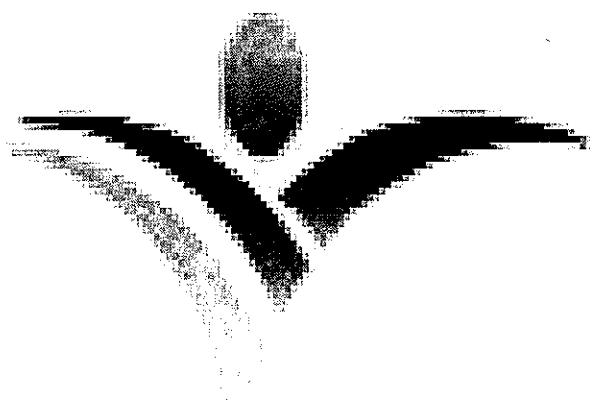


# **CHAPTER 2**



## **Resolutions**

## **CHAPTER 2**

### **RESOLUTIONS**

#### **Capital Budget**

##### **IT IS RECOMMENDED**

That the annual capital budget of R16,11 million for the year 2012/2013 and the estimates for the two projected outer years 2013/2014 and 2014/2015 for the Cacadu District Municipality are approved as set out in the following schedules:

- Capital budget by vote (**Annexure “E”**)

#### **Operating Budget**

##### **IT IS RECOMMENDED**

That the annual Operating Revenue of R153.3 million and the Operating Expenditure of R153.3 million for the Cacadu District Municipality for the financial year 2012/2013, and the indicatives for the projected medium term period 2013/2014 and 2014/2015 be approved as set out in the following attachments:

The total operating budget by vote for the departments as reflected on Table A3

That the supporting information contained in the 2012/2013 – 2014/2015 Medium Term Revenue and Expenditure Budget document as required in terms of Section 17(3) of the Municipal Finance Management Act (Act 56 of 2003) be considered in conjunction with this report.

#### **Tariffs**

##### **IT IS RECOMMENDED**

That the tariffs and charges as tabled in the Council agenda in **Annexure “F”** be approved for the 2012/2013 financial year.

## **Budget Related Policies**

### **IT IS RECOMMENDED**

That due to the significant change to the policy, as a result of the changes made to the Supply Chain Management Regulations, that the Budget Related Policy detailed below be rescinded:

- Supply Chain Management Policy; and

That the Banking and Investment Policy includes the following paragraph:

#### **3.4 Unresolved Reconciling Items**

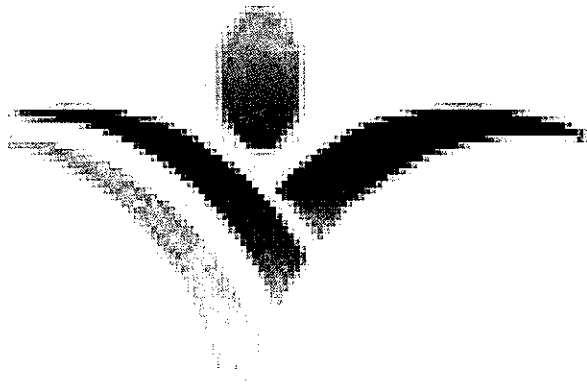
Unidentified bank deposits, which have not been resolved after three months, are recorded as current year income.

Recruited cheques, which have not been resolved after three months, are recorded as current year income.

and that the revised and updated Budget Related Policies detailed below, circulated under separate cover be approved:

- Budget policy;
- Banking and Investment Policy;
- Draft Supply Chain Management Policy;
- Virement Policy;
- Credit Control and Debt Collection Policy;
- Revenue By-laws; and
- Tariff Policy

# **CHAPTER 3**



## **Executive Summary**

## **CHAPTER 3**

### **EXECUTIVE SUMMARY**

The Cacadu District Municipality's projected overall spending envelope for the 2012/2013 Medium Term Budget (MTB) amounts to R153.3 million. Approximately R16.11 million will be invested in the relocation, capital infrastructure, vehicles, furniture and equipment.

The 2012/2013 MTB has been prepared within the context of a fragile global economy, taking into account the implications of the recovering global economy and rising inflation rates.

Within the recovering global economic environment and the local low-growth scenario, it is expected that the Cacadu District Municipality's revenue base will be adversely affected. The Cacadu District Municipality has also seen a slow increase in its revenue base with the introduction of the Levy Replacement Grant. The recent demarcation process whereby the District Management Areas (DMA) was incorporated in the local municipal areas has adversely impacted on the CDM's revenue base. The DORA reflected a R4.0 million decrease in Equitable Share revenue from the previous financial year excluding councillors allowances and is steadily increasing. The Levy Replacement Grant increased marginally from R52.6 million in the 2011/2012 to R54.2 million in the 2012/2013 financial year which will have a significant negative impact on the CDM's ability to perform its legal mandate and its efforts to ensure financial sustainability in the short and medium term.

The municipality's efforts to improve the quality of life of the communities, was adversely affected by MIG funds no longer being allocated to CDM. The impact of these revenue reductions have forced the municipality to use greater amounts of its accumulated surplus impacting negatively on its financial sustainability in the medium term. It therefore means that more should be done with less, without compromising on essential programmes or services.

In the MFMA Circular No 54, the National Treasury provides some guidelines, taking into account the ongoing constraints on the revenue side, municipalities are made aware that tough decisions will have to be made on the expenditure side and that priority ought to be given to:

- Ensuring that drinking water meets the required quality standards at all times;
- Protecting the poor from the worst impacts of the slow recovery in the labour market;
- Supporting meaningful local economic development (LED) initiatives that foster micro and small business opportunities and job creation;
- Securing the health of their asset base (especially the municipality's revenue generating assets) by increasing spending on repairs and maintenance; and
- Expediting spending on capital projects that are funded by conditional grants.

National Treasury advises municipalities to pay special attention to Circular 58, which classifies the following as unnecessary expenditure that needs to be eliminated:

- Excessive sponsorship of music festivals, sporting events, including ticket purchases for Cllrs and officials
- Excessive catering for meetings and other events
- Arranging workshops and events at expensive private venues
- Excessive printing costs
- Luxurious office accommodation and furnishings
- Foreign travel
- Cllr and staff perks such as mayoral cars, notebooks, travel allowances, etc
- Excessive staff in the office of the mayor, i.e. spokespersons and political advisors
- Donations not made in terms of indigent policy
- Costs associated with long-standing staff suspensions
- The use of consultants to perform routine management tasks and
- Payment of excessive fees to consultants

Accordingly, the Cacadu District Municipality's 2012/2013 MTB was guided by the following principles:

- Producing a credible balanced budget;
- Maintaining fiscal stability and financial sustainability;
- Maintaining the commitment to deliver quality services;
- Collectively managing the costs down;
- Identifying alternative funding;
- Reviewing all Cacadu District Municipality's services and programmes for operational efficiencies to improve service levels and delivery;
- Ongoing costs should be funded with ongoing revenues by aligning recurring expenditures with recurring revenues, on a level that can be reasonably sustained and reduce reliance on one-time funding;
- Further managing down general expenditure and contracted services. The choice of a service provider should be based on which service provider can provide the service most effectively at the lowest cost; and
- Maintaining all assets at a level adequate to protect the capital investment and minimise future maintenance and replacement cost.

In addressing the budget pressures, the Cacadu District Municipality will continue to implement cost reduction, mainly by scrutinizing discretionary items, not limited to the following:

- Scaling down the cost of consulting services;
- Paying bills on time so that no late charges are incurred;
- Limiting printing, e.g. budget book, IDP, financial statements and other publications;
- Managing overtime;
- Managing breakaways;
- Managing IT costs (no unnecessary purchases of new laptops, computers, printers, etc);
- Delaying conferences and seminars;

- Re-negotiating some of the contracts where necessary;
- Limiting purchasing of furniture; and
- Limiting office renovations.

The financial position of the Cacadu District Municipality is still strong. The Cacadu District Municipality achieved unqualified audit reports in 2007/08, 2008/2009, 2009/2010 and 2010/2011 reflecting the drive towards financial management excellence in the Cacadu District Municipality. In the 2010/2011 financial year the Cacadu District Municipality achieved a spending of R220 million of the total capital and operating budget. The overall forecasted financial performance results for the 2011/2012 year however, reflects an expected total operating expenditure (including project expenditure) amounting to R146 million and a calculated operating deficit of R23.9 million.

The Cacadu District Municipality's IDP is the primary point of reference for the MTB. In turn, the IDP is influenced by the support needs in the District. The aim is to align the financial resources to the Cacadu District Municipality's strategy and priorities, as well as continuously looking for efficiencies in all activities and programmes.

The 2012/2013 MTB continues to address the following key IDP interventions:

- Promotion of Economic Development;
- Infrastructure Investments and Infrastructure Maintenance and Planning in the district;
- Capacity Building and Support to local municipalities;
- Provision of Community Services including environmental health services and disaster management services; and
- Institutional Development.

Economists agree that the Eskom Tariff increase and the increase in the cost of fuel are substantial factors and one that will have a negative impact on both inflation and economic growth. There is no doubt that the cost of goods and services will increase and it has therefore been decided to increase tariffs and charges as well as the property rates.

In times like these where we are aware that the economic downturn has adversely impacted on households, especially the poorest of the poor households, we need to agree that creating jobs and increasing employment is South Africa's most critical objective.

The Cacadu District Municipality will therefore focus on maximizing its contribution to job creation by:

- Ensuring that service delivery and capital projects use labour intensive methods wherever appropriate;
- Ensuring that service providers use labour intensive approaches;
- Supporting labour intensive LED projects;
- Participating fully in the Extended Public Works Programme.
- Implementing intern programmes to provide young people with on-the-job training.

The challenge for all municipalities in South Africa is to support these government initiatives and to do more within the existing resource envelope.