



**CHAPTER 9: FINAL BUDGET ANALYSIS AND MEDIUM TERM EXPENDITURE
FRAMEWORK 2012 TO 2013**

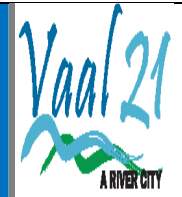


CHAPTER 9: FINAL BUDGET ANALYSIS AND MEDIUM TERM EXPENDITURE FRAMEWORK 2012 TO 2013



CHAPTER 9: BUDGET ANALYSIS AND MEDIUM TERM EXPENDITURE FRAMEWORK

2012/2013 TO 2014/2015



9.1. INTRODUCTION

The Budget is based on the IDP 2012/2013 and includes the financial framework. In order to deliver a budget which conforms to the key objectives and strategies of the Sedibeng District Municipality the Finance Cluster had met individually with the ED's of all Clusters after their consultations with their relevant MMC's. As a result of the limited resources as determined by National Treasury by means of the equitable share allocation the budget had to be drawn up within those constraints.

During the 2012/2013 budget process, Clusters were tasked to provide their budgetary requests as per their needs analysis and within their pre-determined indicative allocation and in alignment to IDP key performance areas. Incremental based budgeting was only used for expenses which have existing obligations, such as employee-related costs.

The budget was compiled based on a trend analysis taking into consideration the expected revenue to realise in the 2012/13 financial year. Contractual obligations such as salaries and contracted services were first determined whereby general expenses were reduced in order to obtain a balanced budget where no reserve funds will be utilised for operational and/or capital purposes.

As economic uncertainty continues throughout the country, it is imperative that we take a conservative approach to the budget in order to give financial stability and start building financial reserves for the municipality. Controlling municipal spending by spending less than the municipal takes in, demonstrates a commitment to common-sense budgeting and economic health that Sedibeng District Municipality deserve.

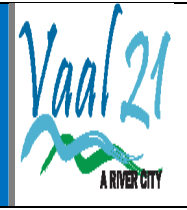
The reporting requirements of this draft budget are disclosed in terms of MFMA Circulars 48, 51, 54, 55 and 58 as well as Municipal Budget and Reporting Regulations, Gazette Notice 32141.

9.2. FINANCING OF OPERATING ACTIVITIES

The budget on financial performance (previously income and expenditure statement) has been drawn up on the GRAP (Generally Recognised Accounting Practices) principles of accounting where provision for depreciation has been taken into account.



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The following should be noted:

9.2.1. Indicative Macroeconomic Forecasts

Municipalities are expected to levy their tariffs taking into account their local economic conditions, affordability levels and remain broadly in line with macro-economic policy. Municipalities must also take account of the policy and recent developments in government sectors relevant to their local communities. Tariff increases must be thoroughly substantiated in the municipal budget documentation for consultation with the community.

<i>Fiscal year</i>	<i>2010 Actual</i>	<i>2011 Estimate</i>	<i>2012 Forecast</i>	<i>2013 Forecast</i>	<i>2014 Forecast</i>
Headline CPI Inflation	3.3%	5.0%	5.4%	5.6%	5.4%
<i>Source: Medium Term Budget Policy Statement 2011</i>					

9.2.2. Transfers to Municipalities

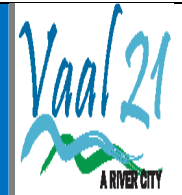
Section 214 of the Constitution provides for national government to transfer resources to municipalities in terms of the Division of Revenue Act (DoRA) to assist them in exercising their powers and performing their functions. Transfers to municipalities from national government are supplemented with transfers from provincial government. The two spheres of government must gazette these allocations as part of the budget implementation process. The DoRA (and Section 37 of the MFMA) further requires transfers between district and local municipalities to be made transparent and reflected in the budgets of both transferring and receiving municipalities.

The Municipal Council were requested to ensure that the 2012/2013 performance contracts of their municipal managers, as well as those of senior officials, reflect, among other key performance areas, the above responsibilities and accountabilities.



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<i>Allocation as per DORA Bill, Government Gazette No. 35022 of 7 February 2012</i>	2012/2013 Allocation R'000	2013/2014 Forward Estimate R'000	2014/2015 Forward Estimate R'000
EQUITABLE SHARE	226,009	234,056	242,549
Local Government Financial Management Grant	1,250	1,250	1,250
Municipal Systems Improvement Grant	1,500	1,000	1,000
Extended Public Works Programme Integrated Grant	1,000	0	0
Neighbourhood Development Partnership Grant (Capital Grant)	2,508	5,000	10,593

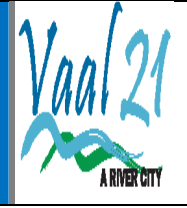
<i>Allocation as per DORA Bill, Provincial Gazette No. 61 of 5 March 2012</i>	2012/2013 Allocation R'000	2013/2014 Forward Estimate R'000	2014/2015 Forward Estimate R'000
HIV & AIDS	6,069	6,372	6,691
Emergency Medical Services	47,721	50,250	53,014
Tariff Model -DBSA	300		
Optic Fibre / CCTV project		9,000	

EMS subsidy is based on actual provision budgeted (R47,721) and will form part of negotiations to provincialize the function. The actual cost of running EMS will be set-off with the negotiated income which would lead to a nil effect. It is envisaged that EMS will be provincialized before the end of the current financial year, i.e., 30 June 2012. In the event provincialization does not take place, Council has made provision to continue operations. Cognisance must be taken that the gazetted subsidy only equals R36 million in relation to actual cost of R47 million, which will result in shortfall (an unfunded mandate) amounting to R11 million. This amount to run the operations will increase the unfunded mandate projected as at 30 June 2012 from R42,8 million to R 53,9 million projected to 30 June 2013. SDM is committed and will continue endeavouring to claim the shortfall or unfunded total back from the Provincial Department of Health during current negotiations.



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9.2.3 Key Legal Provisions to be strictly enforced

All municipalities must prepare budgets, adjustments budgets and in-year reports for the 2012/13 financial year in accordance with the Municipal Budget and Reporting Regulations. In this regard, municipalities must comply with both:

The formats set out in Schedules A, B and C of the regulations; and the relevant attachments to each of the Schedules (the Excel Formats).

All municipalities must do a funding compliance assessment of their 2012/13 budgets in accordance with the guidance given in MFMA Circular 42 and the MFMA Funding Compliance Guideline before tabling their budget, and where necessary rework their budget to comply so that they table a properly funded budget.

The deadline for the submission of tabled budgets is Friday, 30 March 2012 as per Section (16)2 of the MFMA.

The deadline for the submission to National Treasury, MEC, DLG, AG and SALGA of approved budgets is ten working days after Council approves the annual budget.

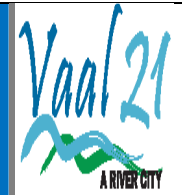
9.2.4 Operating Income

The service charges and rental income have been increased by 5% in accordance with the maximum headline CPI rate as prescribed by National Treasury.



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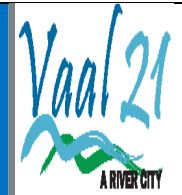
2012/2013 TO 2014/2015



DESCRIPTION	Budget by Source R'000	BUDGET 2012/13 R'000
OPERATING REVENUE		
Service Charges		7,803
Fresh Produce Market	7,803	
Heritage	0	
Rental Of Facilities And Equipment		712
Maintenance & Cleaning	622	
Vereeniging Theatre	90	
Mphatlalatsane Theatre	0	
Interest Earned - External Investments		3,035
Finance Cluster - Financial Management	3,035	
Licenses And Permits		61,902
License Services Centre - Support	0	
License Services Centre - Vereeniging	21,204	
License Services Centre - Vanderbijlpark	16,170	
License Services Centre - Meyerton	14,315	
License Services Centre - Heidelberg	10,213	
Government Grants And Subsidies - Operating		283,849
Finance Cluster - Financial Management (Equitable Share, FMG, MSIG)	228,760	
Finance Cluster –Extended Public Works Programme Integrated Grant	1,300	



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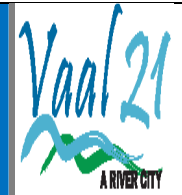


DESCRIPTION	Budget by Source R'000	BUDGET 2012/13 R'000
HIV & AIDS	6,069	
EMS Coordination	47,720	
Government Grants And Subsidies - Capital		11,508
NDPG Unit	2,508	
Corporate Services – IT Sedibeng	9,000	
Other Revenue (Minor Tariffs)		10,517
Finance Cluster - Financial Management	326	
Human Resources Administration	1,024	
Corporate Services (Town Hall, Corporate Admin, Corporate)	69	
Vereeniging Airport	1,171	
IT Emfuleni	6,001	
IT Midvaal	1,459	
Heritage	5	
License Services Centre - Vereeniging	2	
License Services Centre - Vanderbijlpark	1	
License Services Centre - Meyerton	3	
Vereeniging Theatre	6	
EMS Coordination	450	
TOTAL OPERATING REVENUE		379, 326



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DESCRIPTION	BUDGET 12/13 R'000
B. OPERATING EXPENDITURE	
Employee/Councillor Related Cost	246,497
Bad Or Doubtful Debts	0
Depreciation	15,953
Repair And Maintenance	4,729
Finance Charges	8,151
Contracted Services	22,656
Grants And Subsidies	0
General Expenses	67,062
Provisions	2,500
TOTAL OPERATING EXPENDITURE	367, 548
OPERATING SURPLUS / (DEFICIT) A - B	11,777

Sedibeng District Municipality has undertaken a process to explore appropriate ways of structuring our tariffs to encourage more efficient use of these services and to generate the resources required to fund the maintenance, renewal and expansion of infrastructure required to provide the services.

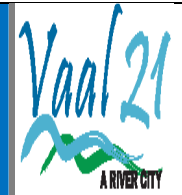
The tariff model seeks to ensure that what the funding requirements of the municipality are to ensure continued future operations, scheduled maintenance of assets as well as the acquisition of new assets. These funding requirements will then be populated into a model to determine what the levels of tariffs should be in order to generate the revenue required to meet the funding needs. The model will further take into consideration socio-economic factors unique to the municipality such as (but not limited to):

- Indigents support and relief;
- Pro-poor strategy of Council;



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- Current debt collection and credit control policies of the municipality;
- Equitable and fair billing for consumer services based on community needs and affordability as opposed to historic incremental tariffs.

It is Sedibeng District Municipality's intention in line with the MFMA that once the tariffs are reviewed it would form part of the public participation process to make our revenue source viable.

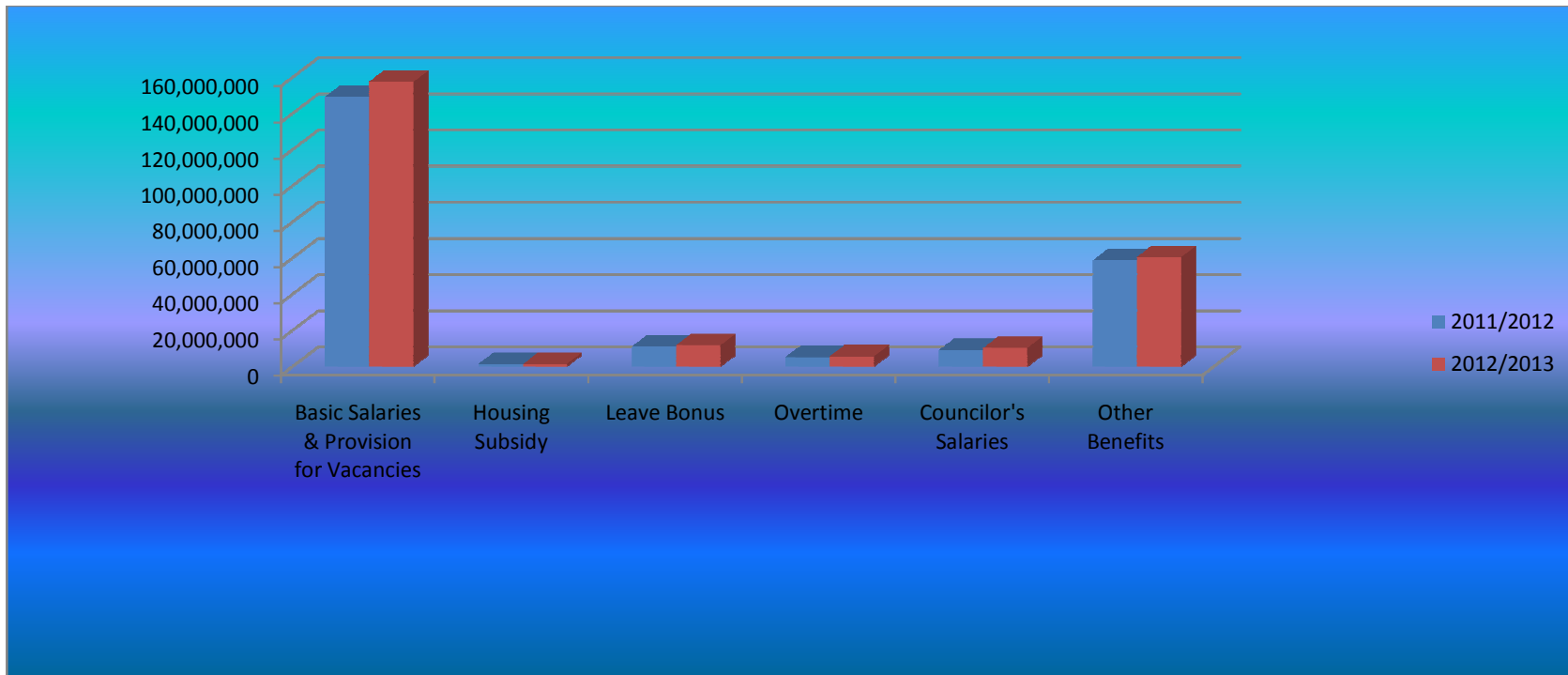
9.2.5 Employee and Councillor Related Costs

Salaries are projected at R246million for the 2012/2013 financial year. The three-year labour salary agreement (SALGA & SALGBC) has been estimated at an increase of 8%. No provision for vacancies (new posts and attritions) was made for all Clusters as part of cost-reduction measures. The Municipality is currently in the process to finalise our personnel cost reduction strategy to bring structural alignment and stability to our salary bill.

Council must note that although employee related costs have grown by 8%, the provisional equitable share allocation has only grown by 2.4% leaving Council to fund a deficit of 5.6%. This deficit has had to be filled by reducing other operational expenditure, potentially reducing Council's ability to render services but still able to fulfil our coordinating role based on our current human capital.

Attention is drawn to the current trend of the steep growth in employee-related expenditure for the total organisation directly related to the increase in employee-related costs within Emergency Medical Services (EMS) and Licensing Service Centres (LSC). It can be reported that the Provincial Department of Health will proceed with provincialization of EMS in the 2011/12 financial period, to ensure this process to run smoothly the EMS budget has been ring-fenced accordingly. Provision for the full EMS operational costs has been made as per the agreement with the Provincial Health Department and will be recovered on a monthly basis.

Council is advised that these departments make alternative arrangements through shift and flexi-time systems to compensate staff for working outside regular municipal working hours in order to reduce overtime costs.



9.2.6 Depreciation

In accordance with the GRAP principles and standards and the prescription of the approved asset management policy, depreciation on all assets needs to be provided for within the statement of financial performance. This will allow Council to charge consumers during the useful life of the asset on a proportionate basis and not at the date of acquiring the asset. The amount provided for the 2012/2013 financial year amounts to R15,9 million, which is cash generated and serves as capital replacement reserves to maintain the assets for the outer years of 2013/14 and 2014/15.



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9.2.7 Repair and maintenance

Repairs and maintenance will be for current buildings occupied by Sedibeng District Council as well as the movable assets on the asset register. An amount of R4,7 million has been provided. This is a reduction of 6% of the 2011/2012 budgeted amount of R5million based on actual expenditure and the growth parameters permitted by National Treasury.

Repairs and maintenance of Council's assets are allocated as follows:-

REPAIR AND MAINTENANCE	R'000
Buildings Fences & Sites	3,001
Network / Infrastructure	559
Plant Equipment & Furniture	751
Vehicles	418

National Treasury Circular 48 makes reference to repairs and maintenance and renewal backlogs that exist in relation to municipal infrastructure, and based on National Treasury parameters, the repairs and maintenance backlogs were not catered for in the draft 2012/13 MTREF as prescribed by National Treasury due to financial constraints.



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9.2.8 Contracted services

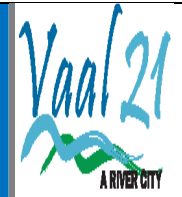
Contracted services have been determined by the need for services to be rendered by service providers and taking the current obligations into account. The top eight user-departments are stated below and the projects relate to:-

DESCRIPTION	CONTRACTED R'000	SERVICES
Internal Security Unit	12,500	
Maintenance & Cleaning: (Council buildings)	4,000	
Community Safety : (CCTV Maintenance contract)	540	
Corporate & Legal (Fumigation and Fire Protection for Archives)	448	
Human Resources Administration: (EAP Psychological referrals, trauma debriefing and OHS Compliance Services)	300	
Internal Audit	1,500	
Organizational Performance (ePMS System)	507	
Finance Cluster: Supply Chain Management: (Bulk sms server and ongoingIntenda support and call out)	144	



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9.2.9 General Expenses

The general expenditure budget has been drawn up in order to assist the employees of Council to provide them with the necessary tools to achieve the deliverables as set in the GDS, IDP and SDBIP. The budget has also been drawn up taking into consideration that the main purpose of the District is to plan and co-ordinate, whereas the execution process will be performed at a Local Municipality level. There is a decrease of R 10 million from R97 million in 2011/2012 budgets to a sum of R87 million for 2012/2013.

This reduction has been effected to assist Council in funding the deficit on the employee-related costs bill. The major savings were:-

General Expend - Departments	BUDGET 2011/2012 R'000	BUDGET 2012/2013 R'000	VARIANCE	% DECREASE
Donations	926	126	-800	86%
Contracted Services	26,242	22,655	-3,586	14%
Catering	1,124	768	-356	32%
Advertisements	1,328	1,208	-120	9%
Workshops	7,378	5,023	-2,354	32%
Consultation Fees	1,614	972	-642	40%
Stationery	1,601	971	-629	39%
Subsistence & Travel	2,065	1,432	-632	31%
Training	2,329	1,866	-463	20%
Printing & Binding	2,173	1,174	-999	46%

These savings were redistributed towards service delivery orientated expense items such as audit fees, computer systems, electricity, external bursaries, legal charges, marketing/promotion/advertisements, membership fees, public participation, rental, telephone - office, transport - fuel and oil, training, periodicals/reference book/magazines, telephone - cell phones and computer requirements.



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Council can further decrease telephone costs by strictly applying the limitation of the maximum of R300 per month per staff member and limiting outgoing calls to only landlines. Any costs over the threshold are to be recovered monthly through the payroll and recognised as telephone income.

Council are advised to review training and development costs in terms of the operational and service delivery requirements of Council, and an effort be made immediately to approach the various SETA's to gain grant funding as income before the approval of the final budget for 2012/2013 by Council.

9.2.10 Sourcing of Donor and Grant Funding

In support of the SDM sourcing of donor funding programme, a framework and policy was recently adopted as initiative that fundamentally serves social economic and infrastructure development objectives of the District as well as that of Provincial Government and the State. Once funding is secured, it will be dealt with as an adjustment budget item for Council's consideration and approval.

Funding already secured and paid to Council has been ring-fenced and forms part of the statement of the financial position (Lotto-Sport, Biofuel, etc.). PPP's where funding are externally sourced and paid for by the main partner can merely be noted by Council in our budget process that includes Taxido- PRASA partnership.

9.3 INVESTMENT INTO CAPITAL

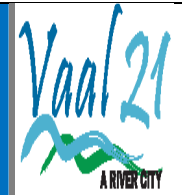
The total Capital investment for 2012/2013 will be R 2 578 000, whereby R 70 000 will be funded from our internal resources and R 2,508 million from grant funding (See Annexure "F"). Grant funding must be sourced before any Capital Project can proceed. Donor Funding must also be considered for planned projects as outlined in the IDP to ensure that it is properly funded before the final 2012/13 budget.

After review by the Budget Panel, SPED undertook to engage NT-NDPG Unit to ensure that the release of grant money is in line with the roll-out project plan of SDM. Due consideration must also be given on progress on all precinct projects which has an impact on the cash flow within the National Fiscus which would result in an adjustment in allocations once an agreement has been reached between SDM and NT.



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9.4 FINANCIAL IMPLICATIONS

The total estimated operating revenue of R379 325 566.

The total estimated operating expenditure of R367 548 651.

The total estimated Capital Budget of R 11 670 000.

Section 18 of the MFMA act needs to be adhered to when looking at the budget funding requirements. This section indicates the following:

- “18. (1) An annual budget may only be funded from—
- (a) realistically anticipated revenues to be collected;
 - (b) cash-backed accumulated funds from previous years' surpluses not committed for other purposes; and
 - (c) borrowed funds, but only for the capital budget referred to in section 17(2).
- (2) Revenue projections in the budget must be realistic, taking into account—
- (a) projected revenue for the current year based on collection levels to date; and
 - (b) actual revenue collected in previous financial years.”

9.5 LEGAL IMPLICATIONS

The budget has been drawn up in line with the MFMA, Act 56 of 2003 (SS 16-17) which inter alia states:

“The council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year.”



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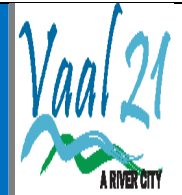
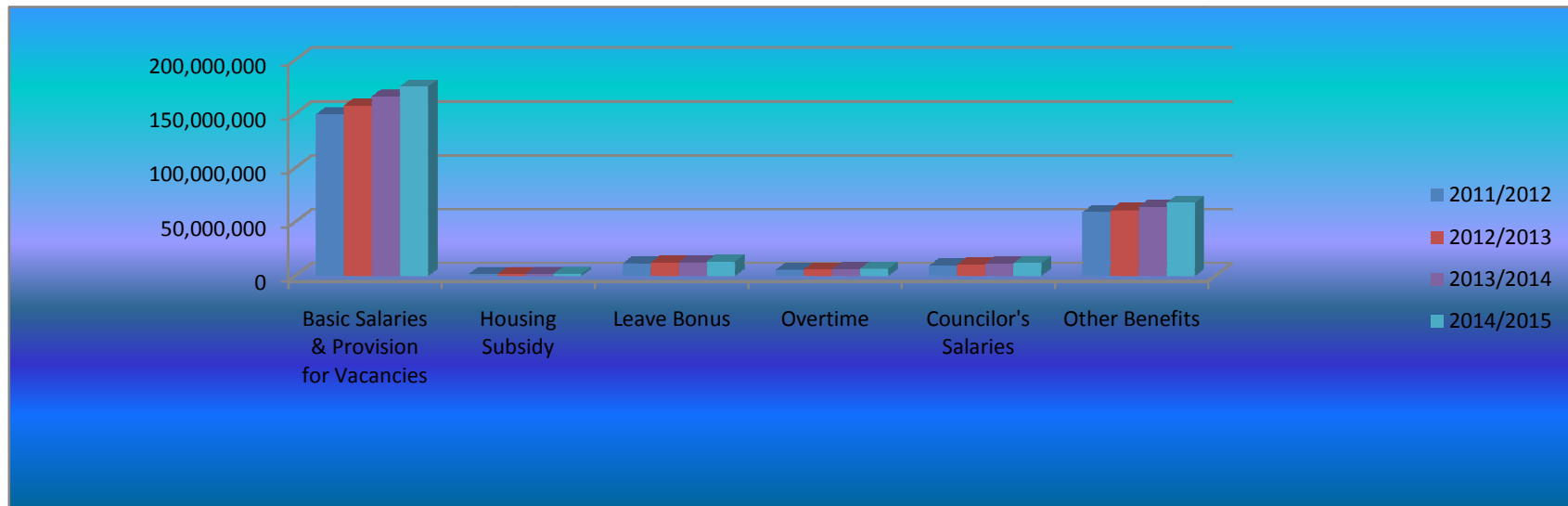


Table on Staff Cost details

Description	Budget 2011/2012	Budget 2012/2013	Decr/- Incr	Budget 2013/2014	Budget 2014/2015
Basic Salaries & Provision for Vacancies	149,036,946	157,338,896	8,301,950	165,677,857	174,790,140
Housing Subsidy	1,251,259	1,263,930	12,671	1,330,918	1,404,119
Leave Bonus	10,999,678	11,713,238	713,560	12,334,040	13,012,412
Overtime	5,153,847	5,558,918	405,071	5,853,541	6,175,485
Councillor's Salaries	9,113,779	10,190,815	1,077,036	10,730,928	11,321,129
Other Benefits	58,540,866	60,431,757	1,890,891	63,634,640	67,134,545
Total	234,096,375	246,497,554	12,401,179	259,561,924	273,837,830





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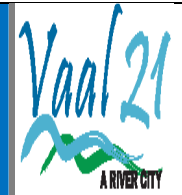
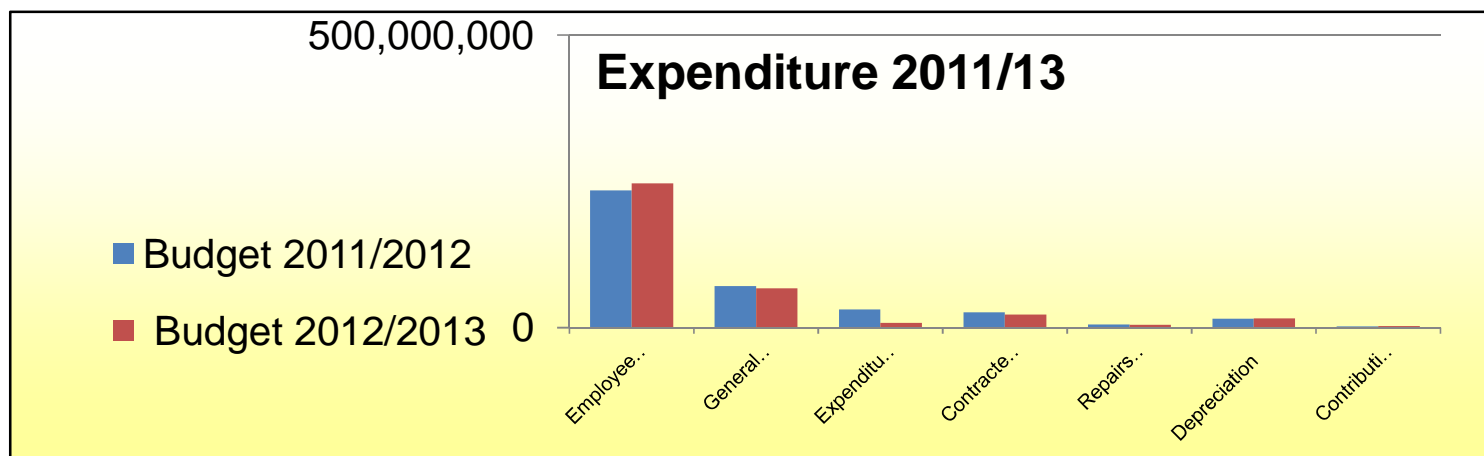


Table on Expenditure

Description	Budget 2011/2012	Budget 2012/2013	Decr/- Incr	Budget 2013/2014	Budget 2014/2015
Employee/Councillors Related Costs	234,096,375	246,497,554	-12,401,179	259,561,924	273,837,830
General Expenditure	71,021,699	67,061,549	3,960,150	70,615,811	74,499,680
Expenditure - Financial Services	31,136,676	8,150,839	22,985,837	8,582,833	9,054,889
Contracted Services	26,242,126	22,655,584	3,586,542	23,856,330	25,168,428
Repairs and Maintenance	4,999,560	4,729,894	269,666	4,980,578	5,254,510
Depreciation	15,193,552	15,953,232	-759,680	16,798,753	17,722,685
Contributions to Provisions	2,000,000	2,500,000	-500,000	2,632,500	2,777,288
Total: Expenditure	384,689,988	367,548,651	17,141,337	387,028,730	408,315,310





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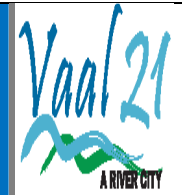
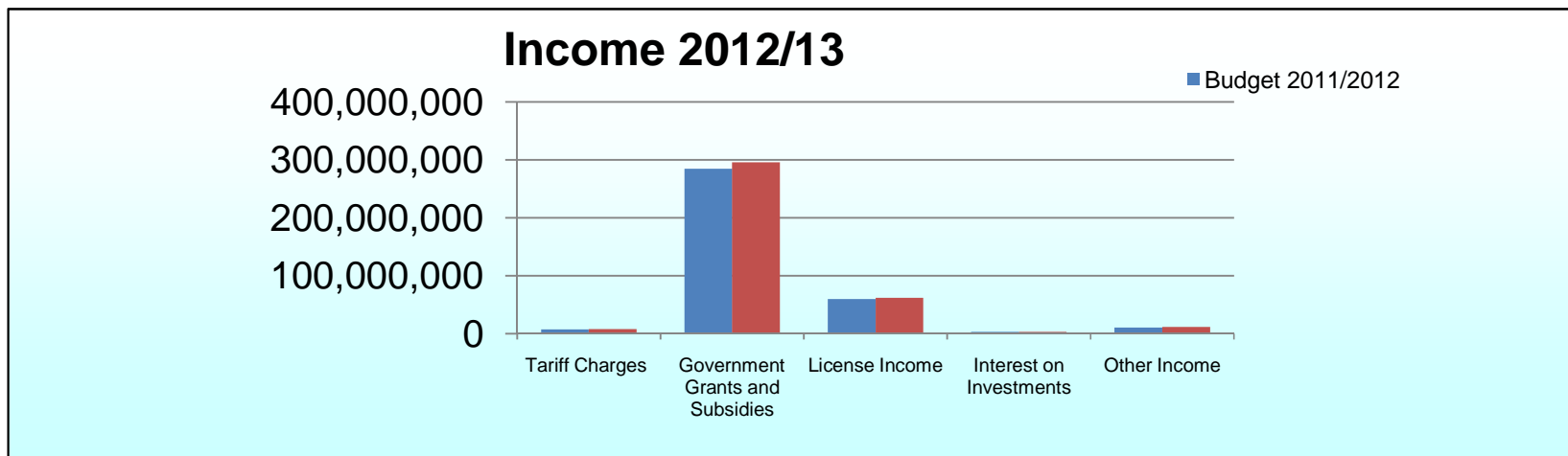


Table on Income

Description	Budget 2011/2012	Budget 2012/2013	Decr/- Incr	Budget 2013/2014	Budget 2014/2015
Tariff Charges	7,625,292	7,803,000	-177,708	8,216,559	8,668,470
Government Grants and Subsidies	284,594,000	295,356,783	-10,762,783	297,927,984	315,096,539
License Income	59,562,029	61,902,213	-2,340,184	65,183,030	68,768,097
Interest on Investments	2,939,301	3,034,920	-95,619	3,195,771	3,371,538
Other Income	10,570,313	11,228,650	-658,337	11,823,768	12,474,076
Total: Operating Income Generated	365,290,935	379,325,566	-14,034,631	386,347,113	408,378,719
Closing Unappropriated Surplus/ (Deficit)	-19,399,053	11,776,915	-31,175,968	-681,617	63,409





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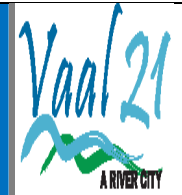
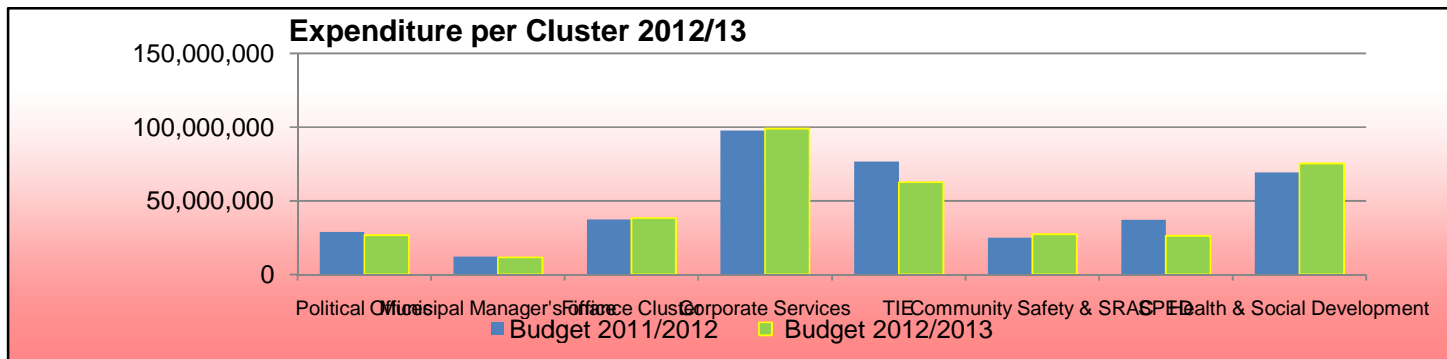


Table on Expenditure per Cluster

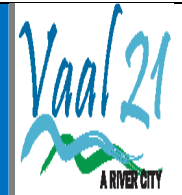
Department	Budget 2011/2012	Budget 2012/2013	Decr/- Incr	Budget 2013/2014	Budget 2014/2015
Political Offices	29,021,660	26,788,338	2,233,322	28,208,120	29,759,566
Municipal Manager's office	12,173,893	11,597,261	576,632	12,211,916	12,883,571
Finance Cluster	37,377,508	38,436,288	-1,058,780	40,473,411	42,699,449
Corporate Services	97,829,789	99,033,078	-1,203,289	104,281,831	110,017,332
TIE	76,781,078	62,709,954	14,071,124	66,033,582	69,665,429
Community Safety & SRAC	24,922,551	27,309,037	-2,386,486	28,756,416	30,338,019
SPED	37,215,619	26,284,579	10,931,040	27,677,662	29,199,933
Health & Social Development	69,367,890	75,390,117	-6,022,227	79,385,793	83,752,012
Total expenditure	384,689,988	367,548,651	17,141,337	387,028,730	408,315,310





CHAPTER 9: BUDGET ANALYSIS AND MEDIUM TERM EXPENDITURE FRAMEWORK

2012/2013 TO 2014/2015



9.6. SUMMARY OF THE LONG TERM FINANCIAL PLAN OF SEDIBENG DISTRICT MUNICIPALITY & ITS LOCAL MUNICIPALITIES' FINANCIAL VIABILITY AND SUSTAINABILITY PATH.

Introduction

9.6.1. The purpose of the Long Term Financial Planning is aimed at ensuring that the Municipality has sufficient and cost-effective funding in order to achieve its long term objectives through the implementation of the medium term operating and capital budgets.

9.6.2. The purpose of the Policy on Long Term Financial Planning is therefore to:-

9.6.2.1. Ensure that all long term financial planning is based on a structured and consistent methodology in order to ensure the long term financial sustainability of Sedibeng District Municipality and its Local Municipalities.

9.6.2.2. Identify capital investment requirements and associated funding sources to ensure the future sustainability of the Municipality;

9.6.2.3. Identify revenue enhancement and cost saving strategies in order to improve service delivery at affordable rates; and

9.6.2.4. Identify new revenue sources as funding for future years.

In essence a financial plan encompasses the development, implementation and evaluation of a plan for the provision of basic municipal services and capital assets. Such a plan aims to help Municipal Councillors and other decision makers make informed choices about the provision of basic services and capital assets and to promote stakeholder participation in the process.

The financial plan sets out the Municipality's estimated expenditure over the medium-term, based on its goals and objectives, as well as the resources necessary to achieve this. In addition, the financial plan also sets out where funding for the planned expenditure will come from. The developed Financial Plan must be updated on an annual basis as part of the annual review of the IDP.

9.6.3. The Long Term Financial Planning is based on the following principles:-

9.6.3.1. Future financial sustainability;

9.6.3.2. Annual growth in population and consumer base;



CHAPTER 9: BUDGET ANALYSIS AND MEDIUM TERM EXPENDITURE FRAMEWORK

2012/2013 TO 2014/2015



9.6.3.3. Optimal collection of revenue, taking into consideration the socio economic environment;

9.6.3.4. Optimal utilisation of grant funding and public donations; and

9.6.3.5. Continuous improvement and expansion in service delivery framework.

9.6.4. Background

The Sedibeng District Municipality embarked on the development of a long term financial plan for the District including its Local Municipalities. This matter was tabled at the District CFO IGR Forum where it was unanimously agreed that the District will appoint a service provider that will develop the long term financial plan. The long term financial plans were developed for the individual municipalities but needs to be integrated to be uniform across the District. The viability, sustainability and economic growth of the region is key for any future growth and development, hence the need for the District wide approach towards the establishment of a Metro or Regional Authority.

The municipalities were required to assess its current and future financial viability to ensure that will be able to continue to provide affordable and sustainable services and at the same time meet the demand from expected future economic and population growth. The Sedibeng District Municipality is also aspiring for a metropolitan status in the 2016 Local Government election year and its intent is to put in place mechanisms to ensure its readiness and compliance for this status to be granted. The medium term strategy should be to restore/ improve the financial viability of the region in anticipation of the Metro status.

9.6.5. High Level Financial Forecast for the 2012/13 to 2015/16 Financial Years

Based on the consolidated analysis, noting the qualification/exception with regard to Midvaal Local Municipality, the following needs to be addressed at a regional level based on the research methodology and framework outcomes:

- Improve and sustain collection rates in excess of 90% through continuous credit control and debt collection actions. Combined bad debt provision in 2010/11 amounts to R381.4 million.



CHAPTER 9: BUDGET ANALYSIS AND MEDIUM TERM EXPENDITURE FRAMEWORK

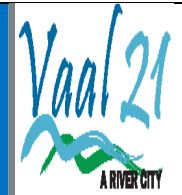
2012/2013 TO 2014/2015



- Identify and register all possible Indigent households to ensure free basic services to households that cannot afford to pay and that should be excluded from credit control cleansing of debtors' database to improve billing and focussed efforts to decrease the current debtor books.
- Increased expenditure on repairs and maintenance, new and old – Current expenditure must be increased by at least R200 million per year according to the guidelines.
- Focussed spending to decrease electricity and water distribution losses. During the 2010/11 financial year, the combined impact of water and electricity distribution losses for Emfuleni Local Municipality and Lesedi Local Municipality only amounts to almost R295 million.
- Expenditure discipline to ensure that spend the maximum funds on service delivery rather than internal and support services.
- Improvement in internal efficiencies and direction of savings and resources to revenue generating operations.
- Increased spending on economic generating opportunities.
- Costing of services so that all rates and tariffs are cost reflective.
- Reducing grant dependencies and addressing unfunded mandates.
- Strengthening the balance sheet and leveraging borrowings to enhance service delivery.
- Improving the financial performance of the regions and focusing and benchmarking with other Metros whilst undertaking regional planning in the longer term.



CHAPTER 9: BUDGET ANALYSIS AND MEDIUM TERM EXPENDITURE FRAMEWORK 2012/2013 TO 2014/2015



The Projected Financial Position For The Region Can Be Summarised As Follows:

FINANCIAL RATIO'S - PROVISIONAL		Calc	Method							
RATIO - CONSOLIDATED	Scoring Indicator	AFS	AFS	AFS	AFS	Adj Budget 2011/12	Budget 2012/13	Budget 2013/14	Budget 2014/15	Budget 2015/16
		2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016
Working Capital Ratios										
Current Ratio	1.0	1.56	1.07	0.72	0.77	0.92	1.12	1.51	2.22	2.90
Cash Coverage Ratio	3	0.19	0.23	0.07	-0.20	0.73	1.74	3.53	6.48	8.75
Gross Debtors to Annual Revenue	8.30%	130.5%	99.6%	81.6%	72.9%	63.0%	65.4%	67.4%	69.1%	65.8%
Gross Debtors Days	30	476.5	363.7	297.9	266.1	230.1	238.8	245.8	252.2	240.3
Net Debtors to Annual Revenue	8.30%	27.0%	13.1%	7.7%	11.7%	6.1%	2.2%	-1.8%	-5.7%	-8.2%
Net Debtors Days	30	98.5	47.9	28.2	42.7	22.4	8.1	-6.6	-20.7	-29.9
Annual Collection Rate	90%	88.7%	108.6%	84.1%	82.8%	94.7%	95.2%	95.4%	95.5%	95.4%
Debtors Impairment		0.6%	1.3%	21.2%	13.9%	9.0%	9.0%	9.0%	9.0%	8.3%
Creditors Payment Period	30	97.1	73.5	62.8	40.6	32.7	32.7	32.7	32.7	30.8
Expenditure Efficiency Ratios										
Cost of Capital (Int & Depr) to Total Operating Expenditure	15%	7.9%	6.1%	8.0%	8.3%	4.6%	4.6%	4.6%	4.6%	4.4%
Personnel Costs (Councillors Incl.) to Total Operating Expenditure	30%	29.0%	23.5%	25.5%	26.3%	25.0%	25.0%	25.0%	25.0%	24.4%
Personnel Costs (Councillors excl.) to Total Operating Expenditure	30%	27.5%	22.5%	24.4%	25.4%	24.1%	24.1%	24.1%	24.1%	23.4%
Personnel Costs(Councillors Incl.) to Total Operating Revenue	30%	25.6%	25.5%	25.7%	25.2%	22.2%	22.2%	22.2%	22.2%	21.4%
Personnel Costs(Councillors excl.) to Total Operating Revenue	30%	24.4%	24.4%	24.7%	24.2%	21.3%	21.3%	21.3%	21.3%	20.6%
Total Operating Expenditure to Total Operating Revenue		88.5%	108.5%	100.9%	95.6%	88.5%	88.5%	88.5%	88.5%	87.9%
Repairs and Maintenance to Property, Plant and Equipment & Other Assets	12%	5.2%	6.0%	5.0%	3.5%	3.9%	3.8%	3.9%	4.2%	4.7%
Budget Implementation										
Operating Expenditure Budget Implementation Indicator	>100% or <95%	99.7%	127.1%	107.1%	107.9%					
Operating Revenue Budget Implementation Indicator	>100% or <95%	105.0%	106.5%	93.4%	101.8%					
Capital Expenditure Budget Implementation Indicator	>100% or <95%	74.6%	104.5%	182.4%	86.9%					
Debt Ratios										
Non Current Liabilities to Revenue	45%	11.4%	9.3%	15.7%	11.3%	9.4%	9.1%	8.7%	8.5%	7.8%
Total Debt to Annual Operating Revenue	45%	12.5%	10.5%	11.7%	6.9%	5.8%	5.1%	4.6%	4.1%	3.5%
Net Asset Position	50%	30%	31%	24%	22%	21%	20%	20%	19%	19%



CHAPTER 10: TURN AROUND STRATEGY



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10.1. INTRODUCTION

The Sedibeng District Municipality is focuses on the critical elements that constitute building blocks towards integrated governance to optimize service delivery and working faster in a seamless manner. These elements are embedded in the turnaround strategy which in essence, looks at the catalytic programmes and projects that are well supported by a sound and coherent business re-engineering for Sedibeng District Municipality. The review and development of the Second Generation Growth and Development Strategy has to a very large extent, looked at external environment impacting on the critical success factors for the turn around and subsequent transitional conditionalities towards a Metropolitan River City. This process of review also highlighted socio- economic and infrastructure development needs of the Sedibeng region and how major catalytic programmes could unleash massive development on the south of Gauteng province. The net benefit for this possibility of infrastructure and business re-engineering, is an economic growth that could put Sedibeng region on an unprecedented level of economic growth and development to address triple challenges of unemployment, poverty and inequalities.

There is a coherent spatial sense of where stronger socio-economic development possibilities lay in the feasibilities and business plans the District has generated to give us a picture of how and where to grow within urban edge and along designated corridors. The internal constraints are more related to structural and agency based work the Sedibeng District Municipality does or execute for and on behalf of other spheres of government for which there is cost under recovery to sustain the function. At this point, there is political and policy clarity between provincial/ national and local government on how to deal with such bottlenecks and work has already started in others to provide permanent if not lasting solutions. Herein below is revised update on some historical turn around focal point areas and the new areas informed by the new plans arising from the Review of the Growth and Development Strategy and the drafting processes of the new five year Integrated Development Plan.



CHAPTER 10: TURN AROUND STRATEGY



PRIORITY TURN AROUND FOCAL AREA		MUNICIPAL ACTION	INDICATORS	UNBLOCKING ACTION NEEDED FROM OTHER SPHERES AND AGENCIES	PROGRESS	RESPONSIBLE PERSON
1.	Provision of sustainable and efficient Primary Health Care (PHC) services in the district	Secured commitment from Gauteng Department of HEALTH to refund Sedibeng District for the outstanding payments of subsidized cost of managing this function	Function taken over by the Provincial Department of HEALTH	Provincialization process to be fast tracked and concluded	Implementation modalities being discussed between SALGA and Province	ED: Health and Social Services
2.	Provision of sustainable Emergency Medical Services	Concluded with Province to take back this function	Payment received by 30 June 2012	Provincial and or National Treasury transfer the payment by 30 June 2012	Received an official letter to confirm payment from Provincial Government Department of Health	ED: Health and Social Services
3.	Provision of a fully fledged sustainable Disaster Management Centre	Applied for Funding support to host and manage Disaster Management Centre	Application for funding approved by the Department of Local Government and Housing	Department of Local Government and Housing fund the Disaster Management Centre by 2013/14	No progress achieved- Need to ensure that proper funding application is submitted to be consider in the 2013/14 budget	ED: Health and Social Services



CHAPTER 10: TURN AROUND STRATEGY



4.	Provision of sustainable Municipal Health Services (Environmental Health Services)	Escalate a discussion at the PCF to secure funding either at provincial or national Department	Formal recommendation or Decision of the Premier's Coordinating Forum on the funding of the Municipal Health Services is obtained	National and or provincial Treasury transfer an allocation to municipalities in as part of the DORA equitable share allocation or a Grant for the 2013/2014 Financial Year	No progress	ED: TRANSPORT, INFRASTRUCTRE and ENVIRONMENT
	PRIORITY TURN AROUND FOCAL AREA	MUNICIPAL ACTION	INDICATORS	UNBLOCKING ACTION NEEDED FROM OTHER SPHERES AND AGENCIES	PROGRESS	RESPONSIBLE PERSON
5.	Provision of sustainable Air Quality Management.	Submit a funding request to Province and National relevant Departments	Approval of the Grant from Treasury	National Treasury to allocate the funding previously directed to Dept. of Environmental Affairs for this purpose.	The Air Quality Act has transferred the Atmospheric Emissions Licensing function to the SDM from 1st April 2010. The funding criteria for this function are through the licensing fees that still need to be finalized and approved by DEA. The SDM is required to first develop capacity to perform the function. To date, the SDM has employed the AQ Manager and the AQ Coordinator, as well as undertaken a study to assess the capacity and resource requirements to render the AQ Function. Escalate the funding need for this function to SALGA to take it up with PCF and the National Treasury.	ED: TRANSPORT, INFRASTRUCTURE and ENVIRONMENT



CHAPTER 10: TURN AROUND STRATEGY



6.	Corporatization of the Fresh Produce Market in order to maximize efficiencies and effectiveness	Implement old Council resolution on the turnaround strategy for the Vereeniging Fresh Produce Market or develop new recommendation for approval by Council	Implementation of historical or new Council Resolution.	Facilitate establishment of the Sedibeng Economic Development Agency to take over this function with the help of IDC	<ul style="list-style-type: none">- Due diligence finalized- Prospectuses for the transaction sale are being developed.- Evaluation of the business and property	ED: CORPORATE SERVICES
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CHAPTER 10: TURN AROUND STRATEGY



PRIORITY TURN AROUND FOCAL AREA		MUNICIPAL ACTION	INDICATORS	UNBLOCKING ACTION NEEDED FROM OTHER SPHERES AND AGENCIES	PROGRESS	RESPONSIBLE PERSON
7.	Corporatization of the Airport in order to maximize efficiencies	Obtain revised Council approval on the process to be undertaken	Council approved strategy and business plan for the Vereeniging Airport	Facilitate IDC support to create agency to run the Airport or integrated into the Sedibeng Economic Development Agency	No progress	ED: CORPORATE SERVICES
8.	Corporatization of the Taxi Ranks	Implement the Council resolution on the process to be undertaken or even integrate into BRT proposal for Sedibeng	Council approved strategy, feasibility and business plan for the Integrated Public Transport System (BRT)	Apply for funding at National Department of TRANSPORT to undertake feasibilities for BRT system	No progress	ED: CORPORATE SERVICES
9.	Regional Sewer Scheme	Project Management Office established - Buy in by Provincial, national and Rand Water on the Project. - Phase 3 of the project	Approval of the EIA or ROD obtained. Securing of funding for the short term solutions relating to capacity of the system	Funding commitments from DLG & H, COGTA, DWAE, Rand Water and any other Funding Agencies. DLG&H should facilitate the engagement of neighboring municipalities' i.t.o Capex and Opex contributions.	The Coordinating Structures are functioning: Political, Technical, and Project Steering Committees. DWA has allocated an amount of R120m as a contribution to the project funding. SDM has allocated an amount of R2.4m as a contribution to the project funding. SDM has established SRSS Project Unit headed by a Director as a contribution to the project management requirements. ELM has appointed Aerocon as the design consultant for the SRSS.	ED: TRANSPORT, INFRASTRUCTURE and ENVIRONMENT