

JULY 2013

Bulletin

Official newsletter of the Overstrand Municipality

2013/14 BUDGET IN A NUTSHELL

Total Expenditure

R824 million
Up with 8.6
per cent



Total Revenue

R786 million
Up with 9.3 per cent



Property rates:

On residential property
Up with 4.05 per cent
Exemptions and rebates as
in the past



On commercial
property
Up with 6.03 per cent.

Rebates on guesthouses,
B&B's



On agricultural properties
Increase to comply with
prescribed 75 per cent rebate



Electricity

Basic electricity fee increase
of 22 per cent
Consumption costs will rise
with an average of 5.27 per
cent across the inclining
blocks



Water

Only indigent households
will receive first 6 kl free



Sewerage

Rises with 8.83 per cent



Waste removal

Rises with 8.53 per cent



Capital Budget

R110 million
Down with 34 per cent



MAYOR'S BUDGET SPEECH

BALANCING CHALLENGES

With the 2013/14 budget Overstrand Municipality had to find the midway between the clear message from pensioners and people who live from the interest on their life savings that they cannot afford sharp increases on rates and tariffs on the one hand and the pressure to maintain and even to increase its services levels in view of the fast population growth that our area experiences.

In her Budget Speech on 29 May 2013 Mayor Nicolette Botha-Guthrie pointed out that there was a 50 per cent increase in population numbers from 2001 to 2011 and that Overstrand has the 7th fastest growing population in the country.

The greater portion of this in-migration lives in the poorer areas and is dependent on the municipality's indigent grant scheme, for which Overstrand uses its annual equitable share or unconditional grant from Central Government.

She also said that the maintenance of the municipality's plants, property and equipment place a big demand on the budget because of the large amounts invested during the past six years as part of Overstrand's 25 year plan to catch up with its infrastructure backlog of R2.4 billion.

Another cold fact is that the municipality can do very little about controlling the seventy per cent of its budget that relates to:

- Salaries and wages - this 30 per cent

chunk of the budget is determined by a three year Local Government Bargaining Council agreement that was entered into nationally between SALGA and the trade unions last year. In terms of legislation Overstrand Municipality is bound by this agreement. In the case of councillors, salaries are regulated by the Remuneration of Public Office Bearers Act. The salaries of our Municipal Manager and Directors are market-related as determined by an Independent Remuneration Consultant. It is important to note that the Municipal Manager and Directors strictly control vacancies that are filled. Each and every vacancy must be properly motivated in terms of business and operation requirements.

- Input costs like bulk purchasing of electricity, fuel and chemicals, where, as you know, there is a constant upward curve higher than the inflation rate.

Despite this, Overstrand Municipality managed to lessen the impact of property tax on our rate-payers by cutting back an amount of R4.85 million in the draft budget for the maintenance of roads. Any further saving could not be identified without affecting service delivery negatively.

The Mayor said that in this way the municipality demonstrated its willingness to listen to the voices of its residents and stakeholders.

VACANT LAND RATE IN PERSPECTIVE

The inclusion of a new property rate for vacant land in the 2013/14 rates and tariffs schedule drew a lot of attention because of the fact that in the case of residential stands this will amount to an increase of 63.4 per cent.

In practice this increase translates as follows: if vacant land is valued at R780 000.00, the rates increase will amount to an approximate R140.00 increase per month and if the property is valued at R250 000.00, the approximate increase will be R43.00 per month.

In this regard it is important to note that Section 8 of the Property Rates Act is permissive and in terms of criteria set out in its rates policy, allows a municipality to levy different rates for different categories of rateable properties determined, inter alia, in terms of the use of the property.

The amended rates policy of the Overstrand Municipality sets out the criteria to levy rates for a category of rateable property known as 'vacant land'.

The Municipality has been through a procedurally

fair process and advertised and received comments on the rates policy. There was no objection to the introduction of the category of rateable property as 'vacant land' within the period for comment.

The purpose of the introduction of a new category of rateable property of 'vacant land' which will be rated more highly than the category 'residential property' is inter alia, the following:

- To encourage property development;
- To encourage densification in line with the integrated development plan;
- To help the municipality to have properties within its jurisdiction which are developed and occupied;
- To encourage residential occupation of properties, as this is a municipality where many people seek to retire; and
- To ensure that the rating of vacant land is in line with the actual use (investment) and not just the permitted use.

FRAMEWORK FOR OPERATING EXPENDITURE

Six principles informed the Municipality's expenditure framework for the 2013/14 budget:

- The asset renewal strategy and the repairs and maintenance plan;
- The balanced budget constraint, ie operating expenditure should not exceed operating revenue unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by sections 18 and 19 of the Municipal Finance Management Act (MFMA);
- The way the capital programme provides for the renewal of assets and the eradication of backlogs;
- The decision to direct operational gains and efficiencies to fund the capital budget and other core services; and
- Strict adherence to the principle of no project plan no budget. If there is no business plan no funding allocation can be made.

The table alongside is a high level summary of the 2013/14 budget and MTREF, classified per main type of operating expenditure:

The budgeted allocation for employee related costs for the 2013/14 financial year totals R250,8m which equals 30,4 per cent of the total operating expenditure. Based on the three year collective SALGBC agreement, salary increases have been factored into this budget at a percentage increase of 6,85 per cent for the 2013/14 financial year. As part of the Municipality's cost reprioritisation and cash management strategy vacancies have been significantly rationalised downwards and provision was made for a saving of R7,75m on vacancies not to be filled. This could however have a negative impact on service delivery. In addition expenditure against overtime was investigated for reduction.

No provision was made for debt impairment in view of the annual collection rate of close to 100 per cent and the Debt Write-off Policy applied by the municipality.

Provision for depreciation and asset impairment was affected by the implementation of the GRAP 17 accounting standard that meant a range of assets was brought in that was previously not included in the assets register. This has resulted in a significant increase in depreciation relative to previous years.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 5,09 per cent (R38,7 million) of operating expenditure. As previously noted, the Municipality has reached its prudential limits for borrowing.

OPERATING EXPENDITURE BY STANDARD CLASSIFICATION ITEM

R thousand	2012/13 Full Year Forecast	2013/14 Budget Year
Expenditure By Type		
Employee related costs	227 845	250 842
Remuneration of councillors	7 101	7 577
Debt impairment	1 000	
Depreciation & asset impairment	107 417	103 810
Finance charges	38 054	42 292
Bulk purchases	143 721	156 893
Other materials	13 279	15 055
Contracted services	71 861	74 909
Transfers and grants	35 975	38 766
Other expenditure	112 727	133 917
Loss on disposal of PPE	-	-
Total Expenditure	758 982	824 059

Bulk purchases are directly informed by the purchase of electricity from Eskom. The expenditures include distribution losses.

Other materials purchased are mainly for maintenance and cleaning. In line with the Municipality's repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the Municipality's infrastructure.

Contracted services out has been identified as a cost saving area for the Municipality. This group of expenditure was critically evaluated and operational efficiencies were enforced. In the 2013/14 financial year, this group of expenditure totals R84,9m and has escalated by 9,1 per cent.

Other expenditure comprises of various line items relating to the daily operation of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved.

FOCUS OF CAPITAL PROJECTS

For 2013/14 an amount of R110 million has been appropriated for the development of infrastructure or the upgrade of existing facilities. Electricity infrastructure receives the high-est allocation of R37,2m (33,9 per cent) followed by roads infrastructure with R17,8m (16,2 per cent), and then water with R15,9 million (14,5 per cent).

Total new assets represent R70,7 million (64 per cent) of the total capital budget while asset renewal equates to R39,1 million (35,6 per cent). Three directorates are involved, namely Community Services, Infrastructure and Planning, and Management Services.

Some of the salient projects to be undertaken over the medium-term are shown in the table above.

With the 2011/2012 adjustment budget, projects to be funded from the sale of land (Habonim land), were postponed to future capital budgets dependant on the successful sale of the land.

PROJECT DESCRIPTION	AMOUNT
New 66kVA S/S	R14 261 348
Hermanus parallel road	R 8 710 373
Replacement of Overstrand water pipes	R 8 400 000
Hawston S/S Upgrade	R 6 034 120
Baardskeerdersbos Bulk water supply upgrade	R 5 800 000
Hawston: Upgrade roads	R 5 159 627
Gansbaai project - 155 SITES (Housing)	R 5 029 380
Kleinmond and Gansbaai WWTW Sludge Handling	R 4 575 000
Kleinmond: Replace Main Substation Switchgear	R 4 300 000
Overhills: Kleinmond Soccer Field	R 4 102 946
Zwelihle upgrade roads	R 3 125 507
Sewer network extension -Stanford	R 3 075 000
Upgrade Kwaiwater Feeder Cables	R 3 000 000
Eluxolweni / Zwelihle: Electrification (INEG)	R 3 000 000
Apie Le Roux - Franskraal upgrade	R 2 500 000
Opgradering van Pompstasies	R 2 000 000

FREE BASIC SERVICES FOR THE INDIGENT

A social package is provided to assist households that are poor or face other circumstances that limit their ability to pay for services.

To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. The current indigent households amount to 6300 and is reviewed monthly. A slight increase to 6350 is anticipated in the new financial year.

In terms of the municipality's Indigent Policy registered households

are entitled to 6kℓ free water, 50 kwh free electricity and 4,21 kℓ free sewerage per month, solid waste removal of 85ℓ per week, as well as a full rebate on property tax.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

All basic charges are fully subsidised.

POLICIES APPROVED

As part of the Budget process Council approved thirteen revised policies on property rates, tariffs, customer care, credit control and debt collection, the indigent, asset management, travel and subsistence, petty cash, supply chain

policy management, investment and cash management, virement, budget, funding and reserves and borrowing. Two new policies on contract management and long term financial planning and implementation were adopted.

TARIFFS AND THE INFLATION RATE

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target in their budget documentation.

Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of Eskom bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the Municipality's electricity tariffs are largely

outside the control of the Municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the Municipality's future financial position and viability.

It must also be appreciated that the consumer price index (CPI) is not a good measure for the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consists of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, etc.

The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions.

IMPACT OF TARIFF INCREASES

The table above shows the overall expected impact of the tariff increases on a medium and small household, as well as an indigent household receiving free basic services. Note that in all instances the overall impact of the tariff increases on household's bills have been kept below 10 per cent, with the increase for indigent households less than 5 per cent.

	Valuation	R2 500 000	2012/13	2013/14	Amount	%
Medium Consumption with credit elect meter	Rates		565,13	588,00	22,87	4,05
	Sewer	SE7A1+SE8A	234,18	254,85	20,67	8,83
	Infrastructure Basic Charge		40,05	41,70	1,65	4,12
	Water, Electricity & Sewer					
	Refuse	1X Per Week	113,16	122,81	9,65	8,53
	Electricity Credit Meter	800 kWh	1 008,38	1 093,42	85,04	8,43
	Water	25 kl	257,42	304,35	46,93	18,23
	VAT		231,45	254,40	22,95	9,92
	TOTAL		2 449,76	2 659,52	209,76	8,56
	HPP if applicable		56,51	58,80	2,29	4,05
<hr/>						
	Valuation	R1 000 000	2012/13	2013/14	Amount	%
Low Consumption with credit meter	Rates		219,13	228,00	8,87	4,05
	Sewer	SE7A1+SE8A	172,79	187,30	14,51	8,40
	Infrastructure Basic Charge		40,05	41,70	1,65	4,12
	Water, elektrisiteit en riool					
	Refuse	1X Per Week	113,16	122,81	9,65	8,53
	Electricity Credit Meter	600 kWh	742,64	803,76	61,12	8,23
	Water	15 kl	160,12	187,90	27,78	17,35
	VAT		172,03	188,09	16,06	9,34
	TOTAL		1 619,91	1 759,55	139,64	8,62
	HPP if applicable		21,91	22,80	0,89	4,05
<hr/>						
	Valuation	R100 000	2012/13	2013/14	Amount	%
Sub-Economic Consumption	Rates		11,53	12,00	0,47	4,05
	Sewer	SE7A1	22,71	27,02	4,31	18,98
	Infrastructure Basic Charge					
	Water, elektrisiteit en riool		40,05	41,70	1,65	4,12
	Refuse	1X Per Week	0,00	0,00	0,00	0,00
	Electricity Prepaid Meter	350 kWh	278,39	286,76	8,37	3,00
	Water	10 kl	29,84	32,44	2,60	8,71
	VAT		51,94	54,31	2,37	4,56
	TOTAL		434,46	454,22	19,76	4,55

KEY ASPECTS OF THE INCOME STRATEGY

In Overstrand the continued improvement of the quality of services provided to its citizens is closely linked to its ability to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of the municipality.

The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

- National Treasury's guidelines and macro economic policy;
- Growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure levels above 95 per cent annual collection rates for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The Municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The Municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

The Municipality's revenue strategy is built around the following key components:

The accompanying table is a summary of the main revenue sources and the contribution they make to the total budget. The percentage growth of each of the sources is as follows:

Rates - 7.44 per cent, electricity - 12.41 per cent, water - 9.67 per cent, sewerage - 6.86 per cent, solid waste removal - 13.13 per cent, rental of facilities and equipment - 4.38 per cent, licences and permits - 10.19 per cent, agency services - 8.11 per cent and operational transfers - 64.41 per cent. Provision has been made for a decrease in revenue from interest

TABLE: MAIN REVENUE SOURCES

R thousand	2012/13 Full Year Forecast	2013/14 Budget Year
Revenue By Source		
Property rates	118 129	126 921
Property rates - penalties & collection charges	1 000	1 000
Service charges - electricity revenue	253 485	284 936
Service charges - water revenue	89 943	98 642
Service charges - sanitation revenue	57 007	60 917
Service charges - refuse revenue	46 792	52 934
Service charges - other		
Rental of facilities and equipment	8 192	8 551
Interest earned - external investments	7 715	7 714
Interest earned - outstanding debtors	2 205	2 204
Dividends received	-	-
Fines	6 249	6 079
Licences and permits	1 857	2 046
Agency services	2 081	2 250
Transfers recognised - operational	41 958	68 984
Other revenue	20 968	19 963
Gains on disposal of PPE		
Total Revenue (excluding capital transfers and contributions)	657 582	743 141

earned on investments and debtors, fines and other income.

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit. These exclude the Equitable Share of R42 million, a transfer of R1,3 million for the improvement of financial management, R1.2 million as a contribution to job creation and a provincial allocation of R20.045 million for, amongst others, housing.

PROVIDING CLEAN WATER AND MANAGING WASTE WATER

Description of test	Unit	Standard		Average test results for potable water test samples at:								
		per SANS 2041 Class 1	per SANS 2041 Class 2	Buffelsrivier (Rooi Els, Pringlebaai & Betty's Bay)	Kleinmond	Hermanus	Stanford	Gansbaai	De Kelders	Pearly Beach	Baardskeerdersbos	Buffelsjagsbaai
pH	(pH)	5.0-9.5	4.0-10.0	9,1	9,6	7,6	8,1	8,3	7,6	8,0	6,4	7,5
Electrical conductivity	(mS/m)	<150	150-370	31,0	26,6	51,0	73,1	135,3	49,2	49,8	38,5	<150
Turbidity	(NTU)	<1	1-5	0,1	0,2	0,4	0,1	0,4	0,1	0,1	0,6	6,3
Colour	(mg/l as Pt)	<20	20-50	15,0	12,0	12,0	7,0	11,3	3,3	15,0	139,7	33,3
Calcium	(mg/l as Ca)	<150	150-300	4,9	8,8	7,5	52,0	13,4	35,6	15,2	4,0	<150
Chloride	(mg/l as Cl)	<200	200-600	32,2	32,2	96,6	92,6	145,3	67,6	69,6	69,6	<200
Fluoride	(mg/l as F)	<1.0	1.0-1.5	0,20	0,20	0,10	0,10	0,30	0,10	0,10	0,10	<1.0
Total dissolved solids	(mg/l)	<1000	1000-2000	217	186	357	512	946	345	349	256	<1000
Iron	(µg/l as Fe)	<200	200-2000	23,3	20	140	83,3	120	10	16,7	260	53,3
Manganese	(µg/l as Mn)	<100	100-1000	40	40	60	40	40	40	40	40	40
Aluminium	(µg/l as Al)	<300	300-500	126	120,3	176	105,3	155,3	33,3	58	166,7	120
E.coli	(count/100ml)	0	0	0	0	0	0	0	0	0	0	0

Description of test	Unit	DWA General Authorisation Standards	Average test results for final effluent test samples at:				
			Gansbaai	Hawston	Hermanus	Kleinmond	Stanford
pH	(pH)	5.5-9.5	6,4	8,6	7,4	7,3	7,6
Settleable solids	(ml/l)	-	0,1	0,1	0,1	0,1	0,1
Electrical conductivity	(mS/m)	150	169,7	153,3	203,3	95,6	124,3
Faecal coliform bacteria	(count/100ml)	1000	0,3	21,7	892,3	1366,7	845
Chemical oxygen demand	(mg/l)	75 Max	45,2	154,7	52,2	38,4	38,6
Ammonia nitrogen	(mg/l as N)	6 Max	4,7	10,1	7,3	7,9	1,4
Nitrate nitrogen	(mg/l as N)	15 Max	3,3	2	2,5	6,9	12
Nitrite nitrogen	(mg/l as N)	0,1	0,1	0,1	0,1	0,1	0,1
Total suspended solids	(mg/l)	25 Max	4	29,3	4	7,7	4,7
Ortho-phosphate	(mg/l as P)	10 Max	6,6	7,4	16,9	8,8	2,4

The Department of Water Affairs conducts an annual performance rating of water treatment works, presenting a Blue or Green Drop award, respectively, to potable water treatment works and waste water treatment works that meet certain criteria of excellence.

The Municipality was awarded Blue Drop status in 2012/13, indicating that the Municipality's drinking water is of exceptional quality.

Of the 5 waste water treatment works, one was awarded Green Drop status in 2011/12, indicating that this plant consistently meets waste water treatment standards of exceptional quality. The remaining 4 plants will require renewals/upgrading to meet the minimum Green Drop certification standards. This has been prioritised as part of the 2013/14 medium term capital budget. The following is briefly the main challenges facing the Municipality in this regard:

- The infrastructure at most of the waste water treatment works is old and insufficient to treat the increased volumes of waste water to the necessary compliance standard;
- A shortage of skilled personnel makes proper operations and

- maintenance difficult;
 - Electrical power supply to some of the plants is often interrupted which hampers the purification processes; and
 - There is a lack of proper regional catchment management, resulting in storm water entering the sewerage system.
- The following are some of the steps that have been taken to address these challenges:
- Infrastructure shortcomings are being addressed through the capital budget;
 - The filling of vacancies has commenced and the Waste Water Division will embark on an in-house training programme, especially for operational personnel;
 - The Electricity Division is to install dedicated power supply lines to the plants; and
 - The Division is working in consultation with the Department of Water Affairs to address sufficient catchment management.

FROM THE DESK OF THE OTAC CHAIRMAN SIGNIFICANT GROWTH IN VISITORS



Craig Holmes

The last six months have been great for Cape Whale Coast tourism and therefore for our Overstrand area as a whole. Figures for the first four months of the year of visitors to our four Tourism Bureaux - Gansbaai, Stanford, Hermanus and Kleinmond - show a significant growth of 28% on the previous year!

The latest figures for arrivals in the Western Cape for the period ending September 2012 show that the arrivals in 2012 were virtually the same as 2011, so our teams are really performing well. And of course the benefit to the Overstrand is enormous - those guests sleep, eat, drink and make use of many of the numerous facilities which this area has to offer. The efforts made by the teams in the Tourism Bureaux and the Municipality should never be underestimated as they are successfully managing to get even more guests into our area.

The teams from our tourism bureaux and the Municipality have been very busy during the last few months and have been actively involved in local activities as well as in national trade shows like the Beeld Holiday Expo in Johannesburg, the Argus Lifestyle Expo, Cape Getaway Show and most recently the Tourism Indaba in Durban, which

is visited by not only local operators but by travel industry members from around the globe.

Talking about global visitors! International and local media and film groups are hosted in our area on a regular basis. During June 2013 Cape Whale Coast introduced the Metro FM group to our Hermanus Wine Route, whilst international and local comedians who are performing at the Cape Town Jive Comedy Festival, will be welcomed to our own Whale Crier in July 2013.

We also successfully brought off one of the most exciting and challenging events in our area for years - the Hermanus Fynarts! The dream of Mary Faure of Hermanus Tourism is now a reality! Thanks to Mary and her team's hard sweat and tears, Hermanus was bustling from 7 to 16 June with people enjoying all the art, music, photography, ceramics and cooking, writing, food and wine, films and much, much more which had been laid on!

This was just the beginning and during the following months we will receive more and more coming for the whales and our other festivals. We must really ensure that our guests are welcomed with open arms. Let's make them feel really special and ensure that the experience they have - whatever they do and wherever they are in the Overstrand - is one which makes them say "we'll be back for more".

Enjoy our guests !!

READING AND VIOLIN CONCERT

Well-loved local actress Wilna Snyman will do a reading for Overstrand Arts/Kunste (OAK) on Sunday, 21 July.

On 4 August, brilliant young Russian violinist, Yury Revich, will play works of Bach, Tchaikovsky, Ravel, Paganini, Pergolesi, Rachmaninov and De Sarasate.

Both concerts will take place in the Civic Auditorium in Hermanus. Starting time is 15h30. Tickets are R100 (R50 for students). Book at BELLINI on 028 312 4988. Contact Secretary, René du Plooy, on 082 940 4238 for further enquiries.



Wilna Snyman



Yury Revich