

The participation of the community and other stakeholders during the budget process, which started way back in August 2009, was imperative to the finalisation of a successful budget. Overstrand endeavours to delivery on a sustainable and affordable budget, while creating a better life for all.

After its acceptance, the final budget will be presented to the National and Provincial governments, be available at all times for the community and will be the tool for the measurement of success during the course of the 2010/11 financial year.

Expression of Appreciation

I am indeed grateful to the Executive Mayor and members of the Mayoral Committee who have certainly revived the work ethic, accountability and professionalism in the organisation. This has led to greater commitment and dedication amongst the political office bearers and the officials.

In addition, I must place on record the support and co-operation received from the Councillors, Municipal Manager, Director: Finance, other Directors and their staff.

The functioning and success of the budget office is dependent on the responsible staff and I wish to express my appreciation for their loyalty and their efficient and willing services.

**BA King
Manager: Accounting Services
Overstrand Budget Office**

Schedules

Budget schedules 1 - 5

Annexures

Annexure A: Capital projects summary and list
Annexure B: Ward Specific Projects
Annexure C: Remuneration schedule

Budget Office Project Team

B. King : Budget Co-ordinator
G. Willemse : Senior Accountant: Budget Office
L. Tait : Accountant: Capital Budget
L. Petersen : Accountant: Operational Budget
