

• INCREASED PRODUCTIVITY, RELIEF FOR THE POOR

## FAIR BUDGET, DESPITE CHALLENGES

Overstrand Municipality's budget process for 2010/11 is drawing to a close with the consideration of public and stakeholder comments on the draft Operational and Capital Budget, the revised Integrated Development Plan and the revised Water Service Development Plan due to be tabled at the Council meeting on Wednesday, 26 May 2010.

According to the draft documents, the 2010/11 Operational Expenditure Budget will increase with 23 percent to R707 million. The proposed increase in rates on residential properties is 8.39 percent and on business properties 10 percent. Furthermore, water and waste removal tariffs will increase with 8 percent; a new tariff structure for sewage has been proposed, consisting of a fixed monthly levy of R70,00 and a usage charge based on a percentage of water consumption, and the hike on electricity tariffs will be between 22 and 24 percent.

The Capital Budget will grow with 8 percent from the adjusted 2009/10 figures to R145 million. The municipality plans to take up a loan of R100 million over three years to invest in water and sewerage infrastructure, and a ring-fenced levy of R15 will be charged to accounts to repay that.

Initial reaction to the budget proposals seems to be positive, but the Bulletin had to go to the presses before the final date for submissions on Friday, 30 April 2010. Nevertheless,

if the public debate hosted on the community radio station, Whalecoast FM, on 1 April 2010 is to serve as a gauge, the proposed budget seems to meet with public approval.

At the tabling of the budget documents and at a meeting of the Overstrand Municipal Advisory Forum on 9 April 2010, Executive Mayor Theo Beylvelde explained the difficult circumstances under which the budget had to be compiled. Notably, the challenge of the electricity price hike approved nationally and the ever increasing fuel prices were singled out as major hurdles to contend with.

Increased productivity is an important way of dealing with raising costs, and Overstrand Municipality managed to restrict the salary and wage component of the budget to just 27 percent, way below the national norm of 38 percent. An effort will also be made to cut back on the level of overtime payments.

Special attention was given to the plight of the poor: The income threshold to qualify for the Indigent Grant is now four times the amount of a social pension, and all households in properties rated at R50 000 and less will be exempted from basic charges and will pay only for consumption. The cost of this will be funded by way of the equitable-share grant from Central Government and not out of ratepayers' pockets.

Also on the table will be a review of the Integrated Development Plan (IDP), as

EXPENDITURE TYPE	2009/10 CURRENT BUDGET R'000	2009/10 ESTIMATE R'000	% IN- CREASE (DECREASE)	% COMPARED TO TOTAL EXPEND.
Salaries & wages	159 417	189 711	19%	26,8%
General expenses	318 812	394 296	23,6%	55,8%
Repairs & maintenance	51 663	61 340	18,7%	8,7%
Capital costs	125 231	148 684	18,7%	21%
Less: Recharges	655 122 (80 502)	794 030 (86 942)	8%	
<b>TOTAL EXPENDITURE BUDGET</b>	<b>574 621</b>	<b>707 088</b>	<b>23%</b>	

### INCREASES IN THE 2010/11 OPERATIONAL BUDGET COMPARED TO 2009/10 ADJUSTED BUDGET

required by the Municipal Systems Act. This year's document is the most comprehensive ever as it also includes the Water Services Management Plan (WSDP) and the Spatial Development Framework. The IDP serves as the principal strategic planning instrument of the municipality, informing the decision making and management of all planning and development activities. The IDP review is available for public inspection and comment until 7 May 2010.

The revised Water Service Development

Plan for 2010/11 forms an integral part of the IDP. It is an important tool to assist Overstrand Municipality, as a Water Service Authority, to develop a realistic long-term investment plan which prioritises the provision of basic water services, promotes economic development and is affordable and sustainable over time. The WSDP must integrate water supply planning with sanitation planning and includes a list of infrastructure projects to the value of R213 million for the next three years.

## SEWERAGE TARIFFS RESTRUCTURED

The new tariff structure for water-borne sewerage reflects, to a large extent, Overstrand Municipality's endeavour to secure fair and just rates and tariff for its residents.

In its attempt to render affordable services, Overstrand Municipality regularly reviews its list of core functions and the levels of service delivery the public expects. Where required, further investigations are conducted into alternative methods of service delivery.

The new tariff structure for water-borne sewerage services is comprised of a fixed basic levy of R70,00 per month and a consumption component which will be determined based on water usage.

According to Mr Hanré Blignaut, Deputy Director: Water and Transport, this is not only fair as far as service delivery is concerned but also gives effect to new regulations in terms of the Water Services Act which provides for volumetric sanitation tariffs. What's more, residents will be encouraged to use water sparingly.

The fixed levy is determined based on the fixed-cost component associated with the service, being salaries and capital. This will be for everyone's account, with the exception of low-cost households and residences with a legal septic tank, in which case a levy of R47,37 per month will be payable.

The volumetric tariff amounts to R7,50 per kilolitre, which will be calculated at 70 percent of consumption for households up to a maximum of 35 kilolitres and for other users at 90

percent of their consumption. This tariff covers the variable costs of the service, such as the purification of the sewerage and the transport costs.

Those who in the past had to rely on tanker services for the removal of sewerage will no longer be charged separately for this service; provided the service is utilised within normal working hours. Consumers who are not linked to the municipal reticulation system will, however, be required to pay for this service.

On average, water tariffs are to increase by 8 percent. However, two levels of tariffs have been approved should water restrictions be announced. Level 1 provides for an increase in cost of 30 percent and level 2 for 60 percent. Wet industries are accommodated with a two-level rate scale and smaller commercial and sports users with a three-level scale. The afore-going tariffs will, however, only be applied on application.

The impact of Eskom's increase in electricity tariffs is mitigated by a dual tariff system. The fixed levy is increased by a mere 8 percent, with the result that consumers will only have to pay between 22 and 26 percent more for electricity rather than the 29 percent the municipality is expected to fork out. Overall, refuse removal will show an increase of 8 percent. A new rate for self-dumping at transfer stations will be instituted for consumers who do not receive an account for this service, eg people living on farms. In future, bulk containers can be rented from the municipality at a per-day rate.

## COMPREHENSIVE PROCESS TO FINALISE BUDGET

It is not an easy task to compile a budget for a municipality. In fact, it is a comprehensive process, comprising many strategic and business planning sessions and requiring full participation from the public and other stakeholders.

This process was laid down in a detailed timetable which was approved by Council in August 2009 already and indicated all the many key milestones that must be achieved.

The process started with a strategic review of priorities at a workshop attended by councillors and management. This culminated in a directional speech delivered by the Executive Mayor, Mr Theo Beyleveldt, at the Mayoral Committee meeting on 1 Sep-

tember 2009.

Business planning was left in the hands of the different departments, who were kept informed about strategic matters by means of regular communications and also guided by inputs from ward committees, who identified new projects or suggested changes to existing programmes on the Integrated Development Plan.

Priorities were determined at meetings of the Mayoral Review Panel throughout the budget cycle. Sessions were held with all directors and managers during December 2009 and March 2010.

The final step before the tabling of the draft budget at the Council meeting of 31 March 2010 was to review tariffs and char-

ges, budget-related policies, the salary strategy and the finalisation of the operational budget and capital budget projects.

Apart from the public input, deliberations with provincial officials of the Department of Local Government will be held later this month, and these may still influence the final budget.

Also important in the process is the alignment of the budget with the Integrated Development Plan to ensure sustainability of service delivery and the financial viability of the municipality. Once approved, a Service Delivery and Budget Implementation Plan (SDBIP) will be compiled to facilitate the execution of the budget and IDP.

National Treasury assisted the process by

providing information on national priorities, headline inflation forecasts, funding choices and management issues, conditional transfers to municipalities, municipal budget and reporting regulations and other guidelines.

New formats for municipal budgets, adjustment budgets and in-year-reporting which require substantial changes to systems, procedures and parameters were laid down. Although National Treasury recognises that it will take time to achieve full compliance, Overstrand Municipality endeavoured to comply with the formats as far as possible. Investigations into other improved financial and data systems are being undertaken.

## WHERE DOES THE MONEY COME FROM?

The total revenue budget for 2010/11 amounts to R623 117 990, which represents an 18,92 percent increase on the adjusted 2009/10 revenue budget of R524 149 449.

As indicated in the graph elsewhere, Overstrand's major sources of revenue are:

**Property rates; Electricity charges; Water charges; Sanitation charges; Refuse removal charges; Other service charges; Government grants; and Interest.**

With regard to property rates, a number of exemptions and rebates are applicable:

- The first R15 000 of the municipal valuation assigned to a property is exempted from rates in terms of the Municipal Property Rates Act.
- The next R35 000 of the municipal valuation assigned to a property is exempted from rates in terms of Overstrand's rates policy.
- A further rebate of 20 percent applies to rates levied for residential properties where a residential completion certificate has been issued.
- Conditional rebates for pensioners, guesthouses, B&Bs and agricultural properties, as well as for residential and business developments outside the traditional urban areas, can also be applied for.

With the electricity price increase beyond the control of the municipality and with the municipality not able to absorb these increases, only the direct price hikes for consumption were passed on to the consumers.

The sustainable supply of potable water is becoming an ever increasing challenge. This scarce commodity has to be managed optimally, while price increases in the cost of chemicals and electricity to treat water are claiming their toll. The water usage block tariff system was designed to provide water at an affordable tariff for up to 30kl per household per month. Punitive tariffs were set to curtail excessive water consumption.

The equalisation of sewage tariffs for all properties in urban areas will be phased in over a two-year period, and a charge for volumetric usage has been introduced.

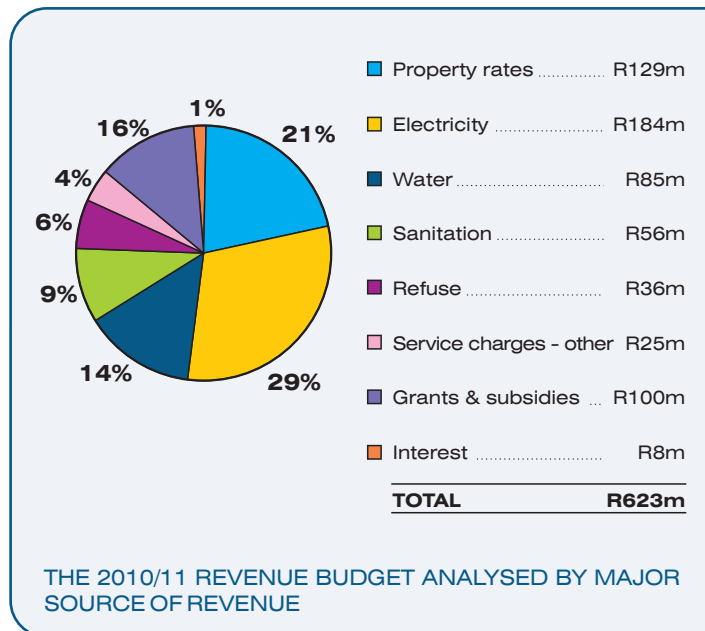
Other service charges include the income from building plan fees and vehicle registration.

From Central Government the muni-

pality received R52 million in the form of the Equitable Share, the Financial Management Grant, the Municipal Systems Improvement Grant, the Municipal Infrastructure Grant, the Integrated National Electrification Grant and the Neighbourhood Development Grant.

From the Western Cape Province allocations of R32 million were made for housing, library services, community development workers, road subsidies and the Cleanest Town prize money.

Other contributions came from the CSIR for housing technologies to be used in the Kleinmond Housing Project, ABSA Bank for the Gansbaai Communal Sports Complex and the Overberg District Municipality for the Whale Coast Route signage. Contributions were also received from Cape Town Routes Unlimited, the WWF/Table Mountain Fund and the Umsombumwo Fund.



## OPERATING BUDGET EXPLAINED

The 2010/11 operational expenditure budget amounts to R707 088 390, which represents an increase of 23 percent if compared to the current amended budget of R574 620 637. In 2009/10, the operational expenditure budget also increased with 22 percent.

A summary of the budget is given on the table on the front page.

**SALARIES AND WAGES:** This year's budget totals R189,7 percent, comprising 26,8 percent of the operational expenditure budget. This includes the remuneration of Councillors but excludes staff employed on agency projects, such as the Working for Water Project. The staff complement will be enlarged in the new financial year at a cost of R9,3 million to improve service delivery. This also includes the incorporation of the staff of the former entity OLEDA into the municipal staff establishment on 1 July 2010. In accordance with the three-year wage agreement negotiated nationally, salaries will increase with 8,1 percent.

**GENERAL EXPENSES AND REPAIRS AND MAINTENANCE:** Although cost increases for most of the items under these headings were restricted to the general rate of inflation, there were a number of budget growth requests from managers to improve

service delivery. Also included here are the Eskom tariff adjustments and the rising cost of chemicals for water purification works and the fluctuating fuel costs. The contributions to the Central Improvement District, also known as Hermanus Public Protection, and the Destination Marketing Organisation (R2,75 million) for the operating of tourism bureaux, festivals and marketing activities will be found here. The disestablishment of OLEDA will lead to a saving of R900 000, although its function to facilitate economic development will continue.

No provision has been made for contingencies. Savings identified during the financial year will be allocated to a contingency and be dealt with during the adjustments budget process.

**LOW-INCOME SUBSIDY AND INDIGENTS:** The Equitable Share contribution received from Central Government, which was increased from R14 million to R20 million, makes provision to fund the municipality's Indigent Policy fully. The programme will be expanded to include households where the income is equal or less than the amount of four times the government social pension and will also cover owner-occupied properties with a rateable valuation of up to R50 000.

**BASIC SERVICES PROJECTS:** Projects were identified in the capital and operational budgets to continue the concept of local labour promotion (LLP), especially with regard to storm-water management, road building and cleaning. These will be undertaken throughout the entire municipal area. LLP projects contribute towards local economic development and ensure that a portion of a beneficiary's income is used to service his or her municipal debt.

**CONTRIBUTION TO WORKING CAPITAL:** The purpose of this is to provide for the write off of irrecoverable debts, and the contribution could be reduced from the previous budget level since the full implementation of the Indigent Policy and the raising of the ceiling to qualify as an indigent will reduce the level of irrecoverable debts. The appointment of debt collectors on contract will reduce these debts further.

**CAPITAL COSTS:** This provision relates to debt servicing payments and depreciation, which increased sharply from R36 million to R120 million as result of the implementation of the Generally Recognised Accounting Practice (GRAP), which lead to an increase in the municipality's asset value from R659 million to R5123 million.

# STILL ERADICATING BACKLOGS

The 2010/11 budget for capital projects is a continuation of the programme Overstrand Municipality embarked upon three years ago in an attempt to eradicate backlogs in terms of bulk infrastructure, a trend which is likely to continue within the foreseeable future.

Since 2008/9, huge amounts have been spent on creating new infrastructure and upgrading existing facilities. For 2010/11, provision has been made for an additional R146 million, representing an increase of 8 percent on the adjusted 2009/10 budget of R135 million.

Municipal sources will cover some R120 million, while a further R26 million are to be sourced from confirmed government allocations.

It is the municipality's intention to take up an extraordinary loan of R95 million over the next three years for the purposes of upgrading water and sewerage reticulation, the settlement of which will be hedged by way of an infrastructure levy on municipal accounts. This levy will amount to approximately R15 per month per accountholder.

Of this loan, approximately R38 million will be taken up this year. The balance of the capital budget will be financed by way of a municipal loan of R50 million, the proceeds from land transactions in the current financial year which amount to R15 million, the anticipated proceeds from the Kleinmond

Harbour Development (R8,7 million) and cash on hand amounting to R8,5 million.

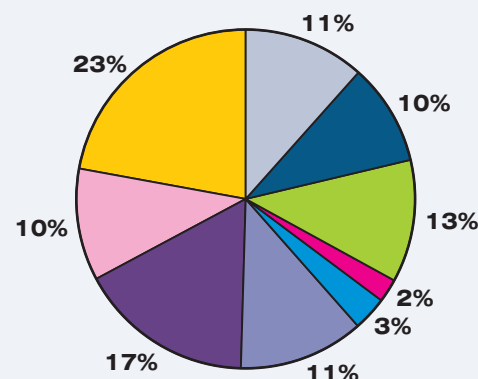
A further R6 million has been made available for ward-specific projects which could either be of a capital or operational nature, provided they are in line with the Integrated Development Plan. Each ward will receive R600 000 to attend to its needs.

Ward based planning is a form of participatory planning designed to promote community action and mobilizes communities to take responsibility for their own. It also assists the municipality in striving towards the achievement of its long term vision of being a centre of excellence for its communities.

Through the ward committee under the leadership of the ward councillor the most critical developmental needs in each ward is identified, which may include ablution facilities in an informal settlement, street lighting, play park equipment, tarring of roads, speed bumps, storm water channels, etc.

Become involved with your ward committee when you are of the opinion that there are urgent needs that should be attended to by the municipality.

As far as externally funded projects are concerned, the allocation by the Western Cape government for the purposes of housing needs to be singled out. This allocation amounts to a total of R31 million, but only R9 million is reflected on the capital budget.



SUMMARY OF 2010/11 CAPITAL VOTES (SERVICES/GFS CLASSIFICATIONS)

Finance & Admin	18 754 588
Planning & Development	9 500 000
Sport & Recreation	636 778
Housing	10 828 500
Roads	15 050 000
Electricity	33 125 000
Water	30 012 000
Sewerage	20 060 000
Stormwater	5 906 587
Waste Management	2 000 000
<b>TOTAL</b>	<b>145 873 452</b>

## TOP 10 PROJECTS

The 10 biggest capital projects for 2010/11 are:

Upgrading of Hermanus' sewerage works	R19,8 m
Upgrading of the Preekstoel water purification works	R17,9 m
Hermanus relief road	R11,7 m
Kleinmond housing project	R10,8 m
Local economic projects (neighbourhood upgrades)	R9,5 m
Kleinmond harbour (bulk services)	R8,7 m
Hermanus' industrial substation (extension)	R4 m
Kleinmond housing project: Electrification	R3,6 m
Hangklip's water reticulation	R3,5 m
Procuring vehicles	R3,5 m

## SUMMARY OF 2010/11 CAPITAL BUDGET PER SERVICE AND FUNDING SOURCE

SERVICE	COUNCIL FUNDING	AD-HOC FUNDING	TOTAL
Information & Communication Technology	2 546 238	0	2 546 238
Property Services	9 150 000	0	9 150 000
Sport & Recreation	0	636 778	636 778
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	28 870 000	1 142 000	30 012 000
Sewerage	20 060 000	0	20 060 000
Stormwater	2 500 000	3 406 587	5 906 587
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
<b>TOTAL</b>	<b>119 871 088</b>	<b>26 002 364</b>	<b>145 873 452</b>

## ENVIRONMENTAL FACTORS IMPACTING THE BUDGET

Even though Overstrand Municipality did not launch any special projects with a view to benefitting from the Soccer World Cup, we are still hoping that this event will be a huge boost for the local economy.

Towns in Overstrand are within reach of the host city Cape Town, where eight of the matches will be played. Many a soccer tourist is likely to pay us a visit to catch a glimpse of the whales and sharks and also to make use of the excellent accommodation facilities.

Quite a while back, Overstrand embarked on projects to make attractions, such as Market Square and the viewpoints in Hermanus, more tourist-friendly and the relief road project has been scheduled to cause as little disruption possible. Mayor Theo Beyleveldt said at the time of tabling the budget proposals near the end of March.

There are, however, a number of key risk areas that will need to be watched closely.

Amongst others, these include:

- Climate changes where deviations from the normal weather patterns could influence water and electricity consumption with a resultant negative impact on the revenue budget.
- Eskom's anticipated price hikes over the next three years can impact growth negatively. Residents as well as business will have to manage their electricity consumption diligently.
- Cutting back on overtime remuneration will necessitate careful management on the side of directors and managers.
- The severe increase in the cost of chemicals used to purify potable water and to treat affluent is regarded as a threat.

# WHAT INCREASE TO EXPECT ON YOUR MUNICIPAL ACCOUNT

## BASKET OF TARIFFS - SINGLE RESIDENTIAL - 2010/11

HIGH CONSUMPTION		R	%
Rates	Total mun. valuation: R2,5m	39.83	8.39
Sewerage	R70 + levy on 70% of water consumption	161.45	94.39
Refuse	Twice per week	15.78	17.13
Electricity	1500kWh	244.23	25.98
Water	50kl	41.66	8.03
Infrastructure levy		15.04	100.00
VAT		66.94	27.77
ACCOUNT WILL INCREASE BY		584.39	24.00

MEDIUM CONSUMPTION		R	%
Rates	Total mun. valuation: R1,3m	19.54	8.39
Sewerage	R70 + levy on 70% of water consumption	30.20	17.66
Refuse	Twice per week	15.78	17.13
Electricity	800kWh	135.17	24.01
Water	25kl	15.26	8.09
Infrastructure levy		15.04	100.00
VAT		29.60	20.84
ACCOUNT WILL INCREASE BY		260.59	18.76

LOW CONSUMPTION		R	%
Rates	Total mun. valuation: R400 000	5.60	8.39
Sewerage	R70 + levy on 70% of water consumption	-22.30	-13.04
Refuse	Once per week	5.70	8.02
Electricity	350kWh	104.01	22.86
Water	10kl	10.46	8.14
Infrastructure levy		15.04	100.00
VAT		17.22	14.52
ACCOUNT WILL INCREASE BY		145.81	14.13

SUB-ECONOMIC CONSUMPTION		R	%
Rates	Total mun. valuation: R400 000	0.00	0.00
Sewerage	Levy on 70% of water consumption	8.64	19.70
Refuse	Once per week	-92.11	-100.00
Electricity	350kWh	-77.05	-24.06
Water	10kl	-72.64	-73.70
Infrastructure levy		15.04	100.00
VAT		-30.54	-39.32
ACCOUNT WILL INCREASE BY		-248.66	-39.32

## BASKET OF TARIFFS - VACANT ERVEN - 2010/11

VALUATION: AVERAGE		R	%
Rates	Total mun. valuation: R250 000	4.70	8.39
Sewerage	Availability	-35.08	-23.52
Refuse	Availability	3.51	8.17
Electricity	Availability	10.53	8.00
Water	Availability	10.52	14.99
Infrastructure levy		15.04	100.00
VAT		0.63	1.15
ACCOUNT WILL INCREASE BY		9.85	1.95

## BASKET OF TARIFFS - BUSINESS - 2010/11

MEDIUM		R	%
Rates	Total mun. valuation: R3,2m	106.66	10.00
Sewerage	R70 + levy on 90% of water consumption	296.14	675.19
Refuse		4.39	7.94
Electricity	14 000kWh	2,077.75	25.70
Water	40kl	28.84	7.06
Infrastructure levy		15.04	100.00
VAT		339.10	28.41
ACCOUNT WILL INCREASE BY		2,867.92	26.41

NOT INCLUDED: HPP LEVEL AMOUNTING TO 10% OF RATES IN RELEVANT AREA.

## MORAL STANDARDS INITIATIVE

### RESPECT MAKES OUR COMMUNITY POSSIBLE

Respect is a value which makes living with one another possible.

We have all witnessed what happens in our country if the value of respect is not working for everyone. Our country has diverse people, and we cannot live in peace with one another if we do not uphold the value of respect. Respect means that I should respect my fellow citizens, even if we differ in terms of opinion, culture, religion, social status or political sentiment. Without respect, we insult one another, attack one another,

and regard others as a threat to our existence.

Everyone has the right to be here, the right to an opinion, the right to a safe living space and the right to realise his or her potential. It is, in fact, respect that makes all of this possible. Respect means not to begrudge others that that I wish for myself and to be sensitive to things that could be derogatory or offensive. May we all display this value towards our children. RESPECT is our legacy for future generations!

*Dr Wilhelm Burger*

## OAK PROGRAMME

The programme for OVERSTRAND ARTS / KUNSTE (OAK) concerts in the Hermanus Auditorium is as follows:

**Sunday, 2 May:** Katya Apekisheva, Russian concert pianist, who will play Mussorgsky's 'Pictures at an Exhibition' amongst others;

**Friday, 11 June:** Chung Wang, pianist, playing works of Schumann and Chopin;

**Wednesday, 21 July:** Youth Orchestra of Antwerp, Belgium;

**Friday, 6 August:** Tygerberg Children's Choir.

Please note that evening concerts start at 19:00 and Sunday afternoon concerts at 15:30. Bookings can be made at BELLINI on 028 312 4988 and any enquiries may be directed to secretary, René du Plooy, on 082 940 4238.