



**MTHONJANENI  
MUNICIPALITY  
DRAFT  
BUDGET  
2011 / 2012**

## **RESOLUTIONS**

1. That in terms of section 24 of the Municipal Finance Management Act, 56 of 2003, the annual budget of Mthonjaneni Municipality for the financial year 2011/2012, and the multi-year and single year capital appropriations are approved as set out in the following tables:

1.1 Budgeted Financial Performance (revenue & expenditure by standard classification)

1.2 Budgeted Financial Performance (revenue and expenditure by municipal vote)

1.3 Budgeted Financial Performance (revenue by source and expenditure by type)

1.4 Single year capital appropriations by municipal vote and standard classification and associated funding by source

2. That the financial position, cash flow, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are adopted as set out in the following tables

2.1 Budgeted Financial Position

2.2 Budgeted Cash Flows

2.3 Cash backed reserves and accumulated surplus reconciliation

3. That in terms of section 24(2) (c) (i) and (ii) of the Municipal Finance Management Act, 56 of 2003 and sections 74 and 75A of the Local Government: Municipal Systems Act, Act 32 of 2000 as amended, the tariffs for the supply of electricity, refuse removal and all other tariffs as set out in Other Supporting Documents be approved with effect from 1 July 2011.

4. That in terms of section 5 of the Municipal Property Rates Act, 6 of 2004, the existing rates policy be approved

5. That in terms of section 24(2) (c) (v) of the Municipal Finance Management Act, 56 of 2003 it be noted that the various budget-related policies were not amended.

6. That in terms of section 14 of the Municipal Property Rates Act, 6 of 2004 the rate randage and conditions as set out in Other Supporting Documents be approved with effect from 1 July 2011

7. That the salaries, wages and allowances of all employees be increased in accordance with the multiyear SALGBC wage agreement with effect from 1 July 2011.

8. That the salaries, wages and allowances of all Section 57 and contractual employees be increased by the same percentage with effect from 1 July 2011.

## **2. BUDGET PROCESS**

### **2.1 OVERVIEW**

The budget process is governed by the legislation, via:

- The Constitution of the Republic of South Africa; and
- Municipal Finance Management Act ;( MFMA) and
- Municipal Systems Act ;( MSA) and
- Municipal Structures Act; and
- Municipal Property Rates Act; and
- National Treasury Circulars.

The budget process is an effective process that every local government must undertake to ensure good governance and accountability. The process outlines the current and future direction that Mthonjaneni would follow in order to meet legislative stipulations. The budget process enables Mthonjaneni Municipality to optimally involve residents and other stakeholders in the budgeting process. Mthonjaneni Municipality's Budget/Integrated Development Plan (IDP) Review process for the 2011/12 financial year started with the development and approval on 30 September 2010 of the "Process Plan for the Budget formulation and IDP Review". The outcome of the process plan was an understanding and commitment by all stakeholders on the process to be followed in reviewing the IDP as well as formulating the budget. As a prelude to finalizing the budget process for the compilation of the 2011/12 medium term budget various meetings to review the existing procedures and to ensure that the budget is more closely aligned to the IDP and Service Delivery and Budget Implementation Plan (SDBIP). To assist with the integration between the IDP and the budget, regular meetings were scheduled involving the Municipal Manager, Mayor and all Heads of Departments. This was an ongoing process and presentations were made to all departments on outcomes based budgeting and its link to the IDP / SDBIP and Performance Management. The revised IDP was approved by Council on 16 March 2011 and this then informed the budget process to be followed. During January 2011 and February 2011 deliberations were held on the budget with the budget committee and Senior Managers with a view to assessing the budget and reducing the deficit in order to ensure that the increases in rates and tariffs to balance the budget was restricted to an acceptable level. This entailed the re-examining of certain items of expenditure. The draft budget will be tabled by the Mayor on 16 March 2011 in

terms of section 16(2) of the MFMA. During the prioritization process of the capital budget, the impact of capital projects on future operating budgets was assessed and considered prior to these projects being approved. Both the Operating and Capital budgets have been evaluated through a prioritization mechanism that ensures alignment to the development strategy of the municipality.

## **2.2 POLITICAL OVERSIGHT OF THE BUDGET PROCESS**

### **2.2.1 SCHEDULE OF KEY DEADLINES RELATING TO BUDGET PROCESS**

The budget time schedule for the compilation of the 2011/12 medium term budget was approved by Council in August 2010 and amended in October 2010 to prepare for the Local Government elections, well before the start of the budget year and in compliance with the MFMA. One of the objectives of the budget timetable is to ensure integration between the development of the IDP and the budget and also to ensure that a

Balanced budget is tabled for consideration and approval.

The following provides an extract of the key deadline relating to the budget process.

#### **DESCRIPTION DATE**

1. Time Schedule Approved by Council. 25 August 2010.
2. IDP Process Plan Approved by Council September 2010.
3. Tabling of draft budget to Council. 16 March 2011
4. Mayoral Imbizos on the draft budget. 22,23 & 24 March 2011
7. Closing date for inputs on draft budget. 20 April 2011
8. Approval of final budget by Council. 4 May 2011.
9. Submission of Budget to P.T., N.T. & DLGTA 1 June 2011
10. Approval of SDBIP's by Mayor. 24 June 2011

### **2.2.2 PROCESS FOR CONSULTATIONS WITH EACH GROUP OF STAKEHOLDERS AND OUTCOMES.**

The tabling of the draft Budget in Council on 16 March 2011 was followed by extensive publication of the budget documentation in the local media in April 2011. Copies of the tabled budget in both electronic and printed formats were submitted to National Treasury As well as the Kwazulu-Natal Provincial Treasury.

The tabled budget was also published on the Council's website.

In terms of the Municipal Systems Act and in conjunction with the Municipal Finance Management Act, Mayoral Imbizos on both the operating and capital budgets were held during March 2011. A notice was published in the local newspapers inviting ratepayers, residents, businesses, agriculture and other stakeholders for their inputs:

### **2.3 OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH INTEGRATED DEVELOPMENT PLAN VISION OF MTHONJANENI MUNICIPALITY**

Mthonjaneni Municipality will strive to promote local economic development through investments and establishment of partnerships, to provide level of quality services to all residents through establishments of proper communication channels, improved infrastructure and maintenance of its financial viability.

#### **2.3.1 MISSION OF MTHONJANENI MUNICIPALITY**

Our mission is to promote a quality social and economic environment for all living in our boundaries by:

- Providing opportunities for all to aspire to a better life;
- Providing a safe and secure environment;
- Providing a high level of affordable essential basic services,
- Supporting the poorest of the poor and vulnerable groups;
- Providing service excellence;
- Encouraging community participation in service delivery; and
- Good governance.

#### **2.3.2 INTEGRATED DEVELOPMENT PLANNING WHAT IS INTEGRATED DEVELOPMENT PLANNING?**

1. Integrated Development Planning is a process through which municipalities prepare a strategic development plan, for a five year period. The integrated Development Plan (IDP) is a product of the process.
2. The IDP is the principal strategic planning document which guides all planning, budgeting, management and decision-making in a municipality.
3. Integrated Development Planning is therefore one of the key tools for local government to fulfill its new developmental role.

### **2.3.3 LEGAL REQUIREMENTS**

In terms of Chapter 5 of the Municipal Systems Act, 2000 all municipalities are required to prepare and adopt Integrated Development Plans. The Mthonjaneni IDP was adopted in 2002. An annual review of Council's Integrated Development Plan (IDP) is required in terms of Section 34 of the Municipal Systems Act read in conjunction with the provisions of Section 53 (1) (b) of the Municipal Finance Management Act (No. 56 of 2003). These have duly been undertaken.

The IDP has a five year lifespan which is in accordance with the term of office of the Council. At the end of the five year period, the new council has the option of either adopting the IDP of its predecessor or to develop a new plan altogether. The present Council has continued with the existing IDP, as reviewed annually.

### **2.3.4 APPROACH**

The IDP is one of the 4 important management tools employed by the municipality in its management cycle. The other 3 being the Budget, the Service Delivery and Budget Implementation Plan, and the Performance Management System.

In undertaking the Review, Council has to ensure that the process is:

- Implementation orientated
- Strategic
- Integrated
- Participatory

The product of this process is the IDP Review Report.

The review process has been guided by a Process Plan, which was adopted by Council in September 2010, advertised for public comment and submitted to the IDP Forum.

Extensive public consultation was undertaken to inform the review.

The review has two main functions:

- To review the relevance and priority of projects;
- To refine the existing IDP in certain identified areas where funding is available. This IDP Review has included the capture of existing and new information into a format that aligns with that recommended by the Ministry of Co-operative Governance and Traditional Affairs.

This report indicates that all future IDP Assessments will keep within the following seven broad assessment factors:

- Municipal Transformation and Institutional Development.
- Local Economic Development.

- Basic Service Delivery and Infrastructure Investment
- Financial Viability and Financial Management.
- Good Governance and Community Participation
- Spatial Development Framework
- Cross-cutting Issues such as Legal Compliance and Document Outlook.

### **2.3.5 LINK BETWEEN IDP AND NATIONAL/PROVINCIAL/DISTRICT PRIORITIES**

Mthonjaneni Municipality's developmental plan needs to be aligned with National, Provincial and District initiatives to ensure optimal impact from the combined effects of government. Mthonjaneni Municipality is pleased to note that this plan meets the priorities that more directly affect local government.

### **2.3.6 IDP REVIEW PROCESS AND STAKEHOLDER PARTICIPATION**

As set out in the Municipal Systems Act (2000), in the review of the IDP on an annual basis, a stakeholder consultation process is necessary. Of critical importance is for the Municipality to ensure that there is thorough consultation with the community and strategic stakeholders. As part of the Annual Review of the municipality's IDP as prescribed by the Municipal Systems Act, the Council embarked on an extensive process to engage with stakeholders and elicit comments which were fed into the 2011/2012 reviewed IDP.

The review process began with the approval of the Process Plan in September 2010. The broad strategic intent of the IDP, the proposed changes to the way the document will be restructured and the detailed revised process plan was accepted in principle.

Following from the Process Plan, technical committee meetings were held in July, August and October 2010, Forum meetings in September and November 2010, and Public meetings during October 2010. As is the case every year, once the draft IDP is completed, the following mechanisms were used to ensure effective participation and consultation of the plan:

- The draft IDP was placed on the Municipality's website for perusal and comment
- The Municipal Library and Municipal Office had copies for comment

### **2.3.7 LINK BETWEEN THE IDP AND THE BUDGET**

In compliance with the Municipal Structures Act (1998) and Municipal Financial Management Act (2003), Mthonjaneni municipality's budget is informed and aligned to the IDP objectives. The IDP determines and prioritizes the needs of the community. The budgetary allocations for both the capital and operating expenditure are undertaken in a manner that will not only ensure that our IDP outcomes are achieved, but also to ensure that the municipality's vision is realized.

Mthonjaneni has come a long way in capital budgeting – away from departmental budgeting. Currently the capital budget is allocated according to the revised IDP. During the 2011/12 IDP revision process, this allocation process was further entrenched through committing to make hard choices. In terms of the operating budget we have made an excellent start but now more committed than ever to ensure that critical operating budget resources are prioritized in terms of stated IDP outcomes. More importantly, the Performance Management System (PMS) allows the municipality an opportunity to monitor and evaluate individual and organizational performance in meeting our IDP outcomes and vision. As with previous year's Mthonjaneni IDP remains the strategic driver of both the budget and performance management system.

### **2.4 OVERVIEW OF BUDGET-RELATED POLICIES**

The following budget-related policies have been reviewed and found not necessary to be amended.

1. Rates Policy
2. Budget Policy
3. Credit Control and Debt Collection Policy
4. Indigent Policy
5. Supply Chain Management Policy
6. Tariff Policy



## **2.5 OVERVIEW OF BUDGET ASSUMPTIONS**

### **2.5.1 BULK SERVICES INCREASES**

Provision has been made for an average increase of 20% for electricity tariffs.

### **2.5.2 TIMING OF REVENUE COLLECTION**

Mthonjaneni Municipality renders monthly accounts for rates and services.

### **2.5.3 COLLECTION RATES FOR EACH REVENUE SOURCE**

The collection rate is the cash collected from ratepayers and consumers expressed as a percentage of the amount billed. The average monthly collection rate and the projections for 2011/12 are as follows:

#### *AVERAGE 2010/11 PROJECTIONS*

*Rates 90%*

*Electricity 90%*

*Refuse 90%*

2011/12

Rates 95%

Electricity 95%

Refuse Removal 95%

#### **2.5.4 RATES**

Due to the strict implementation of the credit control and debt collection policy of Mthonjaneni Municipality the collection of arrear rates will increase as summonses are now issued after 3 months and services are disconnected in respect of arrear rates.

The arrear accounts of Government Departments are mostly up to date, except South African National Roads Agency Board (SANRAB) and Eskom (both government agencies) with regard to Public Service Infrastructure rates. Provision has been made for a 6% increase in the rates income for the 2011/12 financial year. The new General valuation roll is applicable from 1 July 2011. The rate randage for residential properties has been set at 1.2c/R and 0.3c/R for agricultural and PSI categories. A rebate of 20% is provided for residential properties and 16% for all categories other than State, PSI and Agricultural. State properties get 20% rebate and agricultural properties have been allowed a 5% rebate. The provision for bad debts has been increased to allow for the write back of rates income raised for PSI as it is expected that the regulations regarding the rating of government agencies will be amended. All the farm properties are now rated fully and the compulsory rebates for newly rated properties have fallen away.

#### **2.5.5 ELECTRICITY**

Strict credit control measures are now in place to minimize theft. In terms of NERSA, a block step tariff has been introduced for all domestic consumers.

#### **2.5.6 REFUSE REMOVAL**

Strict credit control measures are now in place to reduce the arrears.

#### **2.5.7 OTHER TARIFF INCREASES**

All other tariffs have been amended to cater for the additional costs related thereto, i.e. building plan fees, valuation fees, objections, subdivisions, etc. etc.

#### **2.5.8 AVERAGE SALARY INCREASES**

Provision has been made for a 6% salary increase in councillors and employee's salaries for the 2011/12 financial year.

## **2.5.9 ABILITY OF THE MUNICIPALITY TO SPEND AND DELIVER ON THE PROGRAMMES**

The municipality has demonstrated over the past 4 to 5 years that it has the ability to spend and deliver on its programmes in this municipal area. The projected capital spending for the 2011/12 financial is estimated at 38.5% of the total expenditure budget.

## **2.6 OVERVIEW OF BUDGET FUNDING**

### **2.6.1 OPERATING BUDGET**

The projected 2010/11 operating expenditure in the amount of R44 million is fully funded from the municipality's revenues and from grants and subsidies from National and Provincial Government and from surplus funds. The expenditure for the 2011/12 financial year in the amount of R46.384 million will be funded from our revenue, grants and subsidies.

### **2.6.2 CAPITAL BUDGET**

The 2011/12 capital budget is to be funded from a contribution to the capital replacement reserve (projected to be R3.737 million) and grants from National Government, R25.261 million.

Projects:	Ward projects	4 500 000
	Rehabilitation of urban roads ph3	5 197 000
	Storm water Drainage	714 000
	Regional sports fields phase 2	4 850 000
	Electrification of Ward 3 and 4	10 000 000
Other capital:	Electricity upgrades	1 350 000
	Purchase Propnet property	1 550 000
	Vehicle	250 000
	Hawkers stalls	300 000
	Axle mass meter	85 000
	Furniture, equipment etc	202 000
<b>TOTAL</b>		<b>28 998 000</b>
<b>TOTAL EXPENDITURE</b>		<b>75 382 000</b>

Ward Projects:

R 900 000 each for wards 2,3,4,5 and 6

Ward 2: Thunzini Sports field

Ward 3: Mehlamasha Community hall

Ward 4: Nongalaza Crèche

Ward 5: Gcongco Crèche

Ward 6: Siyavuna Community hall

### **2.6.3 OPERATING INCOME**

Mthonjaneni Municipality receives its funding from various sources including property rates, electricity charges, refuse charges, fines, licenses, permits, interest, etc.

The figures below indicate the funding sources:

#### **Funding Source 2011/12**

Assessment Rates	5 800 000
Service Charges	13 920 000
Fine, Licenses & Permits	2 728 000
Grants & Subsidies operating	21 470 000
Grants Capital	25 261 000
Rental of facilities & equipment	357 000
Interest on Investments	1 900 000
Penalties & Collection Charges	300 000
Sale of Land	3 495 000
Other Income	151 000
<b>Total</b>	<b>75 382 000</b>

**DEFICIT** nil

57.16% of the Operating Budget is funded from assessment rates and service charges (tariffs).

### **2.6.4 SOURCES OF FUNDING**

In the case of Mthonjaneni Municipality a basket of differential tariff increases determines the most acceptable and equitable funding regime taking into consideration the actual cost of delivery of services, budget priorities and national legislation, regulations and policy guidelines. The main sources of income for Mthonjaneni Municipality are derived from property rates, electricity, refuse removal and fiscal transfers from Provincial and National Government.

## **2.6.5 GRANT ALLOCATIONS**

Municipalities play a critical role in the delivery of social and household services and National & Provincial government are aware of this and are increasing transfers to local authorities on an annual basis. The grants allocated to Mthonjaneni Municipality as promulgated in the 2011 Division of Revenue Act, in the MTREF period are as follows:

### **A. NATIONAL GRANTS ALLOCATED TO MTHONJANENI MUNICIPALITY**

Financial Management Grant	1 450 000
Municipal Systems Improvement Grant	790 000
Municipal Infrastructure Grant	10 761 000
Equitable Share	22 096 000
Electrification	10 000 000
<b>Total</b>	<b>45 097 000</b>

### **B. PROVINCIAL GRANTS ALLOCATED TO MTHONJANENI MUNICIPALITY**

Health (Clinics)	1 300 000 (Provisional)
Library	334 000
<b>Total</b>	<b>1 634 000</b>

**TOTAL GRANTS 46 731 000**

Unspent grants have not been included in draft budget.

## **2.7 EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES**

### **INTRODUCTION**

In terms of the Division of Revenue Act, 2010, the purpose of the grants that have been allocated to Mthonjaneni Municipality for the Medium Term Revenue and Expenditure Framework are:

#### **2.7.1 FINANCIAL MANAGEMENT GRANT (FMG)**

Purpose

To promote and support reforms in financial management by building the capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

Measurable outputs

- Improved and sustained skills development including internship programme on financial management.
- Upgrading of IT systems to deliver reports required for financial management improvement and improves the quality of data.
- Preparation and implementation of multi-year budgets meeting uniform norms and standards.
- Assist in the implementation of supply chain reforms, accounting reforms, producing quality and timely financial statements.
- Assist in the preparation of financial recovery plans.
- Progressive improvements in audit outcomes.
- Improvements to internal and external reporting on budgets, finances, SDBIP, In-year and annual reports.
- Implementation of the Municipal Finance Management Act.

### **2.7.2 MUNICIPAL SYSTEMS IMPROVEMENT GRANT (MSIG)**

#### Purpose

To assist municipalities in building in-house capacity to perform their functions and stabilize institutional and governance systems as required in the Local Government Municipal Systems Act, 2000 and related legislation and policies.

#### Measurable outputs

- Number of municipalities developing / updating rates policies and by-laws, developing / updating valuation rolls in terms of the Local Government Municipal Property Rates Act, 2004.
- Number of municipalities improving on financial viability and management through targeted support interventions for improvement of municipal audit outcomes and systems.
- Number of municipalities with strengthened administrative systems for effective implementation of ward participation system.
- Number of municipalities implementing by-laws, policies and/or systems that support local government legislations.

### **2.7.3 MUNICIPAL INFRASTRUCTURE GRANT (MIG)**

#### Purpose

The grant is intended to:-

- Provide capital finance for basic municipal infrastructure for poor households, micro enterprises and social institutions.
- Provide for new, rehabilitation and upgrading of municipal infrastructure, and
  - Eradicate bucket sanitation system mainly in urban townships

It is important that it is properly targeted to ensure efficient use of funds

### Measurable outputs

- Number of new households receiving water and sanitation services per annum.
- Number of additional kilometers of roads developed.
- Number of additional sports facilities developed.
- Number of jobs created using Expanded Public Works Programme (EPWP) guidelines for above outputs.
- Number of households where the bucket sanitation system has been replaced with an alternative system

### **2.7.4 HEALTH SUBSIDY (CLINICS)**

Municipal Clinics is utilized to subsidize primary health care for personal services provided by local municipal clinics.

Provisional arrangements are in place for the takeover of the clinic by the Provincial Department before the end of the current financial year.

## **2.8 ALLOCATIONS & GRANTS MADE BY THE MUNICIPALITY**

- ➔ Provision has also been made to contribute an annual amount of R1 200 000 to the Rural Metro Fire Centre for shared services of fire control.
- ➔ Pound shared services R 180 000
- ➔ Planning shared services R 300 000

## **2.9 SERVICE DELIVERY BUDGET IMPLEMENTATION PLAN**

### **2.9.1. Introduction**

#### **Legislative Framework in terms of MFMA**

The Municipal Finance Management Act (MFMA) requires that Municipalities prepare a Service Delivery and Budget Implementation Plan (SDBIP) as a strategic financial management tool to ensure that budgetary decisions that are adopted by municipalities for the financial year are aligned with their Integrated Development Plan Strategy. Section 1 of the Municipal Finance Management Act (MFMA) No. 56 of 2003 defines the “service delivery and budget implementation plan” as the detailed plan approved by the mayor of the municipality in terms of section 53(1)(c)(ii) for implementing the municipality’s delivery of municipal services and its annual budget and which must include the following:-

- a) Projections of each month of –
  - (i) Revenue to be collected, by source, and
  - (ii) Operational and capital expenditure, by vote;
- b) Service delivery targets and performance indicators for each quarter, and
- c) Any other matters that may be prescribed, and includes any revisions of such plan by the Mayor in terms of section 54 (1) (c). In terms of Section 53 (1) (c) (ii) of the MFMA, the SDBIP must be approved by the Mayor of the municipality within 28 days of the approval of the budget.

### **2.9.2 Overview**

The primary objective of Mthonjaneni SDBIP 2011/12 as an implementation tool for the municipality is to strengthen our local accountability and governance and improve capital as well as operational planning, spending and service delivery.

The SDBIP 2011/12 will not only ensure appropriate monitoring in the Execution of the municipality's budget and processes involved in the Allocations of budgets to achieve key strategic priorities as set by the Municipality's Integrated Development Plan (IDP), but will also serve as the kernel of annual performance contracts for senior management and provide a foundation for the overall annual and quarterly organization performance for the 2011/12 financial year. In an effort to avoid issues related to budgets being under spent and not achieving the programs desired outcomes as a result of unrealistic revenue projections when preparing the budget, Mthonjaneni SDBIP document will also give an outline of the quarterly projections of service delivery targets and performance indicators. The SDBIP will also empower all Councilors and allow them to undertake the appropriate oversight and monitoring of programs. The SDBIP document will also acquire council committees the ability to measure in year progress in the implementation of the budget.

### **2.9.3 Components of the SDBIP**

- Monthly Projections of Revenue to be collected for each Source
- Monthly Projections of Expenditure and Revenue for each Vote.
- Quarterly projections of Service Delivery Targets and Performance Indicators for each Vote.



### **2.9.3.1 Monthly Projections of Revenue to be collected for each source:**

The failure to collect its revenue as budgeted will severely impact on the Municipality's ability to provide services to the community. The municipality therefore has to institute measures to achieve its monthly revenue targets for each source. These measures will enable the municipality to assess its cash flow on a monthly basis with the view to undertaking contingency plans should there be a cash flow shortage or alternatively invest surplus cash. Furthermore, the effectiveness of credit control policies and procedures can be monitored with appropriate action taken if considered necessary.

### **2.9.3.2 Monthly projections of expenditure and revenue for each vote:**

The monthly projection of revenue and expenditure per vote relate to the cash paid and reconciles with the cash flow statement adopted with the budget. The focus under this component is a monthly projection per vote in addition to projections by source. When reviewing budget projections against actual, it is useful to consider revenue and expenditure per vote in order to gain a more complete picture of budget projections against actual

### **2.9.3.3 Quarterly projections of Service Delivery Targets and Performance Indicators for each vote.**

This component of the SDBIP requires non-financial measurable Performance objectives in the form of service delivery targets and other indicators of performance. The focus is on outputs rather than inputs. Service delivery targets relate to the level and standard of service being provided to the community and include the addressing of backlogs in basic services.

### **2.9.4 Strategic Direction and Planning Cycle**

A seamless process between the IDP, SDBIP, Performance Management System (PMS) and Annual Report would create an enabling environment for the municipality to achieve its deliverables.

#### **2.9.4.1 Planning and Project Cycle**

##### **Entry Point**

The MFMA clearly outlines the elements of the SDBIP to provide an order of logical sequence to ensure that the principal aim of the SDBIP of aligning the IDP to the Budget is achieved and a conceptual framework was adopted. The framework for Mthonjaneni SDBIP 2011/12 is derived from the municipality's IDP and the Budget 2011/12.

## **2.9.4.2 The Budget Process**

### **A: Background to the Budget Preparation Process**

The MFMA requires that Council submit a detailed plan of the budget Process for the ensuing financial year for approval. Accordingly, a budget process plan scheduling key deadlines was noted by Council at its meeting in August 2010. The National Treasury Circular No. 54 of 2010, provided guidance on content and format for the municipal budget documentation in respect of the Medium Term Revenue and Expenditure Framework (MTREF).

### **B: Capital Budget Process**

The Capital Budgeting process was through strategic sessions that were held by the Management Committee (MANCO) where the following broad strategic splits were made based on municipal wide priorities, derived from the IDP. The prioritization of the capital budgets included budgeting involved program budgeting based on the IDP thereby ensuring that budgeting also occurred horizontally. The adoption of this outcomes-based approach by the municipality in their budgeting process has ensured the refinement of the municipality's budget. The process of compilation of the capital budget commenced in November 2010 with a budget discussion meeting held with responsible Managers.

### **C: Operating Budget Process**

The process of the compilation of the operating budget started in December 2010 when budget instructions (broad expenditure parameters etc) were issued to departments. During January 2011 a series of budget meetings were held. At these meetings, budget strategy, budget policies, and the alignment of the operating budget with the IDP were discussed. Departments submitted inputs and a first draft budget were compiled during January 2011. During February 2011 deliberations were held on the budget with the various Departments and their teams with a view to assessing the budget and reducing the deficit in order to ensure that the increase in rates and tariffs to balance the budget was restricted to an acceptable level. This entailed the re-examining of certain items of expenditure and includes overtime, temporary staff, employment services and consultants.

## **D: Public Participation Process**

The tabling of the draft budget to Council on 16 March 2011 was followed by extensive publication of the budget in order to involve citizens; they were also invited to Mayoral Imbizos. Various public participation and community consultative meetings were scheduled to receive representations and submissions from ward committees, residents, community organizations, organized business and other stakeholder formations. In terms of the Municipal Systems Act and in conjunction with the Municipal Finance Management Act Mayoral Imbizos on both the Operating and Capital budgets were held in March 2011 as part of the process of consultation. Council did evaluate all responses to the draft budget before finalization and ultimate approval of the budget on 4 May 2011.

## **2.10 CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS**

The compulsory revaluation of all properties will commence in the year 2010/2011, and a tender has been awarded in the amount of R 734 000, with monthly expenditure of R 5000 from July 2012.

## **2.11 LEGISLATION COMPLIANCE STATUS**

- the promulgation of the Municipal Finance Management Act and the Municipal Property Rates Act had a profound effect on the operations of local government as it requires a transformation on financial planning processes.
- This MTREF is an expression of a continuous process of improving the financial planning progress at local government level, incorporating revised formats in accordance with National Treasury requirements.
- This MTREF has surpassed most of these requirements within the deadlines prescribed in the MFMA and MPRA

-□ The following are some of the key MFMA areas and the status thereof:

□ **Integrated Development Plan:** Revised IDP approved by Council on 16 March 2011

□ **Budget:** This budget has been prepared in accordance with MFMA and National Treasury requirements and approved within the required legislative timeframes

□ **Annual Report:** The 2009/10 report has been compiled in terms of MFMA and National Treasury requirements and was tabled to Council on 27 January 2011. Council has adopted the Oversight Report on the Annual Report without reservations.

□ **Audit Report:** An unqualified audit report for the 2009/10 financial year was received and Council has dealt with the report in terms of the MFMA and The Public Audit Act, No. 25 of 2004

□ **Audit Committee:** An Audit Committee has been established and meets regularly in accordance with the MFMA.

□ **In-year Reporting:** Mthonjaneni Municipality submits monthly & quarterly reports to the Executive Committee, Council, Provincial & National Treasuries, other Organs of State and the Auditor General on an ongoing basis

□ **Service Delivery Budget Implementation Plan:** The SDBIP will be attached to the Budget Document and will be approved by the Mayor within 28 days after approval of the budget.

□ **Municipal Property Rates Act:** All the requirements in respect of Valuation Roll, Rates Policy, Valuation Appeals Board, etc. have been met

□ **Municipal Systems Act:** All requirements in respect of Public Participation, Notices, Advertising, Promulgation, etc. have been met