



June  
2011

# Bulletin

Official newsletter of the Overstrand Municipality

• AFFORDABLE, BUT ADDRESSING THE BACKLOGS

## A WELL-BALANCED BUDGET

With a combined budget of R942 million – R728 million for operational expenditure and R214 million for capital projects – Overstrand Municipality flexed its muscles to improve service delivery and quality of life during 2011/12 for its residents, without asking the proverbial arm and leg in return.

The average increase on property rates for 2011/12 is set at 5 percent on residential and 8 percent on business properties. As in the past, exemptions and rebates will be applicable on residential properties to lessen the plight of the poor. There are also rebates applicable to guesthouses, B&Bs, businesses and agricultural properties to stimulate economic development.

With the exception of electricity consumption, tariff increases for water, sewerage, refuse collection and the basic electricity fee will be restricted to 8 percent. Electricity consumption costs will rise with 20,4 percent while the cost of Eskom to the municipality will increase with 26,7 percent. Some relief awaits the poor as an inclining block-tariff structure was introduced as prescribed by NERSA.

The 2011/12 budget, however, was not adopted unanimously by Council and members from the ANC and the National People's Party had recorded their opposition against it.

Mayor Nicolette Botha-Guthrie said in her Budget Speech that it was a challenge during the process to find the balance between affordability and the need to ad-

dress the backlog in municipal infrastructure.

She said Overstrand is a major retirement region, and many of our area's residents are depending on pensions and the returns on their investments to make ends meet. The increase in the rates and tariffs that is within Council's control were kept at the lowest possible level, while on the expenditure side, Council did not budget for growth in terms of human resources, except for three new posts. This means more pressure on the staff component to increase productivity and a major challenge for managers to ensure this happens.

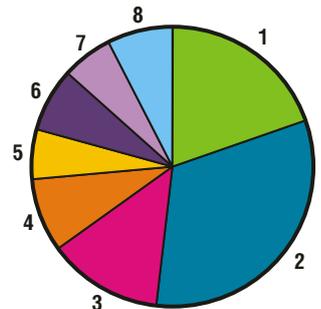
As a traditional holiday and retirement area, Overstrand Municipality's infrastructure was not developed to serve the demands of the much more densely populated area it is today. The backlog is estimated at R2,4 billion, and the municipality embarked on a 25-year upgrading programme which will require capital projects of between R100 and R200 million per year. Savings on operational expenditure are needed in order to provide more money from our own sources for infrastructure projects.

Despite the fact that the budget process was brought forward with a month because of the municipal elections, the Mayor said a thorough and comprehensive process was followed, especially to ensure that the residents of this area's voice is heard – through the ward committees and with the public participation process after the draft budget was pub-

### 2011/12 REVENUE BUDGET ANALYSED BY MAJOR SOURCE OF REVENUE

#### SOURCES OF REVENUE IN RAND

1	Property rates	134 817 680
2	Electricity	223 307 350
3	Water	91 524 454
4	Sanitation	59 777 146
5	Refuse	40 389 000
6	Operational Grants	49 691 000
7	Capital Grants	41 271 000
8	Other Revenue	50 442 470
<b>TOTAL</b>		<b>691 220 100</b>



### 2011/12 OPERATIONAL BUDGET ANALYSED BY MAJOR EXPENDITURE TYPE IN RAND

EXPENDITURE BY TYPE	2010/11	2011/12	% INCREASE	% TOTAL
Salaries & Wages	184 831 700	196 737 483	6.1%	27.0%
General Expenses	308 581 675	304 045 522	-1.5%	41.7%
Bulk Electricity Purchases	103 276 380	129 763 420	20.4%	17.8%
Repairs & Maintenance	62 926 440	65 220 050	3.5%	9.0%
Capital Costs	22 645 440	32 665 170	30.7%	4.5%
<b>TOTAL</b>	<b>682 261 653</b>	<b>728 431 645</b>	<b>6.3%</b>	<b>100%</b>

lished for public comment.

"This final product that is presented here today is in my opinion fully accountable and hopefully transparent to all. We

had the best interest of our ratepayers in mind and I believe we present to you a real people's budget," Cllr Botha-Guthrie said.

## BUDGETED DEFICIT DOES NOT REFLECT ACTUAL CASH POSITION

Although the 2011/2012 operational budget indicates a deficit of R37 million between revenue and expenditure, this does not reflect the actual cash position of the municipality.

Overstrand Municipality's budget is compiled in accordance with the guidelines provided by the National Treasury and in line with the requirements of the Municipal Finance Management Act. Fur-

thermore, the implementation of and continuous amendments to the Generally Recognised Accountancy Practices (GRAP) also contributed to major changes to the presentation, contents and format of the budget.

It should, therefore, be noted that the deficit reflected on the budget arose as a result of the implementation of the above practices (GRAP) in as far as Pro-

perty, Plant and Equipment are concerned since these must now be reflected at depreciated replacement cost (DRC).

Consequently, the value of municipal assets reflects an increase in excess of R5 billion with, of course, a concomitant asset depreciation based on this 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. Furthermore, no reserves may be established for these purposes.

These factors were taken into account in the determination of tariffs. This trend of having to budget for a deficit will likely continue for the next decade.

# SUSTAINABILITY AND FINANCIAL VIABILITY ENSURED

The 2011/12 budget was compiled in such a way that the sustainability of service delivery and the financial viability of the municipality have been ensured.

The 2011/12 operational expenditure budget amounts to R728 million. Compared to the current amended budget, this represents an increase of only 6,8 percent, way below last year's increase of 22,8 percent.

Aspects that can be highlighted in this budget are:

**Salaries and Wages:** The salary budget amounts to R189 million, which comprises 27 percent of the operational expenditure budget. An increase of 6.3% in employees' salaries and councillors' remuneration has been budgeted for, but since the inflation rate has dropped below the level provided for in the three-year wage agreement negotiated nationally, negotiations have been reopened and a change in these figures is still possible. More or less the same can be said as far as councillors' remuneration is concerned, the latter being determined by the Minister of Cooperative Governance and Traditional Affairs.

**General Expenditure and Repairs and Maintenance:** The increase in these expenses can be attributed to requests for increased service delivery, but Eskom's tariff adjustments, the ever-rising cost of chemicals for water purification and fluctuating fuel costs also have a major influence. Eskom's increase, as approved by the National Electricity Regulator (NERSA), amounts to 26,7% for municipalities. The direct increase is passed on to municipal consumers for unit consumption only and is based on the inclining block-tariff structure. Also included in this section are the contributions to the (Hermanus) Central Improvement District (known as HPP) and an allocation of R2 800 000 for the Destination Marketing Organisation (Cape Whale Coast). Cape Whale Coast drives tourism in terms of a service delivery agreement and is responsible for the four tourism bureaux and festivals. No additional amounts for contingencies have been budgeted for. Any savings identified during the financial year will be allocated to a contingency and will be dealt with during the adjustments budget process.

**Equitable Share (Low-income and Indigent Subsidy):** The low-income subsidy budget of R25 million for 2011/12 fully funds Overstrand Municipality's Indigent Policy. Those wishing to qualify for this programme must be unemployed and/or receive a social pension or income per household that is equal to or less than the amount of four times the government's social pension. The programme also covers

all owner-occupied properties with a rateable valuation of up to R50 000.

**Basic Services (Local Labour Promotion Project):** Projects were identified on the capital and operational budgets to give effect to the principle of local labour promotion (LLP). In terms of this programme, jobless ratepayers are offered employment opportunities so that they not only have the means to earn a living but can designate a portion of their earnings towards settling any debt on municipal accounts. These projects are undertaken throughout Overstrand and may relate to stormwater, roads and cleaning projects.

**Contribution to Working Capital** provides funding for the write-off of irrecoverable debts. This has been reduced from previous budget levels because the assumption is 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. Working capital remains under pressure, and the introduction of increased consumer deposits for electricity consumers who are not on pre-paid meters may come into effect.

**Capital Costs** relate to debt servicing payments and depreciation.

**Contributions to Provisions** service the legal obligations of the Council, such as the rehabilitation of landfill sites, clearing of alien vegetation on municipal land, post-retirement benefits and long service awards. The value of the present obligation is calculated annually and contributions are 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.

- The Capital Replacement Reserve, which previously harboured proceeds on the sale of assets to fund capital projects, has been incorporated in the accumulated surplus, and the profit or loss on the sale of assets will be reflected in the Statement of Financial Performance.
- The Self-insurance Reserve (SIR) is 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 are now incorporated in the accumulated surplus.

## SOURCES OF REVENUE

The proposed revenue budget for 2011/12 is R640 249 000 (excluding capital grants). This is in relation to an adjusted budget of R584 660 000 in 2010/11 and represents a 9,5% increase.

The principle governing tariff increases relates to a baseline of a general increase of 5% for residential rates, 8% for consumer services and 8% for business rates. This excludes electricity, as explained elsewhere in this report.

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

### Revenue from Property Rates

The average increase on property rates for 2011/12 is set at 5% on residential and 8% on business properties.

For residential properties, the first R15 000 of the market value of a property is exempted in terms of clause 17(1)(b) of the Municipal Property Rates Act (MPRA) and the next R35 000 in terms of clause 12(a)(ii) of the Rates Policy of the Overstrand Municipality. A further residential rebate of 20% on rates is given where a residential completion certificate, as determined in clause 12(a)(iii) of the Rates Policy of the Overstrand Municipality, had been issued.

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

### Revenue from Tariff Services

The tariffs for water, sewage and refuse collection have been set according to the cost of delivering the respective services with an average increase of 8%.

Electricity: The substantial increase of 26,7% for the purchase of electricity from Eskom will have a far reaching

negative impact for consumers and the delivery of services in an economy recovering from a recession.

This increase remains beyond the control of the municipality as it falls 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, at 20,4%, have been passed on to the consumers. The tariff structure changed to an inclining block tariff structure as prescribed by NERSA.

Water: The sustainable supply of potable water is becoming an ever increasing challenge. This scarce commodity has to be managed optimally. For this reason, council has embarked on the limited bulk purchasing of desalinated water. 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 30 kl per household per month.

Restrictive tariffs were introduced in the previous financial year for excessive water consumption and to equalise underrecovery. 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.

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

### Service Charges – Other (Other Revenue)

This category comprises the balance of the revenue received by the municipality, primarily from user char-



ges. The most significant individual items in this category are revenue from building plan fees, vehicle registration fees, rentals and traffic fines.

## WAY FORWARD

The Council's objective to keep rates and tariff increases affordable and sustainable will require the following strategic planning measures over the medium term:

- 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 upon between the Council and the community and must be published.
- Alternative ways of providing services need to be investigated actively. 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.

# BOOST FOR INFRASTRUCTURE DEVELOPMENT

The proposed capital budget for 2011/12 amounts to R214 million, an increase of 28 per cent on the 2010/11 adjusted budget.

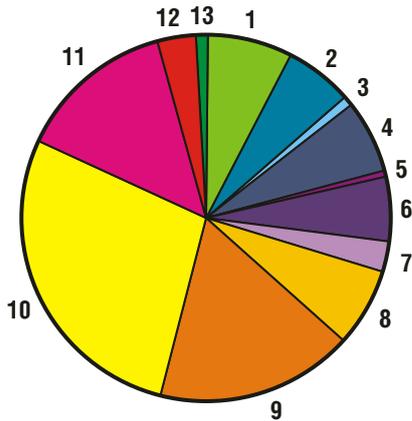
The Council-funded portion of this amounts to R159 million, which will be funded with an external loan of R50 million, cash from land sales expected to be R36 million, cash amounting to R10 million and a ring-fenced external loan of R63 million for major infrastructure.

These monies will mainly be used to continue our programme for the upgrading of water, electricity and sewage infrastructure – to the tune of R130 million. Substantial amounts will also be spent on roads, sport and recreation facilities and the improvement of council property.

Once again, the 13 wards of the new council will receive R500 000 each for their ward-specific needs, amounting to a total of R6,5 million.

The adjacent table contains a list of the major projects to be undertaken in 2011/12.

## SUMMARY OF 2011/12 CAPITAL PROJECTS



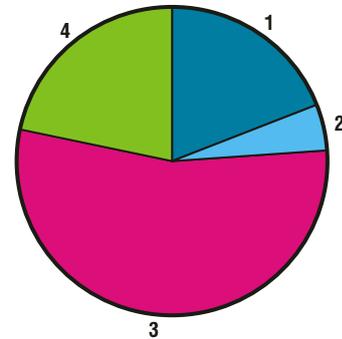
### CAPITAL PROJECTS (RAND VALUE)

1 Corporate	15 905 000	8 Roads	14 969 982
2 Property Services	13 060 000	9 Electricity	37 505 000
3 Community Buildings	1 450 000	10 Water	59 432 526
4 Sport & Recreation	14 186 778	11 Sewerage	29 463 521
5 Public Safety	790 000	12 Storm Water	7 568 193
6 Housing	12 250 000	13 Waste Management	1 690 000
7 LED	5 700 000	<b>TOTAL</b>	<b>213 971 000</b>

## TOP TEN PROJECTS

	R
Preekstoel WTW upgrade	35 852 526
Hermanus WWTW upgrading	25 258 521
Hermanus 66kVA S/S	15 000 000
Replacement of water pipes	12 000 000
Upgrading of Zwelihle soccer fields	9 000 000
Nano Filtration Plant Klipgat & Grotte	6 430 000
Local Economic Development Projects	5 700 000
KM Development - Bulk Services	5 300 000
Housing Projects (Prov. Capital Allocation) ST	5 000 000
Hermanus parallel road (Phase 1)	4 500 000

## CAPITAL BUDGET FUNDING



	R
Government Grants	41 271 000
Public Contr.	9 700 000
Borrowing	117 000 000
Internal Funds	46 000 000
<b>TOTAL</b>	<b>213 971 000</b>

# IDP KEY TO MUNICIPAL LIFE

The last revision of the current Integrated Development Plan (2007 – 2012) was adopted by Council and will guide Overstrand Municipality's planning activities during the next financial year, while a new plan will be drafted for the five year cycle from 2012 to 2017.

In her foreword to the IDP, Mayor Nicolette Botha-Guthrie said that over the past few years Councillors and municipal officials alike had learned to value and appreciate the IDP as the key to the life of a municipality. It set out strategic direction and guided the community, Council and municipal officials in their efforts to improve the quality of life and the environment of Overstrand, within the confines of the limited resources at their disposal.

"Following on the May 2011 municipal elections, officials will work together with the new Council and community structures to draft a completely new plan, but with the successes achieved with the current plan, they will know how important this plan has been and that we as Overstranders will expect an even better product in future," she said.

Municipal Manager Werner Zybrands added that the IDP is a reflection of the identified needs of the community and it will perforce continue to reflect those, as yet unattained needs. This will be the case irrespective of the political outcome of the election. The only difference may be how and in which order

those needs will be addressed.

A thorough rethink on the process and time frames for developing the new five-year IDP will be required, he said.

According to Mr. Zybrands the IDP - as the principal strategic planning document - must not only identify and prioritise strategies, but, perhaps more importantly, focus on the implementation of those strategies. Strategies may also be influenced by megatrends, e.g. global warming and its effects on the environment, growing unemployment and poverty, unreliable energy and inadequate water supplies, environmental legislation, urbanization, skills shortages and many other trends.

"Suffice to say that it will be a daunting task to start on a fresh IDP route," he said. "For the time being this reviewed IDP is a reflection of the old and the promising signs of the new. A greater emphasis is already placed on implementing the IDP and linking it more directly to two of its outcomes namely the resultant budget and a performance management system. The gap between good planning and effective delivery is progressively being closed."

He cited the Turnaround Strategy, which is now integrated into the IDP, as an example and said the benefits are already apparent. There is a stronger focus on improving the outcomes of those key issues that really make a difference.

## VOTE FOR WARD COMMITTEE MEMBERS

The municipal election on 18 May has come and gone, but what lies ahead now is equally important, namely to vote for those community members whom you wish to serve in your ward committee for the next 5 years.

Ward committees serve as official link between your neighbourhood and the municipality – they meet monthly in each of Overstrand's 13 separate wards, under chairmanship of the newly elected ward councillor.

Furthermore ward committees provide input in the Integrated Development Plan, determine budgetary priorities and advise the councillor in regard to relevant municipal matters.

As before only registered voters may vote for the candidates of their choice – keep a watchful eye on lampposts and the press for when this voting day takes place in your ward.



# WHAT INCREASE TO EXPECT ON YOUR MUNICIPAL ACCOUNT

## BASKET OF TARIFFS - SINGLE RESIDENTIAL - 2011/12

HIGH CONSUMPTION		AMOUNT	%
Rates	Total mun. valuation: R2,5m	36.8	5.16
Sewerage	R70 + levy on 70% of water consumption	26.96	8.11
Refuse	Twice per week	8.78	8.14
Electricity	1500 kWh	490.29	41.39
Water	50 kl	46.98	8.39
Infrastructure levy		26.51	176.26
VAT		83.93	27.25
<b>ACCOUNT WILL INCREASE BY</b>		<b>720.25</b>	<b>22.36</b>

MEDIUM CONSUMPTION		AMOUNT	%
Rates	Total mun. valuation: R1,3m	26.13	5.16
Sewerage	R70 + levy on 70% of water consumption	16.29	8.09
Refuse	Twice per week	8.78	8.14
Electricity	800 kWh	178.72	25.6
Water	25 kl	17.28	8.48
Infrastructure levy		26.51	176.26
VAT		34.66	20.19
<b>ACCOUNT WILL INCREASE BY</b>		<b>308.37</b>	<b>16.2</b>

LOW CONSUMPTION		AMOUNT	%
Rates	Total mun. valuation: R400 000	10.13	5.16
Sewerage	R70 + levy on 70% of water consumption	12.02	8.08
Refuse	Once per week	8.78	8.14
Electricity	600 kWh	89.7	16.05
Water	15 kl	11.88	8.55
Infrastructure levy		26.51	176.26
VAT		20.84	15.35
<b>ACCOUNT WILL INCREASE BY</b>		<b>179.86</b>	<b>13.82</b>

SUB-ECONOMIC CONSUMPTION		AMOUNT	%
Rates	Total mun. valuation: R40 000	0	0
Sewerage	Levy on 70% of water consumption	-29.79	-56.75
Refuse	Once per week	0	0
Electricity	350 kWh	8.79	3.61
Water	10 kl	2.16	8.33
Infrastructure levy		26.51	176.26
VAT		1.07	2.28
<b>ACCOUNT WILL INCREASE BY</b>		<b>8.74</b>	<b>2.28</b>

## BASKET OF TARIFFS - VACANT ERVEN - 2011/12

VALUATION: AVERAGE		AMOUNT	%
Rates	Total mun. valuation: R250 000	3.13	5.16
Sewerage	Availability	11.93	8
Refuse	Availability	3.51	7.55
Electricity	Availability	9.64	6.78
Water	Availability	7.02	8.7
Infrastructure levy		26.51	176.26
VAT		8.21	13.52
<b>ACCOUNT WILL INCREASE BY</b>		<b>69.95</b>	<b>12.61</b>

## BASKET OF TARIFFS - BUSINESS - 2011/12

VALUATION: MEDIUM		AMOUNT	%
Rates	Total mun. valuation: R3,2m	96	5.16
Sewerage	R70 + levy on 90% of water consumption	27.57	8
Refuse		15.78	7.55
Electricity	14 000 kWh	1 458.44	6.78
Water	40 kl	36.72	8.7
Infrastructure levy		26.51	176.26
VAT		219.1	13.52
<b>ACCOUNT WILL INCREASE BY</b>		<b>1880.12</b>	<b>12.61</b>

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

## YOUTH DAY CELEBRATIONS ON 15 JUNE 2011

Youth Day, the International Year of Forests and a total eclipse of the moon will be combined in a unique event on 15 June 2011.

The OCF - now renamed the Whale Coast Foundation - is organising a Youth Day Festival and picnic in conjunction with the Cliff Path Management Group on this evening which will highlight Piet-se-Bos milkwood forest.

The Youth Day celebrations will take the form of an "Enchanted Forest" with a 'treasure hunt' by torch light for children. Please include torches for this purpose in your picnic basket. (The picnic was postponed in April due to inclement weather.)

On June 15th there will also be a total eclipse of the moon. The Hermanus Astronomy Centre will be on hand to give an explanation of lunar

eclipses with slides, and festival goers will be able to use the astronomers' telescopes to see the eclipse in fabulous detail.

And who knows what creepy creatures may crawl around the forest when the moon is dark?

Although there will be bonfires to ward off the chill, the young, as well as the young at heart, are asked to dress up in weird and wonderful warm clothing to add to the fun.

Be there at 18:00 with your picnic basket, marshmallows for toasting, chairs, flashlights and binoculars and 'dress up' in warm clothing. There will be bonfires, walks and scary stuff in the "enchanted forest", a band and choir and a whole lot of fun when the moon is dark! **ENTRANCE IS FREE.**

## AN ALL-LISZT CONCERT

On Sunday, 26 June at 15:30, OAK will present an all-LISZT concert in the Municipal Auditorium in Hermanus. John Ntsepe has been labelled by critics as one of South Africa's most outstanding young pianists and is without a doubt the leading young Black classical pianist in the country.

He was the first Black South African to obtain a B.Mus. degree (Performing Arts) at the University of Pretoria (obtaining his degree with distinction) and also received an M.Mus. from this university in 2008. He is currently doing a post-graduate performance diploma at the South African College of Music (University of Cape Town) under the guidance of the well-known South African pianist François du Toit and has also received tuition from Ella Fourie, currently resident in the Overstrand. **Book at BELLINI on 028 312 4988. Phone René du Plooy on 082 940 4238 for any other enquiries.**

