

**MANGAUNG METROPOLITAN
MUNICIPALITY**



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PART 1 – ANNUAL BUDGET

1. EXECUTIVE MAYOR'S REPORT

To be tabled in Council under a separate cover.

2. EXECUTIVE SUMMARY

INTRODUCTION AND BACKGROUND

The purpose of the 2011/12 MTREF budget is to comply with the MFMA (No 56 of 2003) and is a financial plan to enable the municipality to achieve its vision and mission through the IDP Strategy which is informed by our development agenda and community/stakeholder inputs.

2.1 METRO STATUS

The Municipality has since been designated as a metropolitan municipality with effect from 18 May 2011. The declaration has resulted in Motheo District Municipality being dissolved in terms of a Section 12 Notice of the Local Government Municipal Structure Act.

The in-principle agreement between the stakeholders regarding the dissolution of the Motheo District Municipality is that:

- (a) All the movable assets of Motheo District Municipality will be distributed equally amongst the district municipalities of Thabo Mofutsanyane, Xhariep and the Naledi and Mantsopa Local Municipalities.
- (b) All the ninety (90) personnel members of Motheo District Municipality are to be absorbed into the new metropolitan municipality.
- (c) The remainder of the liabilities of Motheo District Municipality as of 1 July 2011, including the long-term contracted obligations, a portion of the bank and investment amount and the fixed property are to be carried by the new metro – Mangaung Metropolitan Municipality.

The final budget has been compiled, having taken into account the full impact of the Motheo District Municipality's dissolution and incorporated into Mangaung budget. The immediate and visible cost push factor as a result of the change in the status of the municipality from a local to a metropolitan municipality has been in respect of:

1. Nett increase in the operating budget, as a result of the amalgamation of Motheo District Municipality and Mangaung Local Municipality to the extent of R 46,52 million for 2011/12 and R 55,41 million and R 59,32 million respectively for the two outer years of the MTREF period.
2. An increase in the remuneration of Councillors by R 18,17 million to R 42,5 million in the 2011/12 financial year from a baseline of R 24,31 million. The increase is mainly due to the change in the grading of the municipality from grade five (5) to six (6) and an increase in the number of councillors from 86 to 99.
3. The metro transition costs, with a budget of R 5 million for the 2011/12 budget year. An allocation of general fuel levy of R 175,972 million, R 185,875 million and R 197,671 million for the 2011/12, 2012/13 and 2013/14 respectively.

The abovementioned costs have, however been mitigated by the municipality having excess to;

1. Participation in the Urban Settlement Development Grant (USDG) to the extent of R 411,5 million for the first year of the MTREF period. The allocation is equivalent to R 1 427,3 million over the MTREF period, and
2. The Municipality is also entitled to receive a fuel levy amounting to R 559,5 million over the MTREF period.

2.2 PAST AND CURRENT PERFORMANCE, ACHIEVEMENTS AND CHALLENGES (BUDGET IMPLEMENTATION)

2.2.1 PAST PERFORMANCE AND SPENDING LEVELS

1. Performance: Budget vs. Actual – Capital Expenditure

Financial Year	Approved Budget	Adjusted Budget	Actual Expenditure	% Spent App Budget	% Spent Adj Budget
	R	R	R	%	%
2005/06	262,468,330	318,721,698	251,730,994	95.91	78.98
2006/07	451,947,760	412,597,773	353,135,364	78.14	85.59
2007/08	673,559,930	771,609,379	554,186,629	82.28	71.82
2008/09	727,433,917	880,865,907	586,465,952	80.62	66.58
2009/10	841,738,170	928,321,425	702,491,263	83.46	75.67

The municipality has maintained an actual average spending level of 82,78% against the approved budget over the past five (5) years. The average spending in terms of the adjustment budget has been 73,91%. It therefore means that Mangaung has not succeeded in managing the adjustment budget process well.

2. Source of Funding

The Capital budget projects of the municipality have been funded as follows over the years:

Funding Source	2005/06	2006/07	2007/08	2008/09	2009/2010
	R	R	R	R	R
MIG	80,926,764	88,965,541	163,645,812	98,135,428	53,422,457
DME	1,228,136	3,61,934	3,305,263	27,575,935	2,535,502
CRR	154,376,866	240,715,568	216,745,012	173,268,045	253,195,698
Public Contributions & Donations	9,629,322	11,468,317	20,768,284	11,856,906	12,562,390
Other Grants & Subsidies	4,607,365	7,015,517	147,192,772	264,347,019	354,548,228
Revenue / Surplus	965,540	1,359,486	2,529,486	11,2825,619	26,226,989
TOTAL	251,730,994	353,135,364	554,186,629	586,465,952	702,491,263

3. Capital Expenditure per Category

The table below indicates the municipality's utilisation of its capital expenditure over the years. The bias in terms of the spending being towards infrastructural related projects

Capital Expenditure per Category	Actual 2005/06	Actual 2006/07	Actual 2007/08	Actual 2008/09	Actual 2009/2010
	R	R	R	R	R
Infrastructure					
Roads, Pavements, Bridges & Storm Water	95,840,283	80,535,149	86,818,450	95,472,607	247,258,673
Water Reservoirs & Reticulation	31,427,838	21,133,305	20,496,715	23,021,212	24,330,742
Car Parks, Bus Terminals & Taxi Ranks	266,673	166,576	6,383,823	43,466,768	131,101,370
Electricity Reticulation	25,844,087	56,479,336	64,790,424	80,543,644	102,075,061
Sewerage Purification & Reticulation	53,515,362	85,089,600	175,055,647	113,425,821	30,546,478
Housing	2,610,295	4,176,803	9,044,240	327,402	17,037,116
Street Lighting	6,692,894	1,202,854	509,129	6,590,000	4,035,088
Refuse Sites	1,300,878	302,548	491,414	-	873,825
Other	-	-	2,796,374	2,186,260	15,740,175
Sub-total Infrastructure	217,498,311	249,086,1725	366,386,216	365,033,714	572,998,528
Community & Social Development					
Establishment of Parks & Gardens	2,032,667	2,155,540	2,390,049	28,394	-
Sportsfields	2,968,978	25,916,931	123,794,300	160,289,936	56,732367
Community Halls	1,179,096	309,258	149	-	-
Libraries	137,797	324,118	385,656	-	-
Recreation Facilities	770,893	646,745	5,969,193	5,501	507,891
Clinics	1,298,924	1,069,912	9	-	-
Other	13,946	-	2,282,069	977,262	180,553
Sub-total Community	8,4023,302	30,422,504	134,821,425	161,301,093	57,420,811
Heritage Assets					
Investment Properties	433,428	-	-	-	-
Sub-total Investment Properties	433,428	-	-	-	-
Other Assets					
Other motor vehicles	3,078,084	6,128,273	4,802,973	224,860	8,951,747

Plant & Equipment	6,382,209	4,689,717	13,117,831	4,148,275	8,946,579
Office Equipment	1,919,580	1,905,301	2,289,249	27,089,156	10,667,292
Markets	161,325	2,199,929	2,325,861	-	-
Security Measures	320,596	2,702,278	11,584,265	11,726,684	24,943,087
Other Land & Buildings	11,621,584	49,827,117	101,224,147	2,096,017	269,908
Other	-	-	6,917,856	484,100	-
Sub-total Other Assets	23,483,379	67,453,616	51,282,181	45,760,333	53,788,613
Specialised Vehicles					
Refuse	266,916	4,602,271	19,923	5,645,036	7,360,335
Fire	-	479,219	870,412	2,697,104	10,922,979
Buses	-	183,166	292	-	-
Sub-total Specialised Vehicles	266,916	5,264,627	890,627	8,342,140	18,283,314
TOTAL	251,7360,994	353,135,364	554,186,628	586,465,952	702,491,264

2.2.2 PRESSURES FACING THE MUNICIPALITY

- Higher levels of expenditure (operating and capital) than revenue received;
- Deteriorating debtors book over the years. Increase in the debtors book from R 722 265 million in June 2009 to R 918 822 million, representing an increase of 27.21% over a twelve (12) months period. The major increase is in terms of residential debtors and government owing the municipality in excess of R 100 million.
- Total reliance on conditional grants, instead of using own funds to fund capital expenditure projects.
- Huge amounts of unspent conditional grants experienced by the municipality.
- Less than satisfactory expenditure on capital projects. The municipality as indicated spent only 75.67% of our capital projects budget for the 2009/10 financial year.
- Increasing pressure on the repairs and maintenance budget due to ageing infrastructure and an inherited massive service delivery backlogs to be eradicated.
- Maintenance backlogs in respect of service delivery infrastructure and utilities.
- Provision for bad debt.
- Compiling a GRAP compliant asset register. The disclaimer of opinion that the municipality received for the 2008/09 financial year and 2009/10 financial year that the municipality was largely as a result of a qualification on Property, Plant & Equipment compliant asset register.
- Backlogs – although the Municipality is delivering on backlogs, the problem is exacerbated by the influx of farm workers into the urban areas. The eradication is long-term in nature, requiring possibly a 20 to 30 year period.
- The Municipality's infrastructure needs are enormous – the challenge is to balance the demands for service with the available resources.
- Eliminating service delivery backlogs requirements are in excess of R 7.5 billion. This will be compounded by the phenomenon of urbanisation.

2.2.3 FINANCIAL MANAGEMENT CAPABILITIES

Credit Rating

The Mangaung Local Municipality was awarded the following credit rating by Global Credit Rating Company in May 2010:

Short Term Credit Rating - **A3**
Long Term Credit Rating - **BBB+**

Rating rationale

The rating is based on the following key factors:

- Severe liquidity strain is evident in the short term, with cash holdings comprised largely of government grants;
- In line with the low level of borrowings, gearing metrics have remained well below industry norms over the review period, supported by the use of internal cash holdings to fund the municipality's aggressive capex program. Note is, however, taken of an expected increase in borrowings and gearing in the medium term, driven by the need to address service delivery backlogs.

- Gross debtors remain exceptionally high, with 77% of the amount outstanding in excess of 90 days. This, together with the relatively high tariff increases that are being passed onto consumers may exacerbate collection efficiency in the medium term.

2.2.4 AUDIT OUTCOME 2009/10

The audit outcome for the 2009/10 financial year was a disclaimer audit opinion issued by the Auditor-General. The audit opinion was mainly influenced by the following:

- (a) Property, Plant & equipment – Non-compliant fixed asset register to GRAP 17.
- (b) Inventories not carried at lower cost or net realisable value, as required by paragraph 17 of GRAP 12.
- (c) Non-current receivables – Ambiguities within the sale of business agreement between the entity and the parent municipality.
- (d) Consumer and other receivables.
- (e) Payables from exchange transactions – Non-compliance to IAS 12, mainly due to obtain exemption from SARS for normal tax as per Section 10(1)(c)(A) of the Income Tax Act 1962 (Act No 58 of 1962).
- (f) Irregular, Unauthorised and Wasteful expenditure.

2.2.5 PLANS TO MITIGATE THE DISCLAIMER

The municipality has committed itself to turn the situation around in respect of the audit outcomes for the future. It has targeted to achieve an unqualified audit outcome by 2013, a year before national “Clean Audit” by 2014.

Some of the intervention measures currently underway, includes amongst other:

1. An appointment has been made of a service provider to compile a compliant fixed asset register in line with GRAP 17.
2. Adequate staffing of the Internal Audit Unit within the municipality.
3. Establishment of the Monitoring and Compliance Unit within the Office of the City Manager.
4. Establishment of the Accounting and Compliance Unit within the Office of the Chief Financial Officer to compile compliant Annual Financial Statements, in line with GRAP and IFRIS Accounting Standards, and
5. Development and monitoring of an Audit Action Plan to mitigate a repeat of issues as raised in the previous years’ audit outcome and strengthen internal controls.

2.3. BUDGET SUMMARY

2.3.1. MID-TERM OUTLOOK: 2011/12 – 2013/14

A. OPERATING EXPENDITURE

The City’s expenditure framework for the 2011/12 budget and MTREF is informed by the following:

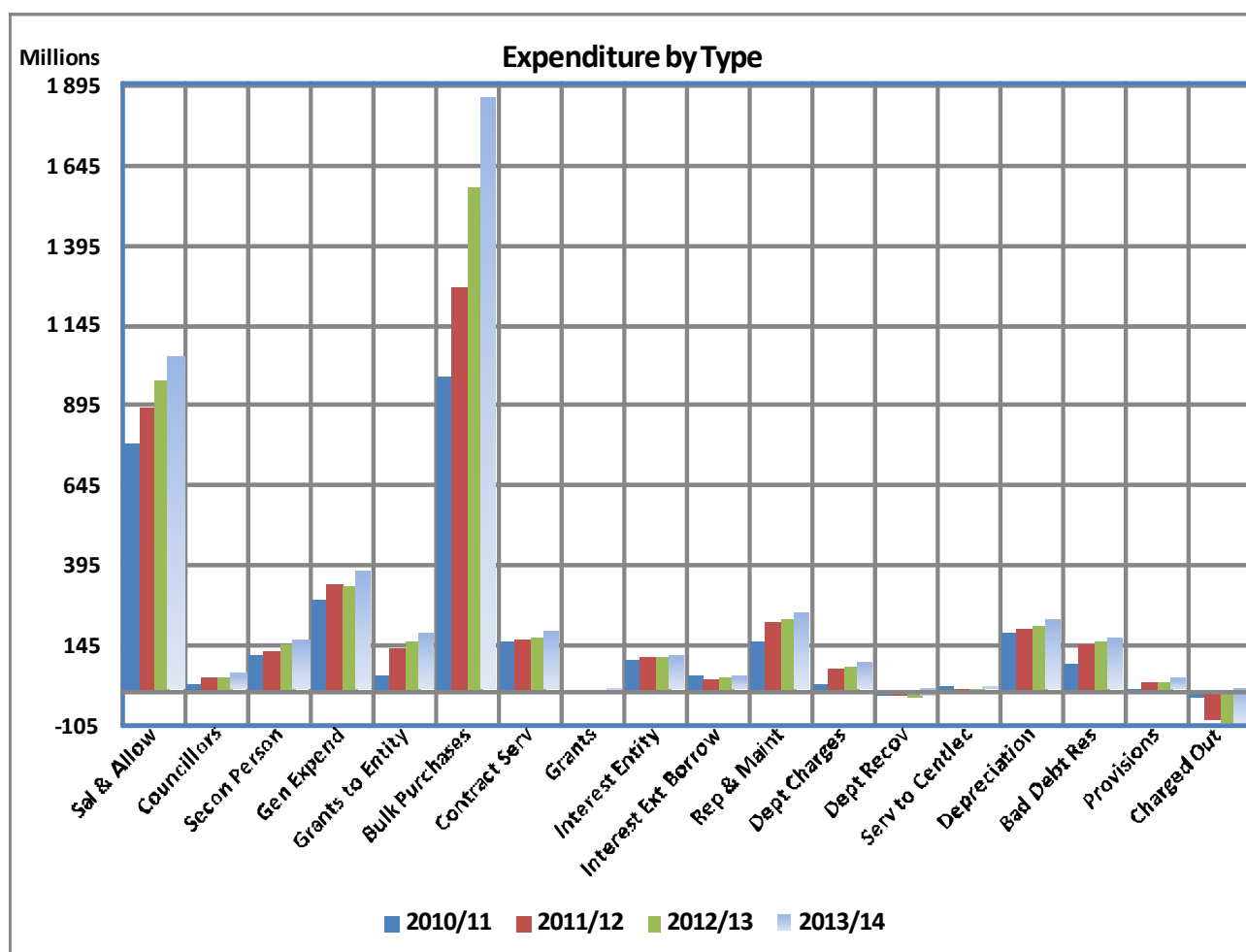
- * Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- * Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- * Operational gains and efficiencies will be directed to fund the capital budget and other core services;
- * Strict adherences to the principle of no project plan no budget. If there is no business plan no funding allocation can be made, and
- * Impact of the decentralisations of services to the newly created Regional Operations Directorate.

The operating budget increases from R 2 988.32 million in 2010/11 to R 3 691,53 million (representing an increase of 23.13%) in 2011/12 , R 4 155,90 and R 4 625,96 million respectively for the outer two years of the MTREF period.

The following table is a high level summary of the 2011/12 budget and MTREF (classified per main type of operating expenditure):

STATEMENT OF FINANCIAL PERFORMANCE - MANGAUNG (CONSOLIDATED)						
EXPENDITURE PER TYPE	BUDGET	Adj Budget	BUDGET			
	2010/11	2010/11	2011/12	Growth %	2012/13	2013/14
EMPLOYEE SALARIES AND WAGES	645,833,886	666,767,730	745,864,957	15.49%	816,913,426	874,752,172
EMPLOYEE SOCIAL CONTRIBUTIONS	129,121,475	131,429,768	140,950,879	9.16%	152,200,103	162,912,898
TOTAL SALARIES, WAGES AND ALLOWANCES	774,955,361	798,197,498	886,815,836	14.43%	969,113,529	1,037,665,069
REMUNERATION OF COUNCILLORS AND DIRECTORS	25,270,863	25,270,863	43,689,541	72.89%	46,931,072	50,203,557
CENTLEC SECONDED EMPLOYEES SALARIES	97,110,860	97,110,860	106,933,512	10.11%	126,129,168	132,324,611
CENTLEC SECONDED EMPLOYEES SOCIAL CONTRIBUTIONS	19,428,408	19,428,408	23,584,324	21.39%	25,471,056	26,709,765
TOTAL SECONDED PERSONNEL	116,539,268	116,539,268	130,517,836	11.99%	151,600,224	159,034,376
GENERAL EXPENDITURE	286,472,247	324,819,203	335,315,113	17.05%	328,595,610	368,734,225
GRANTS TO ENTITY	52,692,600	52,692,600	137,641,471	161.22%	155,652,789	176,905,012
BULK PURCHASES	986,922,484	986,922,484	1,260,365,310	27.71%	1,574,058,422	1,851,553,357
CONTRACTED SERVICES	153,469,284	177,447,192	162,867,625	6.12%	168,442,940	181,218,564
GRANTS	2,033,369	2,033,369	2,159,123	6.18%	2,075,697	3,697,035
INTEREST SHAREHOLDER	99,484,963	99,484,963	110,000,000	10.57%	110,000,000	110,000,000
INTEREST EXTERNAL BORROWINGS	50,967,362	50,967,362	39,953,235	-21.61%	43,073,538	45,324,388
REPAIRS AND MAINTENANCE	158,971,061	164,027,226	216,940,991	36.47%	228,850,522	242,002,359
INTER DEPARTMENTAL CHARGES	20,286,502	20,286,502	75,769,011	273.49%	81,628,548	88,843,991
INTER DEPARTMENTAL RECOVERIES	-13,099,862	-13,099,862	13,724,208	4.77%	14,830,820	16,028,572
SERVICE RENDERED TO CENTLEC	15,545,414	13,545,414	8,819,697	-43.26%	9,175,579	9,365,756
DEPRECIATION	183,118,951	183,118,951	200,299,172	9.38%	204,455,928	217,116,193
TRANSFER TO BAD DEBT RESERVE	87,556,947	91,556,947	150,327,289	71.69%	157,182,894	166,053,916
TRANSFER TO PROVISIONS	7,323,704	7,323,704	30,981,508	323.03%	33,196,023	36,781,639
LESS AMOUNTS CHARGED OUT	-20,186,305	-20,186,305	87,208,764	332.02%	93,302,718	102,509,373
	2,988,324,213	3,080,947,379	3,691,529,786	23.53%	4,155,899,777	4,625,961,493

The above table can also be graphically depicted as follows:



Operating Expenditure Budget - Highlights

The following are the highlights of the operating expenditure budget:

Personnel Costs

Personnel costs grew by 14,43% based on the 2010/11 approved budget of R 774.95 million to R 886,816 million. This expenditure category constitutes 24.02% of the operating budget. Included in the salaries budget is an allocation of R 23 million to cover the additional ninety (90) personnel members from Motheo District Municipality, to be absorbed into the metro staff establishment with effect from 1 July 2011. All funded vacancies (R 49.8 million) have been removed from the respective directorates and placed as an unforeseen salaries line item. Directorates will have to bid for the filling of positions and a draw down procedure will have to be agreed by the Executive Management Team for the filling of positions. Costs of the posts to be filled will then be allocated to the appropriate vote numbers at regular intervals.

Remuneration of councillors and directors

The allocation increased from R 25.27 million in the 2010/11 budget year, to an estimated amount of R 43.69 million in 2011/12. This represents an increase of 72.89% year-on-year. The allocation split between the councillors and board of directors is R 42,476 million (2010/11 – R 24,311 million) and R 1,213 million (2010/11 – R 0.960 million) respectively. An increase in the allocation can be mainly be attributed to the change in the remuneration grading of the municipality, i.e. from grade 5 to grade 6 and the increase in the number of councillors. The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling this budget.

General Expenditure

The general expenditure comprises the normal operating expenses like telephone, cleaning materials, chemicals, ward committee costs, printing and stationary. The growth in the expenditure is projected at 17.05% (R 48,84 million) to R 335,315 million in the 2011/12 budget year. The allocation for the two outer years of the MTREF period is R 328,595 million and R 368,734 million respectively. The increase in the 2011/12 budget year can mainly be attributed to the following growth areas:

	R'000
Electricity – municipal use	13,031
Metro Transition Costs (New)	5,000
Performance Management System (new)	5,000
SALGA Membership	5,000
Retrenchment Packages	8,000
Promotions and Marketing (New)	3,750
Rental Offices (Motheo)	6,000
Hire of Equipment	<u>3,000</u>
TOTAL	<u>48,781</u>

Bulk purchases

Bulk purchases (water and electricity) grew by 27.71% against the 2010/11 budget to the proposed amount of R 1 260,36 million for the 2011/12 budget year. Bulk purchases takes up approximately 34.14% of the operating budget for 2011/12. Electricity contribution to the bulk purchases costs is R 982,180 million (2010/11 – R 771, 691 million). The increase in the electricity purchases costs (27,28%), is the biggest cost driver. The allocation for the two outer years of the MTREF period is R 1 267,419 million and R 1 520,902 million respectively.

The bulk water purchases contribution for the 2011/12 budget year is R 278,185 million (2010/11 – R 215,232 million) for both the raw water purchases and purified water purchases from the service authority. The allocation for the two outer years of the MTREF period is R 306,639 million and R 330,651 million respectively.

Contracted Services

Contracted Services are showing a modest increase in the budgetary allocation of 6.12% (R 9.398 million) to R 162,867 million in the 2011/12 budget year. The main cost drivers being increases in consultant fees (R 7,159 million), Property Management Fees (R 6 million) for the Intermodal Transport Facilities, City Development Strategy (R5 million) and Security Services (R 4,391 million). Savings in the operating costs were made in non-renewal/cancellation of the Debt Collection Services Contract (R 9 million) and a drop in Valuation expenses allocation by R 4 million.

Interest on External Borrowing

Interest on external borrowing has been set at R 41.95 million for the 2011/12 financial year, representing a growth rate of minus 17,09%. The interest charge is made up mainly of the interest on the DBSA loan of R 17,133 million (2010/11 – R 21,044 million), Interest on Consumer Deposit R 1,524 million (2010/11 R 1,424 million) and Interest Defined Benefit Plan R 21,0 million (R28,226 million).

Repairs and Maintenance

Repairs and maintenance growth is 36.47% on the 2010/11 approved budget (R 158.97 million) to a new budgetary allocation of R 216,941 million during the 2011/12 budget year. The allocation for the two outer years of the MTREF period is R 228,850 million and R 242,002 million respectively. The investment of the repairs and maintenance budget is as follows:

Infrastructural Assets

The bulk of the repairs and maintenance budget, 60.71% is to be spent mainly on the infrastructure related assets. That is R 46,36 million has been added to the infrastructure maintenance budget to a new allocation of R 127,447 million in 2011/12 budget year.

The allocation for the maintenance of our infrastructure assets is as follows:

	Budget 2010/11 R'000	Budget 2011/12 R'000	Budget 2012/13 R'000	Budget 2013/14 R'000
Roads, pavements, Bridges & Storm water	22,566	43,823	46,560	49,218
Storm water		490	521	550
Water Reservoirs & Reticulation	8,335	13,048	13,863	14,655
Car Parks, Bus Terminals & Taxi Ranks		769	817	864
Electricity Reticulation	19,291	25,445	27,317	28,866
Sewerage Purification & Reticulation	4,269	12,516	13,298	14,057
Housing		691	744	813
Street Lightning	20,840	19,247	20,374	21,266
Refuse Sites	3,494	9,593	10,192	10,773
Other	2,294	1,826	1,940	2,051
	81,089	127,448	135,626	143,113

Community Amenities:

The spending on Community facilities for the MTREF budget period is as follows:

	Budget 2010/11 R'000	Budget 2011/12 R'000	Budget 2012/13 R'000	Budget 2013/14 R'000
Establishment of Parks & Gardens	3,175	994	1,062	1,141
Sports fields	569	110	117	124
Libraries	235	1	1	1
Recreational Facilities	392	910	967	1,022
Fire Safety	929	20	22	23
Clinics	20	-	-	-
Other	256	-	-	-
	5,576	2,035	2,169	2,311

Other Municipal Assets:

The spending on repairs and maintenance on other municipal assets is as outlined below. Approximately 54.26% (R 47.5 million) of the R 87,458 million allocated towards other municipal assets is to be spent on maintaining the council's ageing fleet.

	Budget 2010/11 R'000	Budget 2011/12 R'000	Budget 2012/13 R'000	Budget 2013/14 R'000
Other motor vehicles	47,252	47,457	50,625	53,572
Plant & Equipment	823	1,690	1,798	1,906
Computers	258	2,615	2,778	2,937
Office Equipment	12,605	14,440	15,395	16,540
Markets	109	544	578	613
Airports	352	145	157	172
Security Measures	1,173	692	736	779
Civic Land & Buildings	15,548	19,712	18,812	19,684
Cemeteries	454	163	176	194
	78,574	87,458	91,055	96,397

Interdepartmental Charges

The increase in the Interdepartmental Charges by R 55,483 million (273,49%) to R 75,769 million. The outlook for the two outer years of the MTREF period is R 81,628 and R 88,844 million respectively. The increase in the budgetary allocation is mainly as a result of the centralization of the motor vehicle fleet to the Mechanical Services Unit. That is, the municipal fleet budget has been centralized into one division and the user directorates are to be charged a rate per kilometre for a vehicle rented out. The idea behind fleet centralization is to free the service directorates' line functionaries from the day-to-day fleet management responsibilities and to get mechanical services to manage the entire fleet of the institution. The budgeted rental-internal charges and fuel cost recharge has been set at R 37,51 and R 20,92 million respectively for the 2011/12 budget year. The two outer years combined recharges have been set at R 62,926 and R 68,633 million respectively.

Transfer to Bad Debts Reserves

Transfer to bad debts reserves has been increased by 71,69% (R 62,77 million) on the 2010/11 budget to R 150,327 million. The municipality has over the past few years not made sufficient provisions for bad debt reserves. The need to make adequate provision for bad debts at the end of each financial year and to provide for the debt impairment has actually led to a situation where the actual costs exceeds the budgeted allocation after the audit adjustment. The new approach of increasing the provision by R 62, 77 million, is aimed at avoiding the situation as alluded to above, thus avoiding unauthorised expenditure. The outlook provision for the two outer years of the MTREF period is R 157,183 million and R 166,053 million respectively.

Transfer to Provisions

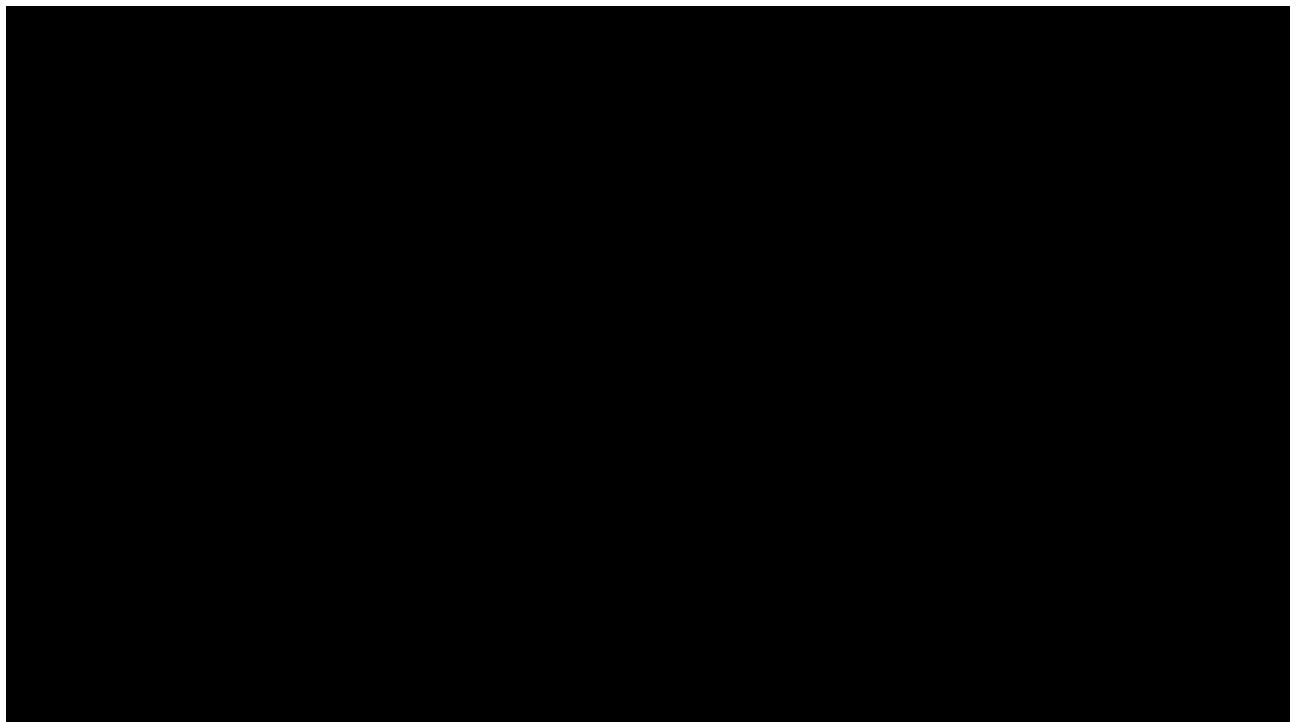
Transfers to Provisions has been increased by R 23,657 million (323,03) from R 7,32 million in 2010/11 to R 30,981 in 2011/12 budget year. The increase arises mainly as a result of an allocation for indigent beneficiaries' social package totalling R 23 million. The two outer years of the MTREF period allocation is R 24,84 and R 27, 83 million respectively. The provision is made to ensure proper accounting and reporting on the indigence social package.

Amounts Charged Out

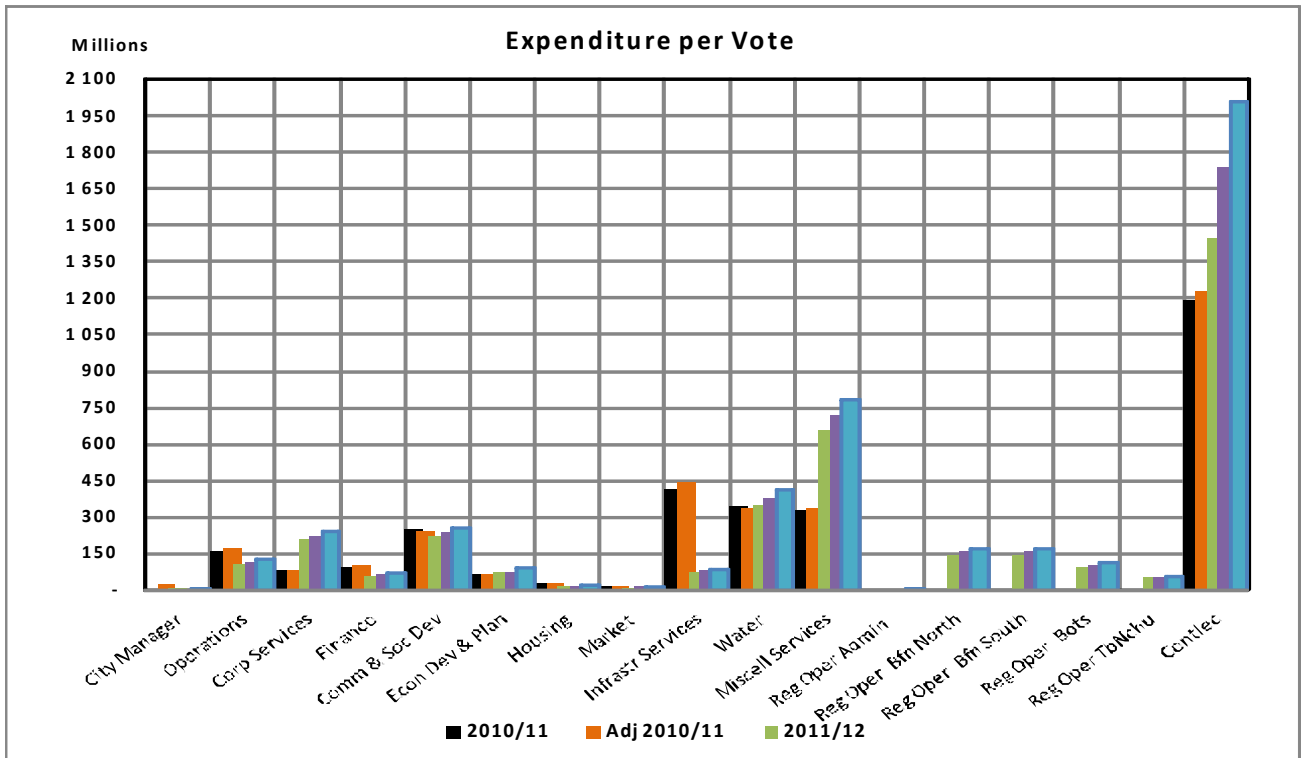
The amounts charged out has increase by 33,2% (R 67,022 million) to R 87,209 million in the 2011/12 budget year. The increase is mainly as a result of the Mechanical Services fuel cost and vehicle rental recharges of R 54,978 million. The recovery amounts have been set at R 59,202 and R 64,646 million respectively for the two outer years of the MTREF period.

Expenditure per vote:

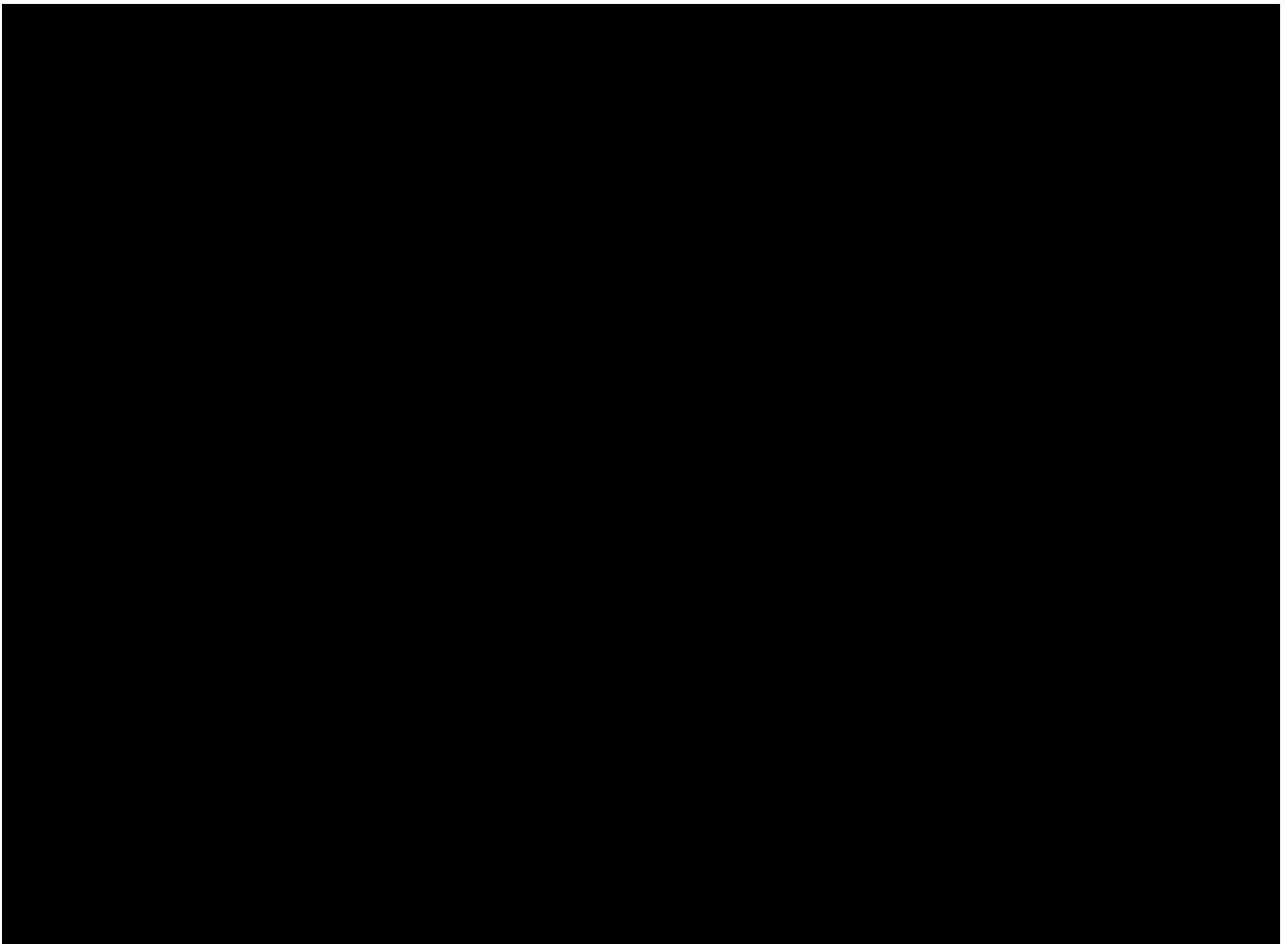
The expenditure per vote table below outlines how the above indicated resources are to be utilised by the various administrative heads of directorates for the implementation of the budget and service delivery commitments.



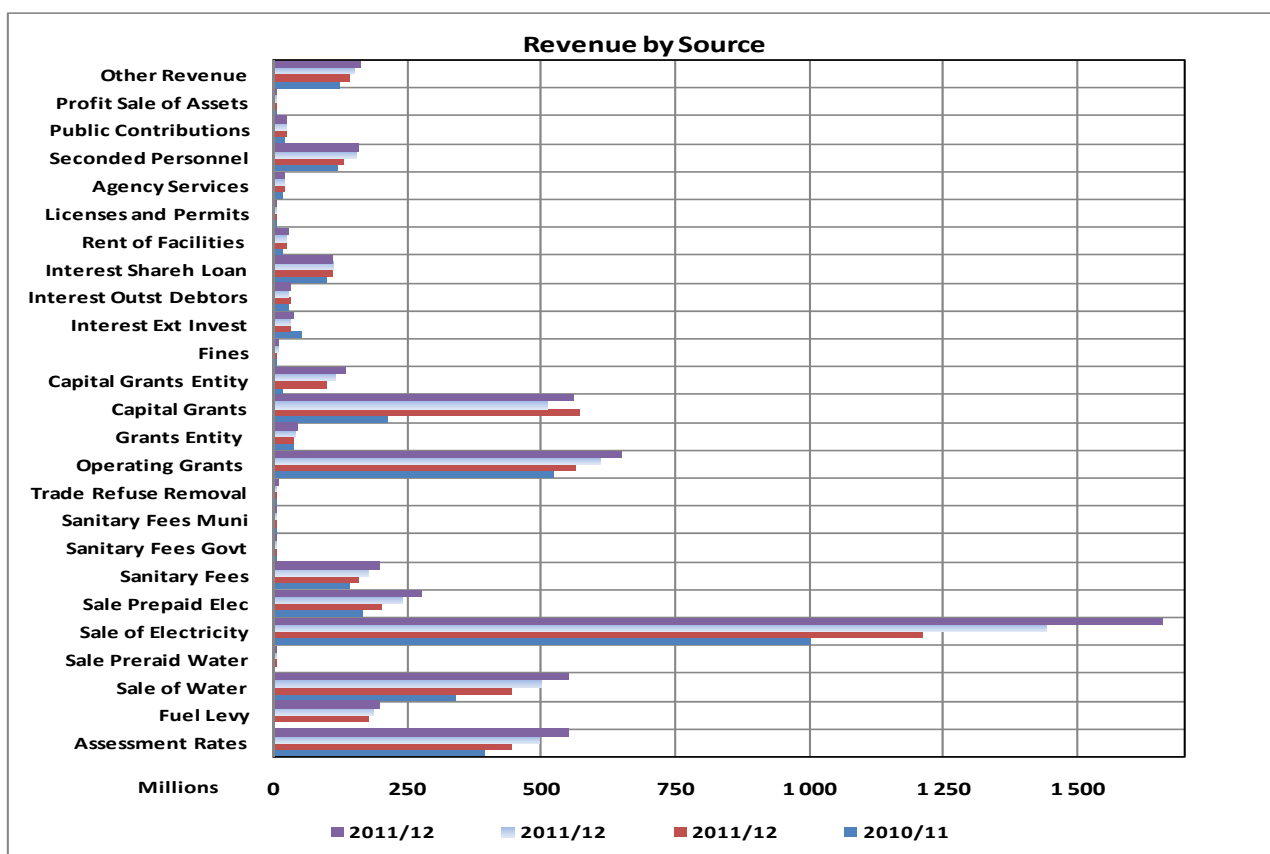
The above table can also be graphically depicted as follows:



B. OPERATING REVENUE



The above table can also be graphically depicted as follows:



Revenue

Revenue generated from rates and services charges forms a significant percentage of the revenue basket of the city. Rates and services charges constitutes 65,54% of the budgeted revenue (net of capital grants and transfers).

Assessment Rates

Assessment rates grows by 12,81% (R 50,578 million) in the 2011/12 budget year to R 445,408 million. The increase for the outer years of the MTREF budget is R 51,67 and R 53,297 million. The resultant projected income from this source of revenue is R497,078 million and R550,375 million respectively for the two outer years of the MTREF period. The increase in the assessment rates comes as a result of Property Rates Policy tariff increase of 12% per annum, which is to be levied on all rateable properties.

Service Charges

The projected revenue from service charges increases from R 1,657,193 million (2010/11) budget year to R 2,023,408 million in the 2011/12 budget year. The projected growth in service charges revenue is 22,10% (R 366,215 million). the increase for the two outer years of the MTREF budget cycle being R 345,849 million (17,09%) and R 323,304 million (13,65%) respectively.

The contribution of the sale of water on the 2011/12 budget year is R 107,459 million (31,74%) and it includes the proposed water tariffs increase of 10% for the 2011/12 budget year. The combined electricity sales grows by 20,64% to R 1,409,096 million in the 2011/12 budget year from the budgeted electricity revenue of R 1,167,997 million in 2010/11. The electricity percentage contribution to the total revenue budget is 32,45% in 2011/12. The budgeted revenue is based on the proposed tariff increase of 26.53%.

Fuel Levy

The municipality through it newly enquired status as a metropolitan municipality, has received a fuel levy allocation from National Government. The allocation to be received for the 2011/12 budget year is R 175,972 million and will translate to R 559,518 million over the MTREF period. The funds are to be used to address the areas within the budget that were traditionally underfunded for over the years, e.g. repairs and

maintenance and provision for bad debts. A portion of the funds was also used to cover the costs of absorbing to personnel of the former Motheo District Municipality.

Grants and Subsidies

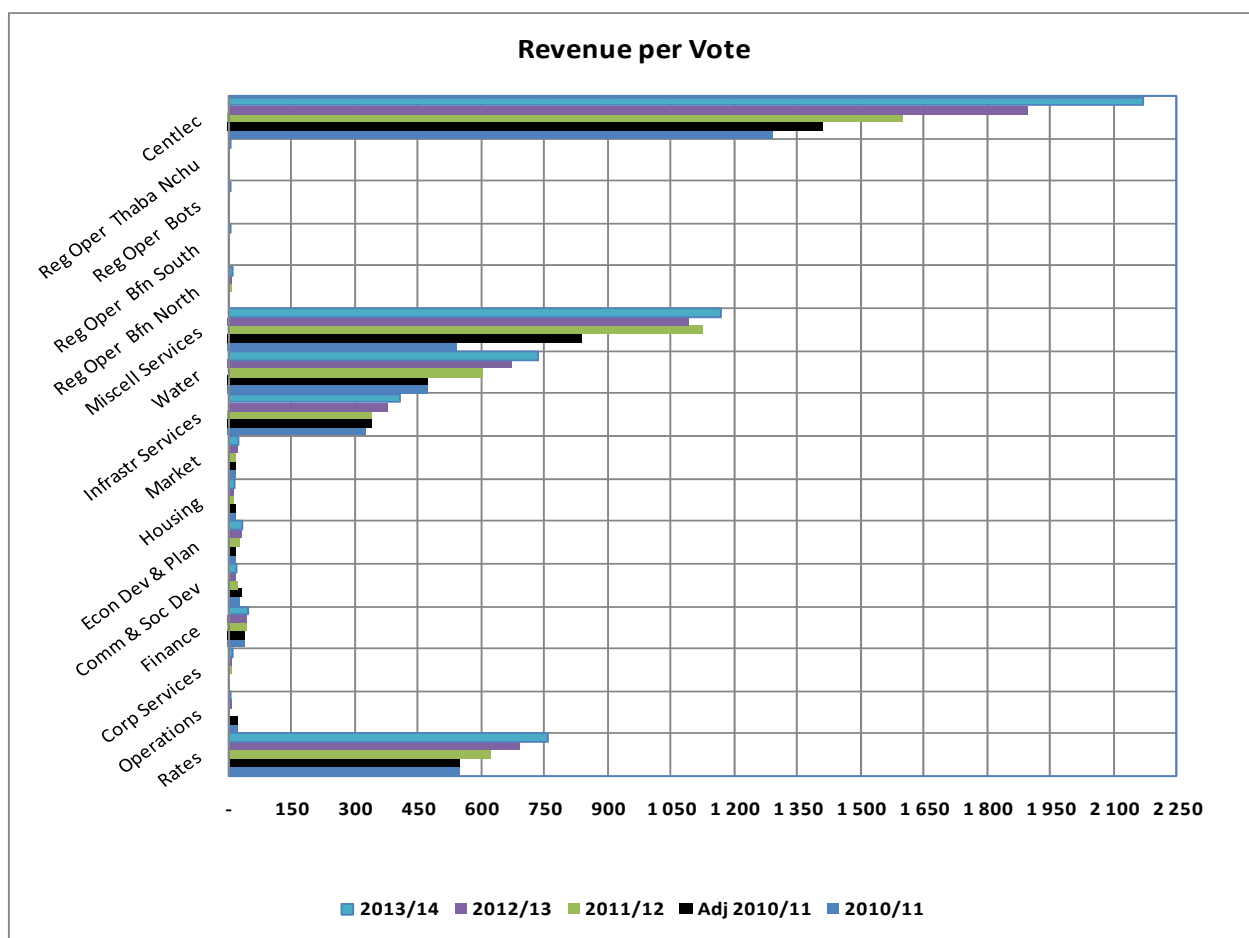
Included in the budgeted revenue of R 4,342,270 million above, is operating and capital grants and subsidies from the Provincial and National Governments totalling R 1,132,470 million. The allocations for the 2012/13 ns 2013/14 budget years are R 1,121,316 million and R 1,207,604 million respectively. The grants to be received, constitutes 25,52% of the budgeted revenue for the 2011/12 budget year.

GRANTS AND SUBSIDIES				
	2010/11	2011/12	2012/13	2013/14
	R'000	R'000	R'000	R'000
Operating Grants & Subsidies				
Equitable Share	459,580	508,776	562,436	598,685
Equitable Share - Centlec	34,693	37,641	40,653	43,905
Financial Management Grant	1,189	1,450	1,500	1,500
Housing Accreditation Subsidy	1,400	-	-	-
Provincial Grant CCTV	-	7,000	-	-
Recoverable MIG Grant	2,845	-	-	-
Government Contribution	1,259	-	-	-
Government Contribution Salaries	-	3,000	3,300	3,630
Municipal Systems Improvement Grant	750	-	-	-
World Cup Operating Grant	19,000	-	-	-
Motheo District Municipality - Environment	3,000	2,990	-	-
SUB-TOTAL	523,716	560,857	607,889	647,720
Capital Grants & Subsidies				
FS Provincial Grant – CCTV	-	3,000	-	-
FS Province Operation Hlasela	-	22,000	-	-
Electric Demand Side Management Grant	5,000	5,000	-	-
Expanded Public Works Programme Incentive Grant	7,861	8,570	-	-
MIG	166,884	50,697	-	-
Urban Settlements Development Grant	-	411,995	483,427	531,884
Motheo District Municipality - Environment	3,775	1,382	-	-
National Electrification Grant	13,000	20,000	15,000	13,000
Public Transport Infrastructure & System	15,000	48,969	15,000	15,000
SUB-TOTAL	211,250	571,613	513,427	559,884
TOTAL	735,236	1,132,470	1,121,316	1,207,604

Revenue per vote

As outlined below is the revenue per vote table indicate the various directorates' resource income:

The above table can also be graphically depicted as follows:



C. CAPITAL BUDGET

The capital budget has increased by R 450,892 for the 2011/12 financial year to R 824,147 million as compared to the main approved budget of R 373,255 million for the 2010/11 period. However the proposed new budget indicates a increase of R 34,436 million on the adjusted budget for 2010/11 financial period. The projected capital expenditure budget for the two (2) outer years of the MTREF period has been set at R 774,46 million and R 756,35 million respectively.

The Capital Budget is funded mainly out of three sources, namely capital grants from National Government, loan funded projects (DBSA) and own funded projects. Council is to receive most of its capital grants from the Urban Settlements Development Grant (USDG) to the extent of R 1 427,31 million over the MTREF period. The USDG grant is a replacement grant for the Municipal Infrastructure Grant. The main projects to be undertaken out of the USDG allocation are as outlined on the tables below:

	Budget 2011/12	Budget 2012/13	Budget 2013/14	MTREF Total
	R'000	R'000	R'000	
Economic Development & Planning				
Bloemspruit Phase 1	9 004	-	-	9 004
Bloemside Phase 7	2 500	-	-	2 500
Grassland Road & Stormwater Servitude	45	-	-	45
Township Establishment Botshabelo West Extension	1 000	-	-	1 000
Township Establishment; Vista Park 3	875	-	-	875
Township Establishment Future Residential Areas	4 866	-	-	4 866
Township establishment Infill Planning	1 560	-	-	1 560
Sub-Total	19 450			19 450

Upgrading of Roads and Stormwater - General	29 275	47 525	28 000	104 800
Landfill Sites				
Upgrading and Construction of Northern Landfill Sites	2 000	4 000	2 000	8 000
Upgrading and Construction of Southern Landfill Sites	3 050	2 600	-	5 650
Upgrading and Rehabilitation of Botshabelo Landfill Sites	2 000	2 000	500	4 500
Closure of Thaba Nchu Landfill Sites	880	-	-	880
Sub-Total	7 930	8 600	2 500	19 030
Waste Water Treatment Works				
North Eastern Wastewater Treatment Works and Collectors	-	-	20 000	20 000
North Eastern Wastewater Treatment Works and Collectors	-	40 285	65 584	105 869
Extensions to Sterkwater Wastewater Treatment Works	10 483	8 410	37 483	56 376
Upgrading of Sewer System in Freedom Square	20 661	-	-	20 661
Basic Sanitation to Stands (waterborne): Ratau & Moroka (2 192)	6 000	5 000	5 000	16 000
Basic Sanitation to Stands: Bultfontein 2,3,4 (4 021)	6 000	5 000	5 000	16 000
Basic Sanitation to Stands: Section F, F Extension, Informal (5 776)	6 000	5 000	5 000	16 000
Refurbishment of Sewer Systems	10 340	11 000	12 000	33 340
Sub-Total	59 484	74 694	150 068	284 246
Bulk Water Supply				
Refurbishment of Water Supply Systems	10 000	11 000	12 000	33 000
Basic Water to Stands	-	6 000	10 000	16 000
Sub-Total	10 000	17 000	22 000	49 000
Water Demand Management				
Prepaid Water Meters	15 170	-	-	15 170
Replace Water Meters and Fire Hydrants	5 000	5 000	5 000	15 000
Metering of Unmetered Sites	5 000	5 000	5 000	15 000
Real Loss Reduction Programme (Water)	4 500	5 000	5 000	14 500
Telemetry and Scada System	4 000	5 000	5 000	14 000
Sub-Total	33 670	20 000	20 000	73 670
Electricity – USDG				
Smart Meters Electricity	15 000	-	-	15 000
Clover DC: 132KV/11KV 30MVA DC	20 000	15 000	10 000	45 000
Shannon A DC: 132KV/11KV DC	10 000	3 000	1 000	14 000
Meriting DC: 132KV/11KV CD	7 000	-	-	7 000
Vista Park DC: 132KV/11KV 20MVA DC	20 000	12 000	10 000	42 000
Fichardtpark DC: 132KV/11KV 20MVA DC	-	-	8 000	8 000
Cecelia DC: 132KV 30MVA DC	-	20 000	25 000	45 000
Tempe DC: 11KV Primary Cables from DC to van Blerk Primary Substation	-	4 000	-	4 000
132KV Northern Ring from Noordstad DC to Harvard DC	-	-	5 000	5 000
Botshabelo: 132KV Eskom Connection & extension to Substation	-	-	5 000	5 000
Sub-Total	72 000	62 000	76 000	210 000

Loan Funded Projects:

Included in the capital budget are projects to be funded out of the DBSA loan facility that the Council is having. The facility is to be used mainly to fund the bulk water and sewerage infrastructure as outlined below:

	Budget 2011/12	Budget 2012/13	Budget 2013/14	MTREF Total
	R'000	R'000	R'000	R'000
Loan Funded Projects				
Bulk Water Supply to Mangaung (Longridge Reservoir 45 ML)	25 063	10 000	-	35 063
North Eastern Wastewater Treatment Works and Collectors	39 120	50 904	10 000	100 024
Extension to Sterkwater wastewater Treatment works	17 751	-	-	17 751
Extension to Northern Wastewater Treatment Works and Collectors	3 674	-	-	3 674
Upgrading of Sewer System in Freedom Square	18 000	-	-	18 000
Estoire Race Course Sewer Mains Connection	669	-	-	669

Grassland & Bloemspruit Sewer Mains Connections	6 270	8 550	-	14 819
Total	110 547	69 453	10 000	190 000

Operation Hlasela

Included in the capital budget is an allocation of R 22 million grant received from the Free State Provincial Operation Hlasela Funds, to be used for the roads and stormwater networks in Thaba Nchu and Botshabelo. The funds are to be used as outlined below:

	Budget 2011/12	Budget 2012/13	Budget 2013/14	MTREF Total
	R'000	R'000	R'000	R'000
Upgrading of Roads & Stormwater – Operation Hlasela 2				
Upgrading of Roads & Stormwater: BOT RD 470	10 000	-	-	10 000
Upgrading of Roads & Stormwater: BRAND ST	7 000	-	-	7 000
Upgrading of Roads & Stormwater: CAMP	5 000	-	-	5 000
Total	22 000	-	-	22 000

Own Funded Projects

Included in the capital budget are projects to the extent of R 99,848 million for 2011/12 budget year. The allocation of the two MTREF period outer years is R 141,101 million and R 149,904 million respectively. The key highlights of the own funded projects for 2011/12 budget year are:

	Budget 2011/12
	R'000
Own Funded Projects	
Traffic Law Enforcement Cameras (Fixed)	2 000
Law Enforcement Cameras (Digital Cameras)	1 500
Asset Register Project – Phase 2	6 000
Bram Fischer Building – Roof Repair	2 000
City Hall Repair	1 000
Regional Building repairs	2 000
Sports Facilities	15 000
Community Halls (Upgrading & New)	10 000
Upgrading of Seisa Ramabodu Stadium	10 000
Motor Vehicle Fleet	29 972
Total	79 472

D. PROJECTED OUTCOME

Municipalities throughout the country are faced with an increasing element for meeting service delivery expectations of communities, declining economic conditions resulting in increasing operating costs and unemployment. Payment levels for municipal services have been declining over the years, which lead to an increase in the outstanding debtors book. This has led to many municipalities being financially unsustainable.

The budget was prepared with the aim of turning the situation around to a level of financial sustainability whilst meeting the expected service level requirements of its stakeholders. Hence the increase in the repairs and maintenance budget by R 43,4 million to R 209,94 million, increase in the bad debt provision by R 150,3 million and an investment R 601,3 million of our capital budget on the infrastructure related projects (see Capital Expenditure Details page 73)

The projected financial outcome of this budget at the end of the 2011/12 budget year can be summarized as follows (See Table A1):

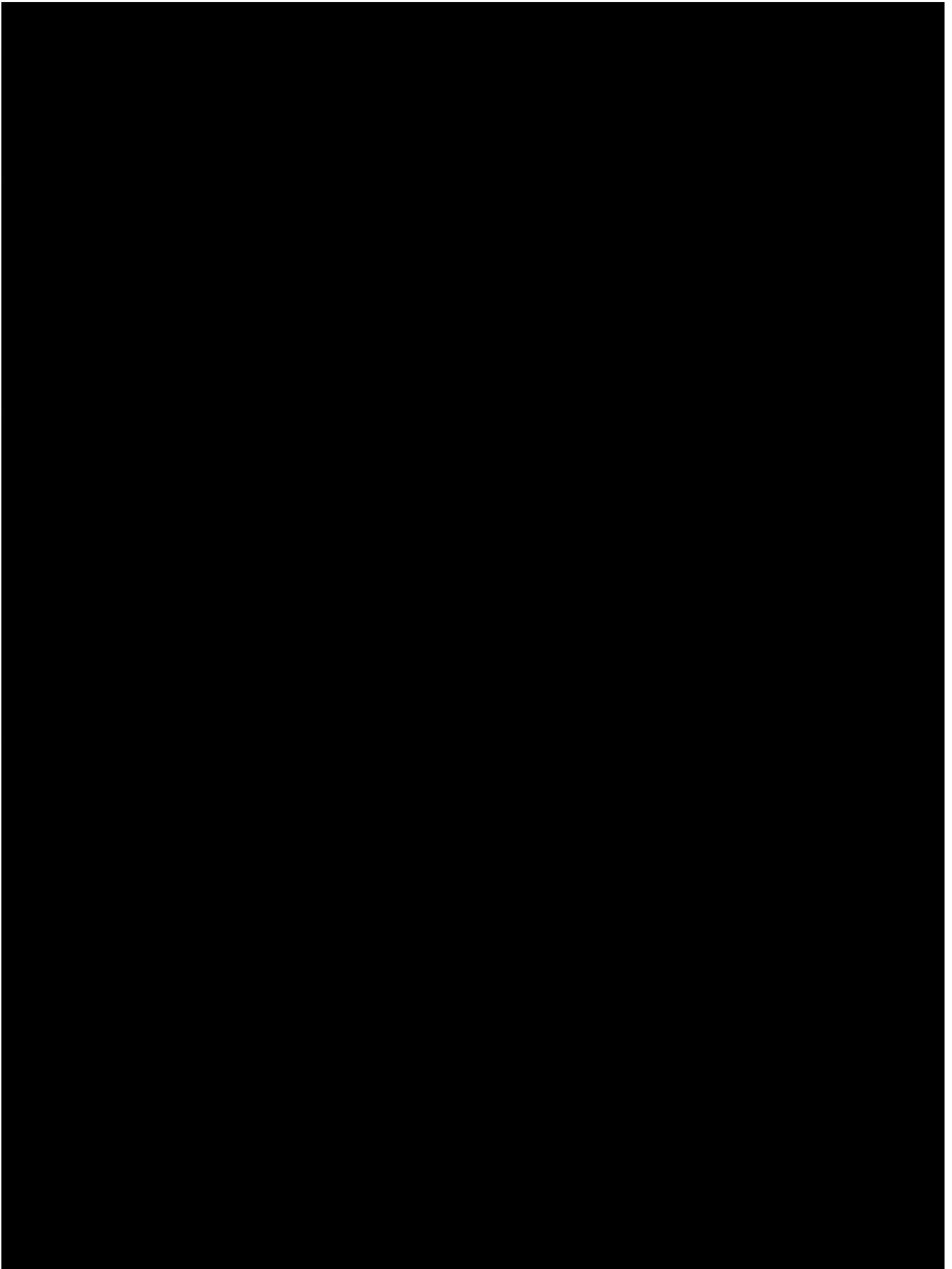
a. Financial Performance	
Total Revenue (excluding Capital Transfers)	R 3 843,525 million
Total Expenditure	<u>R 3 691,530 million</u>
Total Surplus/(Deficit)	R 151,995 million
+ Capital Transfers & Contribution	<u>R 594,926 million</u>

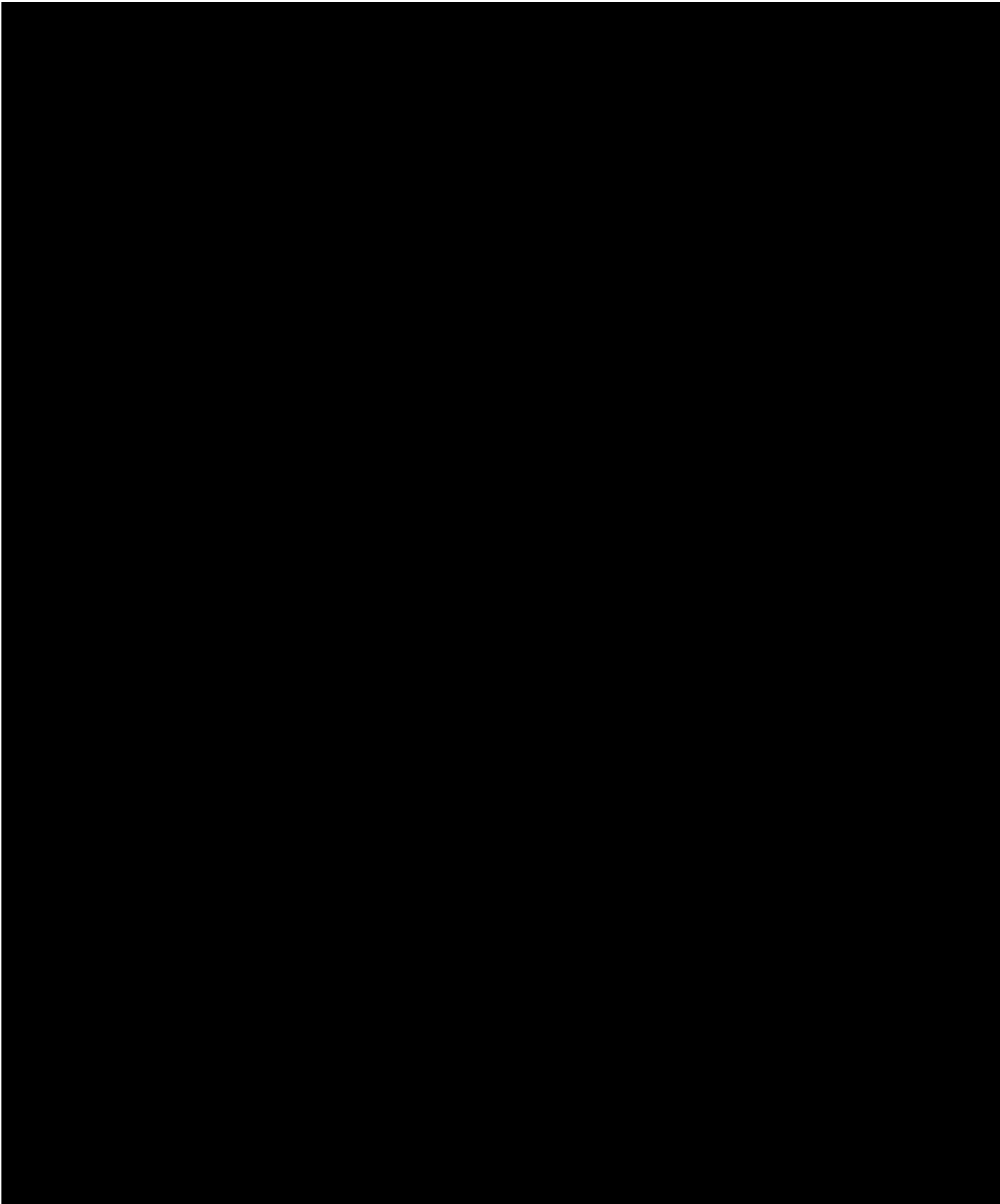
Surplus/(Deficit) after Capital Transfers & Contribution R 746,921 million

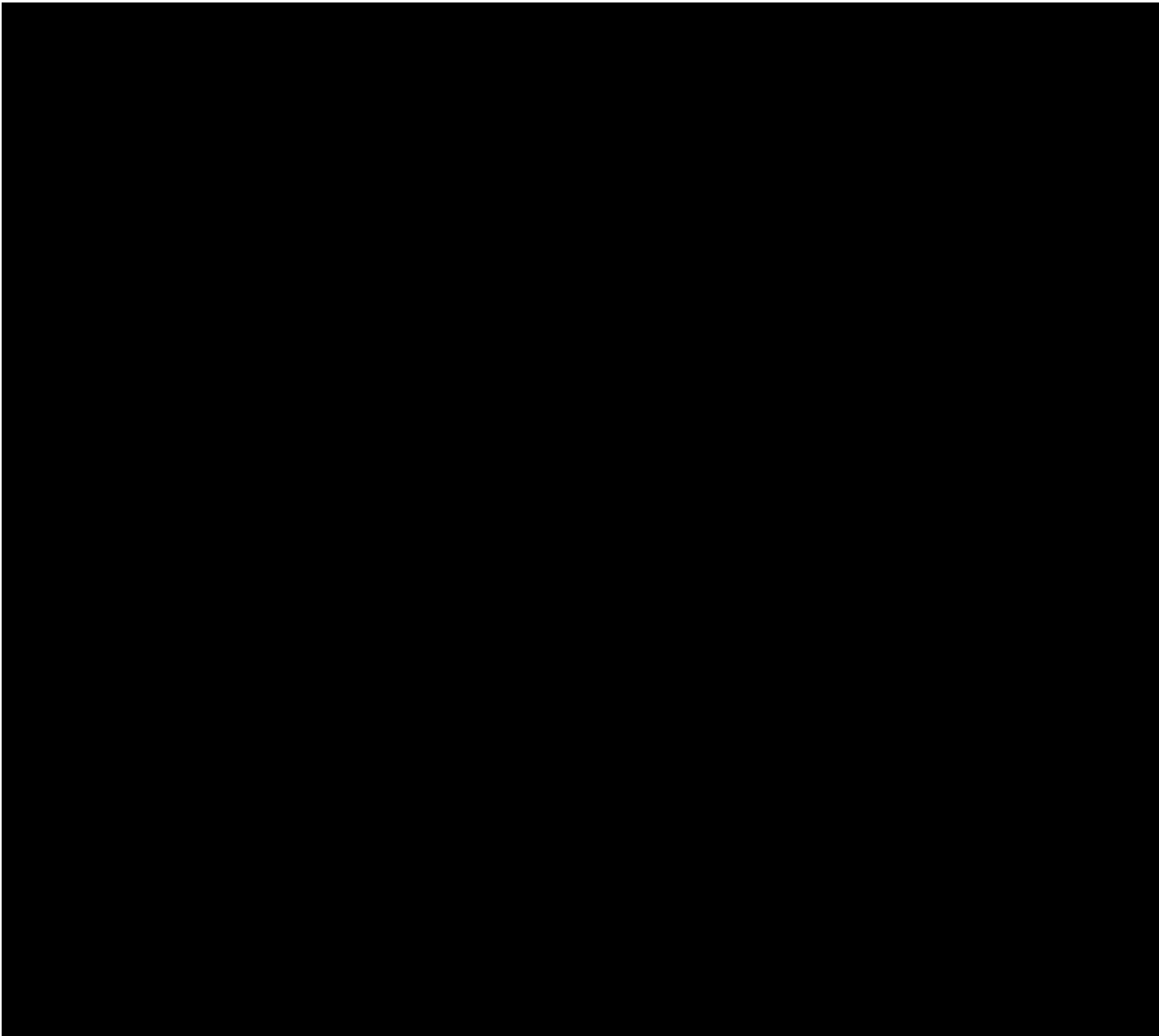
- b. Projected Cash & Cash Equivalent at the end of the year is R 11,155 million (Audited Outcome 2009/10 – R 14,027 million).
- c. Cash backed reserves are projected to show a shortfall of R 16,633 million (2009/10 R 732,987 million and budget shortfall of R 278,4 million for 2010/11). The outlook for the two outer years of the MTREF period is a favourable balance of R 44,843 million and R 95,423 million respectively.

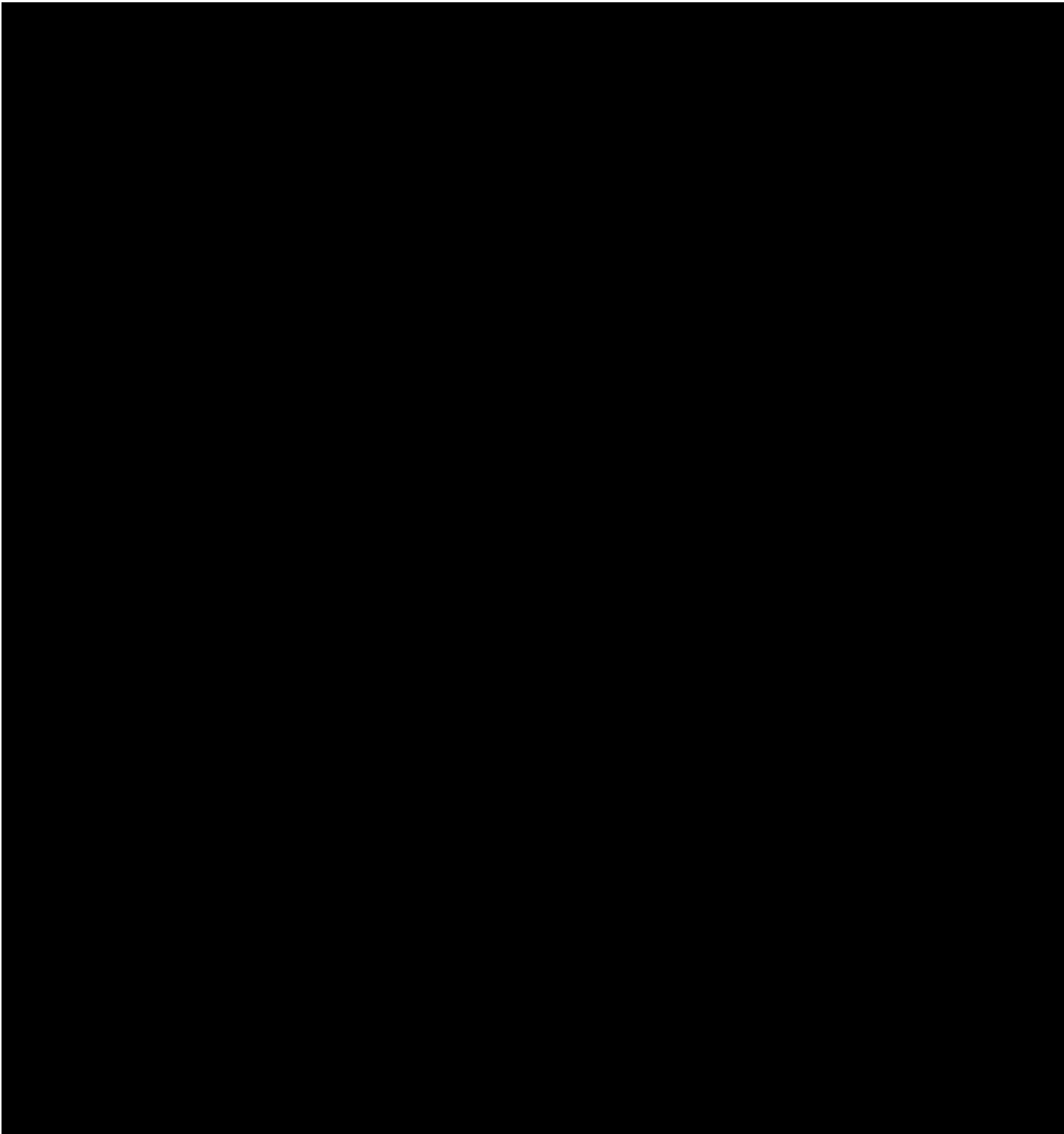
3. BUDGET RELATED RESOLUTIONS

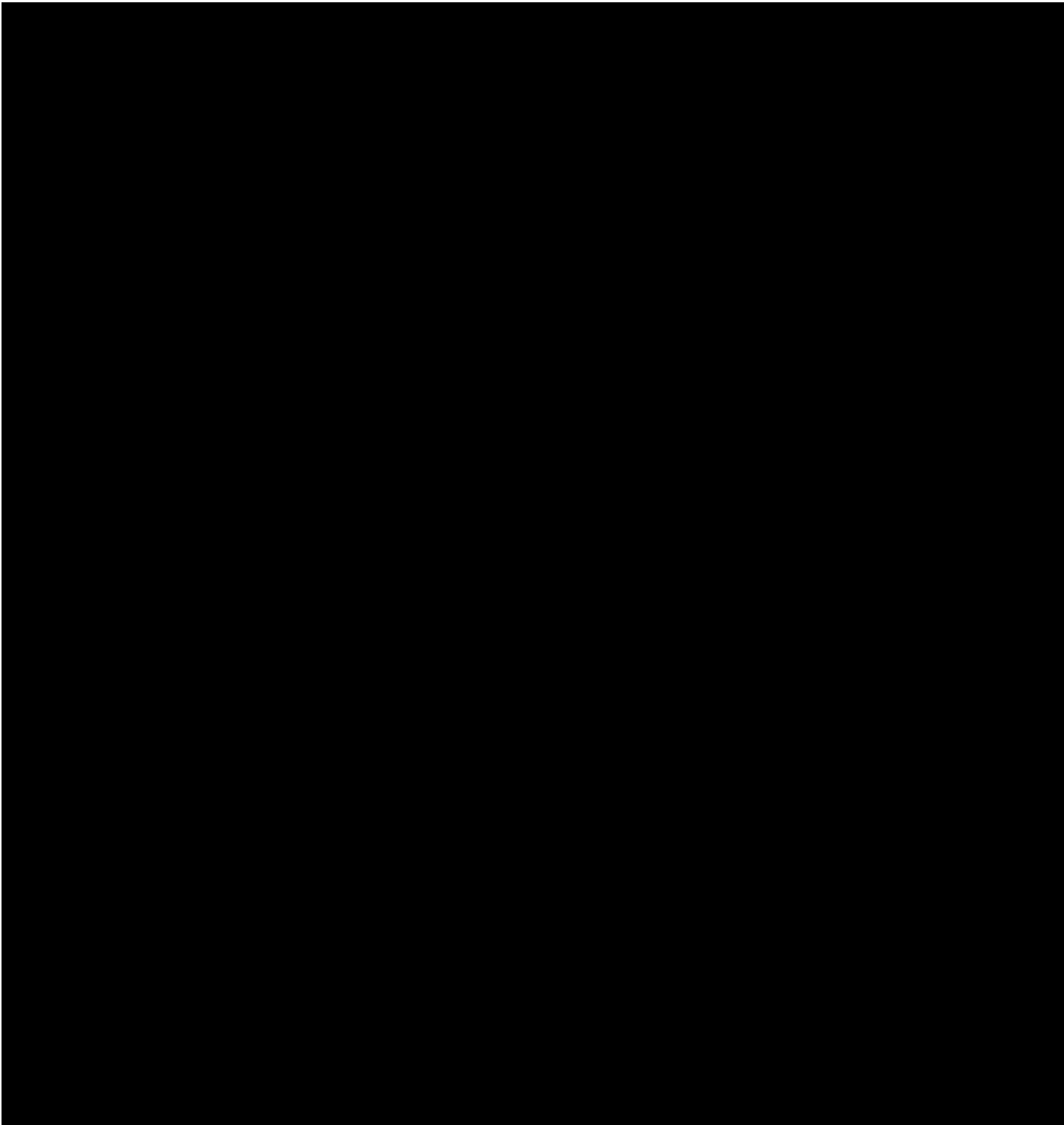
- 3.1** That in terms of Section 24 of the Municipal Finance Management Act, 56 of 2003, the annual budget of the municipality's Operating Revenue of R 4 438,45 million, Operating Expenditure of R 3 691,53 million and Capital Expenditure Budget of R 824,147 million for the financial year 2011/12, and indicative allocations for the two projected outer years 2012/13 and 2013/14, be approved/adapted as set-out in the following tables:
- (a) Budgeted Financial Performance (revenue and expenditure by standard classification); - Table A2 – page 21
 - (b) Budgeted Financial Performance (revenue and expenditure by municipal vote); -Table A3 – page 22
 - (c) Budgeted Financial Performance (revenue by source and expenditure by type); - Table A4 – page 29 and,
 - (d) Multi-year and single year capital appropriations by municipal vote and standard classification and associated funding by source – Table A5 – page 30.
- 3.2** That the financial position, cash flow, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets be adopted as set-out in the following tables:
- (a) Budgeted Financial Position -Table A6 – page 33;
 - (b) Budgeted Cash Flows – Table A7 – page 34;
 - (c) Cash backed reserves and accumulated surplus reconciliation – Table A8 – page 35;
 - (d) Asset management – Table A9 – page 36; and
 - (e) Basic service delivery measurement – Table A10 – page 37.
- 3.3** That the consolidated budget that includes the financial impact of Centlec (Pty) Ltd be approved.
- 3.4** That Centlec (Pty) Limited budget be noted.
- 3.5** That the Council of Mangaung Metropolitan Municipality acting in terms of Section 75A of the Local Government Municipal Systems Act, Act 32 of 2000 as amended, approves and adopt with effect from 1 July 2011, the following tariffs:
- 3.5.1** property rates as set out in Annexure A1 – Page 38
 - 3.5.2** sanitation fees as set out in Annexure A1 – Page 38
 - 3.5.3** supply of water as set out in Annexure A1 – Page 39
 - 3.5.4** supply electricity as set out in Annexure A1 – Page 40, and
 - 3.5.5** the tariffs for the housing rentals as set out in Annexure A1 – Page 42.
- 3.6** That the General Tariffs as set out in the Tariffs Booklet be approved for the 2011/12, financial year.
- 3.7** That in terms of Section 24(2) (c) (v) of Municipal Finance Management Act, 56 of 2003, the budget related policies, including any amendments as set out in the Annexure B be approved for the budget year 2011/12.
- 3.8** That the Council of Mangaung Metropolitan Municipality resolves to waive the need for an adjustment budget in respect of reallocation of the vacancies, which have been pooled together as unforeseen salaries, and salaries with respect of personnel transferred from the District Council, as well as the reallocation of depreciation.

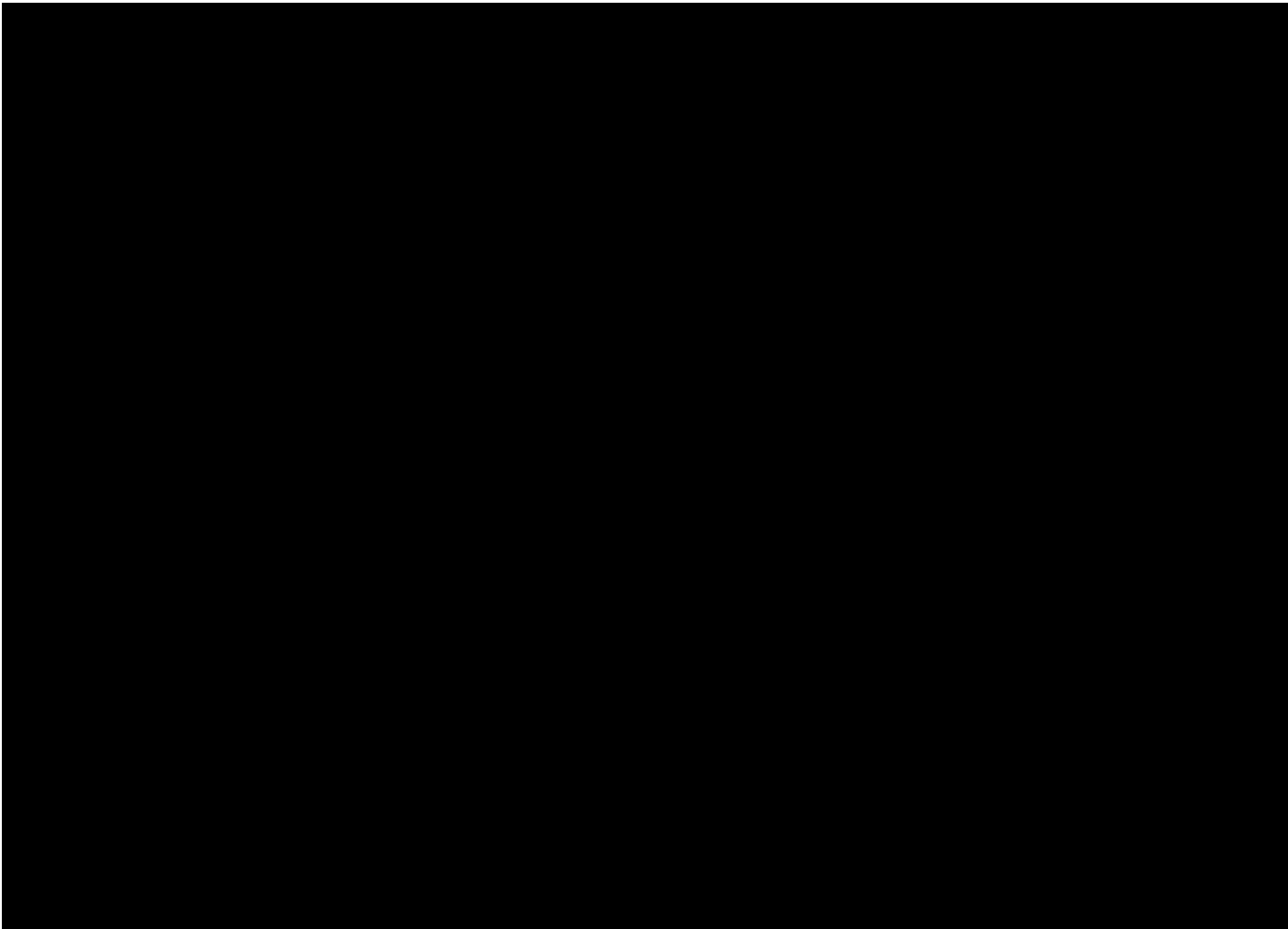


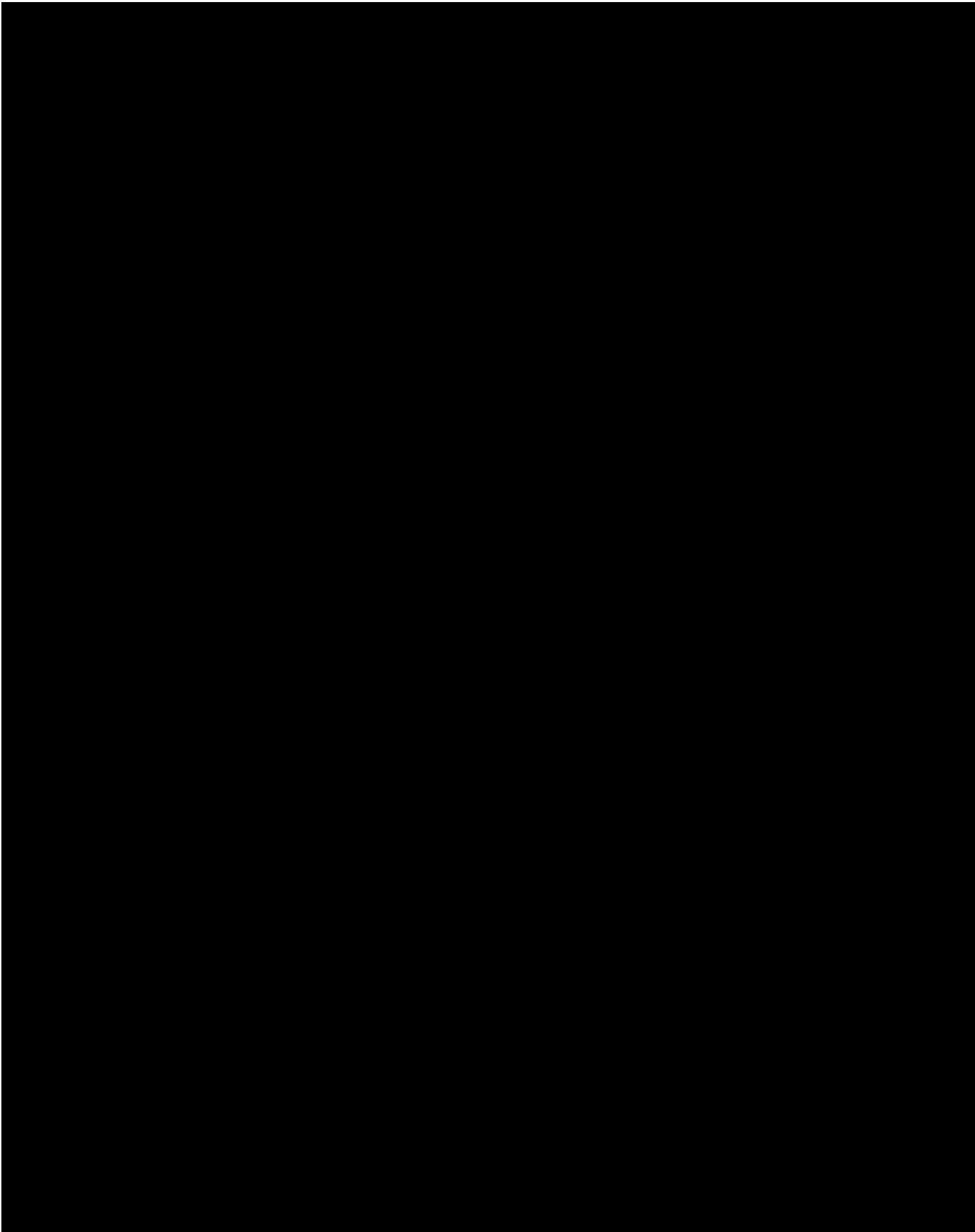


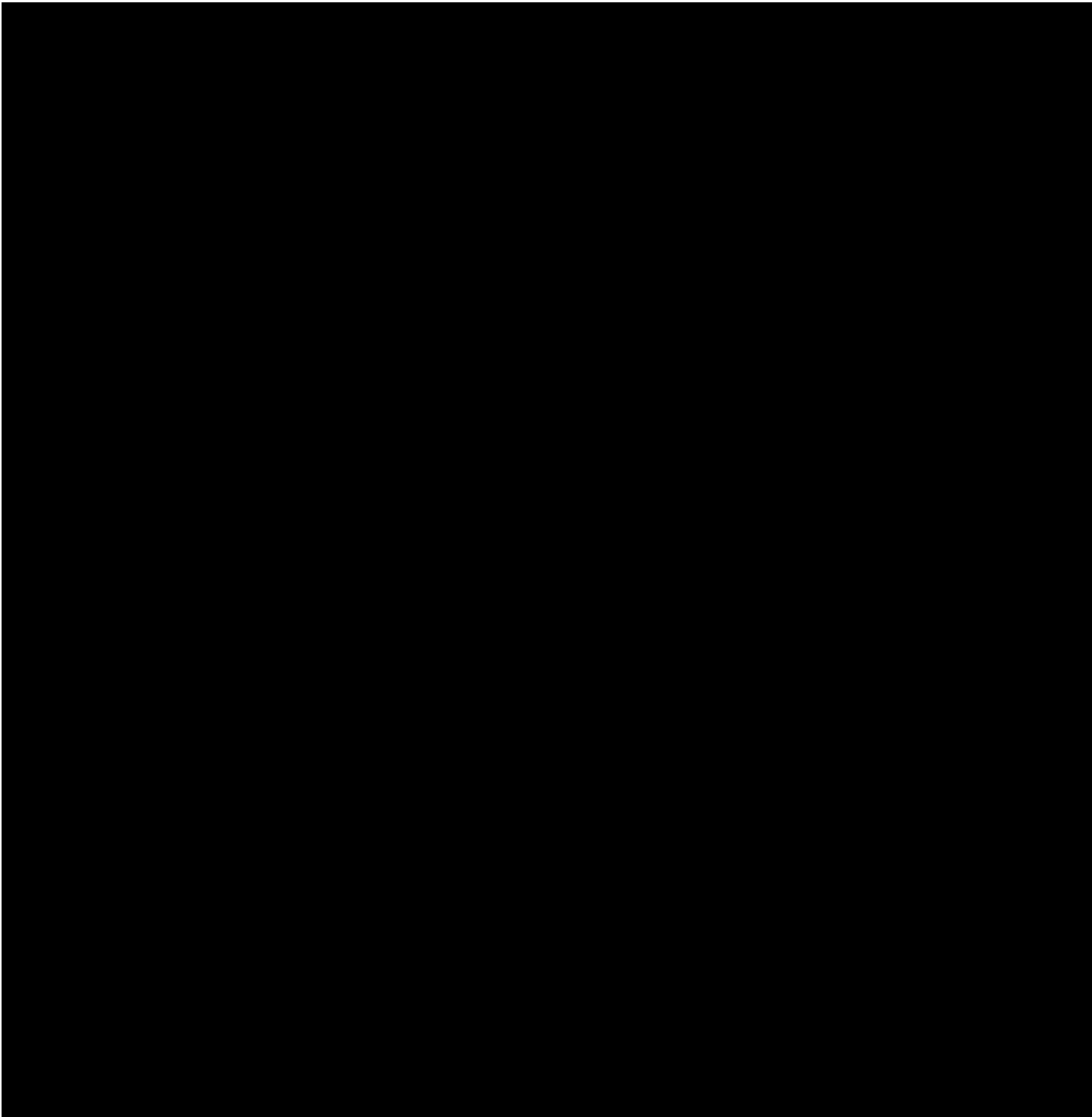


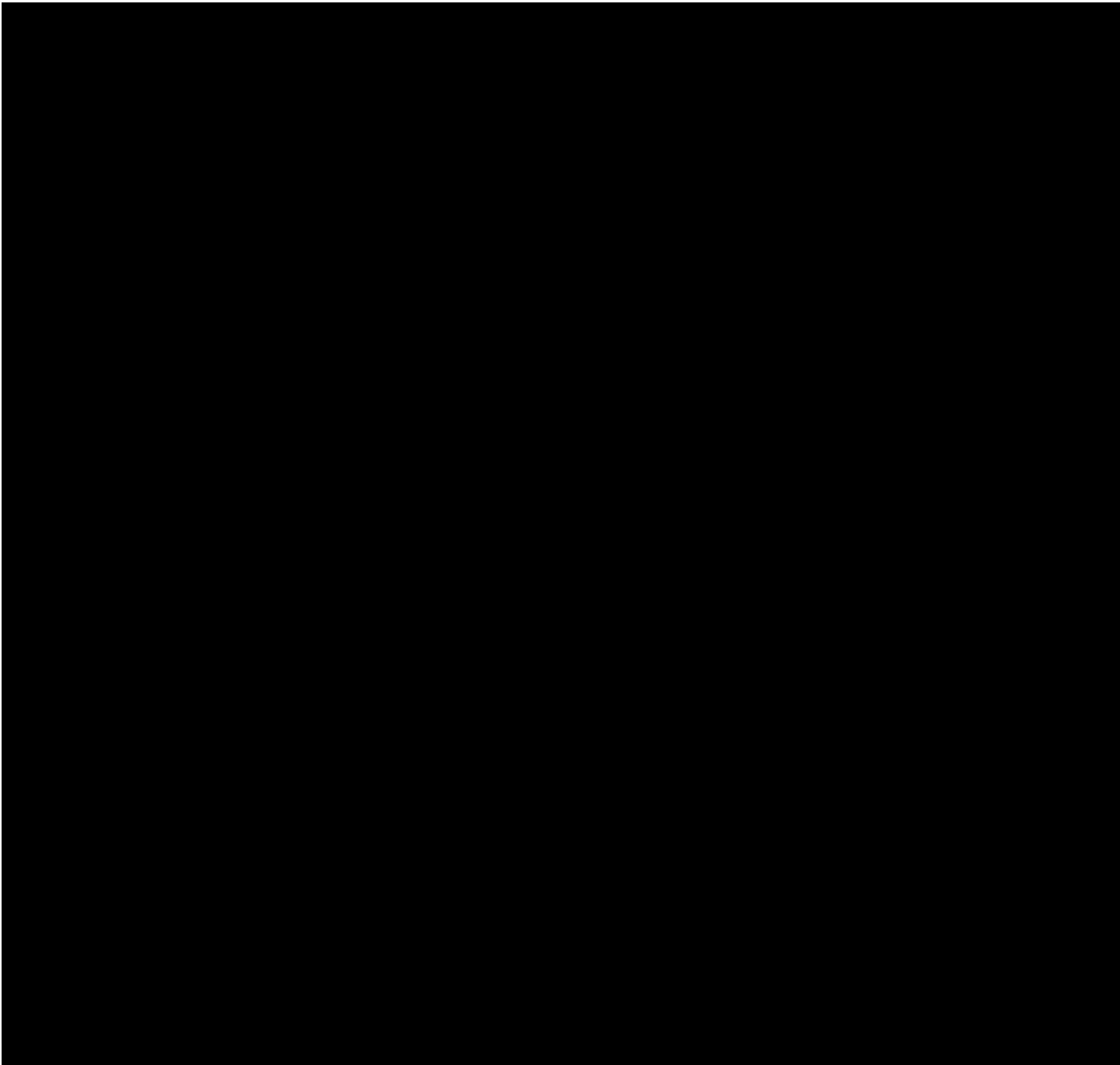


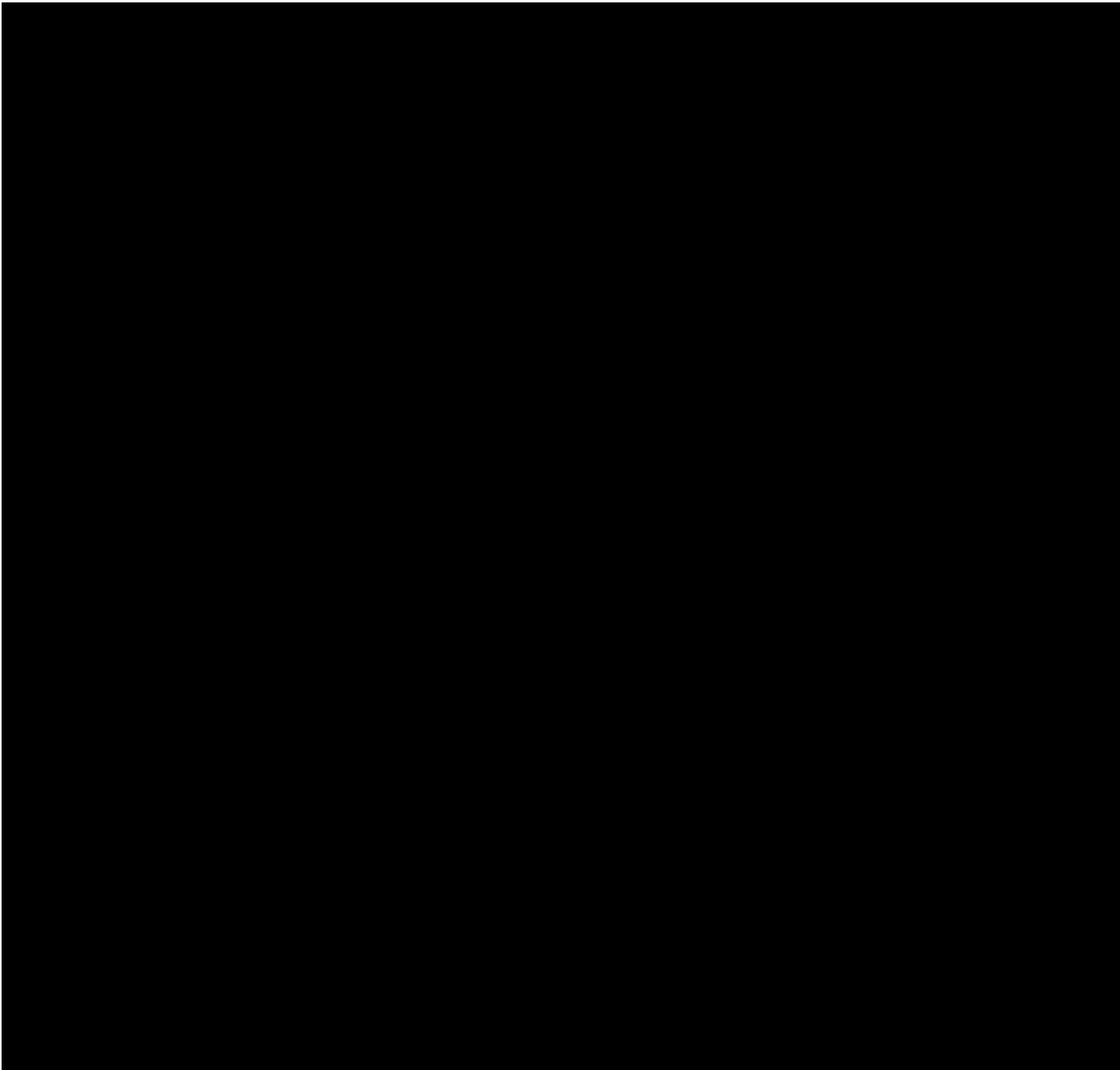


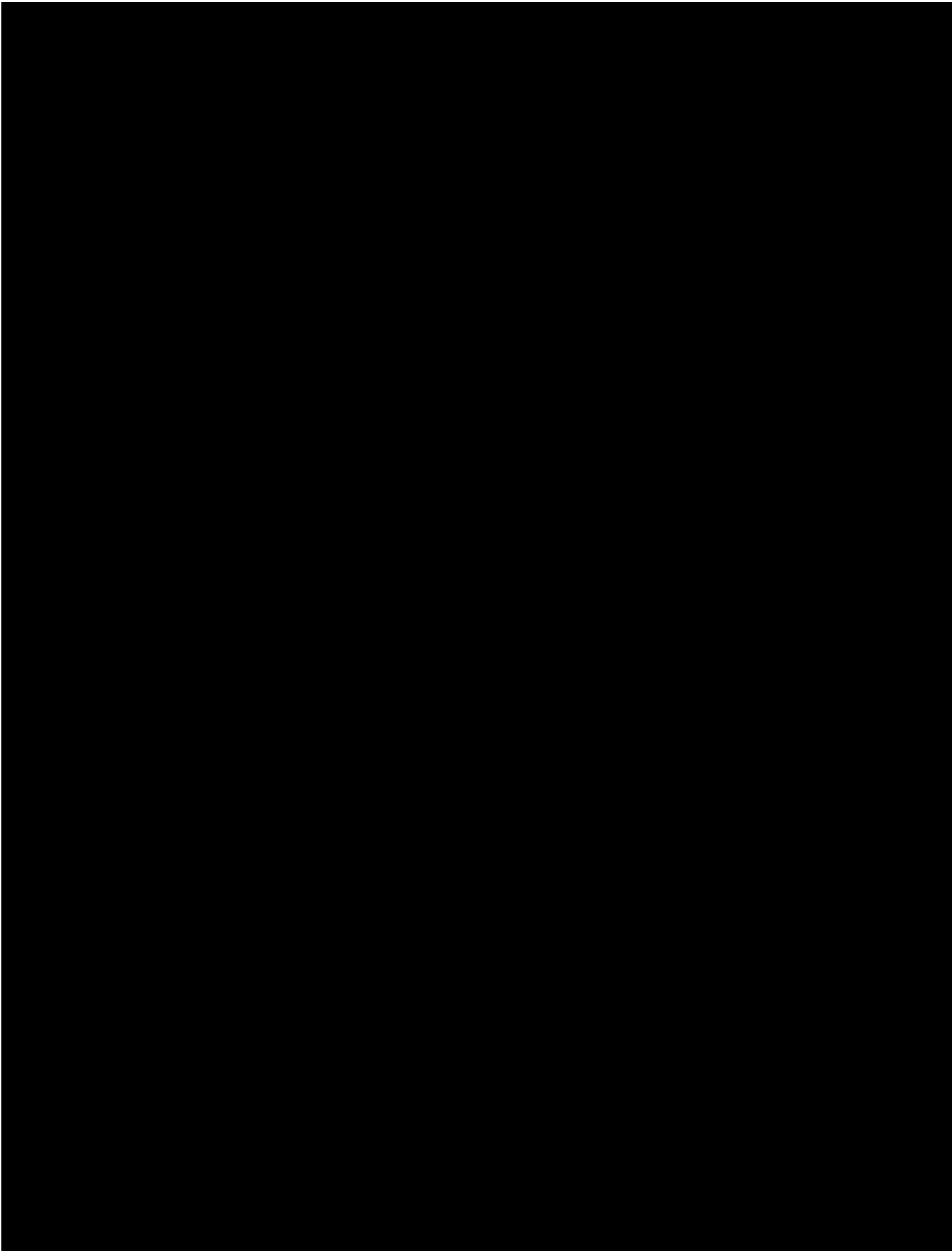


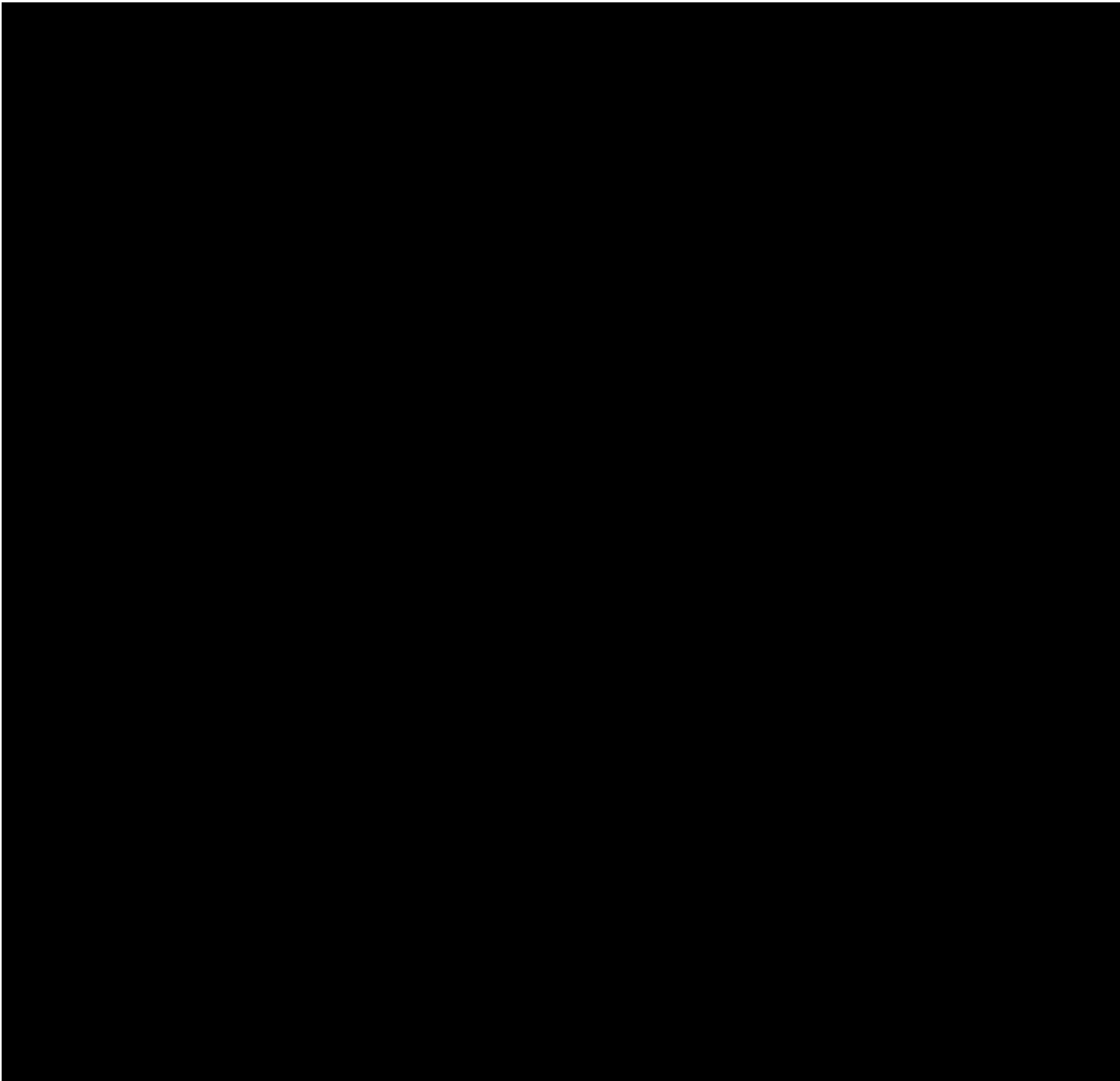


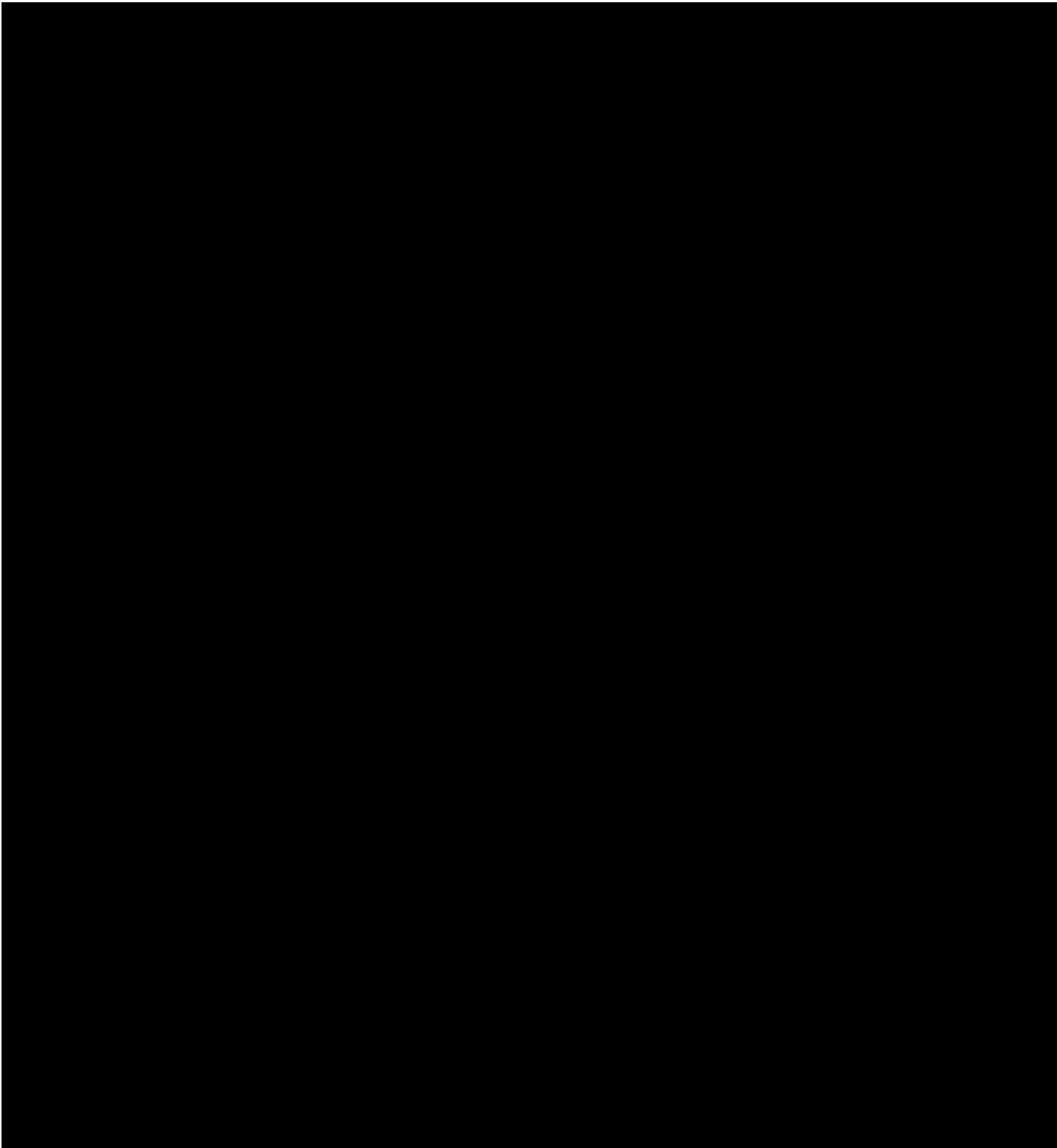


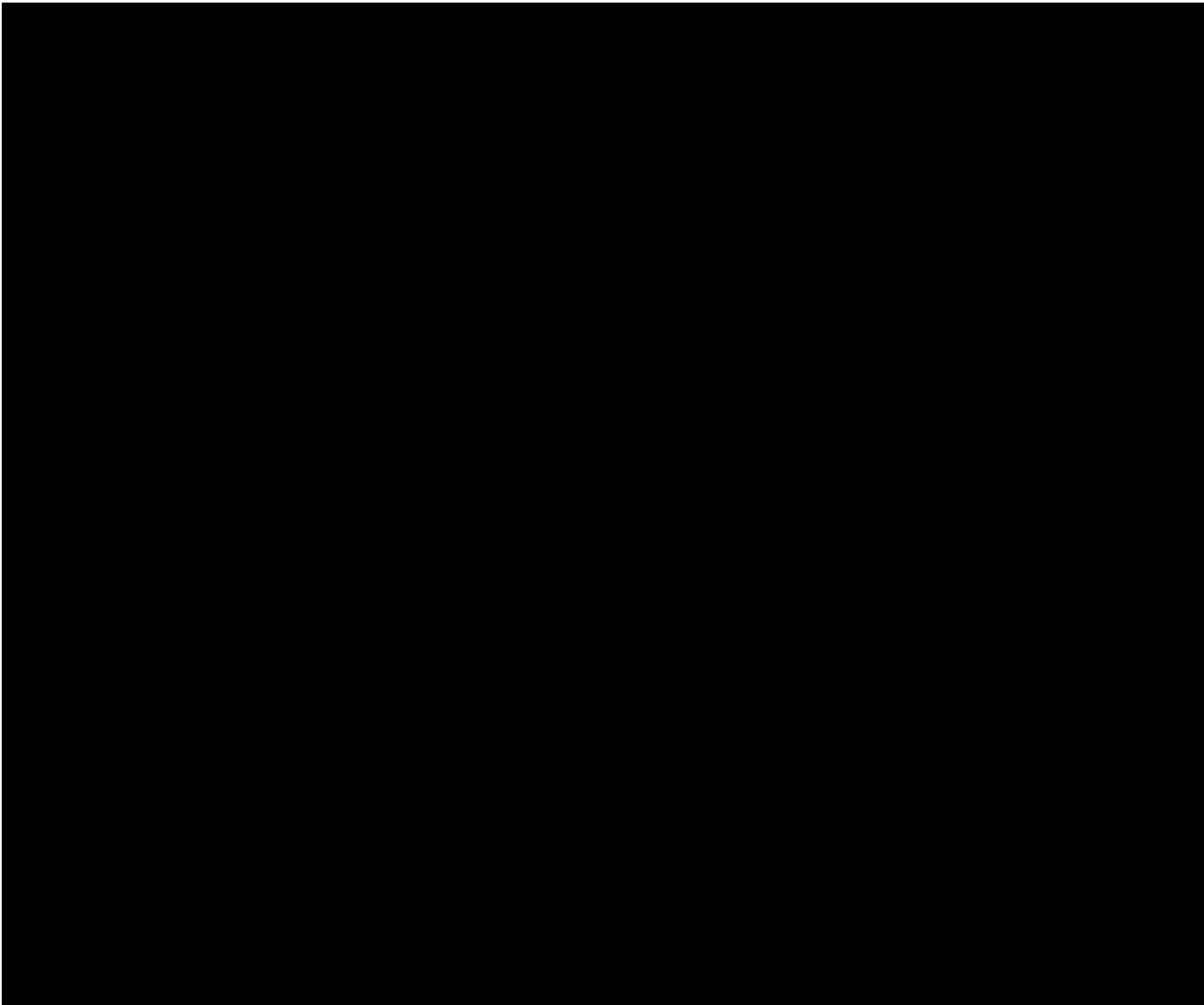


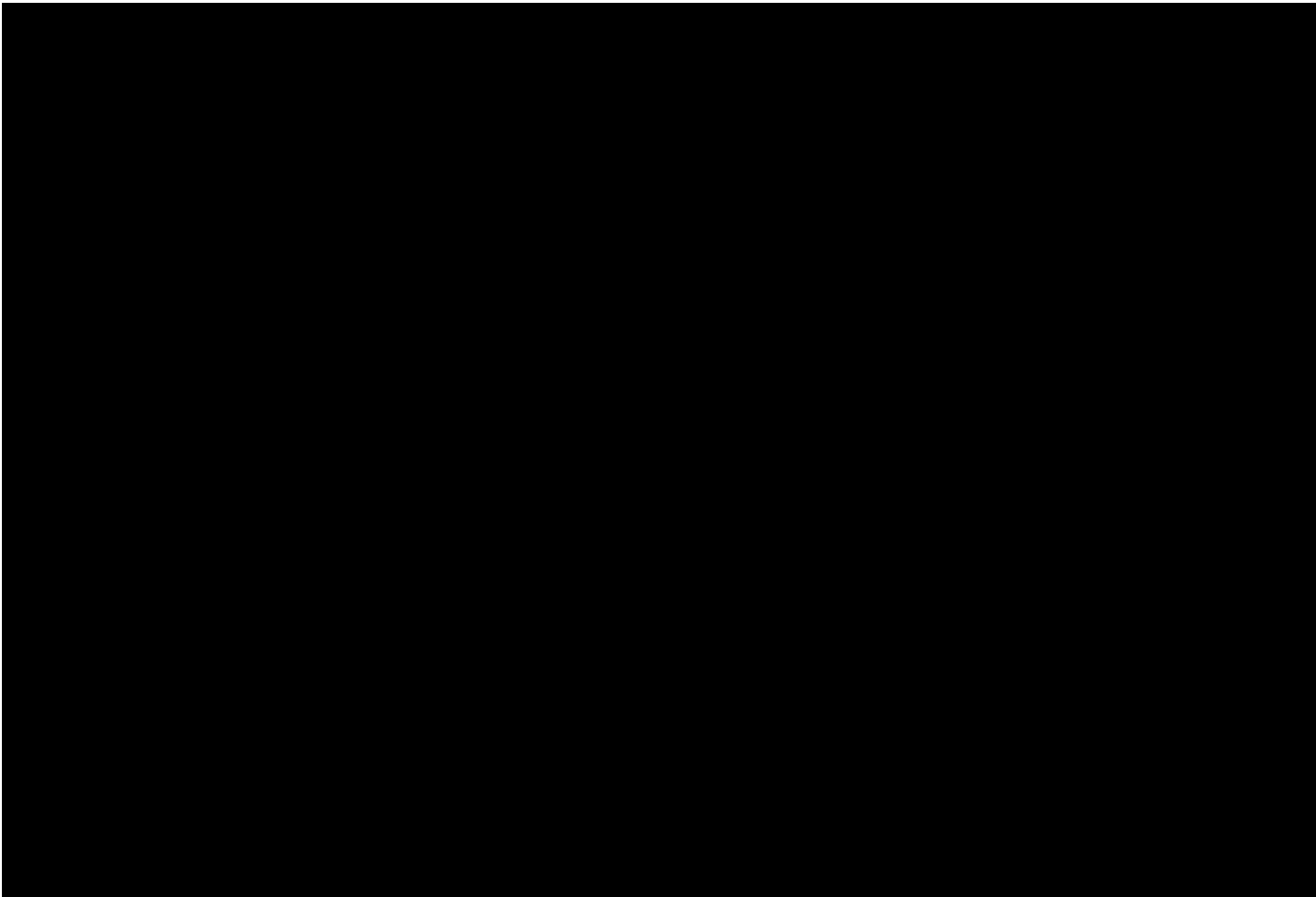


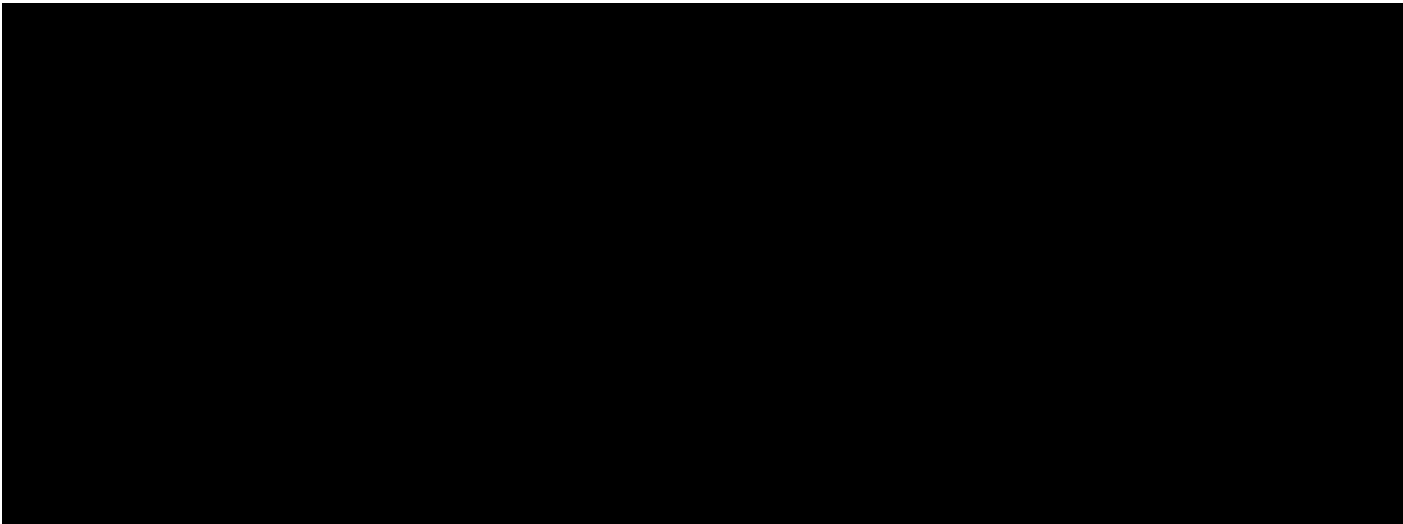


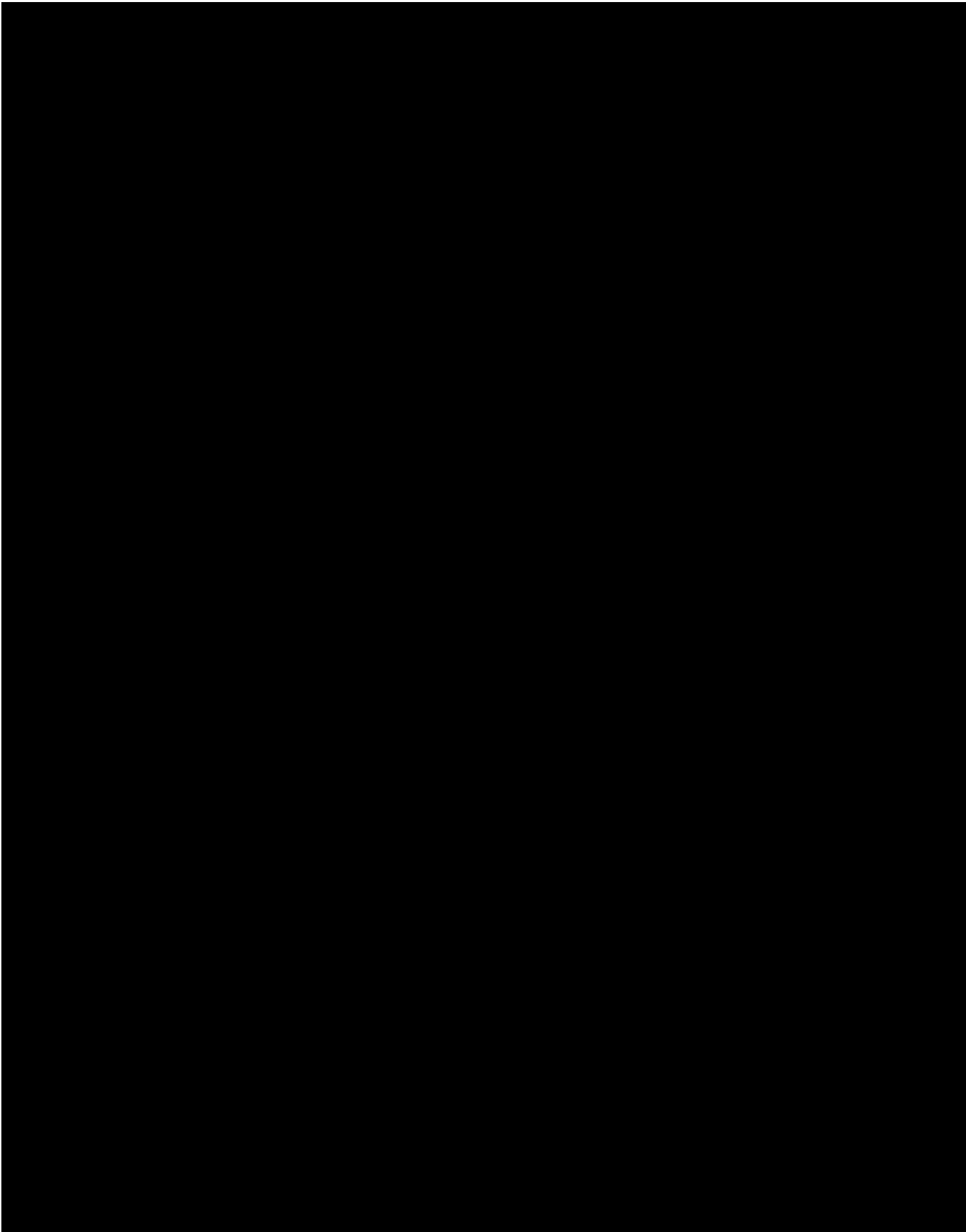


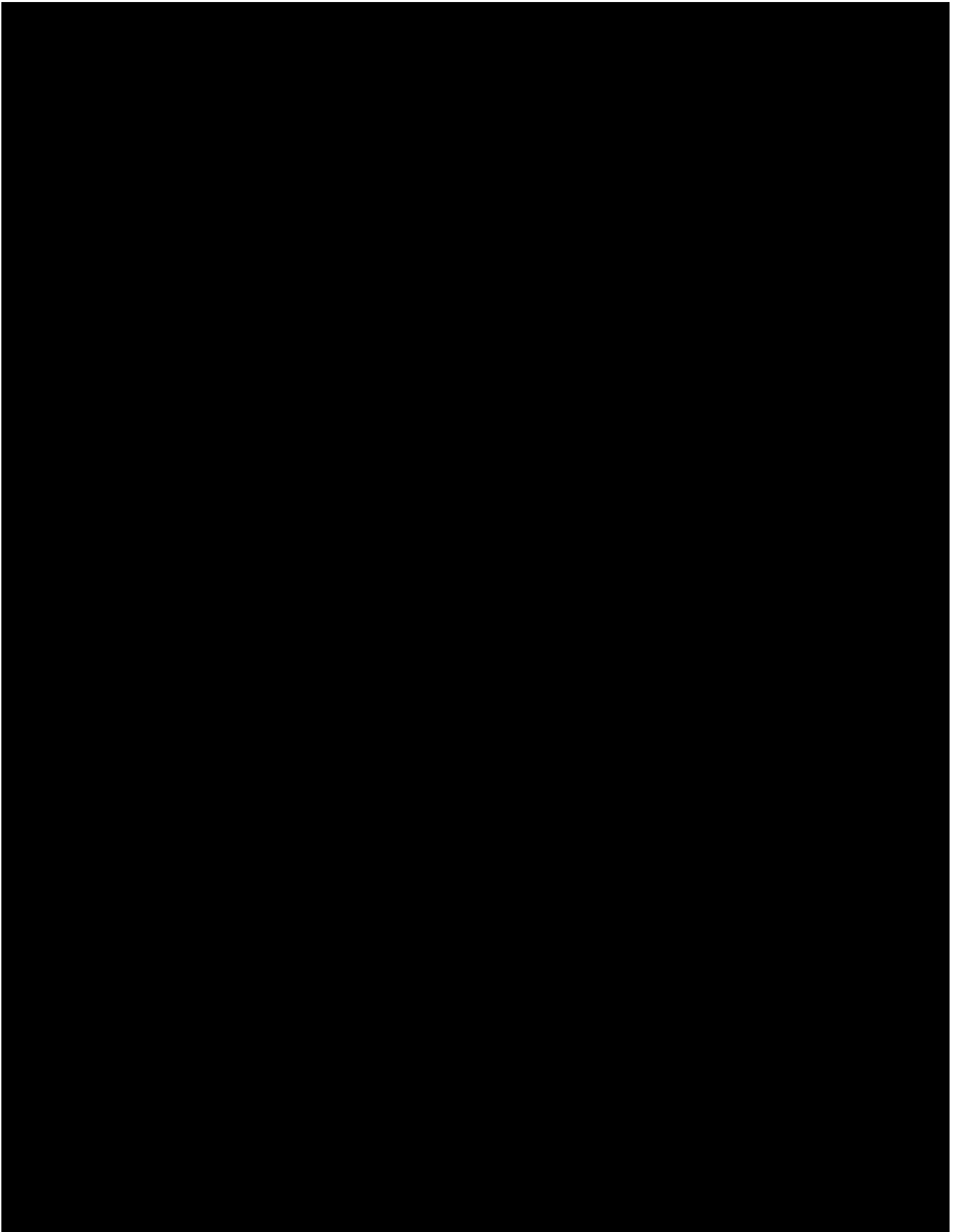












1. Assessment Rates

It is recommended:

(a) Property Rates:

That, the following general assessment rates in respect of the Mangaung Local Municipality be determined as follows:

- (i) Comma seven one five two cent (0,7152 cent), multiply by comma two five percent (0.25%) and comma seven five percent (0.75%) per rand on the rateable value of farm property (exempt from VAT);
- (ii) Comma seven one five two cent (0,7152 cent) per rand on the rateable value of residential property (exempt from VAT);
- (iii) One comma seven eight eight one cent (1,7881 cent) per rand on the rateable value of government property (exempt from VAT);
- (iv) Three comma five four three two cent (3, 5432 cent) per rand on the rateable value of business property (exempt from VAT).
- (v) Interest shall be paid to Council on rates, which have not been paid within thirty days from the date on which such rates became due, at a rate of 1% higher than the prime rate for the period during which such rates remain unpaid after expiry of the said period of thirty days.

Assessment Rebates:

- * The first R 40 000 (Forty thousand Rand only) of the rateable value of residential properties are exempted;
- * That in respect of qualifying senior citizens and disabled persons, the first R 200 000 (Two hundred thousand rand only) of the rateable value of their residential properties be exempted from rates;
- * That the rebate on the first R 200 000 of the rateable value for residential properties of qualifying senior citizens and disabled persons will only be applicable on properties with a value that does not exceed R 2 000 000 (Two million rand only); and,
- * That for the 20010/11 financial year the criteria applicable for child headed families regarding the total monthly income from all sources must not exceed an amount of R 3,360-00 per month.

(b) Sanitation Fees:

That the following levies in respect of the Mangaung Local Municipality (excluding residential in Bloemindustria, Ribblesdale, Bloemspruit, Bainsvlei, Farms and Peri Urban areas in Thaba Nchu, but including parsonages and the Langenhovenpark area) be determined:

- (i) Comma four two one one cent (0,4211 cent) per rand on the rateable value of the property (VAT excluded) with a minimum of eighty seven rand and one cent (R 87.01) (VAT excluded) per erf per month

Sanitation – residential properties with a value of R 40 000,00 or less are exempted

- (ii) Levy on churches, church halls and other places of similar nature, qualifying charitable institutions and welfare organizations:
R 78.10 per sanitary point per month (VAT excluded);
R 25.97 per refuse container per month (VAT excluded);
- (iii) Martie du Plessis School, Dr Böhmer School, Lettie Fouche School, and schools of similar nature:
R 39.06 per sanitary point per month (VAT excluded);
R 12.99 per refuse container per month (VAT excluded);
- (iv) that the rates and levies in accordance with (a) and (b), as stated above, become due monthly on the following dates, 7 July 2011, 8 August 2011, 7 September 2011, 7 October 2011, 7 November 2011, 7 December 2011, 10 January 2012, 7 February 2012, 7 March 2012, 9 April 2012, 7 May 2012 and 7 June 2012;

2. Water Tariffs

It is recommended:

- (i) That, the water tariffs for the 2011/12 financial year be increased by 10.0% above the previous year;
- (ii) That, the water tariffs for 2011/12 be applicable from the consumer month of July 2011;
- (iii) That, for the calculation of water accounts the consumer month will be the period between the successive monthly readings irrespective of the period between reading dates and
- (iv) That, in terms of section 145 of the Local Government Ordinance of 1962, (Ordinance No 8 of 1962) the following charges and prices, excluding VAT, in connection with the supply and consumption of water are submitted for approval.

Part A: Erf within Municipal Area

Tariff 1: (a) Erf Used for Residential Purpose and (b) Sports Club Incorporated in the Council's Sport Club Scheme Water Consumed:

- (i) R 3.65 per kilolitre per month for 0 to 6 kilolitres;
- (ii) R 11.01 per kilolitre per month for 7 up to 30 kilolitres;
- (iii) R 11.40 per kilolitre per month for 31 up to 100 kilolitres;
- (iv) R 12.12 per kilolitre per month for each kilolitre more than 100 kilolitres.

(c) Bulk metered Flats / Townhouses / Duet Houses:

- (i) Total kilolitres used, number of Flats/Townhouses/Duet Houses
- (ii) Apply sliding scale:
 - 0 - 6 kilolitres
 - 7 - 30 kilolitres
 - 31 - 100 kilolitres
 - 101 kilolitres and more

Multiply amount by number of Flats/Townhouses/Duet houses. Tariffs applicable to normal residential dwellings are applicable to the above.

Tariff 2: Unmetered Erf Used for Residential Purposes Only.
Fixed amount: R 21.15 per month

Tariff 3: Unimproved Erf
3.1 Unimproved erf which may be used for residential purposes only:
Minimum charge: R 23.33 per month
3.2 Any other unimproved erf:
Minimum charge: R 2 513.32 per month

Tariff 4: Directorates of Council
Water consumed: R 9.09 per month

Tariff 5: Any Other Point where Water is supplied not mentioned in Tariffs 1, 2, 3 and 4 per Water Meter:
5.1 Minimum charge: R 313.32 per month
plus
5.2 Water consumed: R 11.52 per kilolitre per month.

Part B: Erf Out-side Municipal Area

Tariff 6: Erf used for Residential Purposes Only

Water consumed:

- (a) R 3.65 per kilolitre per month for 0 to 6 kilolitres;
- (b) R 11.01 per kilolitre per month for 7 up to 30 kilolitres plus a surcharge of 35%;
- (c) R 11.44 per kilolitre per month for 31 up to 100 kilolitres plus a surcharge of 35%;
- (d) R 12.12 per kilolitre per month for each kilolitre more than 100 kilolitres plus a surcharge of 35%;

Tariff 7: Any other point where water is supplied not mentioned in Tariff 6, per water meter (Excluding Special Arrangements)

- 7.1 Minimum charge: R 313.32 per month, plus a surcharge of 35%
plus
 7.2 Water consumed: R 11.19 per kilolitre per month plus a surcharge of 35%

1.6 Electricity Tariffs

It is recommended:

- (i) That, the electricity tariffs for the 2011/12 financial year be increased with 26.53% **(2010/11 – 29%)** (on average) above the previous year;
- (ii) That, the new electricity tariffs for 2011/12 be applicable from the consumer month of July 2011
- (iii) That, for the calculation of electricity accounts the consumer month will be the period between the successive monthly readings irrespective of the period between reading dates and
- (iv) That, the following charges and prices, excluding VAT, in connection with the supply and consumption of electricity are submitted for approval:

	Tariffs as From 1 July 2010	Proposed Tariffs as from 1 July 2011		Proposed Tariffs as from 1 July 2012	
Residential Tariff Group	Urban Tariff as from 1 July 2010 (R)	Urban Tariff as from 1 July 2011 (R)	% Increase	Urban Tariff as from 1 July 2012 (R)	% Increase
Tariff I: Residential Tariff – Inclining Block tariff					
Energy Block 1 (1-50 kWh)	0.6250	0.7910	26.56%	0.9520	20.35%
Energy Block 2 (51-350 kWh)	0.6650	0.8410	26.47%	1.0120	20.35%
Energy Block 3 (351 – 600 kWh)	0.7400	0.9360	26.49%	1.1270	20.41%
Energy Block 4 > 600 kWh)	0.8500	1.0760	26.59%	1.2950	20.35%
Tariff VI: Homeflex					
Basic Charge (Service Levy)	41.6620	52.7150	26.53%	63.4580	20.38%
Capacity Charge (/Amp/m)	2.0830	2.6360	26.55%	3.1730	20.37%
Energy High Demand – Peak (kWh)	1.7900	2.2650	26.54%	2.7270	20.40%
Energy High Demand – Standard (kWh)	0.7250	0.9170	26.48%	1.1040	20.39%
Energy High Demand – Off-Peak (kWh)	0.5500	0.6960	26.55%	0.8380	20.40%
Energy – Super Peak (kWh)	0.0000	0.0000	0.00%	0.0000	0.00%
Energy – Low Demand - Peak (kWh)	0.7530	0.9530	26.56%	1.1470	20.36%
Energy – Low Demand - Standard (kWh)	0.5970	0.7550	26.47%	0.9090	20.40%
Energy – Low Demand – Off-Peak (kWh)	0.5220	0.6600	26.44%	0.7950	20.45%
Energy – Super Peak (kWh)	0.000	0.0000	0.00%	0.0000	0.00%

	Tariffs as Form 1 July 2010	Proposed Tariffs as form 1 July 2011		Proposed Tariffs as form 1 July 2012	
Business & Commercial Tariff Group	Urban Tariff as form 1 July 2010 (R)	Urban Tariff as form 1 July 2011 (R)	% Increase	Urban Tariff as form 1 July 2012 (R)	% Increase
Tariff II: Business ate Tariff – Inclining Block tariff					
Energy Block 1 (1-50 kWh)	8.0000	10.1220	26.53%	12.1850	20.38%
Energy Block 2 (51-350 kWh)	0.9500	1.2020	26.53%	1.4470	20.38%
Energy Block 3 (351 – 600 kWh)	0.9200	1.1640	26.52%	1.4010	20.36%
Energy Block 4 > 600 kWh)	0.9000	1.1390	26.56%	1.3710	20.37%
Tariff II (c): Centlec (Own Use)					
Units (c/kWh) Public Light (Street Lights)	0.6170	0.7810	26.58%	0.9400	20.36%
Units (c/kWh) (Centlec Buildings)	0.7500	0.9490	26.53%	1.1420	20.34%

Tariff VI: Commflex						
Basic Charge (Service Levy)		51.5600	65.2390	26.53%	78.5350	20.38%
Capacity Charge (/Amp/phase/month)		2.3200	2.9350	26.51%	3.5330	20.37%
Energy – High Demand - Peak		1.8700	2.3660	26.52%	2.8480	20.37%
Energy – High Demand - Standard		0.8380	1.0600	26.49%	1.2760	20.38%
Energy – High Demand – Off-Peak		0.6120	0.7740	26.47%	0.9320	20.41%
Energy – Low Demand - Peak		0.8000	1.0120	26.50%	1.2180	20.36%
Energy – Low Demand - Standard		0.6700	0.8480	26.57%	1.0210	20.40%
Energy – Low Demand – Off-Peak		0.5800	0.7340	26.55%	0.8840	20.44%
		Tariffs as Form 1 July 2010	Proposed Tariffs as form 1 July 2011		Proposed Tariffs as form 1 July 2012	
Bulk Tariff Group		Urban Tariff as form 1 July 2010 (R)	Urban Tariff as form 1 July 2011 (R)	% Increase	Urban Tariff as form 1 July 2012 (R)	% Increase
Tariff III (b): TOU – Elexflex 1 – Bulk Supply – MV: Direct form Distribution Centre						
Basic Charge (Service Levy)		4 323.7560	5 470.84180	26.53%	6 585.8070	20.38%
Reactive Energy Charge		0.0000	0.0000	0.00%	0.0000	0.00%
Access Charge (/kVA)		16.0950	20.3650	26.53%	24.5150	20.38%
kVA Demand Charge (/kVA)		62.0410	78.5000	26.53%	94.4980	20.38%
Energy High Demand – Peak	(c/kWh)	1.6260	2.0570	26.51%	2.4760	20.37%
Energy High Demand – Standard	(c/kWh)	0.5590	0.7070	26.48%	0.8510	20.37%
Energy High Demand – Off-Peak	(c/kWh)	0.3650	0.4620	26.58%	0.5560	20.35%
Energy – Low Demand - Peak	(c/kWh)	0.5810	0.7350	26.51%	0.8850	20.41%
Energy – Low Demand - Standard	(c/kWh)	0.4690	0.5930	26.44%	0.7140	20.40%
Energy – Low Demand – Off-Peak	(c/kWh)	0.3580	0.4530	26.54%	0.5450	20.31%
Tariff III (c): TOU – Elexflex 2 – Bulk Supply – MV: Feeding from MV Network						
Basic Charge (Service Levy)		2 908.5420	3 680.1780	26.53%	4 430.1980	20.38%
Reactive Energy Charge		0.0000	0.0000	0.00%	0.0000	0.00%
Access Charge (/kVA)		16.8270	21 2910	26.53%	25.6300	20.38%
kVA Demand Charge (/kVA)		64.59220	81.72850	26.53%	98.3840	20.38%
Energy High Demand – Peak	(c/kWh)	1.6880	2.1360	26.54%	2.5710	20.37%
Energy High Demand – Standard	(c/kWh)	0.5910	0.7480	26.57%	0.9000	20.32%
Energy High Demand – Off-Peak	(c/kWh)	0.3820	0.4830	26.44%	0.5810	20.29%
Energy – Low Demand - Peak	(c/kWh)	0.5910	0.7480	26.57%	0.9000	20.32%
Energy – Low Demand - Standard	(c/kWh)	0.4860	0.6150	26.54%	0.7400	20.33%
Energy – Low Demand – Off-Peak	(c/kWh)	0.3680	0.4660	26.63%	0.5610	20.39%
Tariff III (d): TOU – Elexflex 1 – Bulk Supply – LV: Feeding from LV Network						
Basic Charge (Service Levy)		1 704.2880	2 156.4360	26.53%	2 595.9180	20.38%
Reactive Energy Charge		0.0000	0.0000	0.00%	0.0000	0.00%
Access Charge (/kVA)		17.8940	22.6410	26.53%	27.2550	20.38%
kVA Demand Charge (/kVA)		66.9750	84.7430	26.53%	102.0140	20.38%
Energy High Demand – Peak	(c/kWh)	1.7580	2.2240	26.51%	2 6770	20.37%
Energy High Demand – Standard	(c/kWh)	0.6390	0.8090	26.60%	0.9740	20.40%
Energy High Demand – Off-Peak	(c/kWh)	0.4170	0.5280	26.62%	0.6360	20.45%
Energy – Low Demand - Peak	(c/kWh)	0.6240	0.7900	26.60%	0.9510	20.38%
Energy – Low Demand - Standard	(c/kWh)	0.5040	0.6380	26.59%	0.7680	20.38%
Energy – Low Demand – Off-Peak	(c/kWh)	0.3790	0.4800	26.65%	0.5780	20.42%

1.7 Housing Rental Tariffs

It is recommended that the rental tariffs on all housing schemes be increased with 10% from 1 July 2011.

PART 2 – SUPPORTING DOCUMENTATION

1. OVERVIEW OF ANNUAL BUDGET PROCESS

The MFMA requires the mayor of a municipality to provide general political guidance over the budget process and the priorities that must guide the preparation of a budget. The new National Treasury Budget Regulations gives further effect to this by prescribing that the mayor of a municipality must establish a Budget Steering Committee to assist in discharging the mayor's responsibility' set out in section 53 of the Municipal Financial Management Act. Compilation of the Municipality's annual budget commenced with establishment of the Budget Committee, composed of executive political representatives. The Committee's terms of reference include the following:

- To provide guidance on budget principals;
- To consider draft budget operational and capital parameters;
- To review directorates' budget inputs via budget hearings after tabling of the draft budget; and
- To review and advice on the outcome of MTREF

Following consideration of the budget proposals from directorates, the Executive Management Team deliberated on the draft MTREF budget for endorsement in April 2011.

The 2011/12 to 2012/13 Draft MTB was tabled at a Council meeting held in April 2011. Subsequent to the tabling, the draft IDP, budget and proposed tariffs were published for stakeholders and public comment during 2011.

Advertisements were placed in local newspapers, the Municipality's website and in the regional offices, Thaba Nchu, Botshabelo and Mangaung. As required by legislation, the draft MTREF budget and draft IDP were submitted to the Provincial and National Treasury for comments.

The progress and evaluation of the status of service delivery, summary of community and stakeholder views on the IDP, MTREF budget and the linkage of the budget to the IDP and support from other stakeholders were presented to the IDP and Budget Conference on the April 2011.

The IDP and Budget time schedule as well as public participation for the 2011/12 budget cycle as approved by Council on 10 September 2010 in terms of Section 21 (1) (b) of the Municipal Finance Management Act is outlined below.

DELIVERABLE AND PROCESS MANAGEMENT	DATES
Development of the IDP and Budget Process Plan	
Draft Process Plan sent to IDP and Budget Steering Committee	21 Oct 2010
Tabling of the IDP and Budget Process Plan to Council	25 Nov 2010
Advertising of IDP and Budget Process Plan	26 Nov 2010
Committees and consultation forums for the budget process	9 Dec 2010
Briefing session with Budget Committee	17 Dec 2010
One day self assessment dialogue with Executive Management Team, Mayoral Committee and Councillors	10 Jan 2011
IDP Steering Committee to review emerging issues/changes and to prioritize IDP and budget items	27 Jan 2011
Refine municipal key performance area strategies, objectives and targets so as to influence the budget	07 Feb 2011
Initiate Public Participation process in line with Term Revenue and Expenditure Framework	10 Feb 2011
Mayoral Committee Lekgotla confirm IDP, SDBIP and Budget priorities	18 Feb 2011
Review tariffs and budget policies	23 Feb 2011
Set and agree on IDP priority programme, projects and services	28 Feb 2011
Draft Medium Term Revenue and Expenditure Framework budget	25 Feb 2011
One and multi-year scorecard revised and presented to MAYCO	14 Mar 2011
Institutional plan refined to deliver on the municipal strategy	18 Mar 2011
Directorates identifying programmes and projects with external stakeholders	22 Mar 2011
Integration of sector plans and institutional programmes	22 Mar 2011
Horizontal and vertical alignment with District, Province and other stakeholders	22 Mar 2011
Tabling of the Draft IDP including proposed revisions and MTREF Budget and related resolutions	23 Mar 2011
Submission of the draft IDP and MTREF Budget to MEC's Treasury and Cooperative Governance, Traditional and Human Settlements, and National	26 Mar 2011
Public participation process including hearings on Draft IDP and Budget	30 Mar 2011 till

	09 April 2011
IDP and Budget Conference	14 Apr 2011
Council considers submissions, representations and recommendations from hearings. Executive Mayor respond to submissions during consultation and table amendments for Council consideration	22 Apr 2011
Council meeting to approve MTREF budget by resolution, setting taxes and tariffs, approving changes to IDP and budget related policies, approving measurable performance objectives for revenue by source and expenditure by vote before start of budget year	25 Apr 2011
Publications of approved IDP and budget on the website and local newspapers	02 Jun 2011

In the light of the decision of the Municipal Demarcation Board to determine the boundaries of Mangaung as a category A municipal area, the approach of the Mangaung Local Municipality has had to be reviewed in terms of complying with section 21 (1) (b) of the Municipal Financial Management Act. Based on the options presented by the Department of Cooperative Governance and Traditional Affairs, certain processes and timelines had to be reviewed, in order to strike a balance between the necessary IDP and Budget processes, and the local government election that will take place on the 18th May 2011. As a result of the above Council, 31 January 2011, adopted the revised process plan as below.

Draft MTREF budget developed	22 Feb 2011
Directorates develop draft 2011/12 SDBIP and present to Portfolio Committees	01 Mar 2011
Presentation of service plans and integration into the IDP document to MAYCO	09 Mar 2011
Directorates identifying programmes and projects with external stakeholders and sector departments	16 Mar 2011
Integration of sector plans and institutional programmes	16 Mar 2011
Horizontal and vertical alignment with District, Province and other stakeholders	16 Mar 2011
Financial plan and capital investment plan are developed	23 Mar 2011
Tabling of the Draft IDP including proposed revisions and MTREF Budget and related resolutions to Council	19 April 2011
Public participation process including hearings on Draft IDP and Budget	20 April 2011 till 04 May 2011
Submission of draft IDP and MTREF to MECs Treasury and Cooperative Governance, Traditional and Human Settlements, and National	22 Apr 2011
Finalization of technical work on reviewed IDP and Budget	13 May 2011
Council considers submissions, representations and recommendations from hearings. Executive Mayor to be provided with an opportunity to respond to submissions during consultation and table amendments for Council consideration.	Pending
Council meeting to approve MTREF budget by resolution, setting taxes and tariffs, approving changes to IDP and budget related policies, approving measurable performance objectives for revenue by source and expenditure by vote before start of budget year	Pending
Publication of approved IDP and budget on the website and in local newspapers	Pending

PUBLIC PARTICIPATION

Public participation processes unfolded smoothly and wards were clustered together for effective communication and to meet specific deadlines as reflected in the reviewed process plan. The following table provides a “snapshot” analysis of the public participation processes as unfolded.

Town	Clusters/ Wards	Venue	Time	Date	Attendance
Thaba-Nchu	41, 42 & 49	Zone 2 Community hall	09H00 am	20 April 2011	243
Thaba-Nchu	39, 40 & 43	Barolong Hall	09H00 am	20 April 2011	107
Botshabelo	27,28,29, & 30	Botshabelo Arena-Hall A	14H00 pm	20 April 2011	156
Botshabelo	31,32,33,34,35,36,37 & 38	Botshabelo Arena-Hall B	14H00 pm	20 April 2011	197
Bloemfontein	A (1,2,3,4,5 & 19)	Community Hall	09H00 am	29 April 2011	65
Bloemfontein	B (6,7,8,10,11,12,45)	White House in Freedom Square	09H00 am	29 April 2011	306
Bloemfontein	C (9,13,14,15 & 18)	Kagisanong Hall	09H00 am	29 April 2011	89
Bloemfontein	D(16,17,20,21,22,23,24,25, 26,44 & 47)	City Hall	09H00 am	04 May 2011	102

In strengthening the community participation process, Ward-Councillors and Ward-Committees were afforded an opportunity to make written submission to IDP office about issues which were not raised and are pertinent in their respective communities. And as such, submissions were made from different wards. Advertisements were placed in local newspapers, the Municipality's website and in the regional offices, Thaba Nchu, Botshabelo and Mangaung. The Mangaung Municipal Council loud-hailed to all the wards to ensure that the message is widely spread within Mangaung Community. During consultations, service delivery issues were raised, these includes demand for residential sites, RDP houses, Upgrading of roads, provision of water and sanitations, township establishments, maintenance of infrastructure and upgrading of recreational facilities.

2. OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH INTEGRATED DEVELOPMENT PLAN

The Mangaung Local Municipality' IDP outlined the key area for development in the short to medium term. These are the commitments that Council will take forward. By and large the Mayoral Committee played a significant role in shaping these priorities and it was necessary to linked them to the national, provincial, district and sector departments' priorities and plans.

Council has set following Mayoral Priorities:

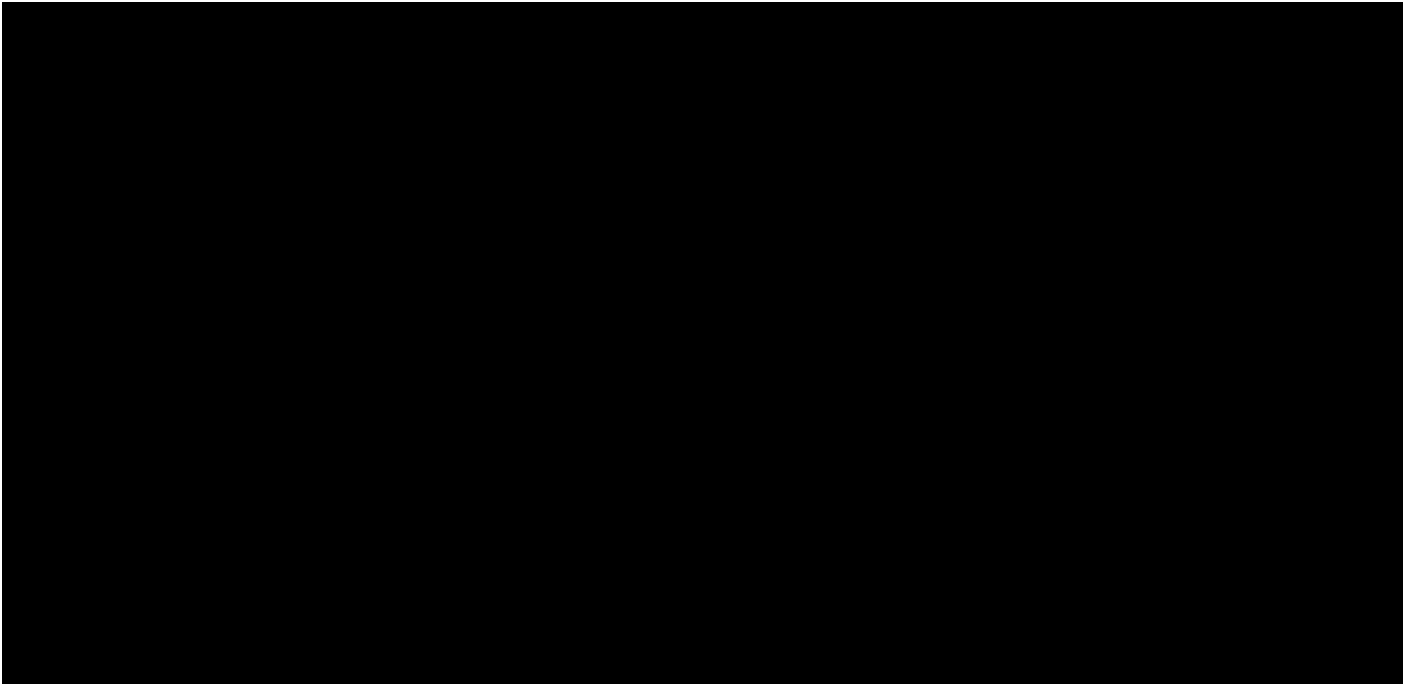
- Service delivery excellence and sustainability – continuing to provide quality services with effective strategic management of the municipality to drive the strategic intent.
- Stimulating our integrated and sustainable economic development – increased emphasis on development and promotion of growth to grow the revenue base and fighting poverty.
- Improving and sustaining financial, human resource excellence and management excellence – continuing to be financially sustainable as a municipality and promoting human resource and management excellence.
- Institutional excellence, civic leadership and common purpose – effectiveness in providing services and continuous enhancement of institutional operations; promoting effective intergovernmental relations and mobilising other resources of government

The 2011/12 budget continues to address the following IDP interventions that are informed by the guidelines of Output 8. These emphasise the development in an integrated manner. For this purpose, the major focus of the IDP and Budget Process is the development of integrated Human settlement.

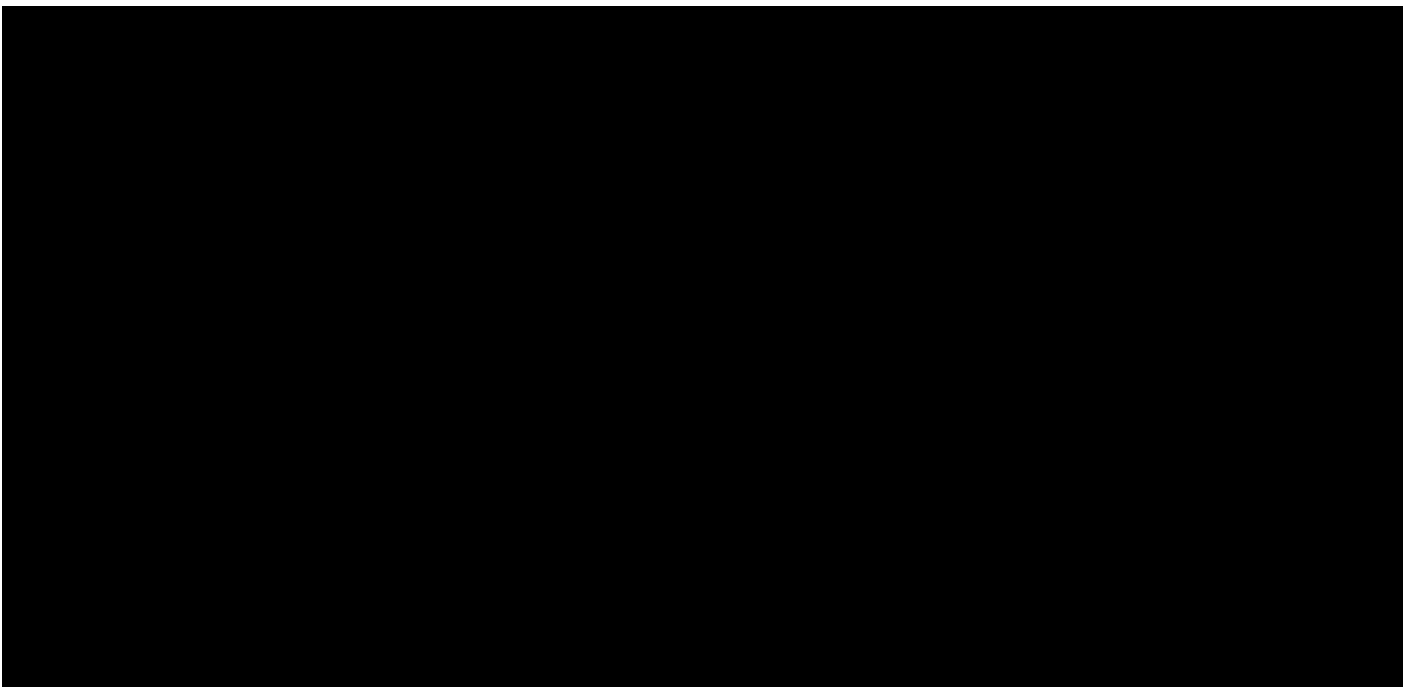
- Access to infrastructural services (water and sanitation, roads and stormwater, electricity, refuse removal)
- Formalization of informal settlements
- Integrated human settlements
- Community and Social development
- Upgrading of sewer and water purification plants
- Credit and debt collection
- Implementation of the financial recovery plan
- Compliance in implementing the budget in line with the IDP
- Local economic development
- Public participation and governance
- Operation Hlasela
- Anti-fraud and corruption

The table below serves to illustrate the alignment of the budget to the IDP Strategic objectives:

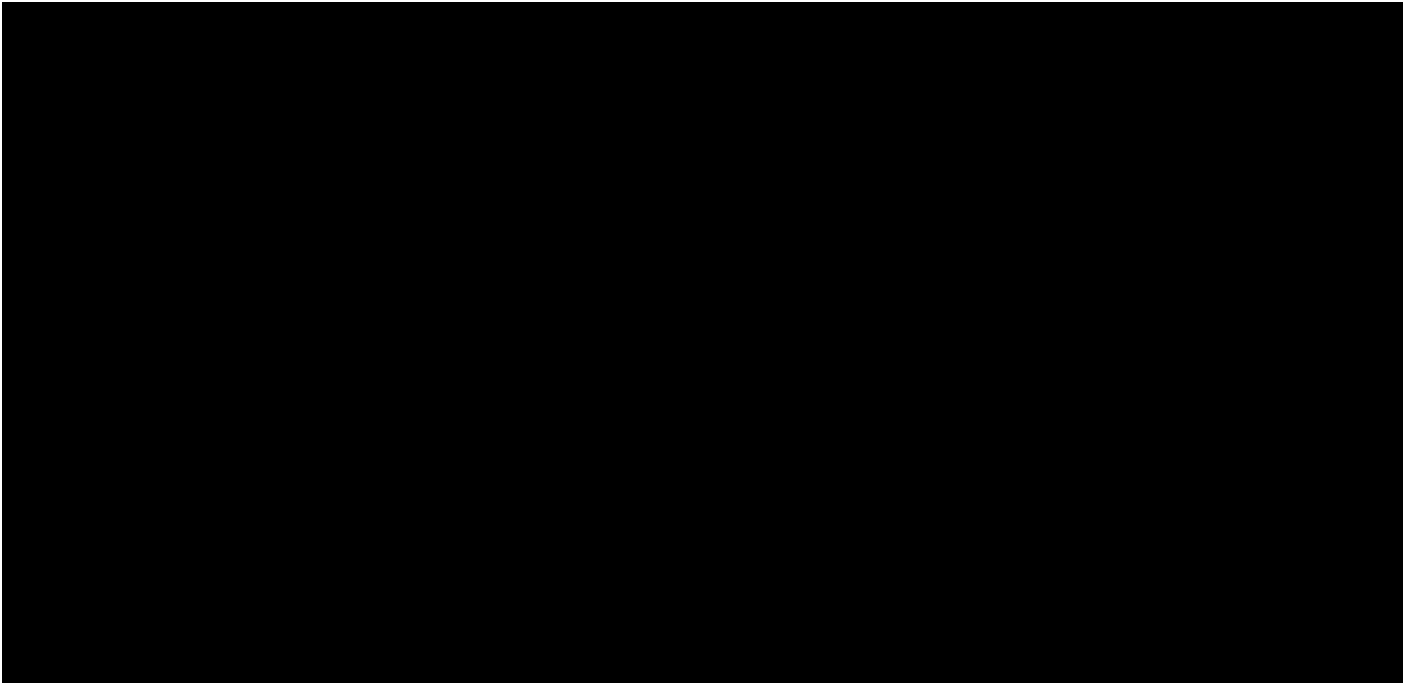
- IDP strategic objective (Operating Expenditure)



- IDP strategic objective (Revenue)

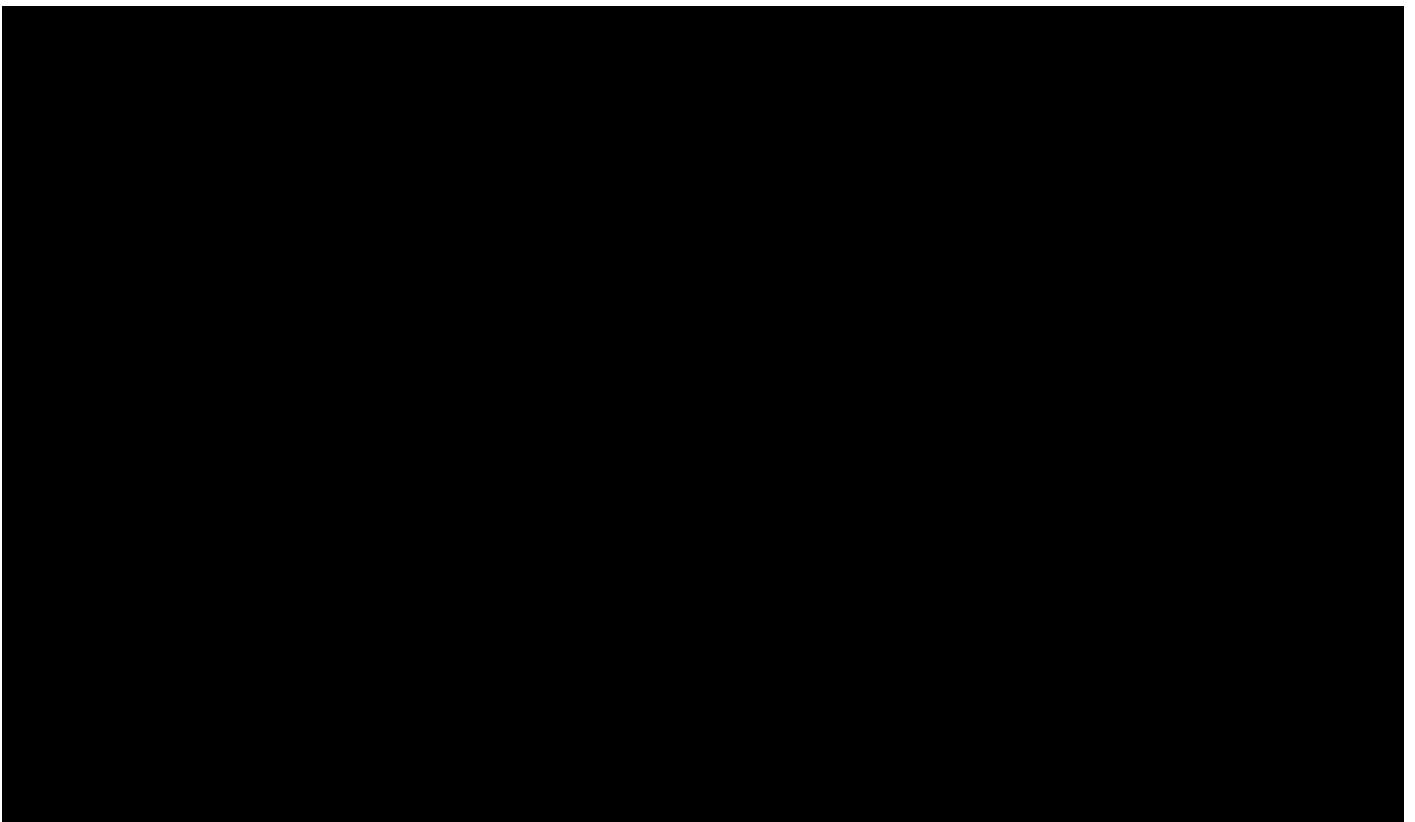


- IDP strategic objective (Capital Expenditure)



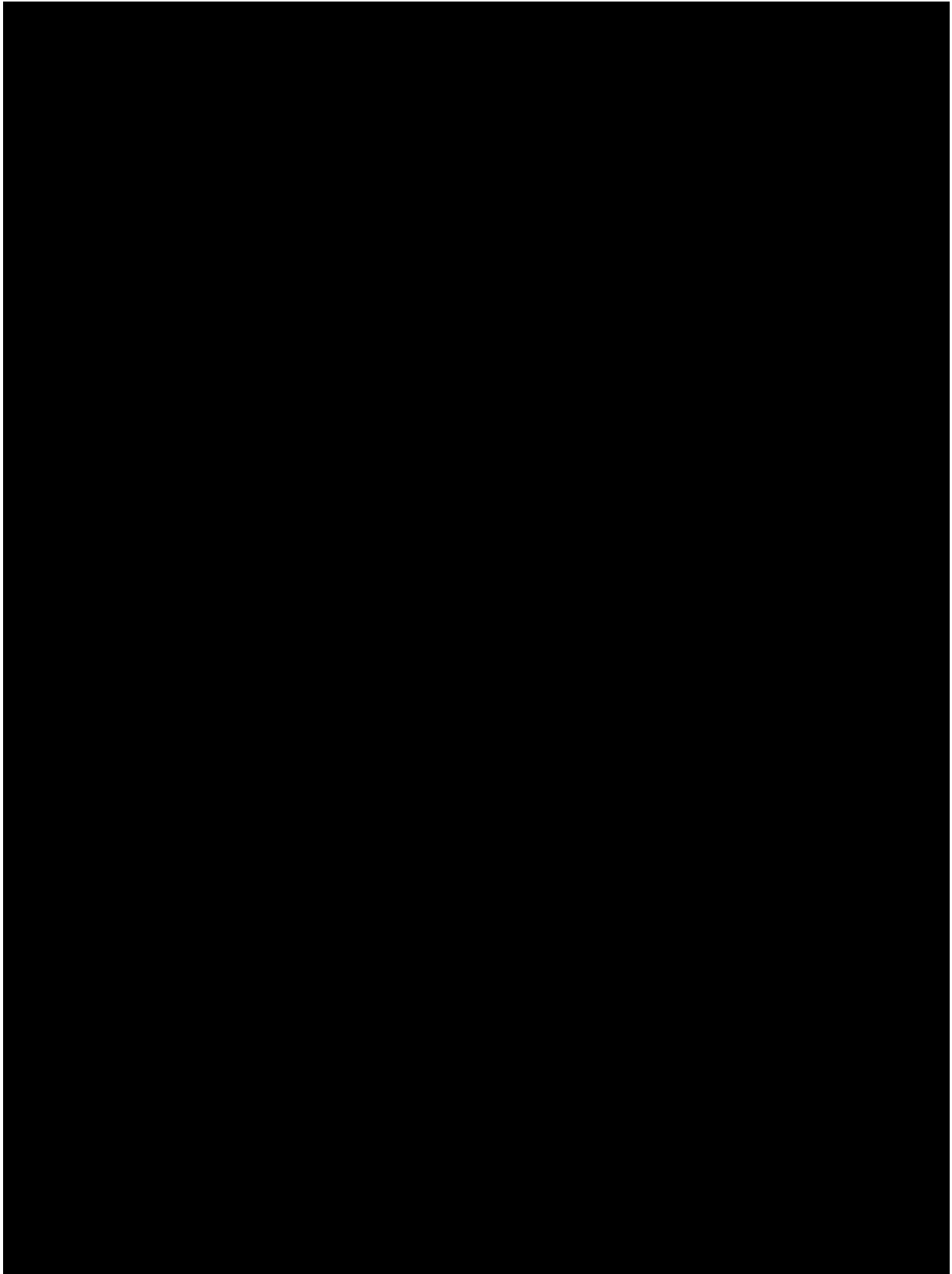
3. MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

A. Measurable Performance Objectives



B. Key Financial Ratios / Indicators

The benchmark reflected in the table below as based on actual results in the 2011/12 financial year and the outlook for the MTREF



4. OVERVIEW OF BUDGET-RELATED POLICIES

4.1 Budget Policies

The following are policies that govern the municipality's budget, compilation and/or implementation thereof:

- Supply Chain Management Policy
- Banking and Investment Policy
- Credit Control Policy
- Debt Collection Policy
- Land Disposal Policy
- Indigent Policy
- Tariffs Policy
- Asset Management Policy

The abovementioned policies are available on the Mangaung Metropolitan Municipality's website (www.mangaung.co.za)

4.2 New and Amendments to Policies (Annexure B)

The following new draft policy is being tabled in Council with this draft budget :

- Leave policy
- Revenue Management Policies
- Water Estimate Policies
- Credit control and Debt Collection Policies
- Supply Chain Management Policy
- Prepayment Water Meter Policy

The objective of the proposed policies can be briefly described as follows:

1. Leave Policy:

To give effect to the Basic Conditions of Employment Act 75 of 1997 as well as the following:

- (a) SALGBC Main Collective Agreement as concluded on the 01 May 2007;
- (b) SALGBC Collective Agreement on Conditions of Service, as concluded on the 01 July 2010;
- (c) SALGBC Collective Agreement on Disciplinary Procedure

The policy sets to highlights the different categories of leave as well as the different types of leave and legislative stipulations as depicted in the various pieces of legislation, collective agreements and government notices. The policy seeks to assist the employer and the employees on the management on administrative level the benefit namely leave. In conclusion is it the objective of the Mangaung Metropolitan Municipality policy to enhance the current efficiency and effectiveness of the Mangaung Metropolitan Municipality Benefit Administration Management, so as to ensure the sustainability of the Good Governance Practices of Mangaung Metropolitan Municipality.

2. Revenue Management Policy

The objective the revenue management policy is to ensure fair and accurate billing and collection of all outstanding monies for services rendered. It also serves to ensure that the municipality has and maintains a system of internal controls in respect of debtors and revenue, in terms of Section 64 and the MFMA.

3. Water Estimate Policy

The objective of the policy document is to ensure that water consumption are reliably estimated when no meter readings are available for those meters where water consumptions most probably did occur.

This policy document is addresses the following areas:

- What gives rise to an estimate being levied;
- When will estimate be levied;
- How estimates are calculated;
- Reasonably calculation for long outstanding estimates
- Provision adjustment at year end.

4. Credit Control and Debt Collection Policies

This policy has been compiled as required in terms of Section 96 and 97 of the Local Government: Municipal Systems Act 32 of 2000, and is designed to provide for credit control and debt collection procedures and mechanisms. It also aims to ensure that the Municipality's approach to debt recovery is sensitive, transparent and is equitably applied throughout the Municipality's geographic areas.

The primary objective of sound municipal debtors management, or credit control, is to ensure that all monies owed to the Municipality are collected in a reasonable period and all debtors owing to the municipality are treated in a fair en equitable manner.

5. Supply Chain Management Policy

This policy submission is an amendment to the existing policy which was approved by the Mangaung Local Municipality Council on the 1st October 2005. The primary objective of the policy being to:

- Give effect to the provisions of the Constitution of the Republic of South Africa;
- Give effect to the provisions of the MFMA;
- Transform procurement and provisioning practices in the municipality into an integrated supply chain management function;
- Introduce a systemic approach for the appointment of consultants;
- Create a common understanding and interpretation of the Municipality's preferential procurement policy objectives, etc.

6. Prepayment Water Meter Policy

This policy has been compiled to govern and provide for the installation of prepayment water meters. The need for the prepayment water meters arose from the following identified challenges;

- The threat to the security of consumers;
- The reduction of water losses
- Assistance with consumer budgets and
- Credit management benefits and bad debt reduction.

5. OVERVIEW OF BUDGET ASSUMPTIONS

5.1 Key Parameters

The following provisional indicative growth rates and parameters were issued to directorates for compiling their operating budgets and tariffs.

Expenditure	PARAMETER		
	2011/12	2012/13	2013/14
Average CPI	5.50%	5.00%	6.00%
Salary Agreement	2.00%	-	-
Salary Increase	7.50%	8.00%	10.00%
General Expenditure	6.00%	7.00%	8.00%
Repairs and Maintenance	8.00%	8.00%	10.00%
Bulk Purchases			
Water	8.00%	8.00%	8.00%
Electricity	27.00%	29.00%	20.00%
Contracted Services	6.00%	7.00%	8.00%
Bad Debt Provision	R 150,327 million	R 157,183 million	R 166.054 million
All Other Expenditure	6.00%	6.50%	7.00%

	PARAMETER		
	2011/12	2012/13	2013/14
Revenue			
Fuel Levy	R 175,972 million	R 185,875 million	R 197,671 million
Capital Grants and Subsidies	R 571,744 million	R 513,427 million	R 559,884 million
Tariff Increases			
General	10.00%	10.00%	10.00%
Water	10.00%	10.00%	10.00%
Electricity	26.53%	29.00%	20.00%
Rates	12.00%	10.00%	10.00%
Sanitation	10.00%	10.00%	10.00%
Trade Refuse Removal	10.00%	10.00%	10.00%
Interest on Shareholder Loan	R 100 million	R 110 million	R 110 million
Equitable Share	R 546,417 million	R 603,089 million	R 642,589 million
Other Revenue not mentioned above	10.00%	10.00%	10.00%
Other Budgetary Assumptions			
Debtors Collection Rate	94.5%	94.5%	94.5%
Expenditure Payment Rate	98.0%	98.0%	98.0%

6. OVERVIEW OF BUDGET FUNDING

Funding of Operating Budget

The Operating Budget provides funding to departments for medium term expenditure. The Operating Budget is developed with certain guiding principles, including the following:

- A balanced budget is compiled on an annual basis.
- Assessment rates are levied in terms of the Municipal Property Rates Act based on land and improvements value. The budget is compiled using the latest approved valuation roll as basis and adjusted for expected growth in the property market. Assessment Rates Tariffs and Rebates are determined annually as part of the tariff setting process.
- Other income is charged in terms of the approved tariffs, the budget is compiled based on historic trends and adjusted for expected growth and or contraction in service levels.
- Provision for revenue that will not be collected is made against the "Provision for bad debts" line item. Actual collection levels for the period directly proceeding the budget year is used as benchmark for setting the expected collection level.
- Interest from investment income is based on the actual long term investments that the municipality has, as well as the amount reasonable expected to be earned on cash amounts held during the year. The budgeted financial statements are used as a guide on cash amounts that will be available to generate interest income.
- The budget is compiled net of VAT, i.e. the amounts budgeted for will be the net cost to Council after VAT has been taken into consideration.
- The Mangaung Metropolitan Municipality is registered on the Payments Basis for VAT with the varied input method approved as the apportionment calculation method.
- 100% VAT is claimable on all departments for expenditure items that comply with the relevant VAT legislation.
- A detailed salary budget is compiled on an annual basis. All funded positions are budgeted for in total, in addition to this, an amount is determined on an annual basis to fund critical new positions.
- Council supports the principle of making sufficient provision for the maintenance of existing assets and infrastructure, yet affordability does result in maintenance budgets being lower than the levels requested by the user Directorates.
- Individual line items in the Operating Budget are to be reviewed each year when developing the budget to ensure proper control over the expenditure and to examine the possibility of rationalization.
- A budget implementation circular is issued on an annual basis to provide guidance on the utilisation of the various line items in the operating budget.

The municipality categorises services rendered to the community according to its revenue generating capabilities:

- Trading services (services that generate surpluses that can be used to fund other services rendered by the municipality)
- Economic services (services that break-even, but do not generate any surpluses to fund other services by the municipality)
- Rates and General (services that are funded by assessment rates, government grants and surpluses generated by the trading services)

The operating budget is thus funded from the following main sources of income:

	2011/12 R'000	2012/13 R'000	2013/14 R'000
Assessment Rates	445 409	497,078	550,375
Fuel Levy	175,972	185,875	197,671
Services Charges	2 023,408	2 369,258	2 692,561
Fines, Licences and Permits	7 018	7 719	8 491
Grants and Subsidies	1 270,243	1 276,969	1 384,509
Rental of Facilities	23,722	26,094	28,359
Interest Received	63 924	61 763	67 267
Other Income	164,161	198,145	182,897
Seconded Personnel	131,412	152, 619	160,067
Public Contribution	23 181	24 877	24 888
Interest on Shareholder Loan	110 000	110 000	110 000
Total Revenue	4 438,450	4 884,303	5 407,085

The above table indicates that 55.63% of the Operating Budget is funded from assessment rates and services charges (tariffs) for the 2011/12 financial year. Contribution of grants and subsidies is 28.62% of revenue year 2011/12

Funding of Capital Budget

Funding of the Capital Budget for the MTREF period will be generated through a contribution of external borrowings, own funds from the current debtors' book redemption donation, grants and subsidies.

The MTREF Capital Budget will be funded as follows:

FINANCING - MANGAUNG AND CENTLEC		Budget 2011/12	Budget 2012/13	Budget 2013/14
4300	External Loans	110,546,845	69,453,155	10,000,000
4400	Own Funds (CRR)	118,674,644	166,712,070	161,581,430
4600	Public Contributions/Donations	23,180,983	24,877,424	24,888,424
	Grants and Subsidies	571,744,533	513,427,000	559,884,000
	TOTAL	824,147,005	774,469,589	756,353,854

Details of the grants and subsidies for the MTREF period 2011/12 to 2013/14 are as follows:

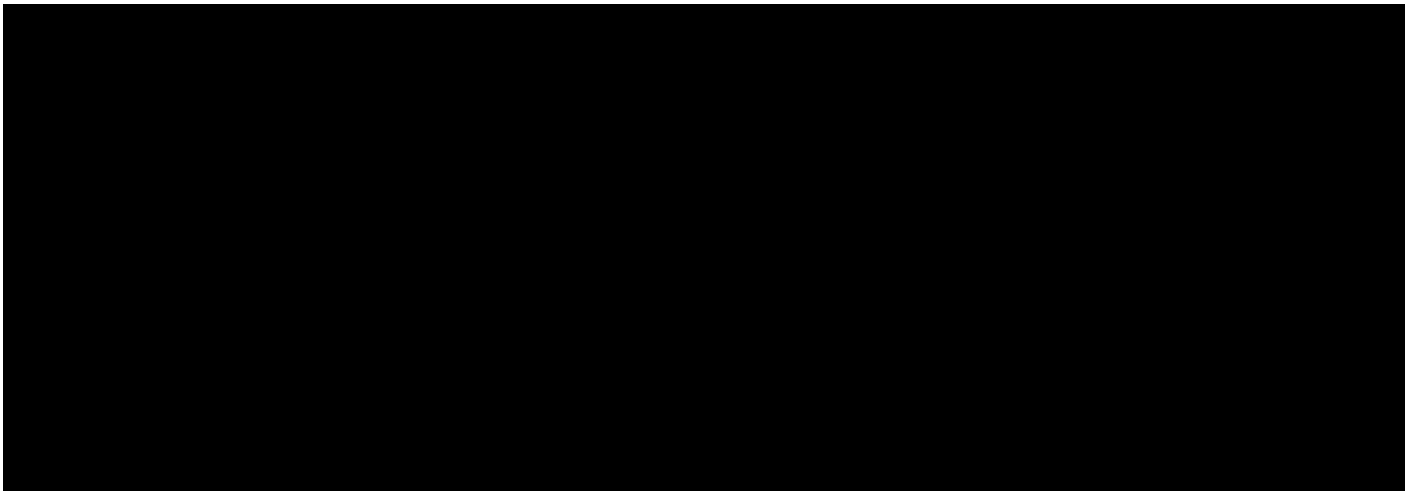
	2011/12	2012/13	2013/14
District Municipality	1,382,500		
Municipal Infrastructure Grant (MIG)	50,696,627		
Public Transport Infrastructure & Systems Grant	48,969,555	15,000,000	15,000,000
USDG Grant	411,995,000	483,477,000	531,884,000
EPWP Incentive Grant	8,570,000	-	-
Provincial Grants and Subsidies	22,000,000	-	-
National Electrification Programme	20,000,000	15,000,000	13,000,000
Demand Side Management Grant	5,000,000	-	-
Provincial Grant CCTV Cameras	3,130,851		
	571,744,533	513,427,000	559,884,000

(b) Compliance to Section 18 of the MFMA Act:

The municipality continues to strive towards full compliance to the MFMA directives and prescriptions. However, full compliance to Section 18 of the Act in its entirety, has proved to be a challenge to Manguang Metropolitan Municipality.

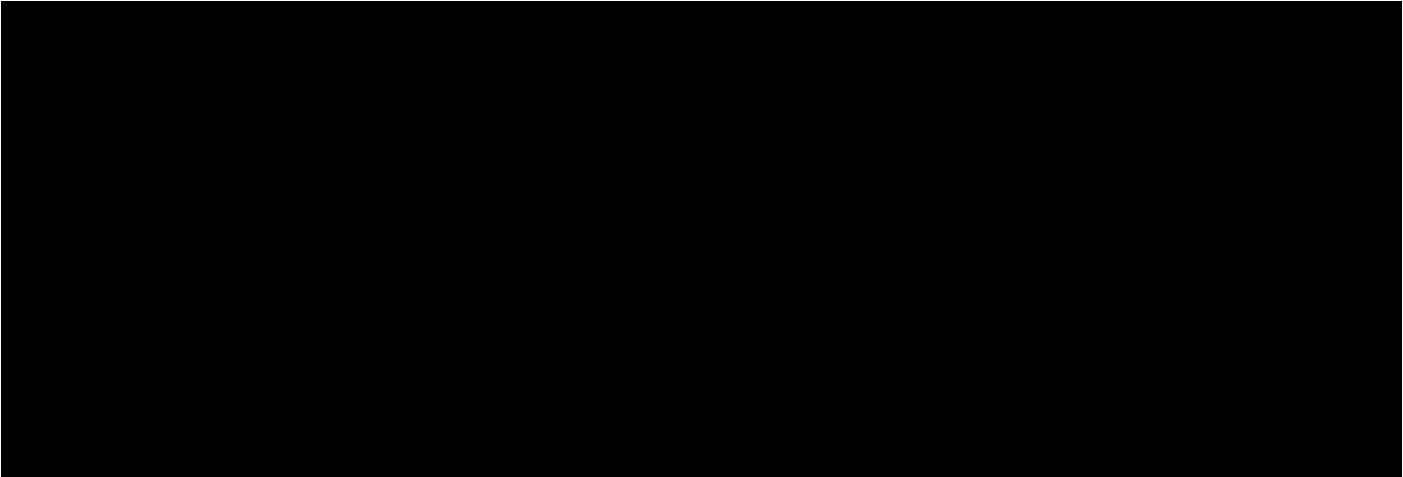
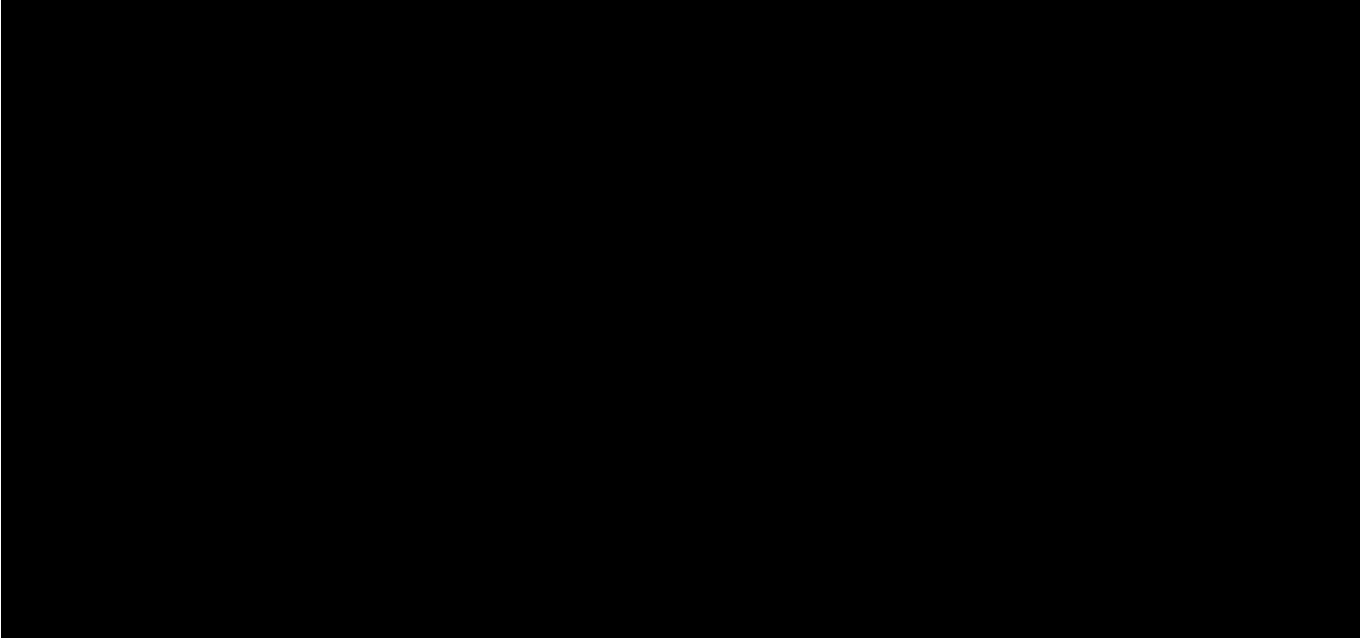
Cash plus investments less commitments are improving over the MTREF period, from a default position of R 732,987 million, based on the 2009/10 audit outcome, to a favourable balance of R 16,633 million. The position continues to improve on the two outer years of the MTREF period – R 44,843 and R 95,423 million respectively.

Compliance to Section 18 (1)(b), requiring of the municipality to have it cash-backed accumulated funds from previous years' surpluses not committed for other purposes, was last achieved during the 2007/08 financial year. The short fall on the cash-backed accumulated funds coverage, is dependent on the collection of our current consumer debtors to be collected within 30 days, other debtors collected in 30 days and creditors payments due within the same period. All receipts from debtors (both current and prior period) are being used to fund the day-to-day operational needs of the municipality. The monthly payments coverage ratio remains a course for concern and will need to be watched closely. However based on the National Treasury measurement tools, the budget is funded (see Table SA10 below):



(c) Particulars of Monetary Investments:

The municipality's monetary investment particulars by type and maturity are as follows:

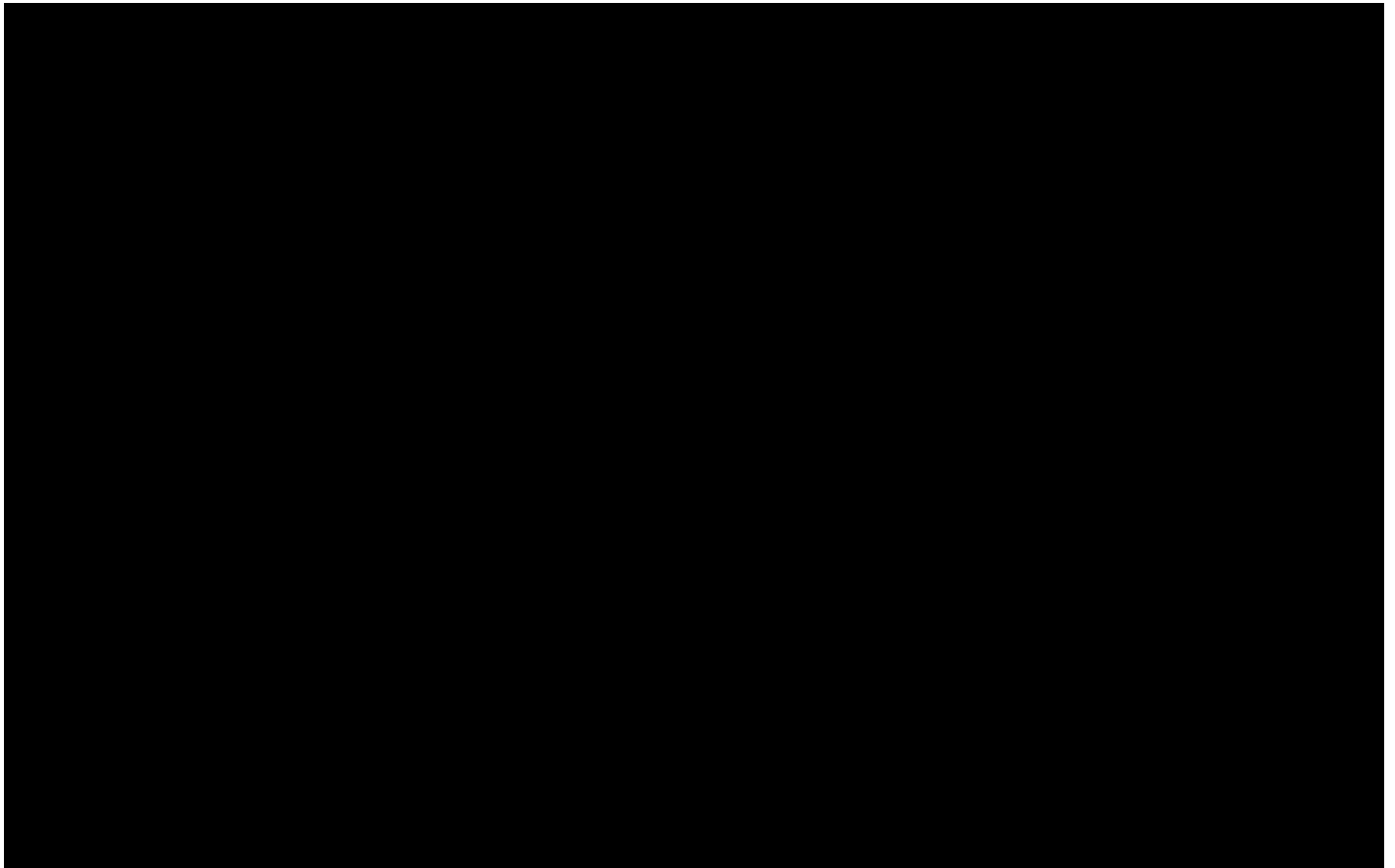


(d) Planned use of Bank Overdraft:

The municipality is currently not making use of bank overdraft facilities. Based on the current declining bank and investment balances it is becoming inevitable that the municipality will have to drastically increase the collection of debt or resort to the application of a bank overdraft facility.

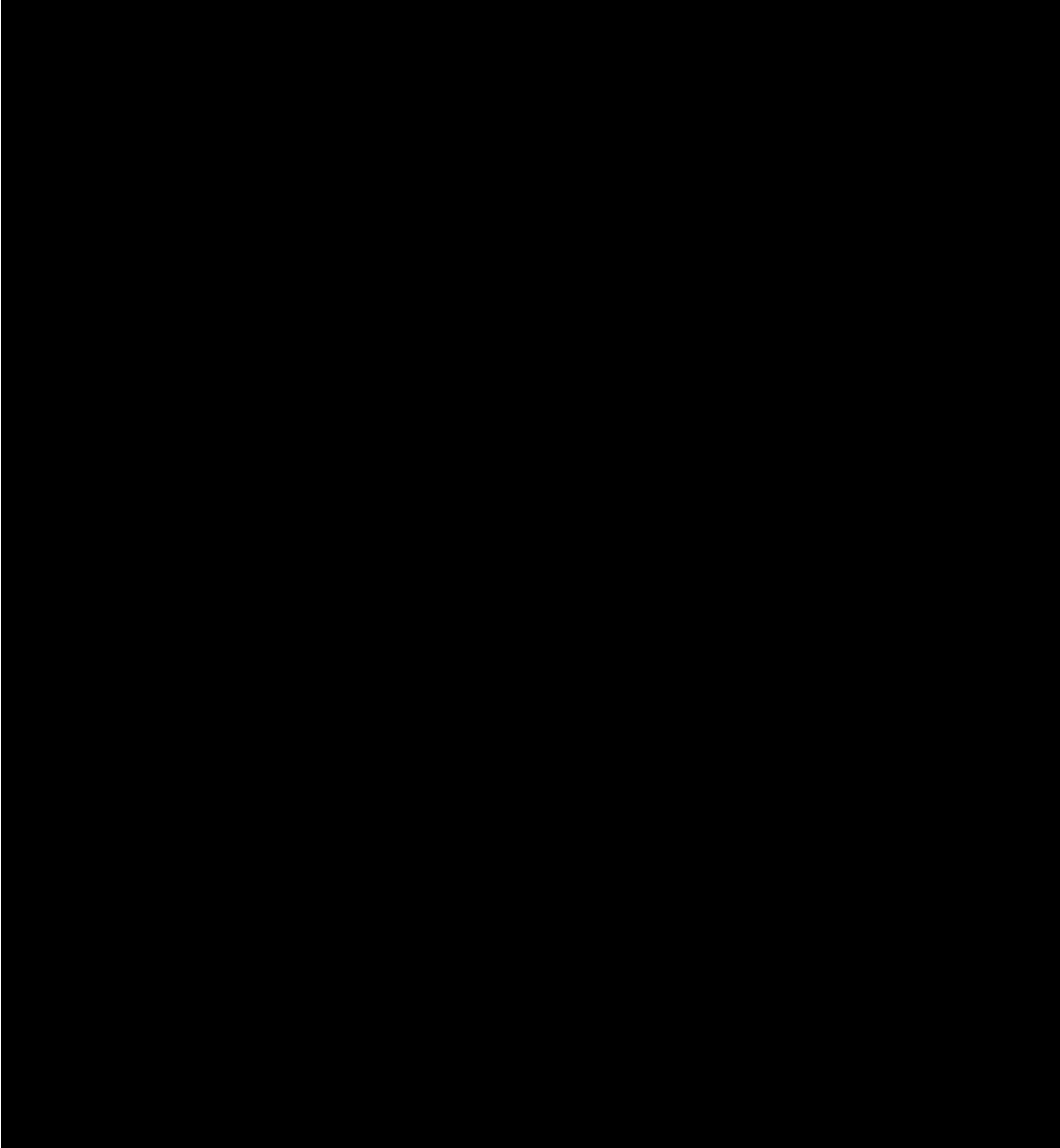
(e) Existing and Proposed new Borrowings:

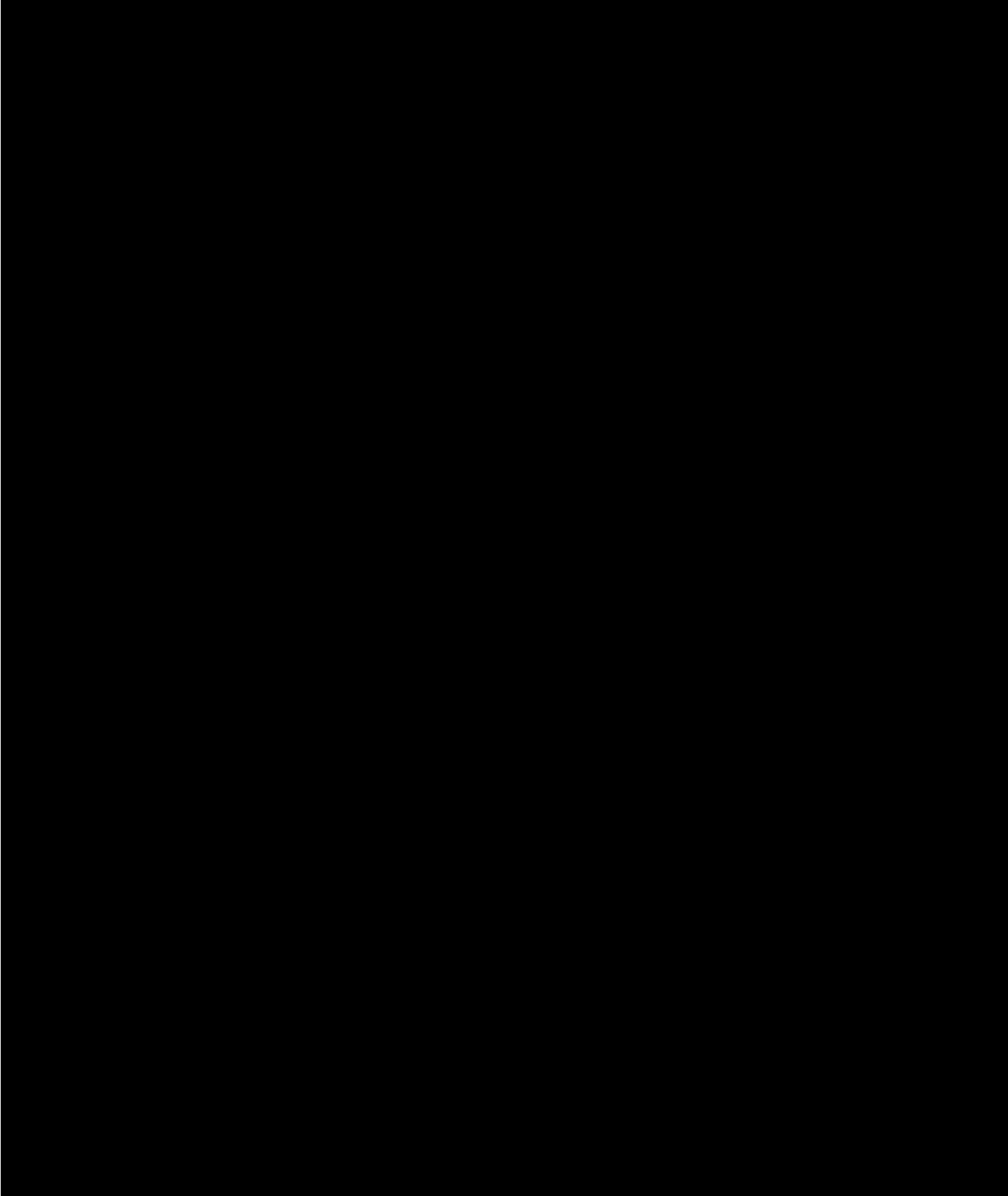
The municipality has an existing loan of R 200 million with the Development Bank of Southern Africa. The draw down from the granted loan is projected to be made over the three years of MTREF period in batches of R 110,5 million, R 69,5 million and R 10 million respectively. No new consideration has been made at this stage to take up new loans.

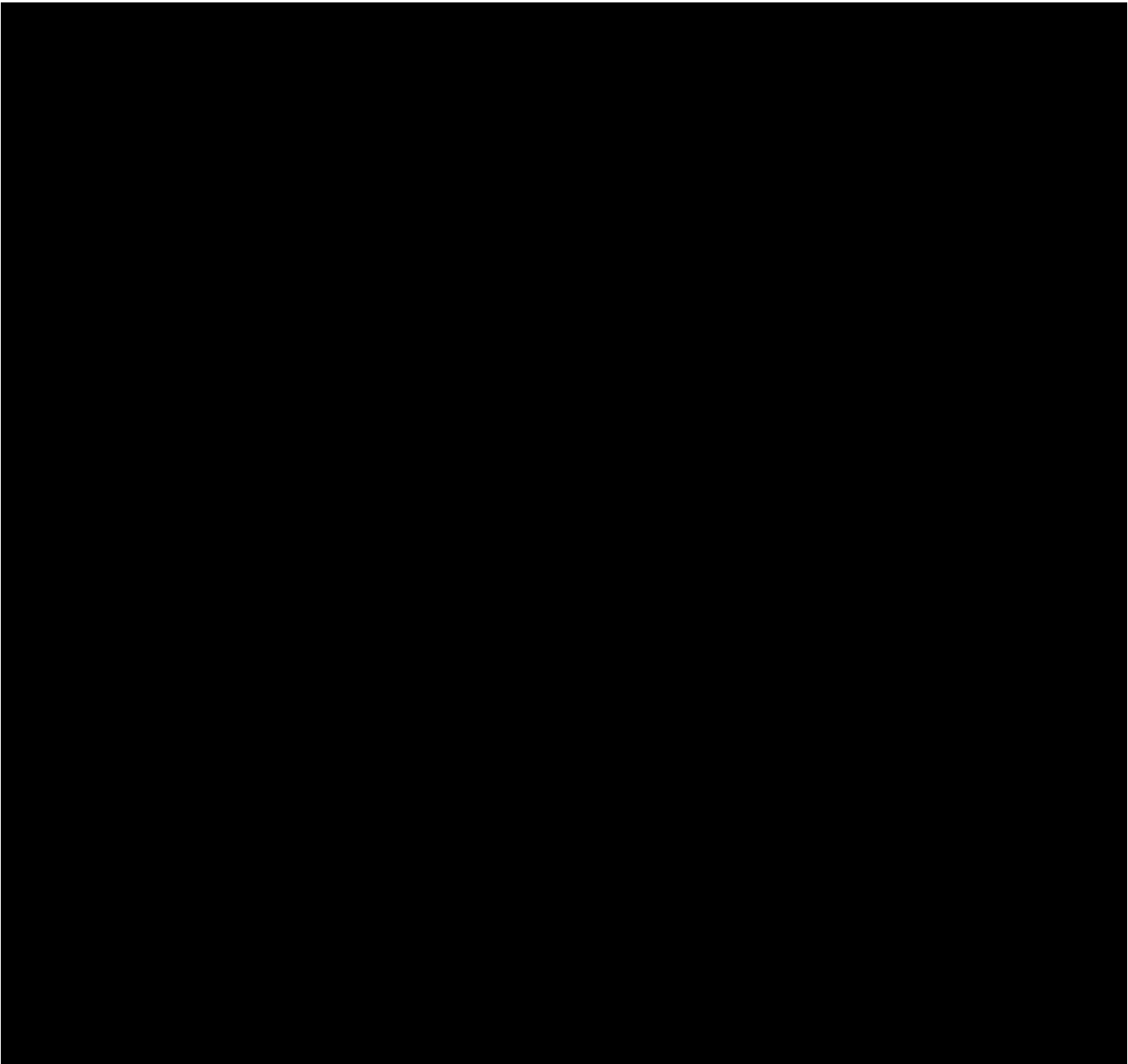


Budgeted Grants and Transfers:

The following grants allocated to the municipality in terms of the 2011 Division of Revenue Act have been included in the medium term budget:



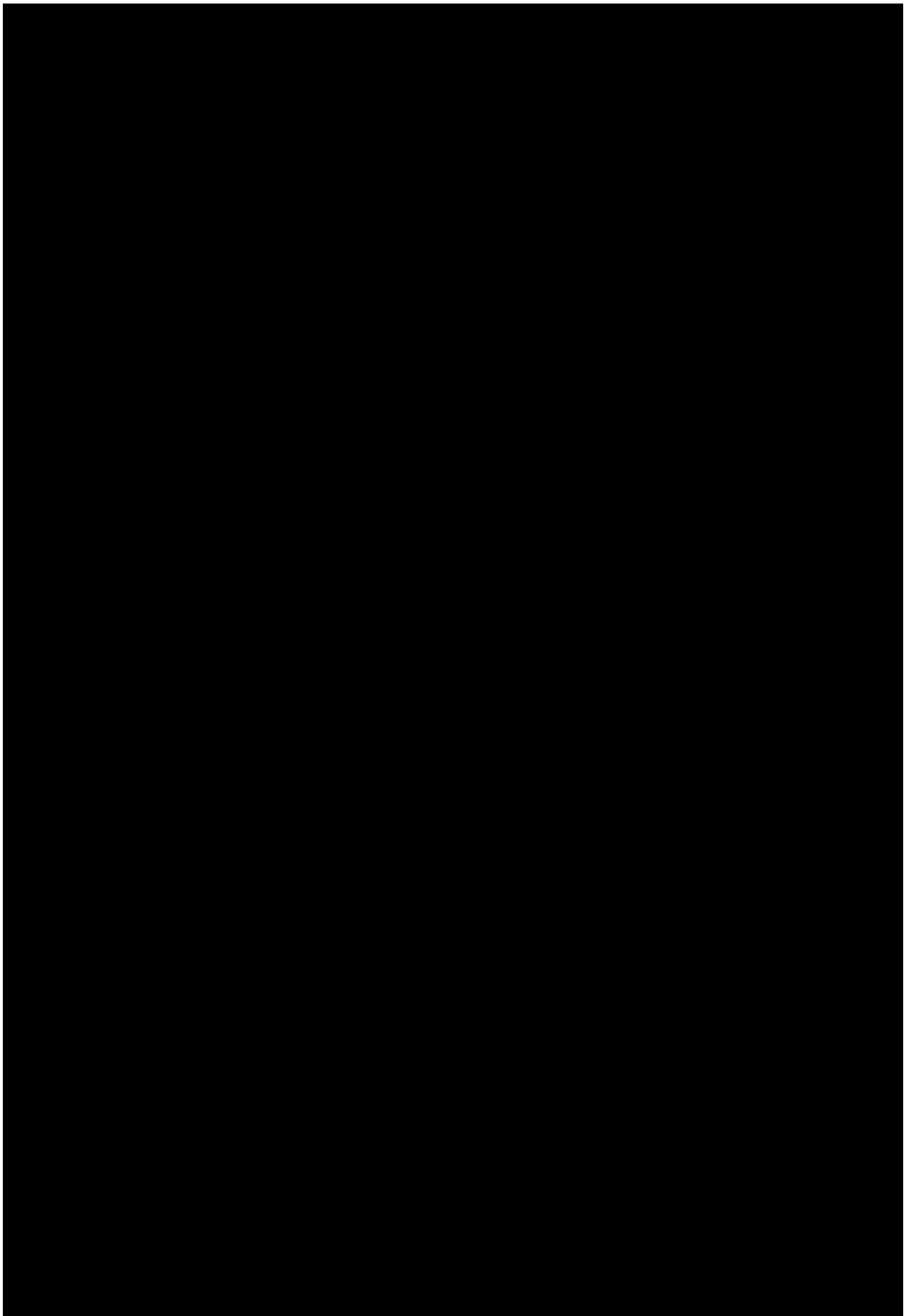


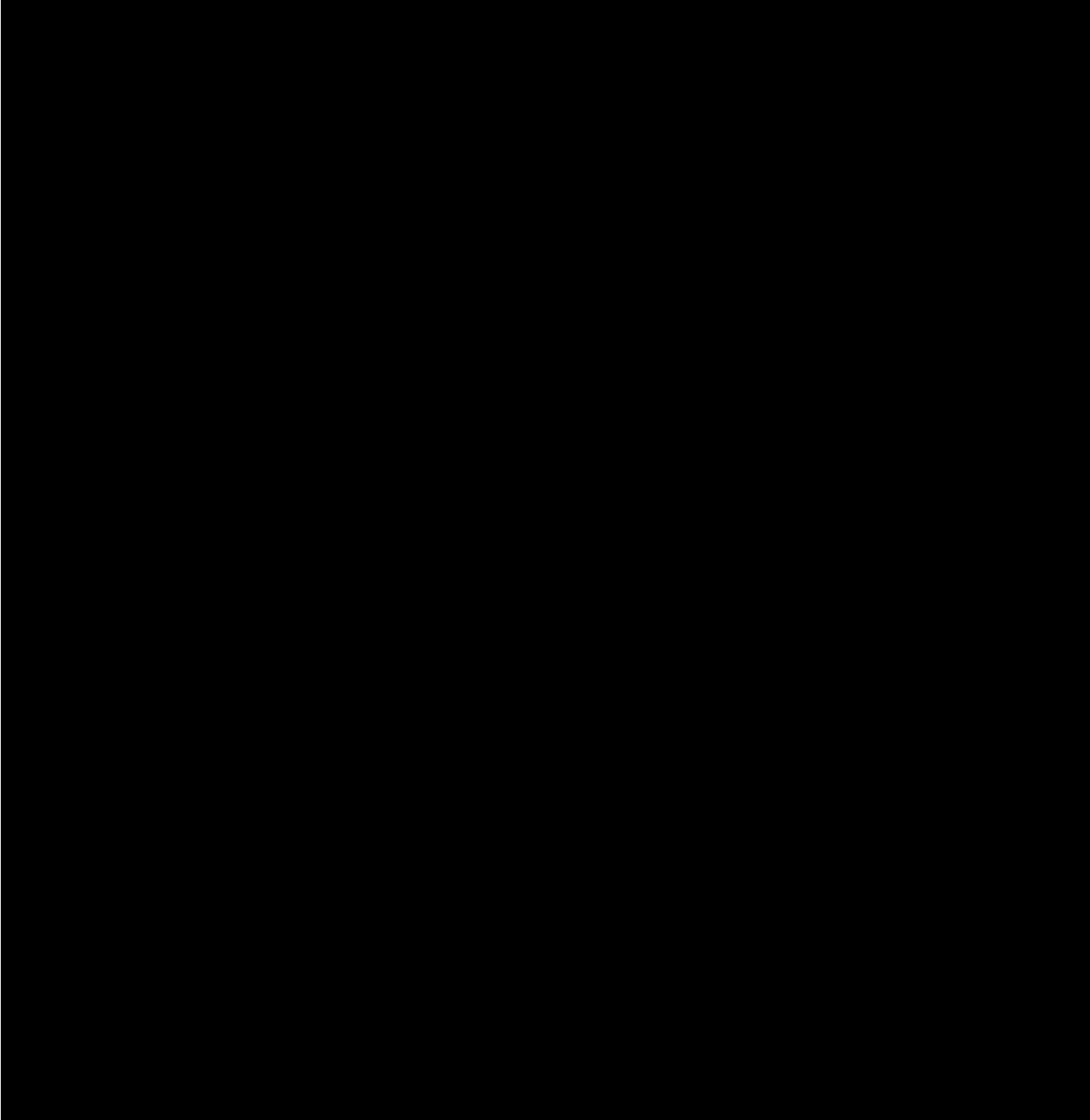


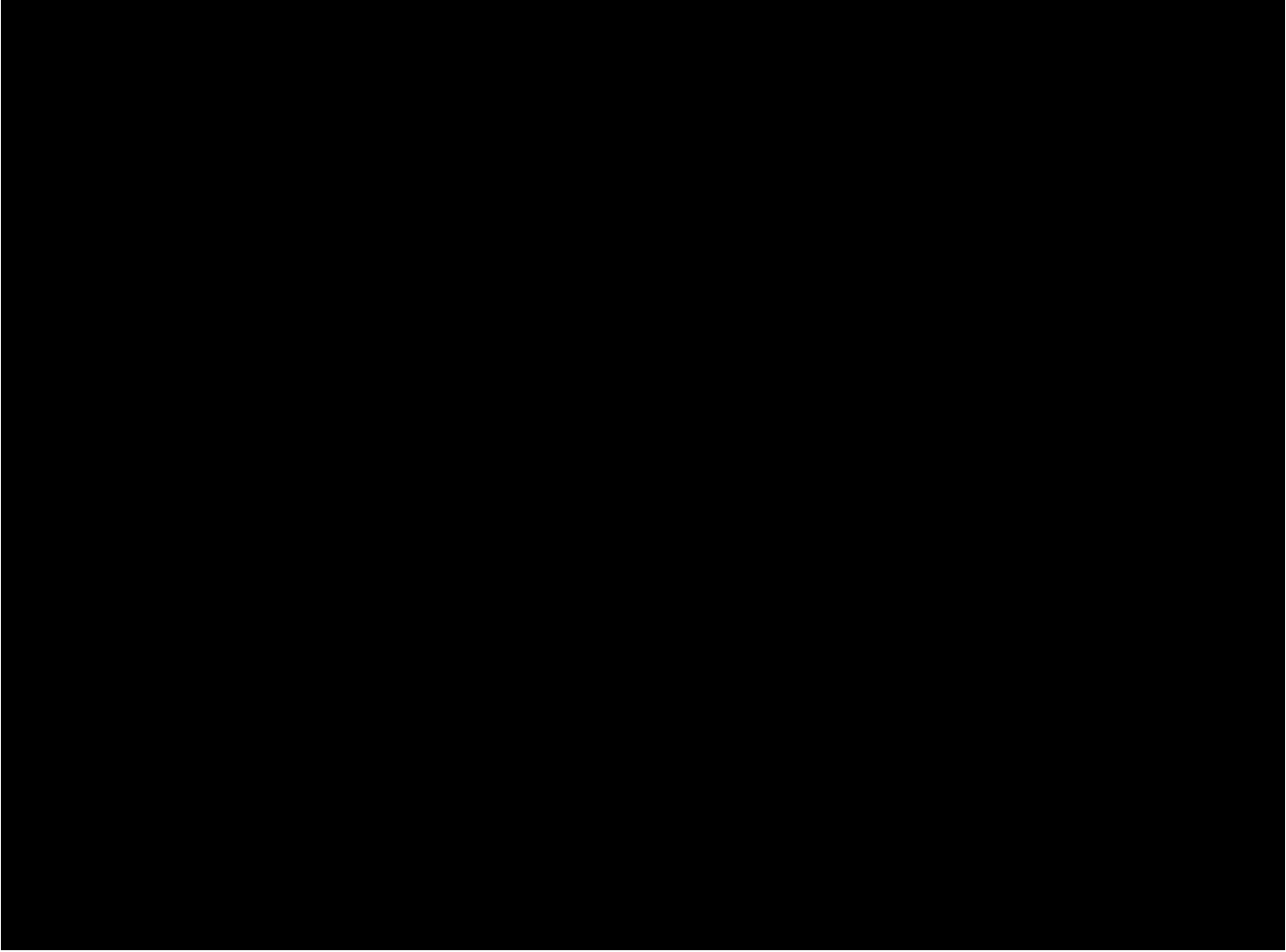
7. ALLOCATIONS OF GRANTS MADE BY THE MUNICIPALITY



8. COUNCILLORS AND BOARD MEMBER ALLOWANCES AND EMPLOYEE BENEFITS



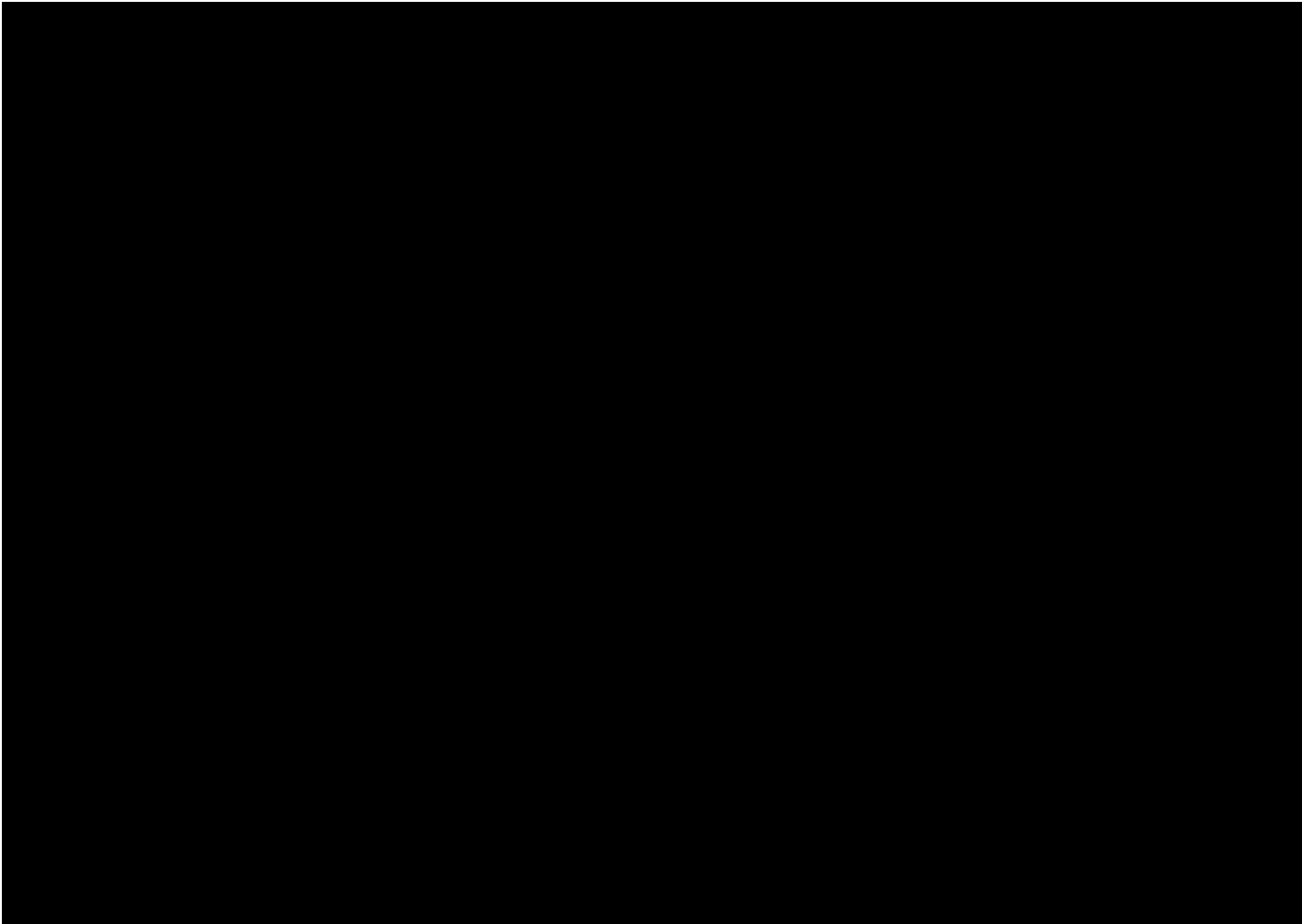




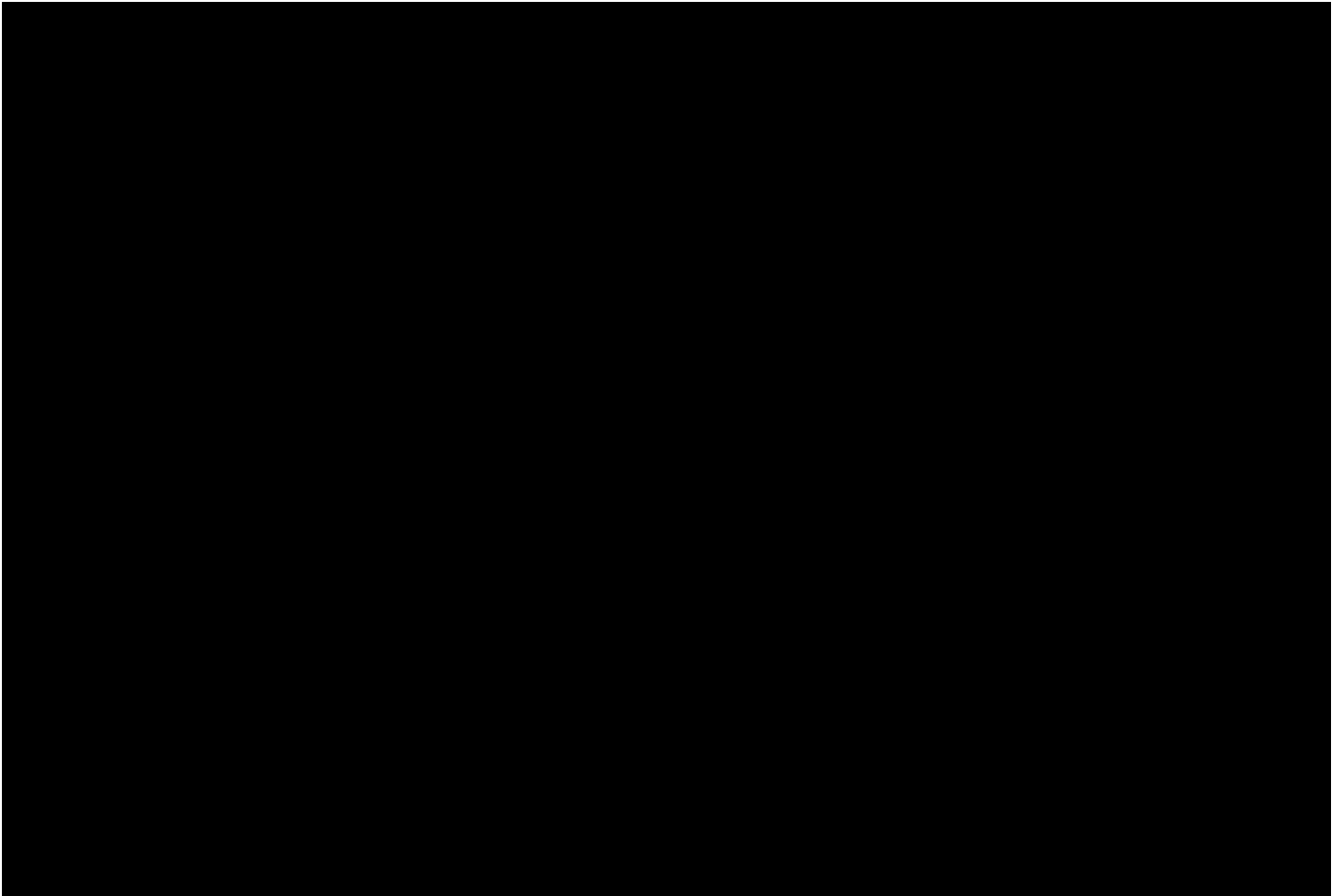
9. MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

The following tables outline the monthly targets for revenue and expenditure as follows in Annexure A:

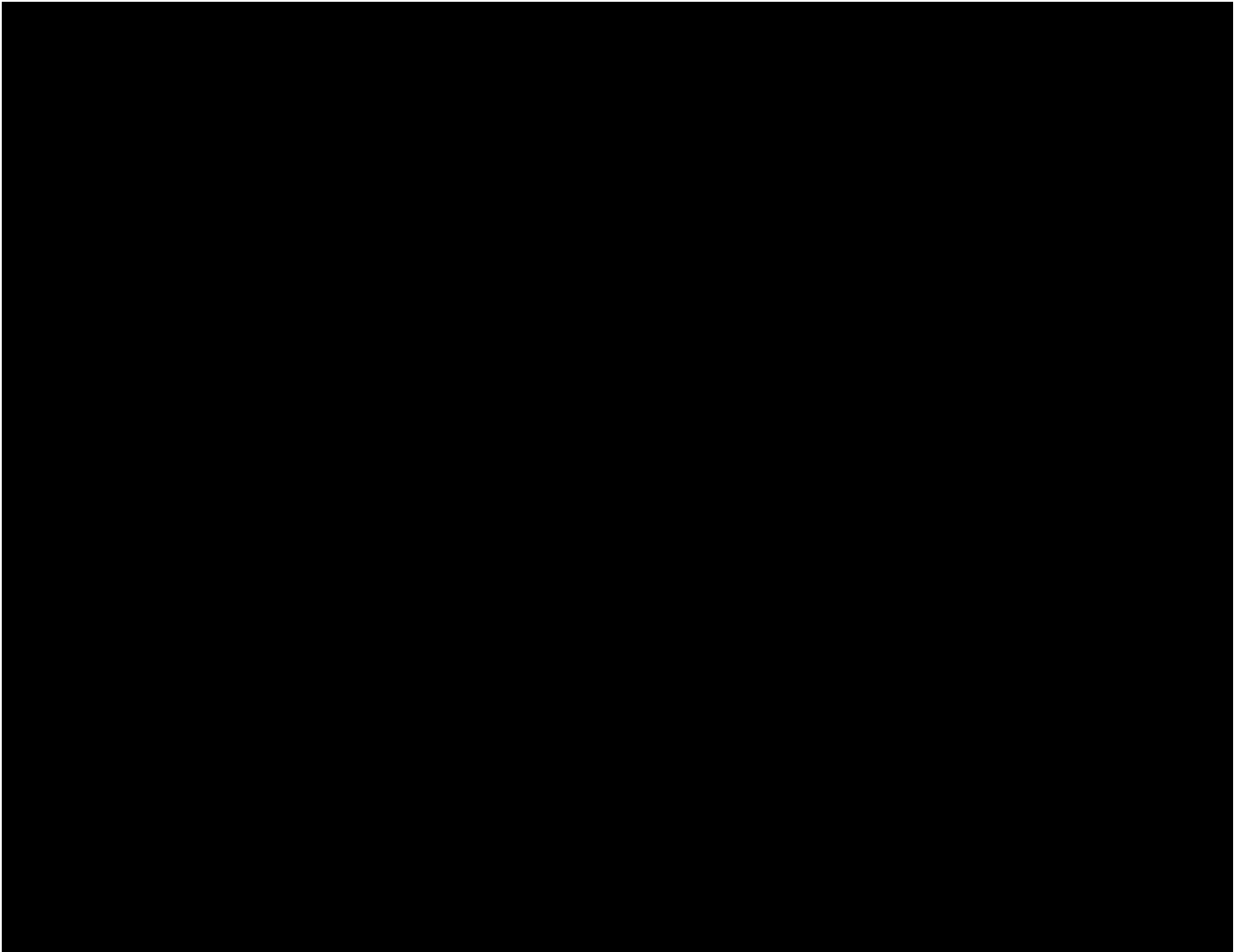
- a. Consolidated budgeted monthly revenue and expenditure.



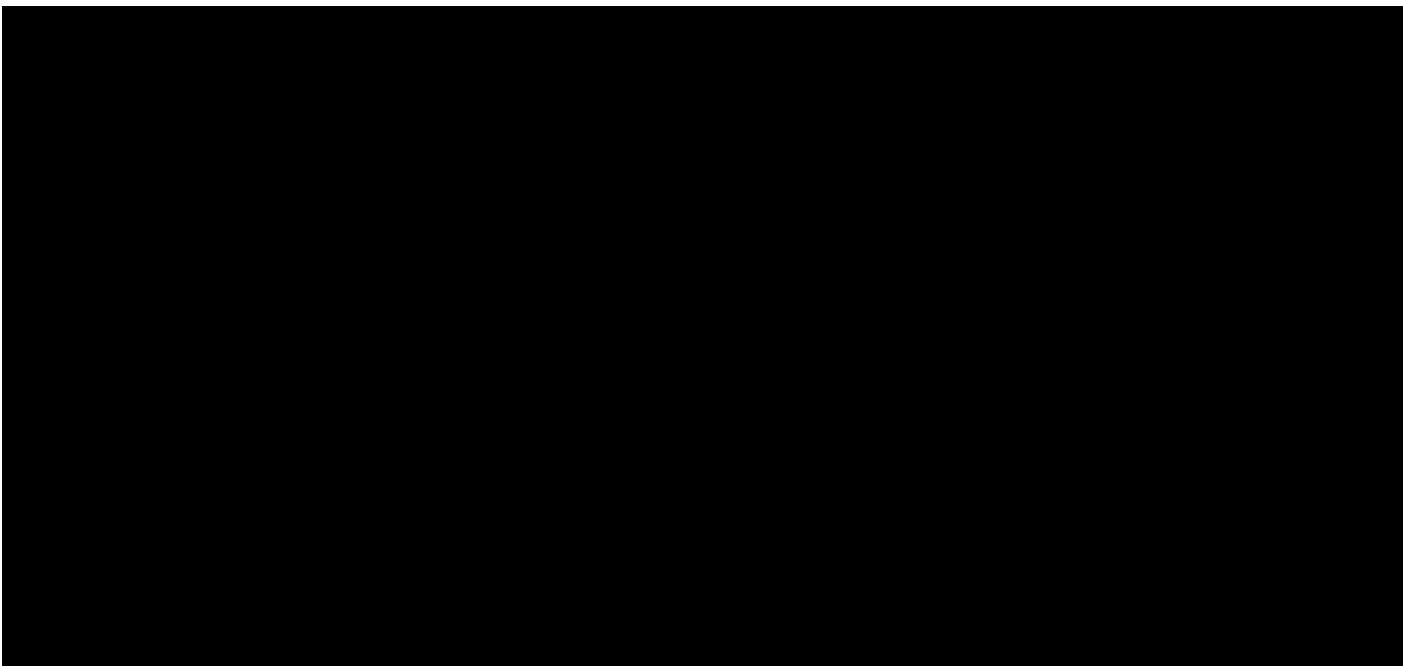
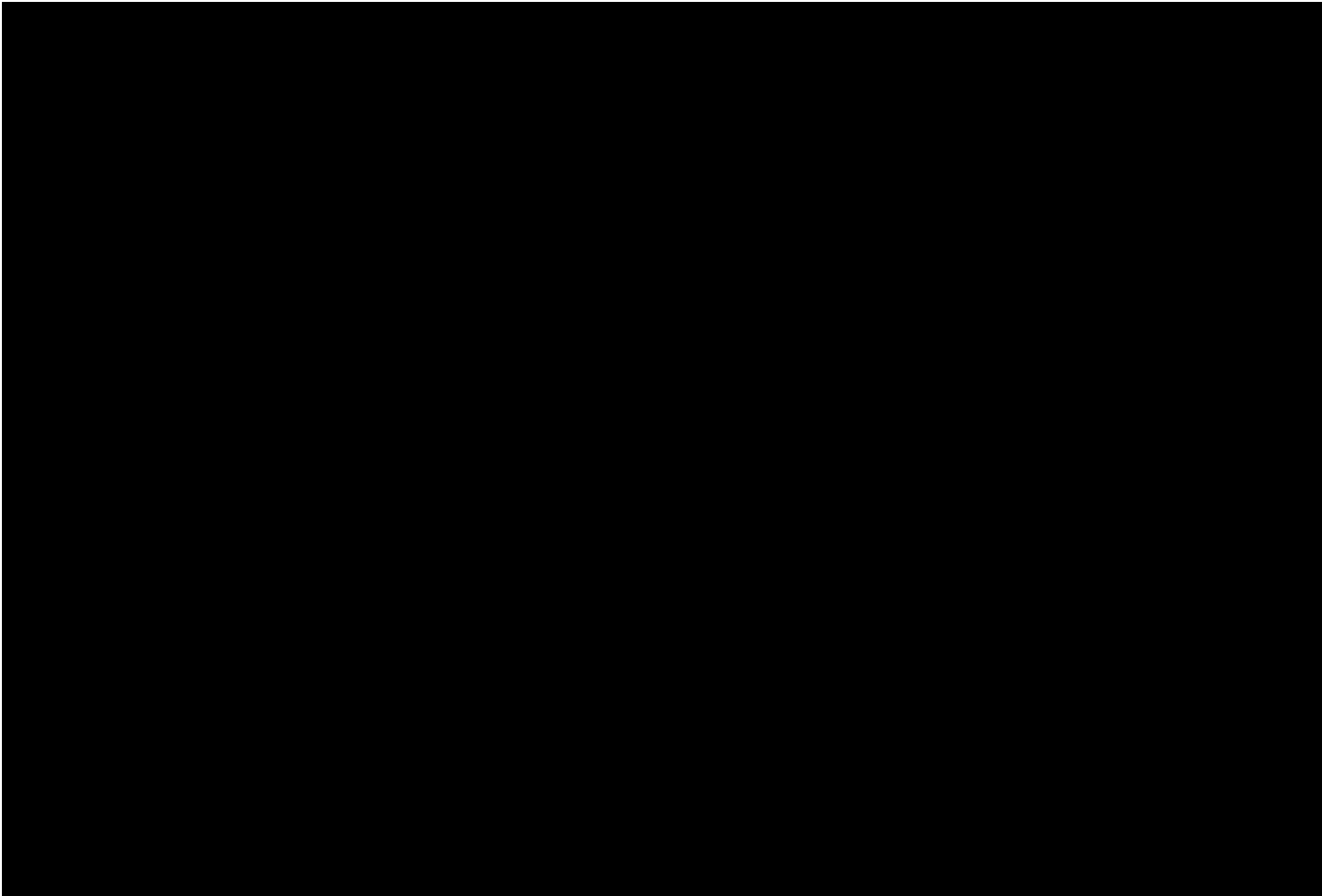
b. Consolidated budgeted monthly revenue and expenditure (municipal vote).



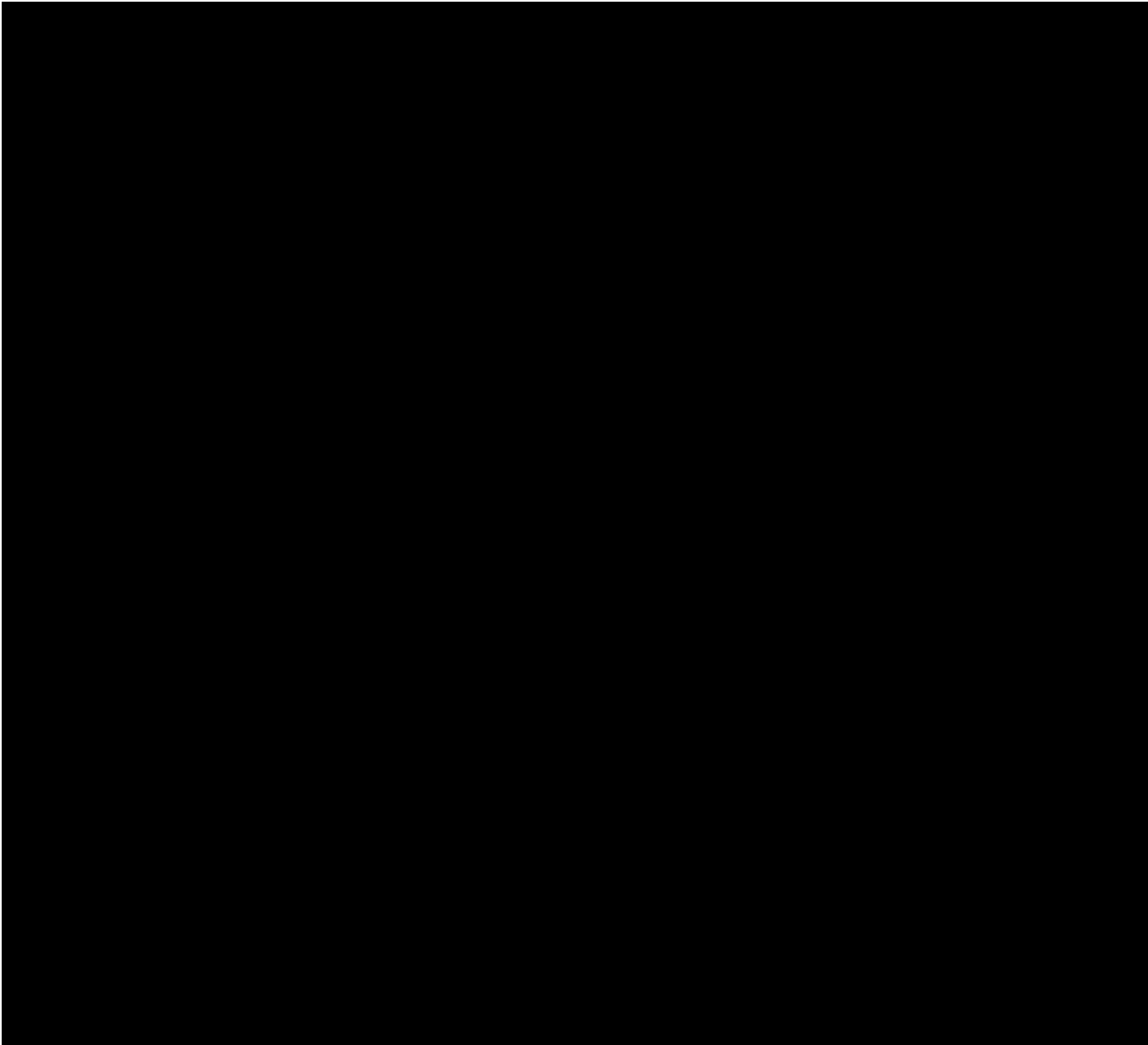
c. Consolidated budgeted monthly revenue and expenditure (standard classification).



d. Consolidated budgeted monthly capital expenditure.



e. Consolidated budgeted monthly cash flow.



10. CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS

Included in the budget are costs for the two main contracts for services, which will impose financial obligations on the municipality beyond the MTREF period.

(a) Contracting Parties and Period:

1. ABSA Bank Ltd
P O Box 323
Bloemfontein
9300

Nature of Services – Banking and related services, with a contract period ending 30 June 2013

(b) Past and Current Costs of Contract

	2006/07 R'000	2007/08 R'000	2008/09 R'000	2009/10 R'000
ABSA Bank	4.754	5.110	5.584	6.565

(c) Projected Future Cost

	2010/11 R'000	2011/12 R'000	2012/13 R'000	2013/14 R'000	Total
ABSA Bank	5.754	6.305	6.706	7.104	25.869

11. CAPITAL EXPENDITURE DETAILS

(a) Details of Capital Expenditure by class and sub-class areas are provided below:

MANGAUNG AND CENTLEC		CAPITAL ESTIMATES		
NATIONAL TREASURY CLASSIFICATION	Code	Budget 2011/12	Budget 2012/13	Budget 2013/14
INFRASTRUCTURE				
Roads, Pavements, Bridges & Storm Water	0300	221,041,725	155,122,803	158,963,864
Water Reservoirs & Reticulation	0400	96,178,046	190,330,000	108,752,567
Car Parks, Bus Terminals and Taxi Ranks	0500	48,969,555	15,000,000	15,000,000
Electricity Reticulation	0600	141,559,863	147,767,424	163,777,424
Sewerage Purification & Reticulation	0700	145,925,461	134,257,352	160,188,569
Housing	0800	20,045,000	25,222,500	47,000,000
Street Lighting	0900	2,600,000	100,000	100,000
Refuse sites	1000	7,948,377	8,600,000	2,500,000
Gas	1100	-	-	-
Other	1200	1,000,000	2,240,000	2,000,000
COMMUNITY		-	-	-
Establishment of Parks & Gardens	1500	-	1,490,000	3,076,000
Sportsfields	1600	29,000,000	700,000	-
Community Halls	1700	10,000,000	-	-
Libraries	1800	-	-	-
Recreational Facilities	1900	1,492,751	4,830,000	11,985,040
Clinics	2000	40,000	-	-
Museums and Art Galleries	2100	-	-	-
Other	2200	586,000	-	-
HERITAGE ASSETS		-	-	-
Heritage Assets	2311	-	220,000	1,500,000
INVESTMENT PROPERTIES		-	-	-
Investment Properties	2321	-	-	-
OTHER ASSETS		-	-	-
Other motor vehicles	2500	23,736,620	21,005,000	37,930,000
Plant & equipment	2600	18,673,371	2,386,510	2,210,390
Computers	2650	2,000,000	3,400,000	3,500,000
Office equipment	2700	21,450,252	12,282,000	5,000,000
Abattoirs	2800	-	-	-
Markets	2900	1,337,484	4,800,000	-
Airports	3000	-	-	-
Security Measures	3100	3,500,000	16,165,000	17,710,000
Civic Land and Buildings	3110	21,800,000	2,880,000	3,850,000
Other Land and Buildings	3120	-	4,048,000	2,155,000
Other	3200	-	-	-
SPECIALIZED VEHICLES		-	-	-
Refuse	3500	5,550,000	10,300,000	7,300,000
Fire	3600	712,500	13,363,000	3,855,000
Buses	3900	-	-	-
		824,147,005	774,469,589	756,353,854

Most projects under the Infrastructure class and sub-class are for the development and construction until projects are finalized, save for projects that are implemented in phases.

(b) Alignment of projects with IDP.

All capital projects are aligned to the key IDP Strategic Objectives and actions and are summarized as follows for the entire municipality:

MANGAUNG AND CENTLEC			CAPITAL ESTIMATES				
IDP STRATEGIC OBJECTIVES AND ACTION PLANS	STRATEGIC OBJECTIVE	IDP CODE	Original Budget	Adjustment Budget	Budget 2011/12	Budget 2012/13	Budget 2013/14
Governance and IDP	Common Purpose	101	30,040,000	280,591,959	40,034,628	-	-
Information Technology	Common Purpose	105	-	1,090,000	4,000,000	2,400,000	1,000,000
Human Resources Management	Common Purpose	102	-	3,950,000	-	2,000,000	2,500,000
Support Services/Fleet	Common Purpose	103	-	-	29,972,500	44,668,000	49,085,000
Miscellaneous Services	Common Purpose	104	-	-	-	-	-
Emergency Services	Community Resilience	201	3,775,000	1,208	-	-	-
Health	Community Resilience	202	-	-	2,082,520	3,364,310	2,133,390
Parks and Cemeteries	Community Resilience	203	10,000,000	11,736,673	6,509,262	20,260,000	32,846,040
Traffic and Security	Community Resilience	204	-	13,136,814	19,630,851	9,067,200	9,657,000
Social Development	Community Resilience	205	-	5,000,000	20,792,751	8,280,000	6,160,000
Local Economic Development	Economics Development	301	11,000,000	11,203,478	79,202,039	41,910,000	63,500,000
Market Services	Economics Development	302	-	-	1,150,000	4,800,000	-
Financial Management	Financial Sustainability	401	-	6,000,000	9,000,000	9,000,000	4,000,000
Roads and Stormwater	Service Excellence	501	90,552,095	156,078,582	214,234,834	143,802,803	150,563,864
Solid Waste Management	Service Excellence	502	1,500,000	5,576,175	10,948,377	9,600,000	2,500,000
Water and Sanitation	Service Excellence	503	123,241,125	142,839,941	170,595,165	150,257,352	180,188,569
Housing	Service Excellence	504	-	11,667,537	483,629	2,962,500	-
Water	Service Excellence	505	53,660,000	16,046,996	71,508,342	174,330,000	88,752,567
Electricity	Service Excellence	506	49,487,720	124,791,506	144,002,107	147,767,424	163,467,424
			373,255,940	789,710,869	824,147,005	774,469,589	756,353,854

(c) Alignment of the budget to Key Strategic Objectives for the parent municipality is as follows:

MANGAUNG		CAPITAL ESTIMATES		
NATIONAL TREASURY CLASSIFICATION	Code	Budget 2011/12	Budget 2012/13	Budget 2013/14
INFRASTRUCTURE				
Roads, Pavements, Bridges & Storm Water	0300	221,041,725	155,122,803	158,963,864
Water Reservoirs & Reticulation	0400	96,178,046	190,330,000	108,752,567
Car Parks, Bus Terminals and Taxi Ranks	0500	48,969,555	15,000,000	15,000,000
Electricity Reticulation	0600	-	-	310,000
Sewerage Purification & Reticulation	0700	145,925,461	134,257,352	160,188,569
Housing	0800	20,045,000	25,222,500	47,000,000
Street Lighting	0900	2,600,000	100,000	100,000
Refuse sites	1000	7,948,377	8,600,000	2,500,000
Gas	1100	-	-	-
Other	1200	-	-	-
COMMUNITY				
Establishment of Parks & Gardens	1500	-	1,490,000	3,076,000
Sportsfields	1600	29,000,000	700,000	-
Community Halls	1700	10,000,000	-	-
Recreational Facilities	1900	1,492,751	4,830,000	11,985,040
Clinics	2000	40,000	-	-
Other	2200	586,000	-	-
HERITAGE ASSETS				
Heritage Assets	2311	-	220,000	1,500,000
OTHER ASSETS				
Other motor vehicles	2500	23,710,000	21,005,000	37,930,000
Plant & equipment	2600	18,673,371	2,386,510	2,210,390
Computers	2650	2,000,000	3,400,000	3,500,000
Office equipment	2700	19,034,628	12,282,000	5,000,000
Markets	2900	1,337,484	4,800,000	-
Airports	3000	-	-	-
Security Measures	3100	3,500,000	16,165,000	17,710,000
Civic Land and Buildings	3110	21,800,000	2,880,000	3,850,000
Other Land and Buildings	3120	-	4,048,000	2,155,000
Other	3200	-	-	-
SPECIALIZED VEHICLES				
Refuse	3500	5,550,000	10,300,000	7,300,000
Fire	3600	712,500	13,363,000	3,855,000
		680,144,898	626,702,165	592,886,430

(d) Alignment of the budget to Key Strategic Objectives for the municipal entity (Centlec (Pty) Ltd) is as follows:

CENTLEC		CAPITAL ESTIMATES		
NATIONAL TREASURY CLASSIFICATION	Code	Budget 2011/12	Budget 2012/13	Budget 2013/14
INFRASTRUCTURE				
Electricity Reticulation	0600	141,559,863	147,767,424	163,467,424
OTHER ASSETS				
Other motor vehicles	2500	26,620	-	-
Office equipment	2700	2,415,624	-	-
		144,002,107	147,767,424	163,467,424

(e) Capital Projects Delayed for 2010/2011 Financial Year.

No inputs received.

12. LEGISLATION COMPLIANCE STATUS

Mangaung Metropolitan Municipality is newly established metro and the only one in the Free State Province and it is expected to take the lead in ensuring total compliance to legislations amongst the 28 municipalities in the province.

12.1 Municipal Finance Management Act

The Municipal Finance Management Act (no 65 of 2003) is fully implemented and complied with, by the parent municipality as well as its entity Centlec (Pty) Ltd. However, there has been a gradual lapse of concentration in meeting the reporting timelines of some of the requirements of the Act, e.g., Tabling of the Annual Report and the Adjustments Budget.

12.2 Supply Chain Management

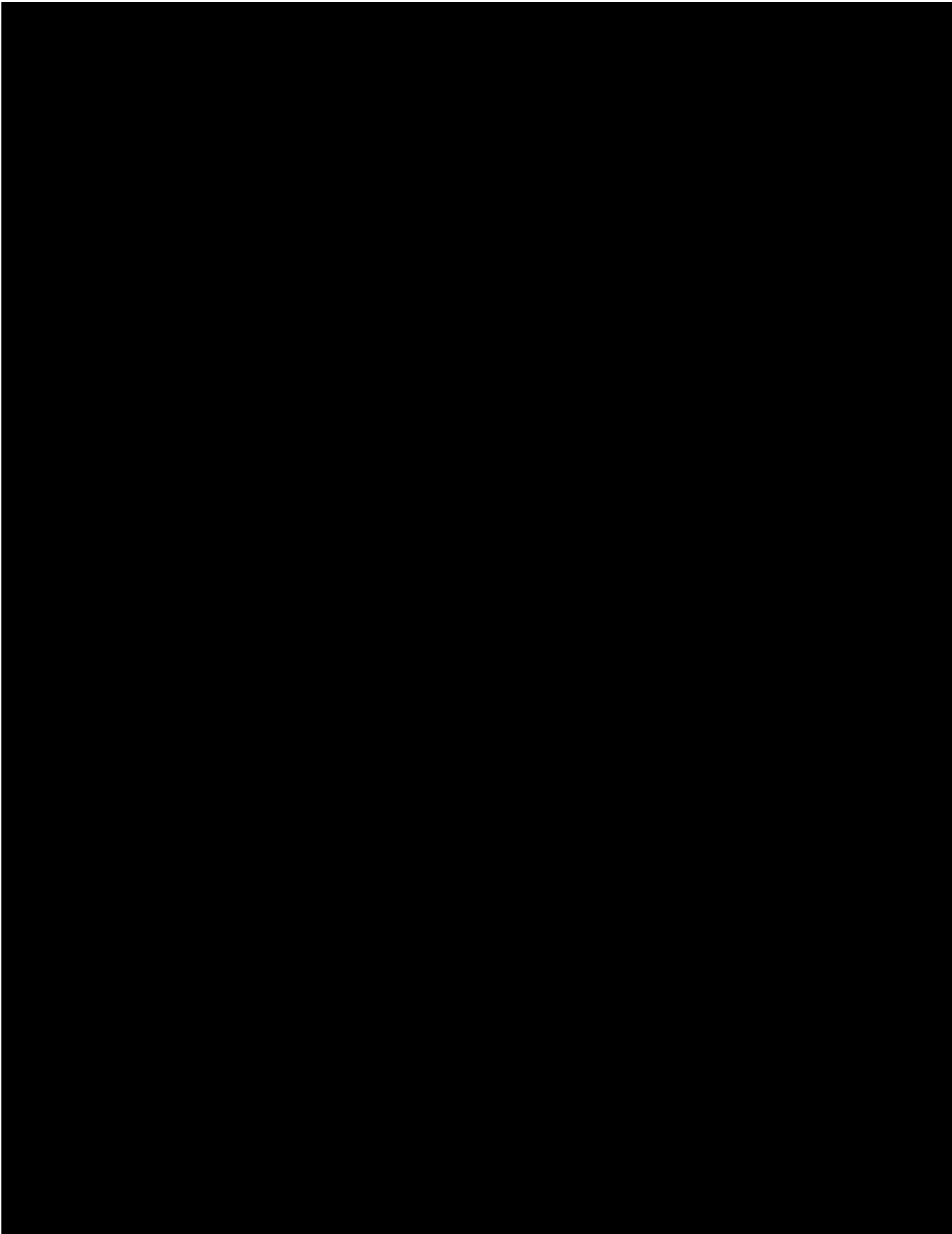
The Supply Chain Management Policy is in place and is functioning as expected. One key aspect of the Supply Chain Management Regulations that is not in place in terms of implementation is that of Performance Management of projects. A Contract and Performance Unit has been established to strengthen contract management and performance monitoring (especially of Infrastructure related projects). There is also currently a process underway of reviewing and to strengthen the identified gaps of the Supply Chain Management Policy.

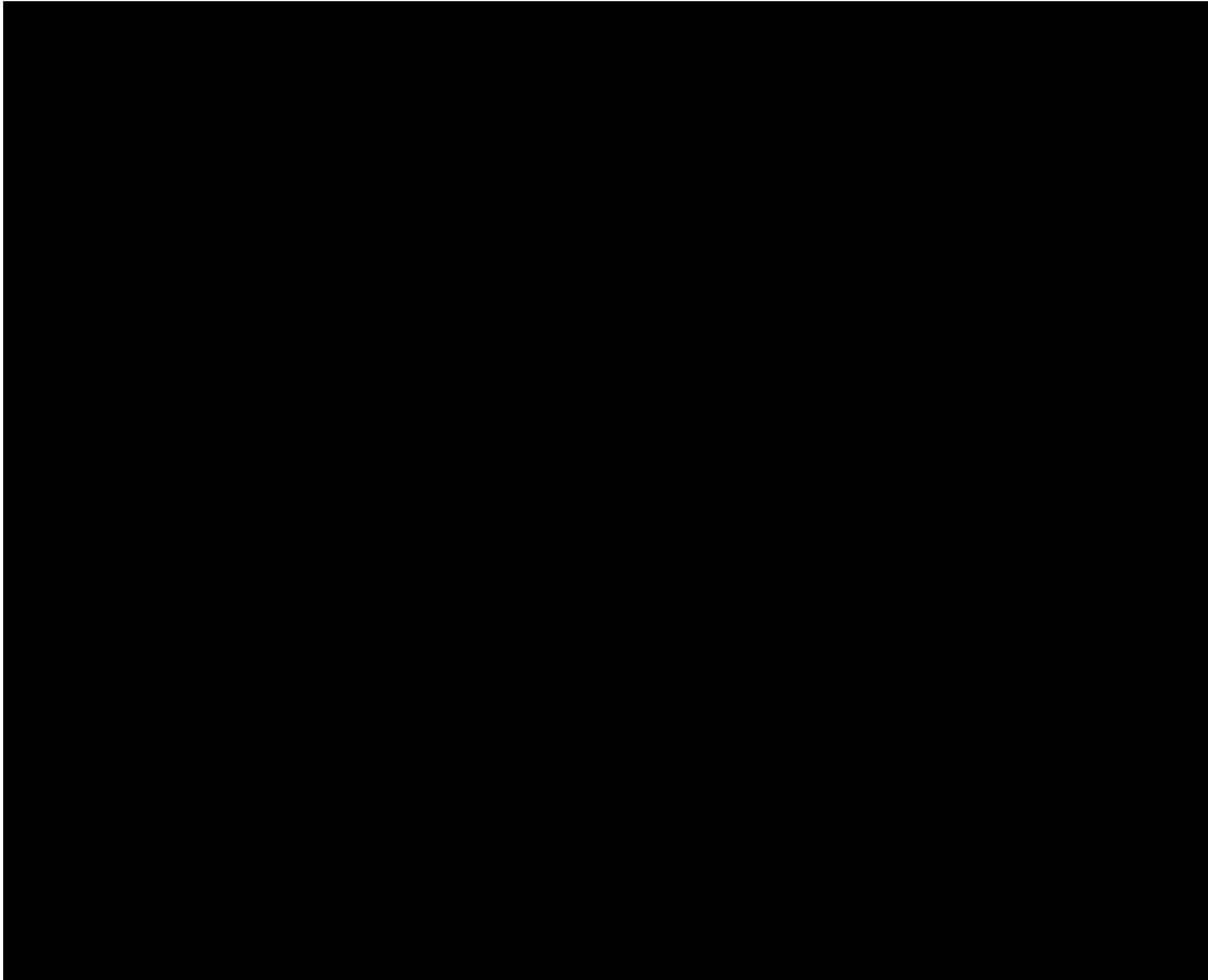
12.3 Property Rates Act

The new Municipal Property Rates Act, No 6 of 2004, was fully implemented on the 1st July 2009.

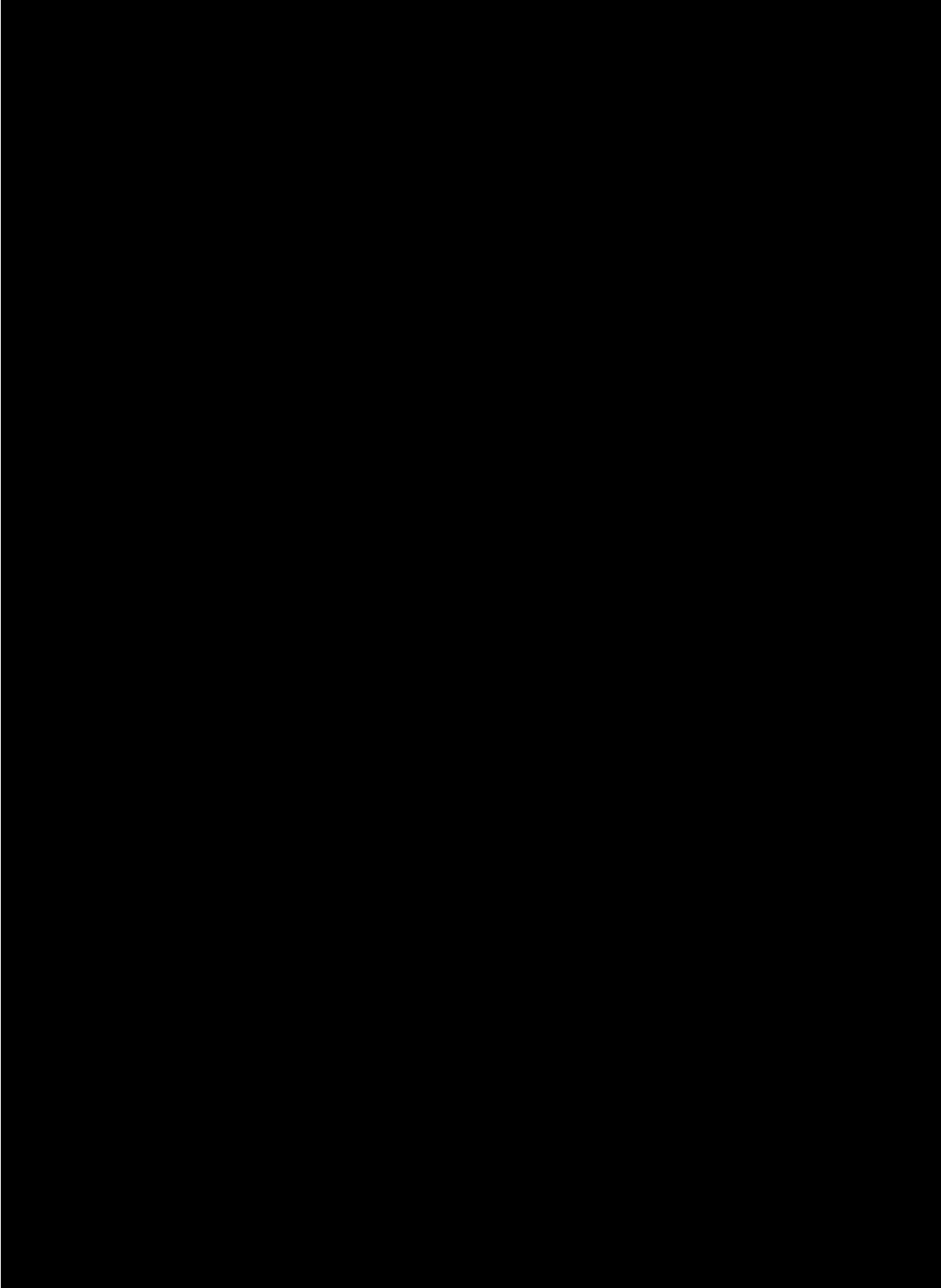
13 OTHER SUPPORTING DOCUMENTS

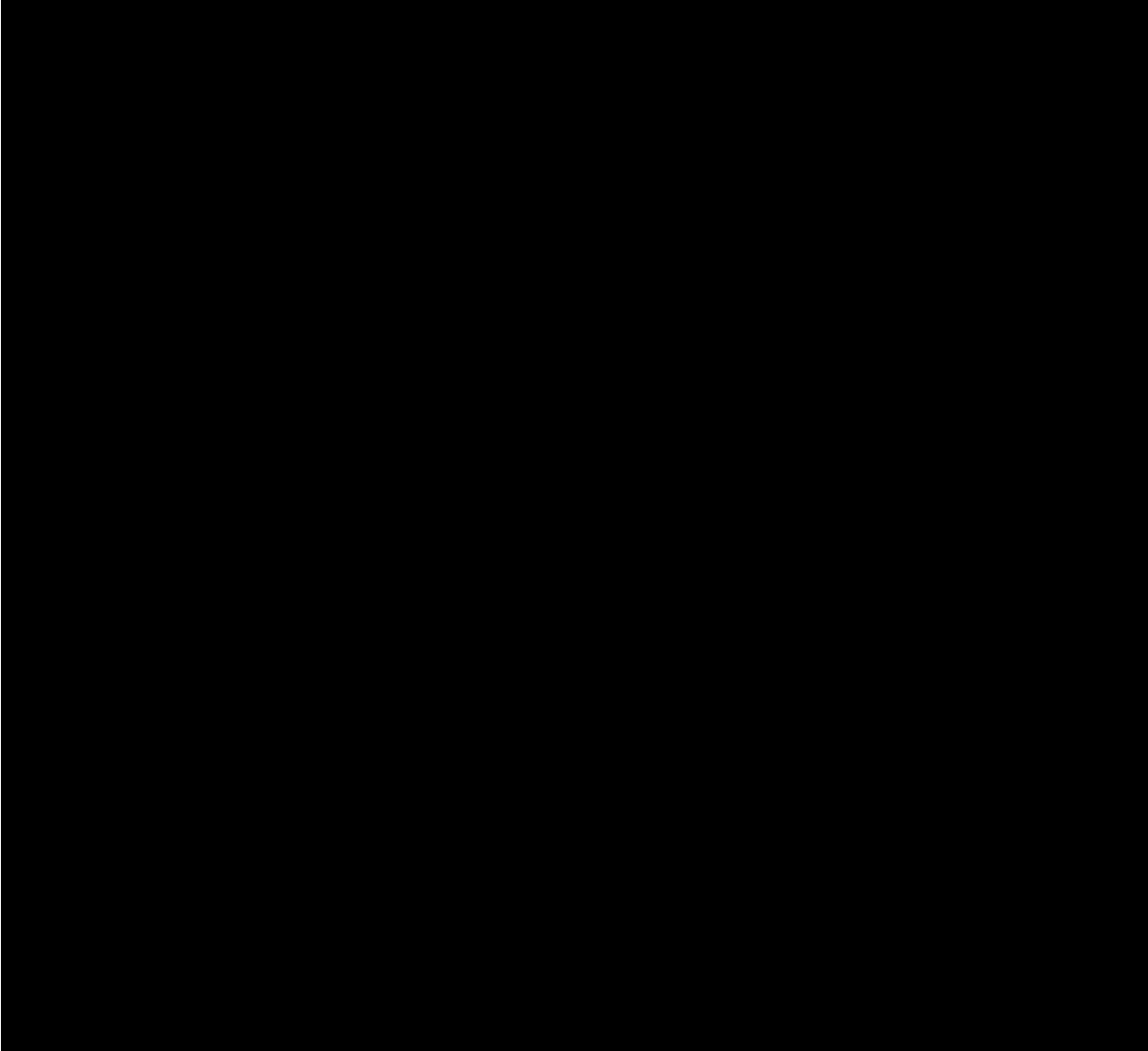
Table SA1	- Supporting detail to Budgeted Financial Performance
Table SA2	- Consolidated Matrix Financial Performance Budget
Table SA3	- Supporting detail to 'Budgeted Financial Position'
Table SA9	- Social, economic and demographic statistics and assumptions
Table SA11	- Property rates summary
Table SA12	- Property rates by category (current year)
Table SA13	- Property rates by category (budget year)
Table SA14	- Household bills
Table SA31	- Aggregated Entity budget
Table SA32	- List of External Mechanisms
Table SA34(a)	- Consolidated Capital Expenditure by Asset class
Table SA34(b)	- Consolidated Capital Expenditure on existing assets by asset class
Table SA34(c)	- Consolidated repairs and maintenance by asset class
Table SA35	- Consolidated future financial implications of the capital budget
Table SA37	- Consolidated projects delayed from previous years

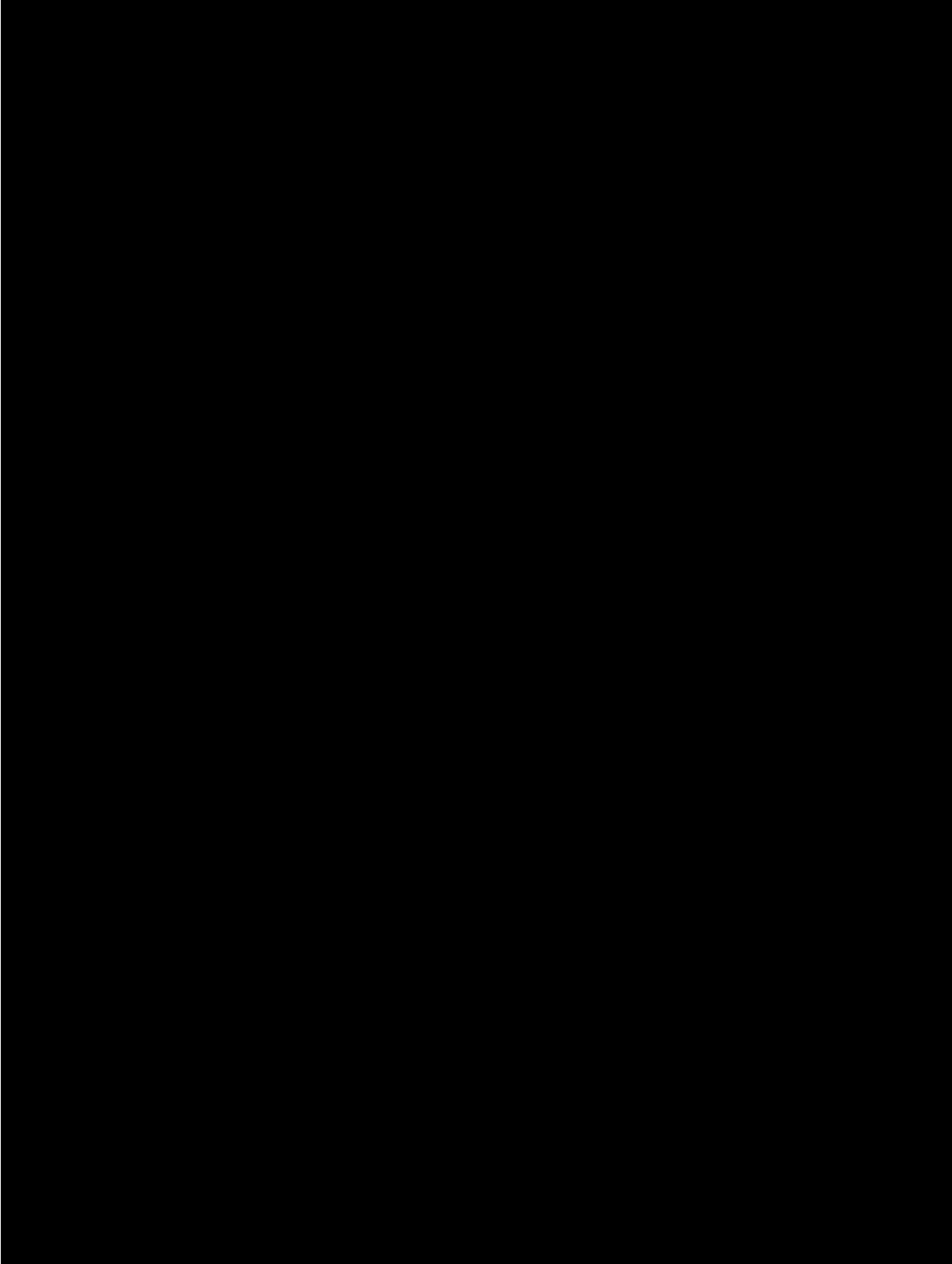


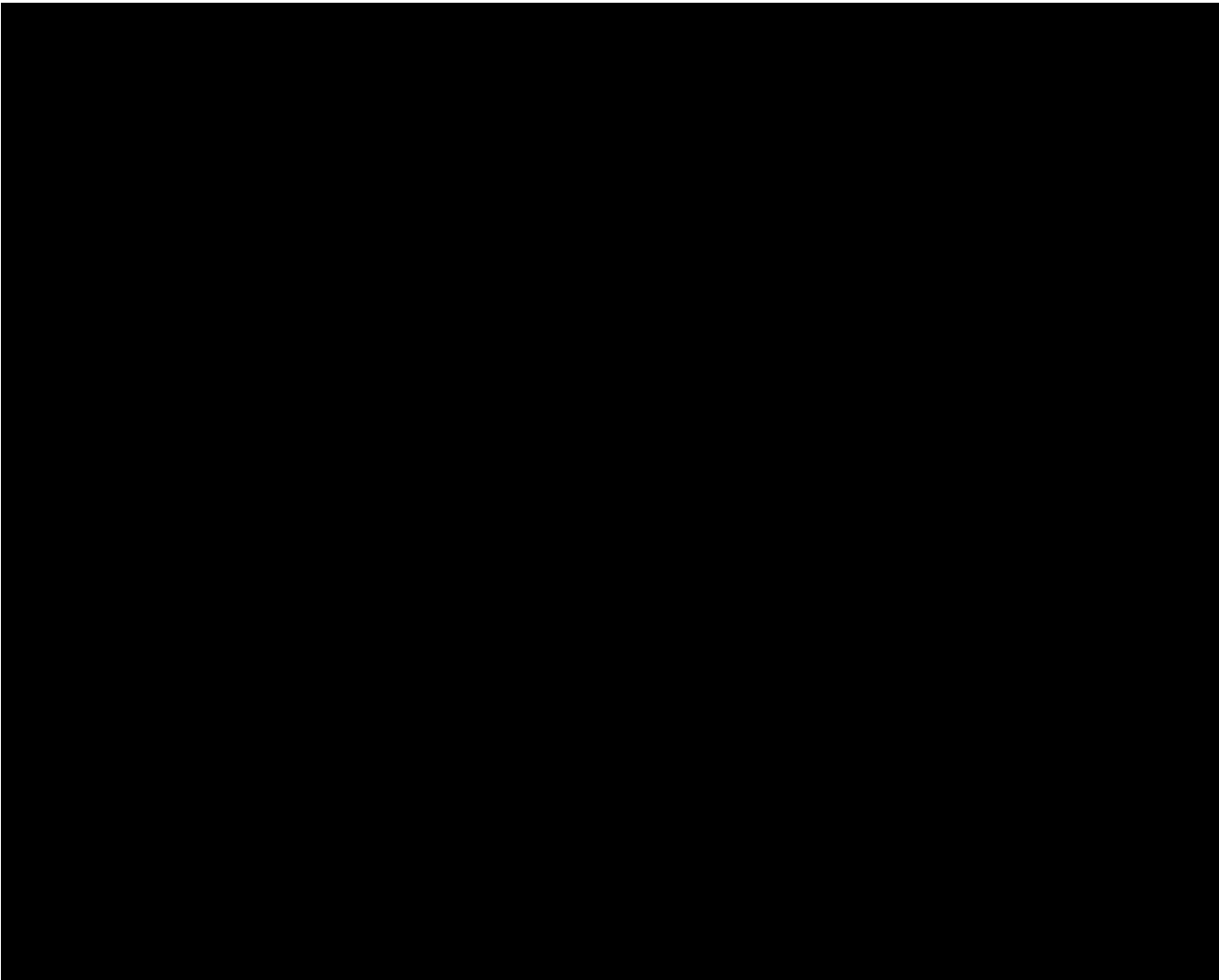


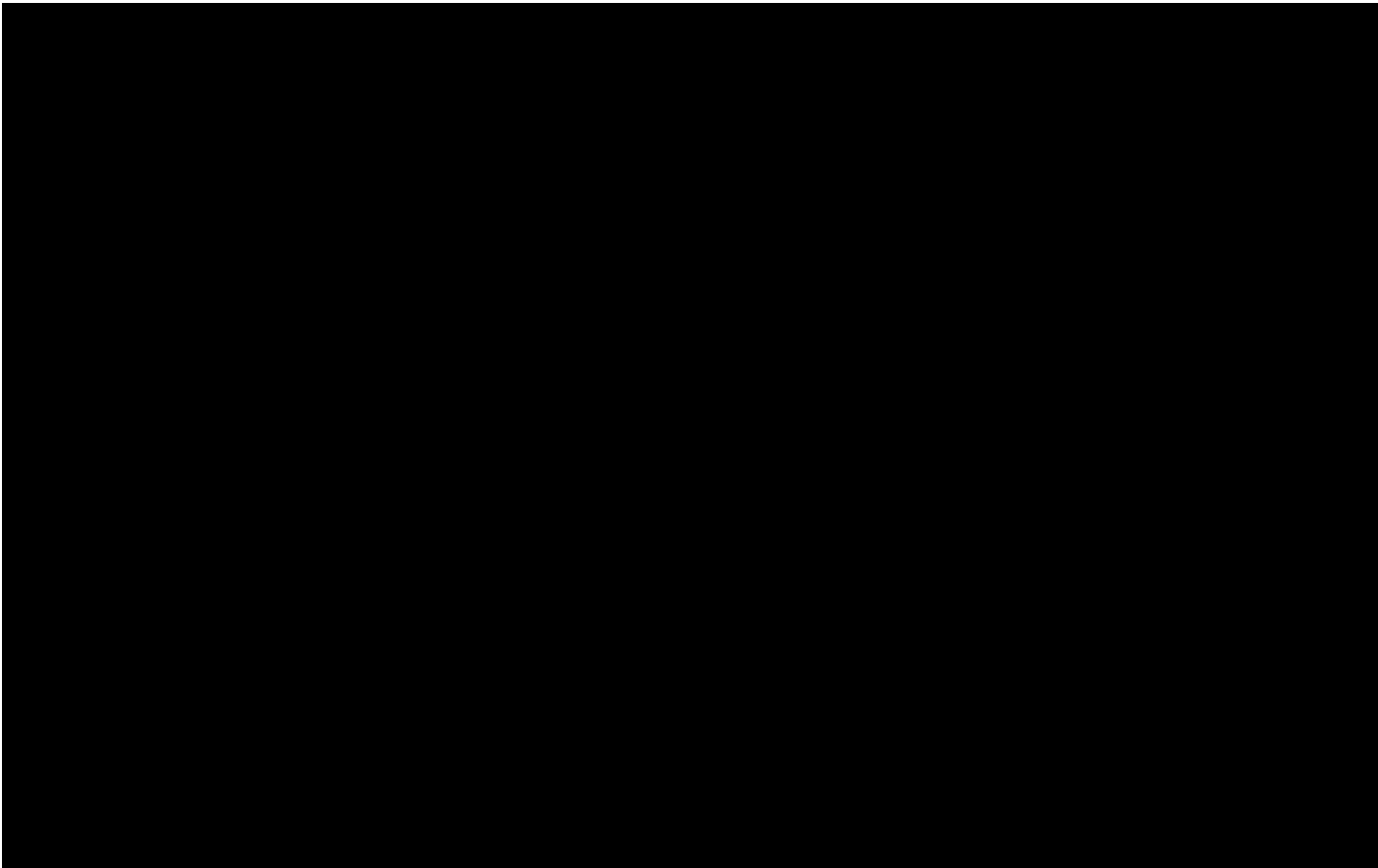
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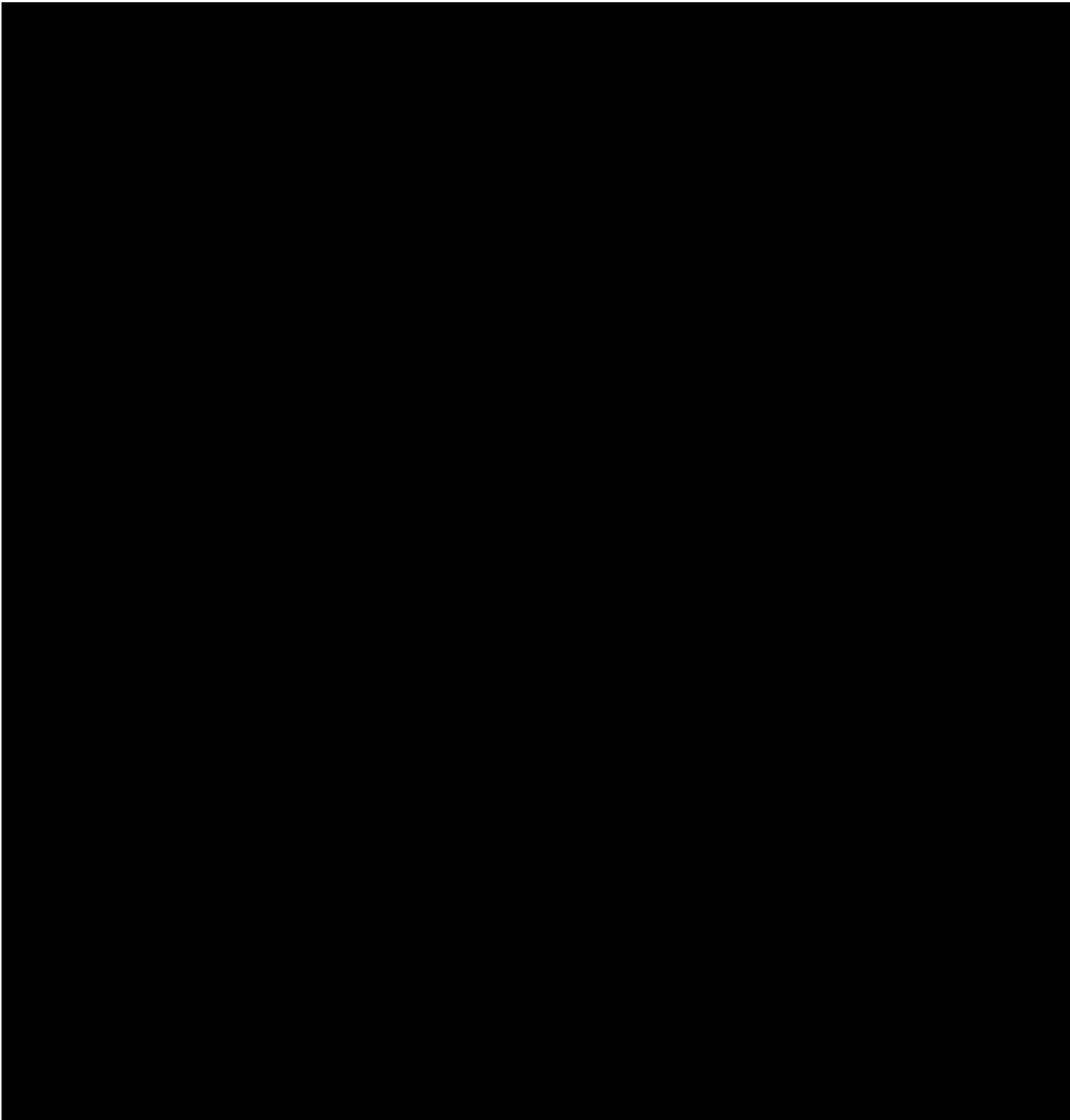


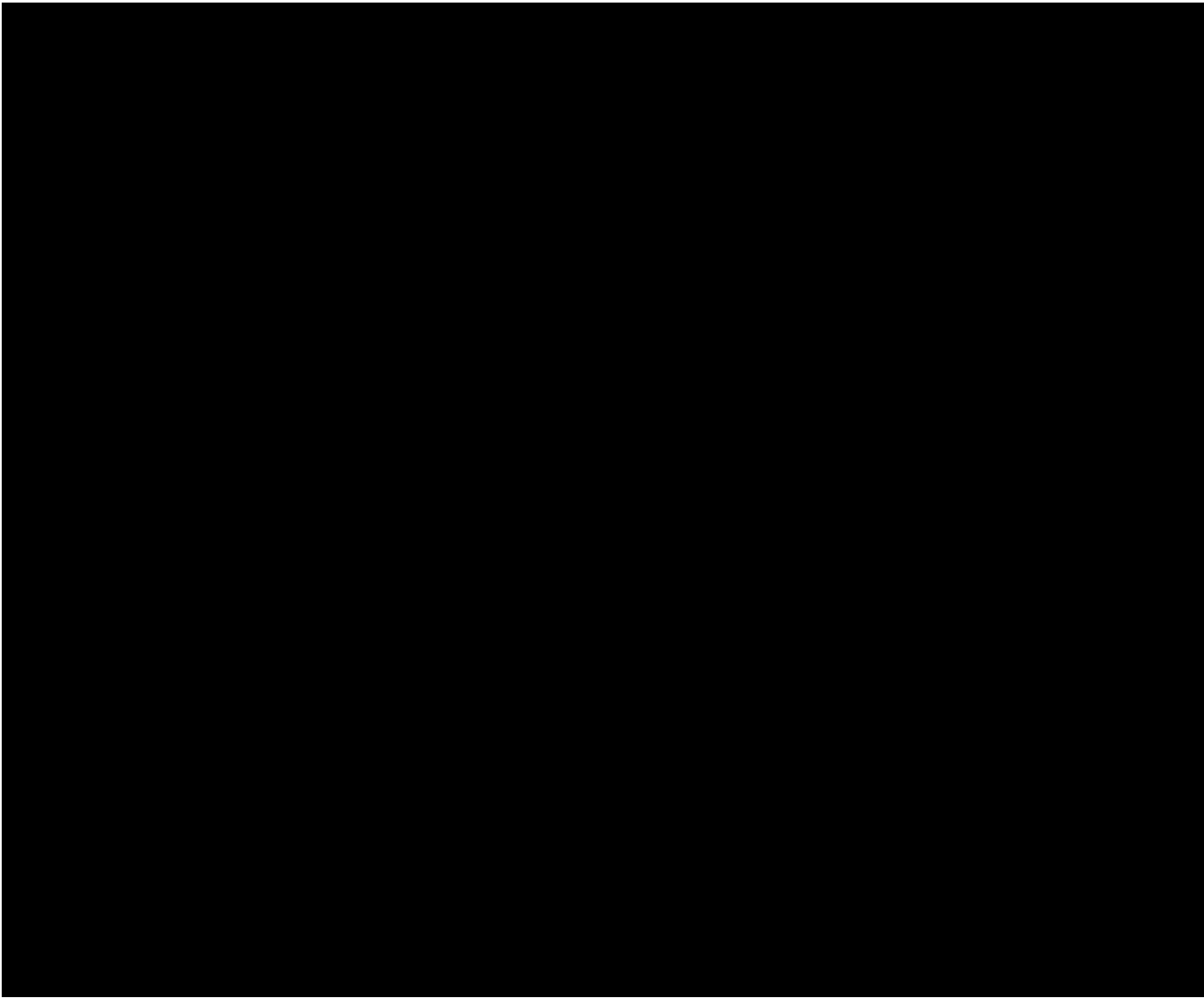


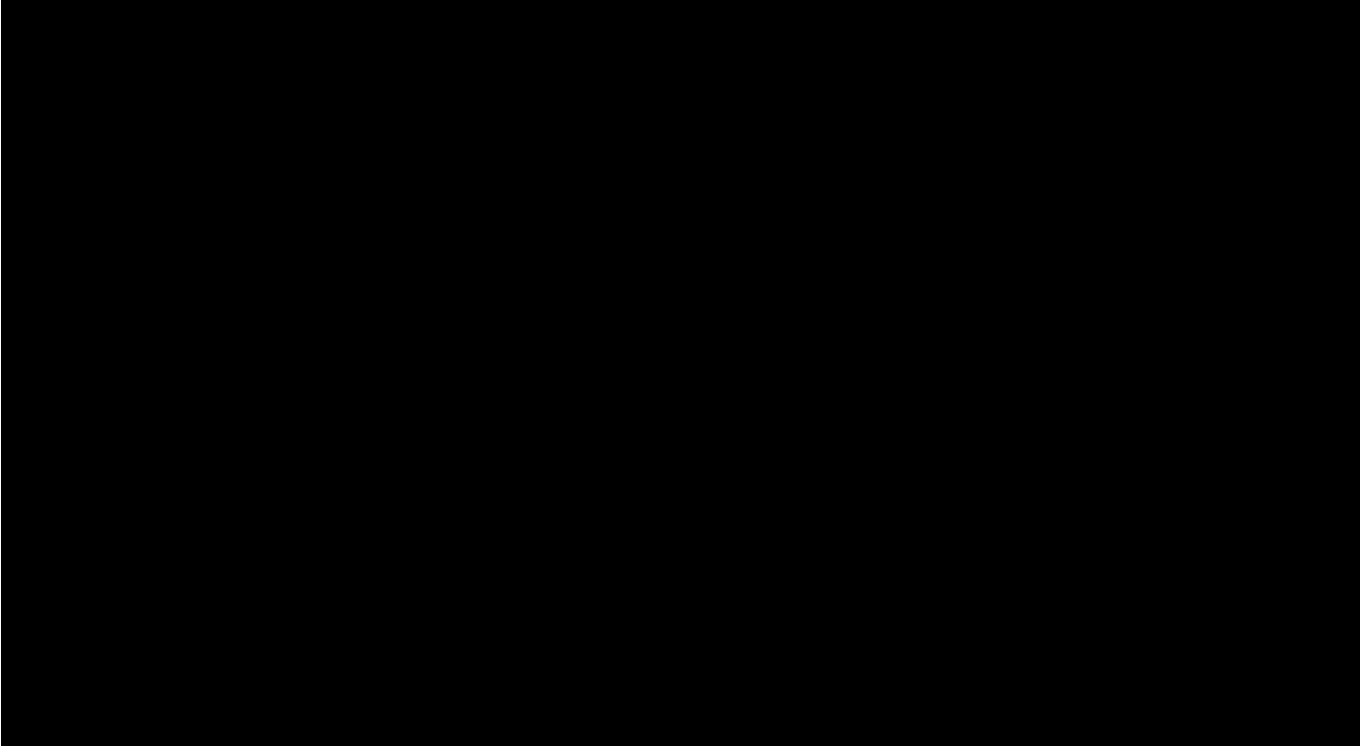


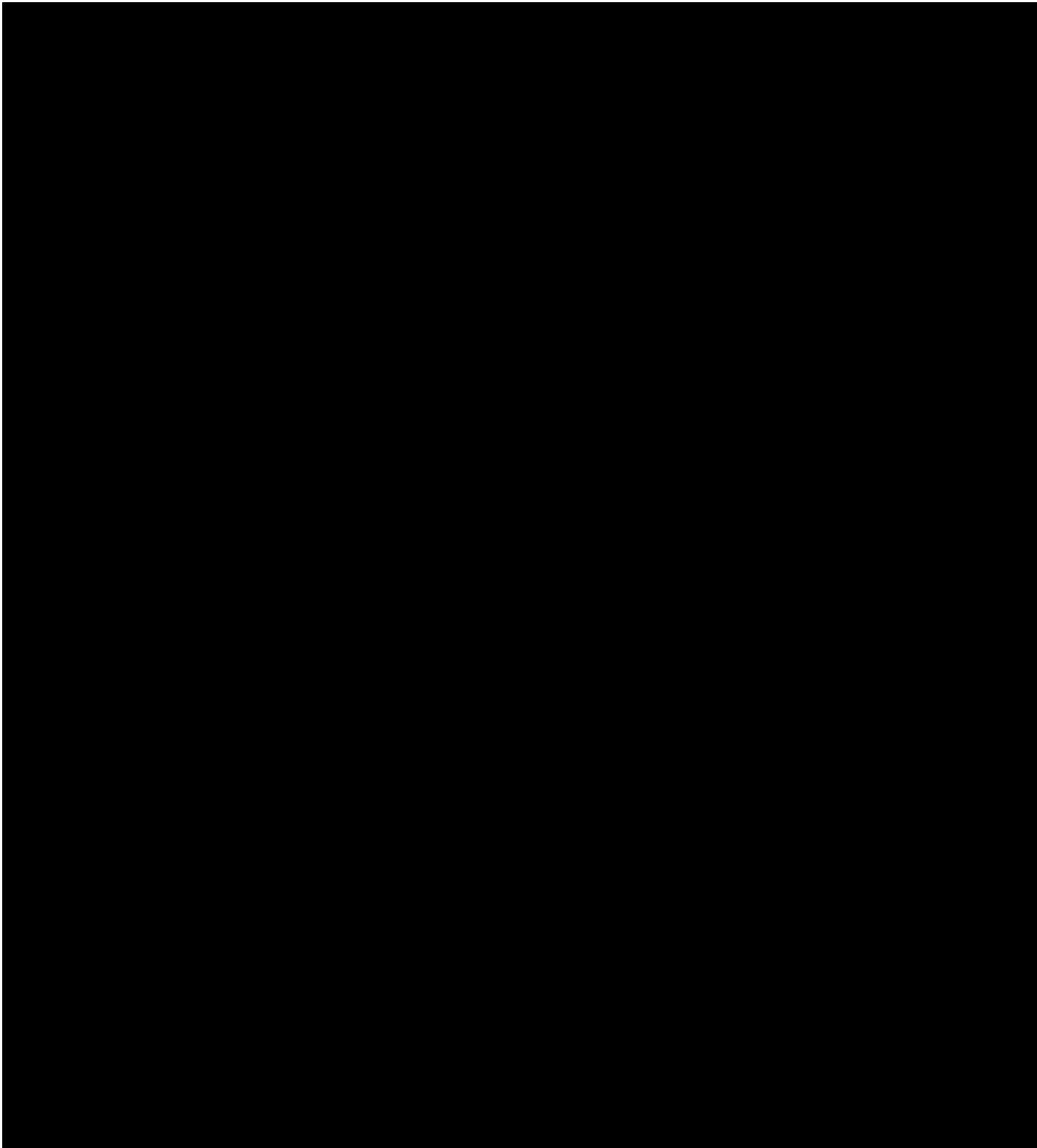


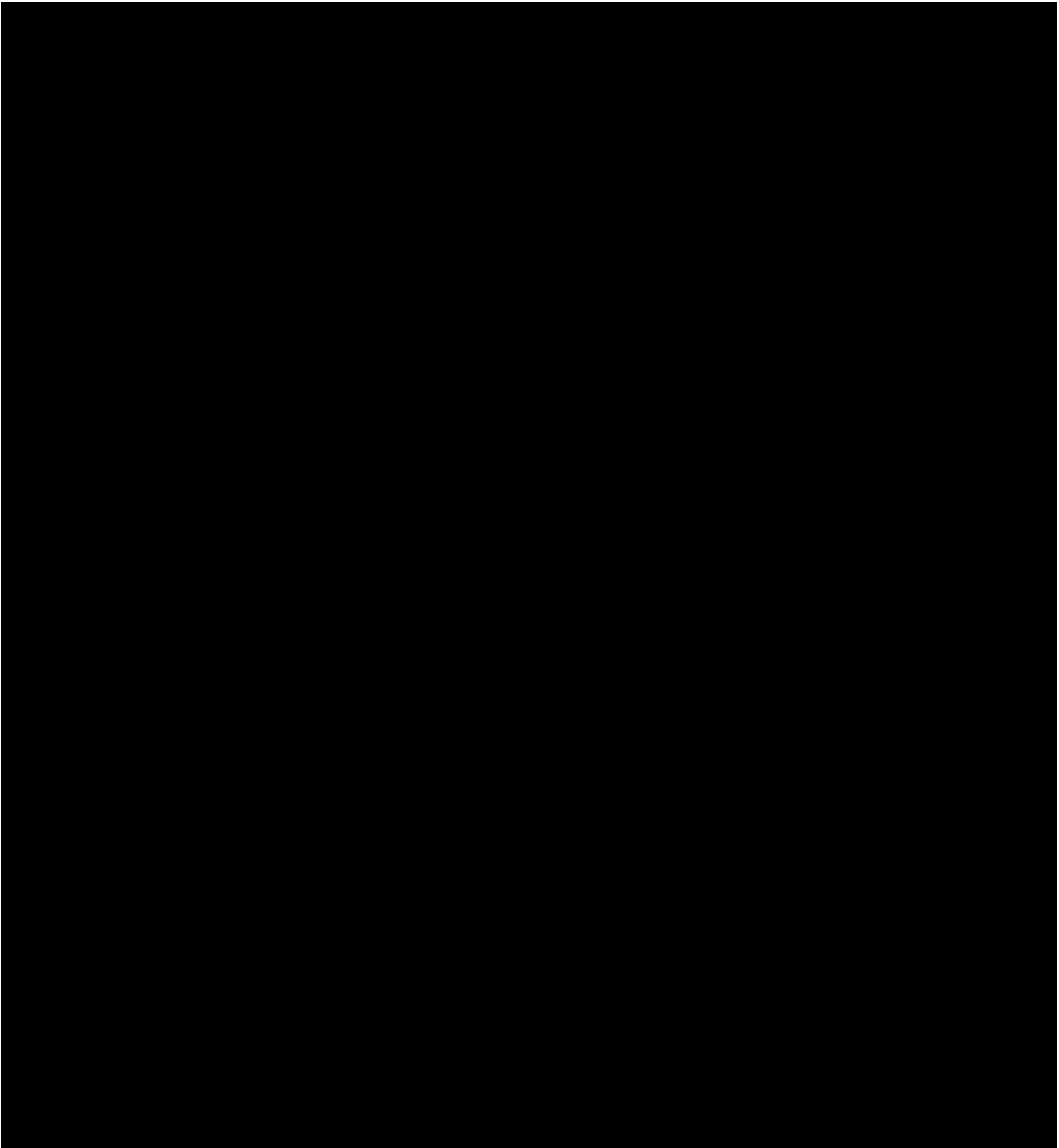


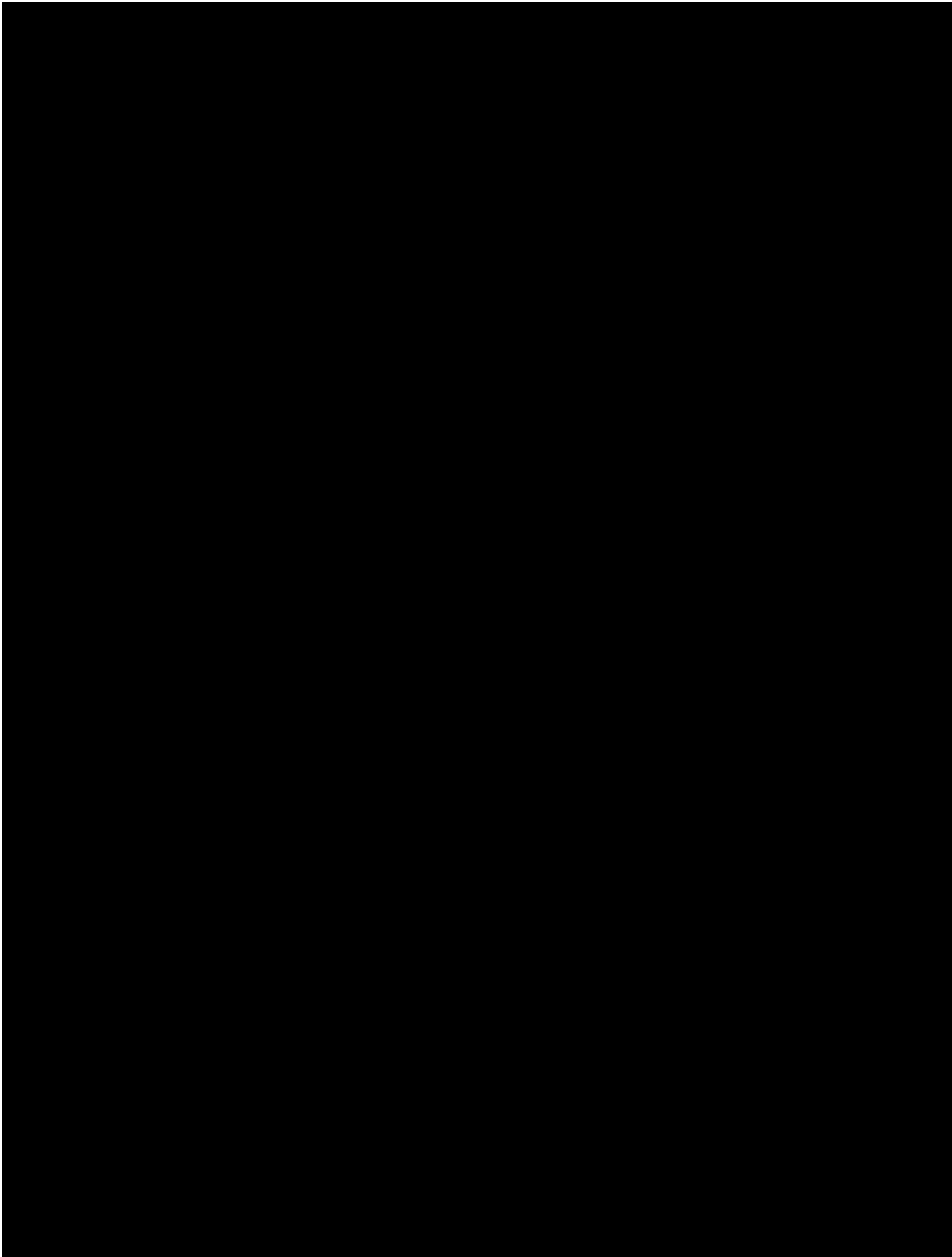


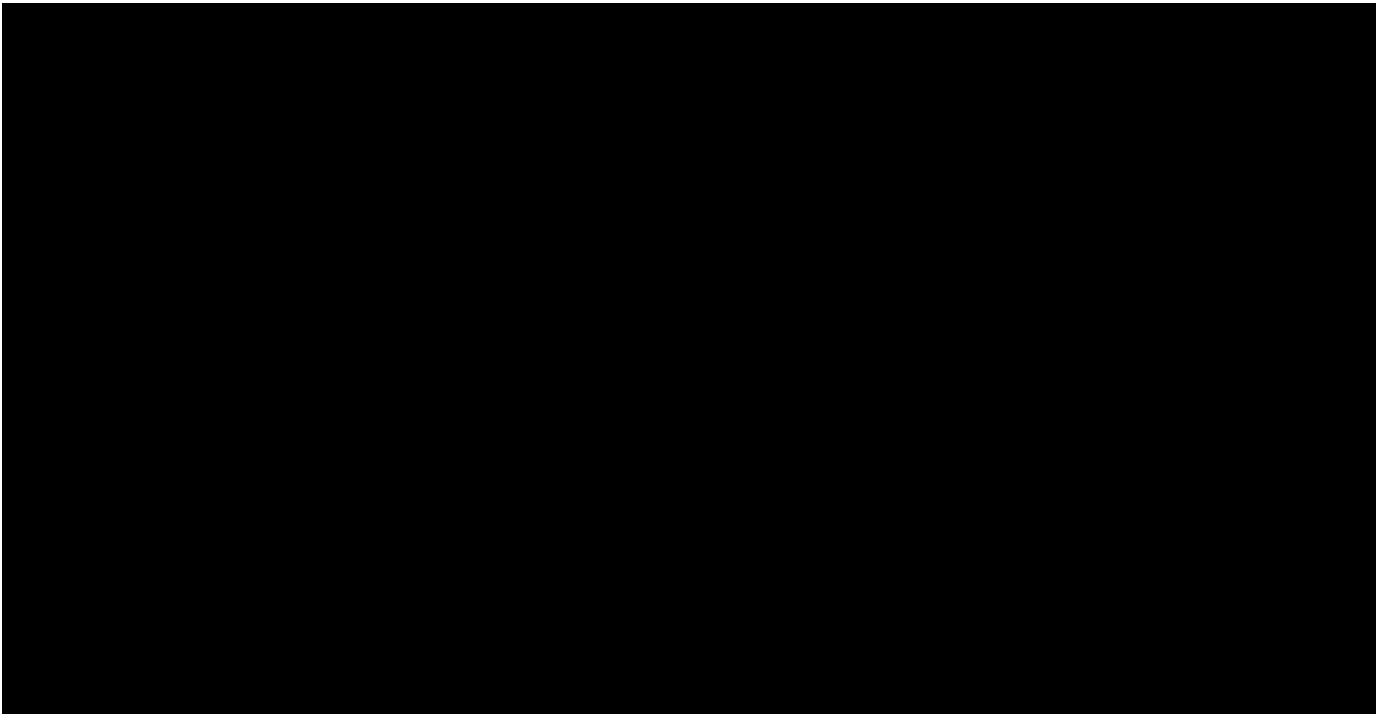




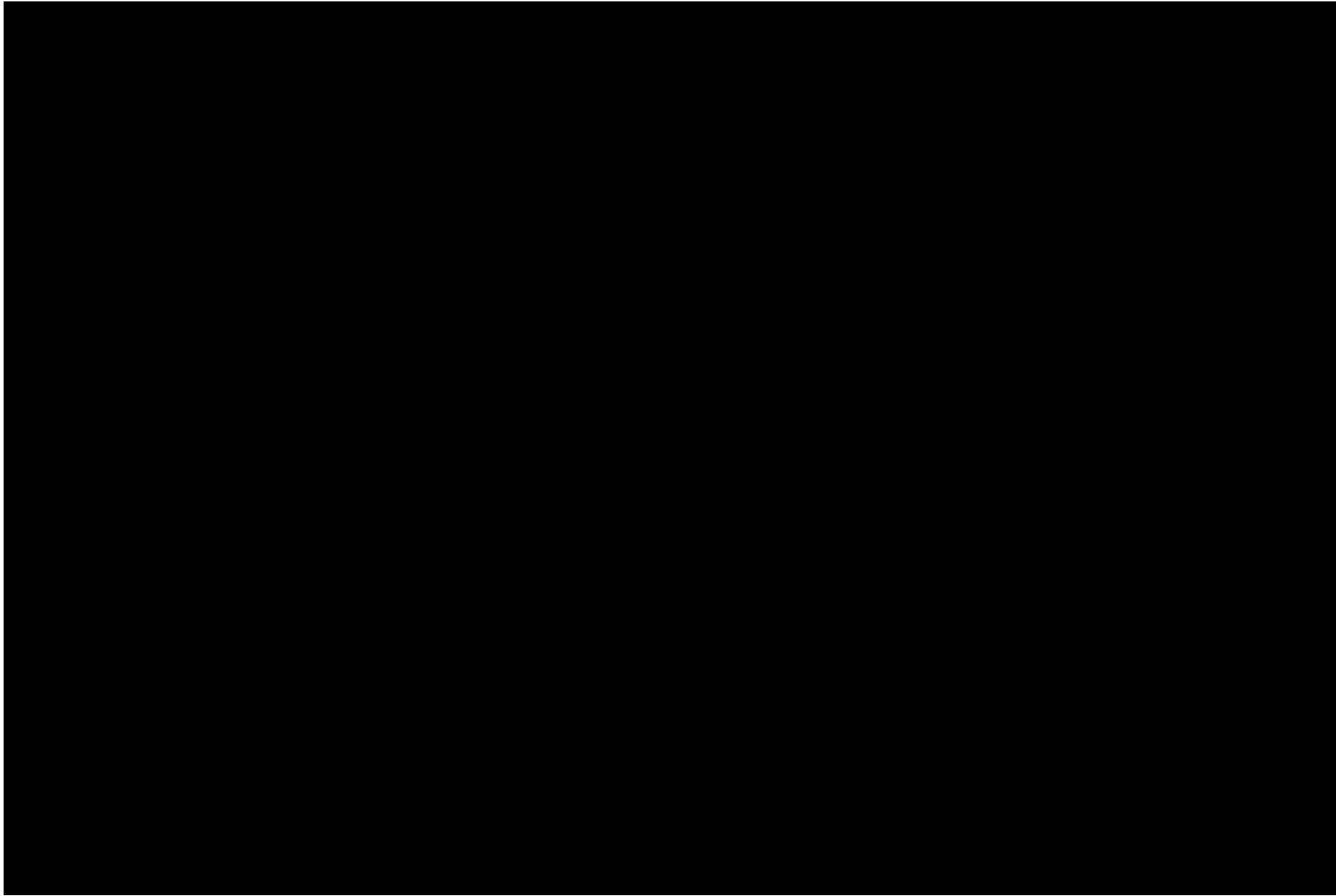


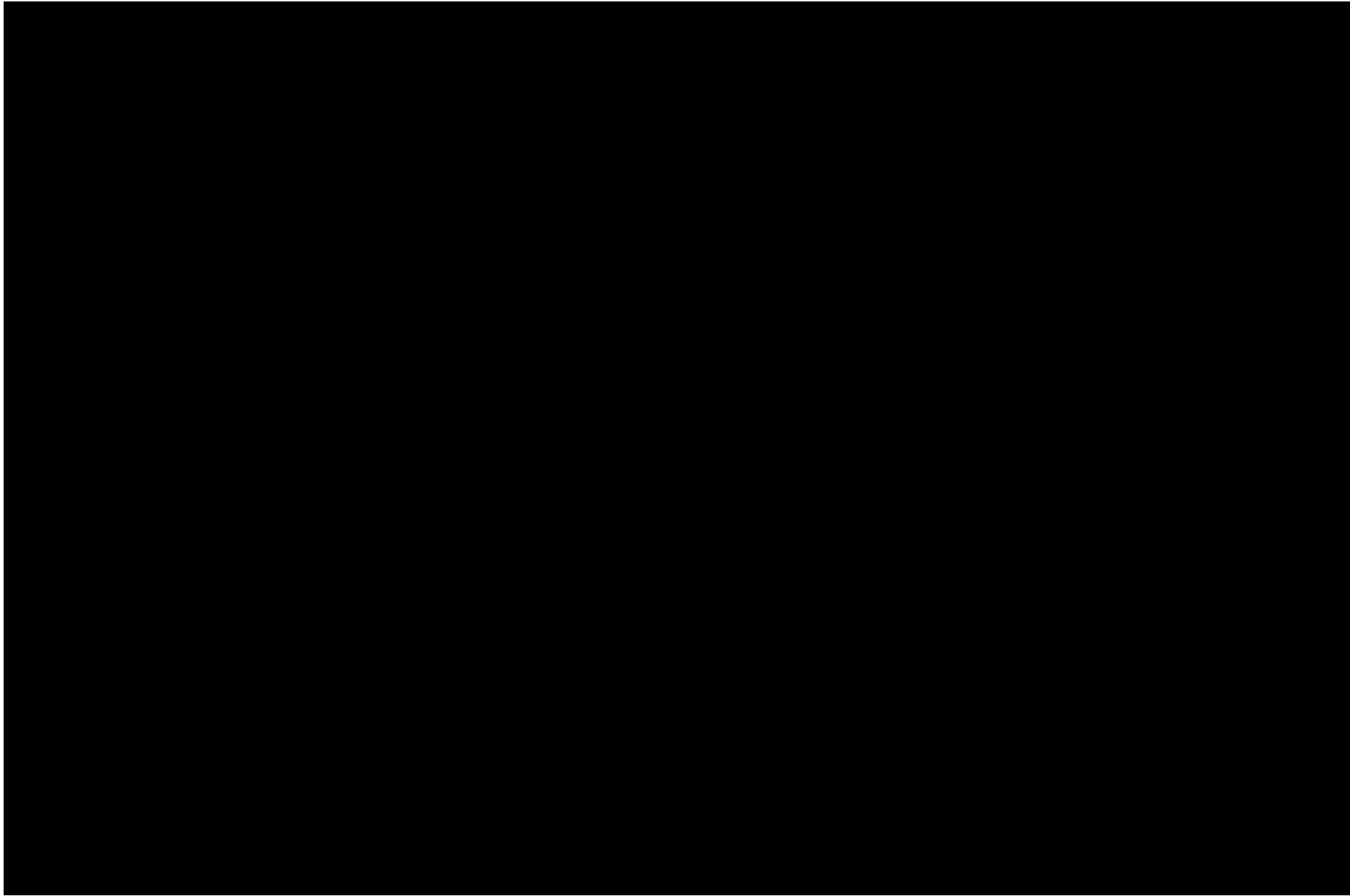


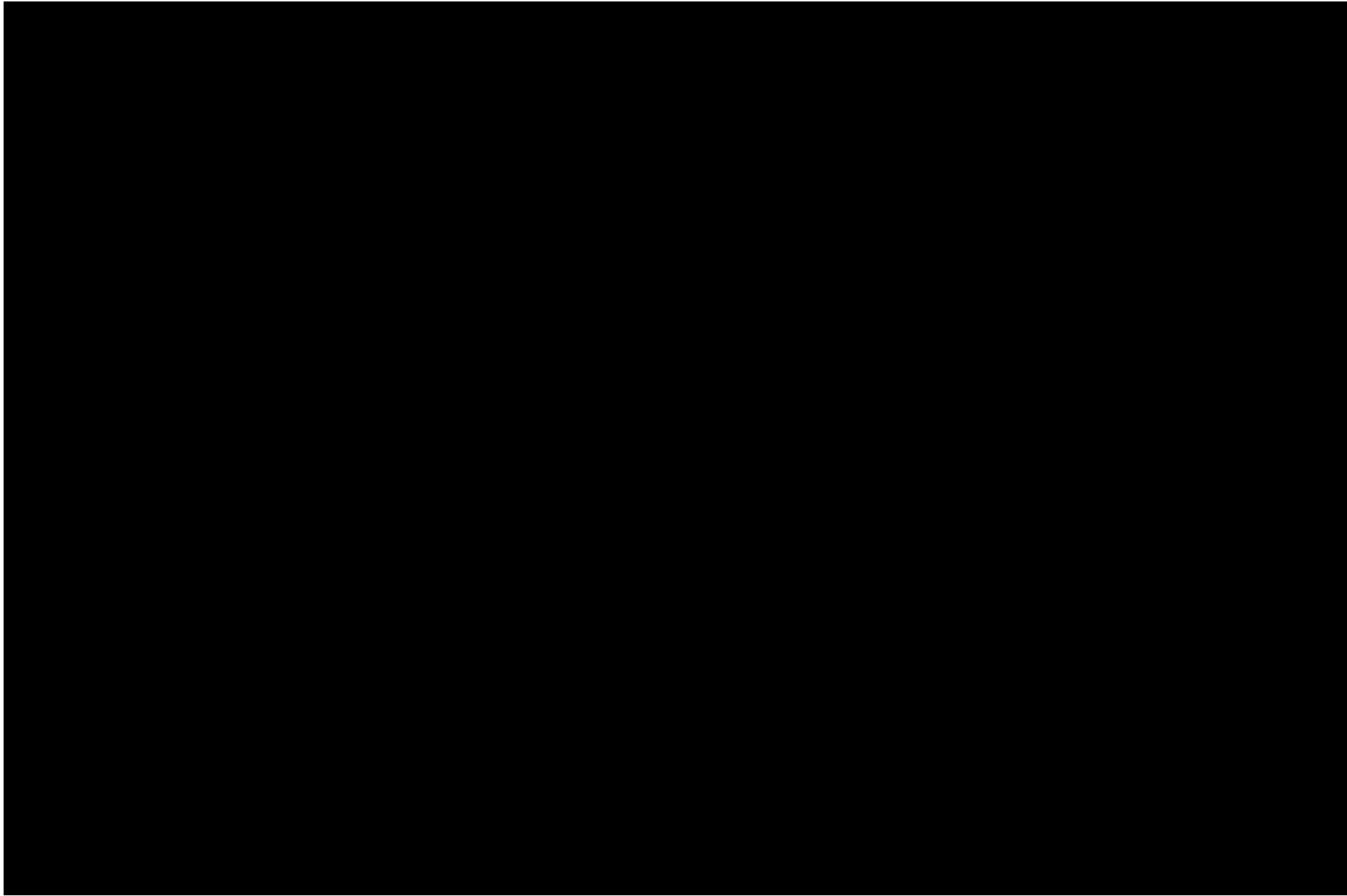


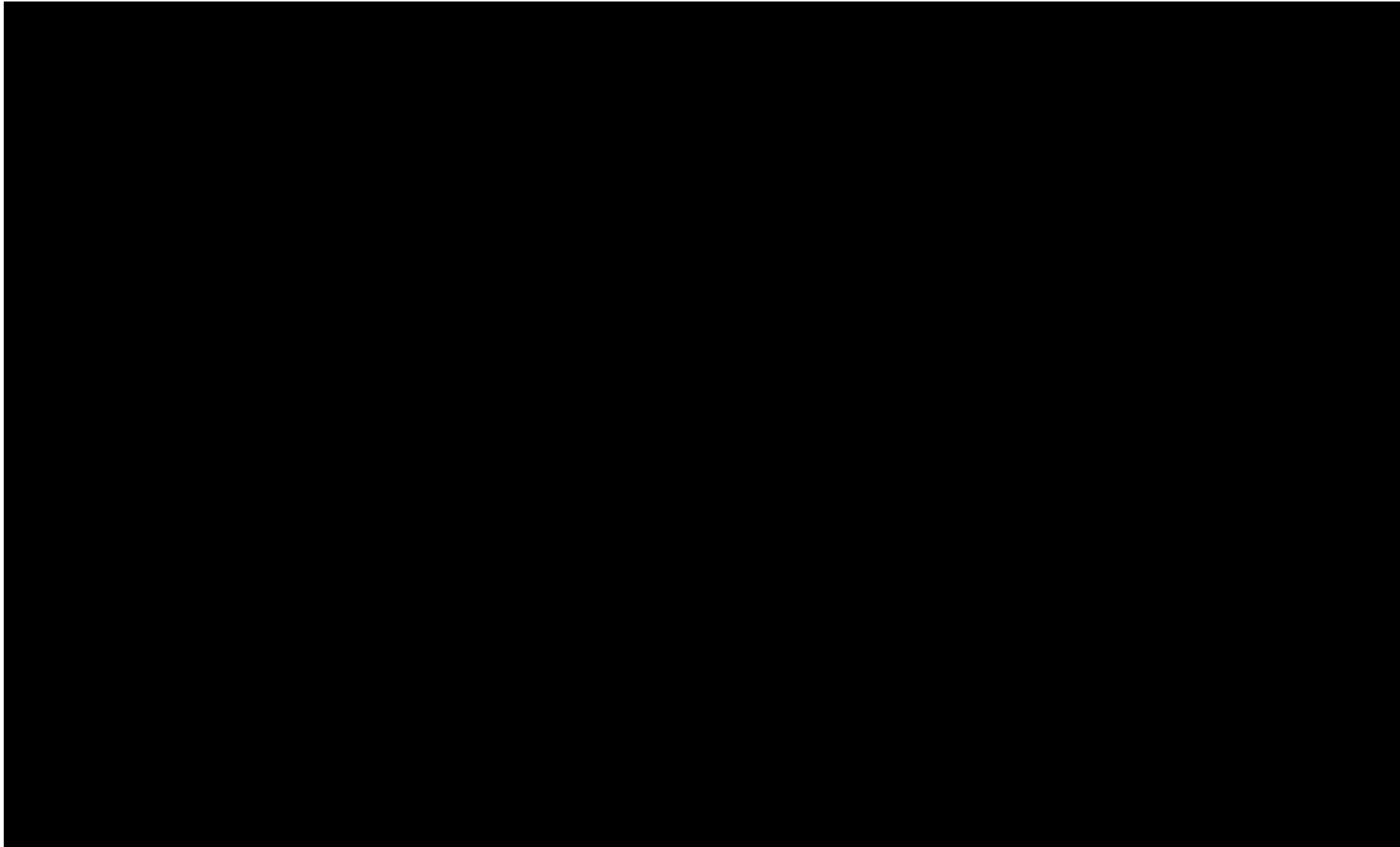


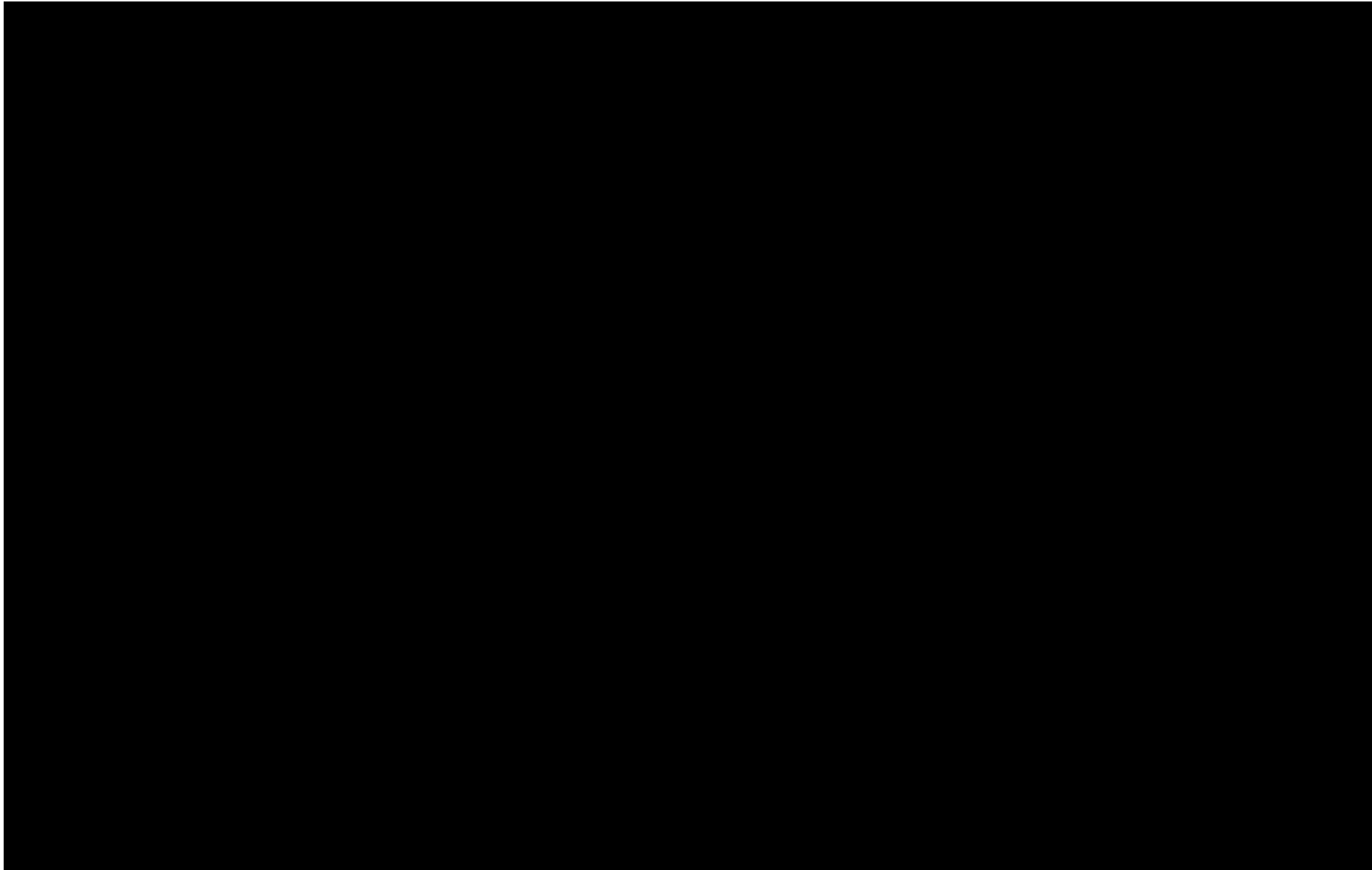
14 ANNUAL BUDGETS OF MUNICIPAL ENTITIES ATTACHED TO THE ANNUAL BUDGET
See attached as Annexure C

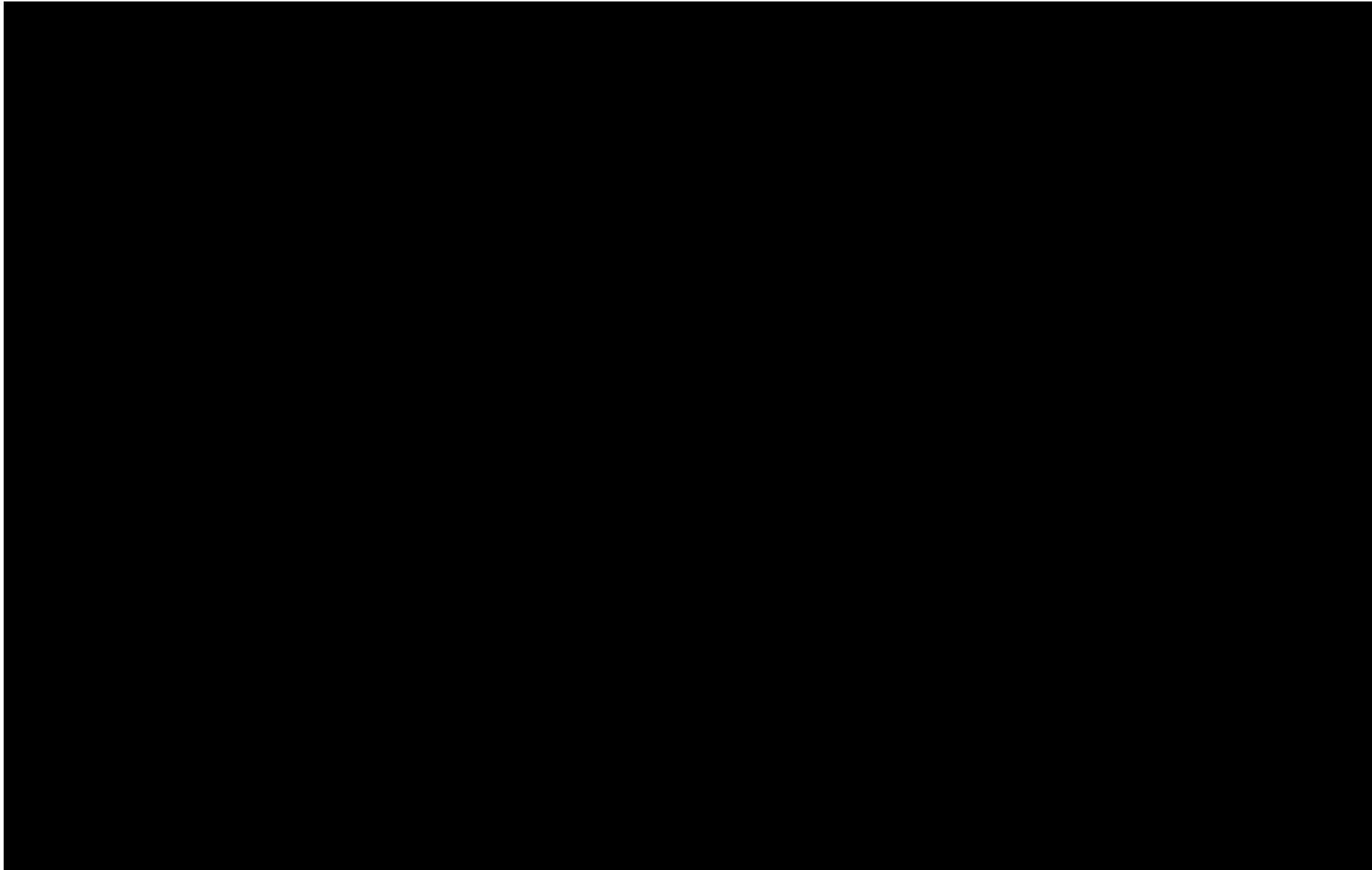


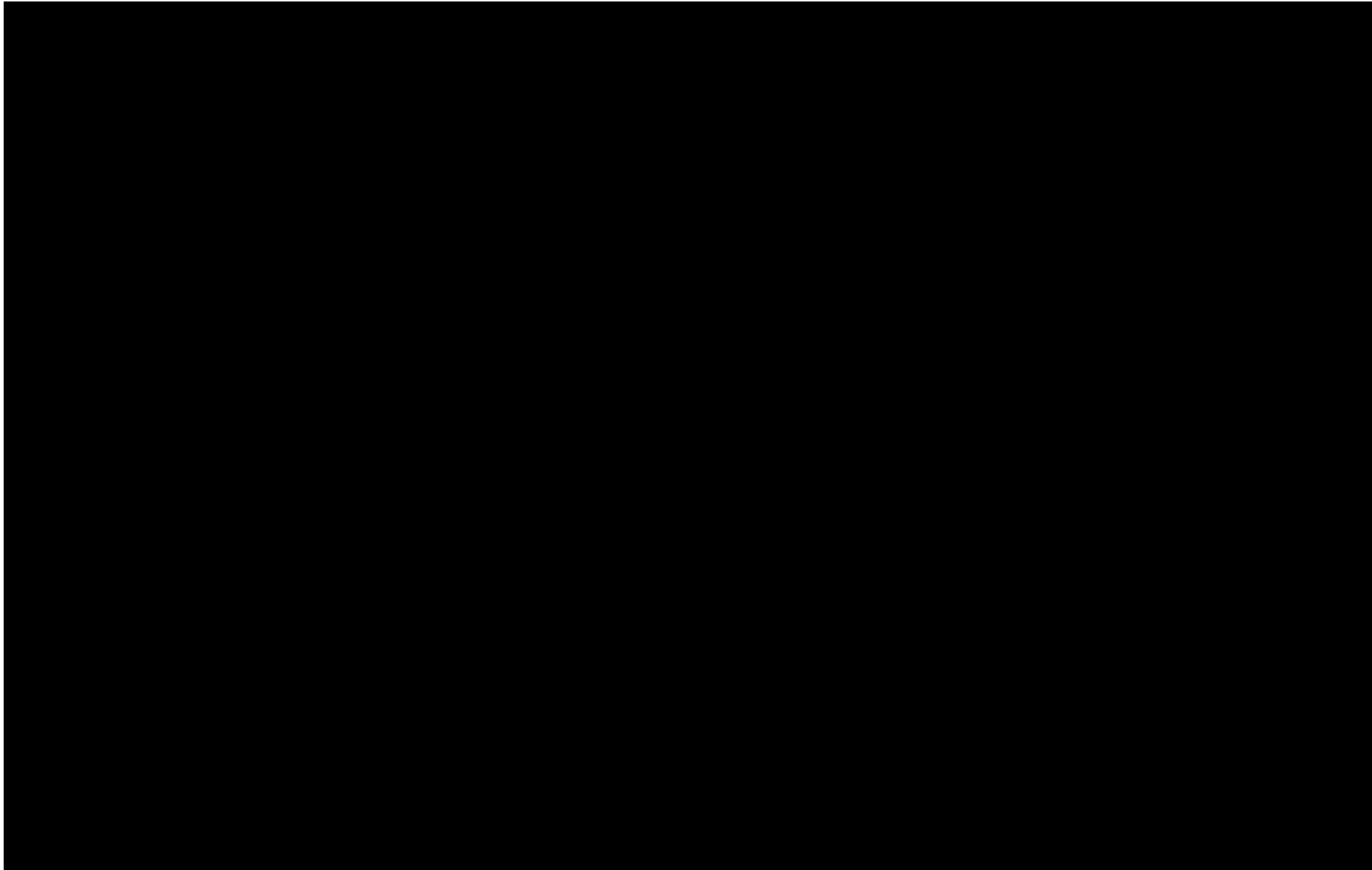


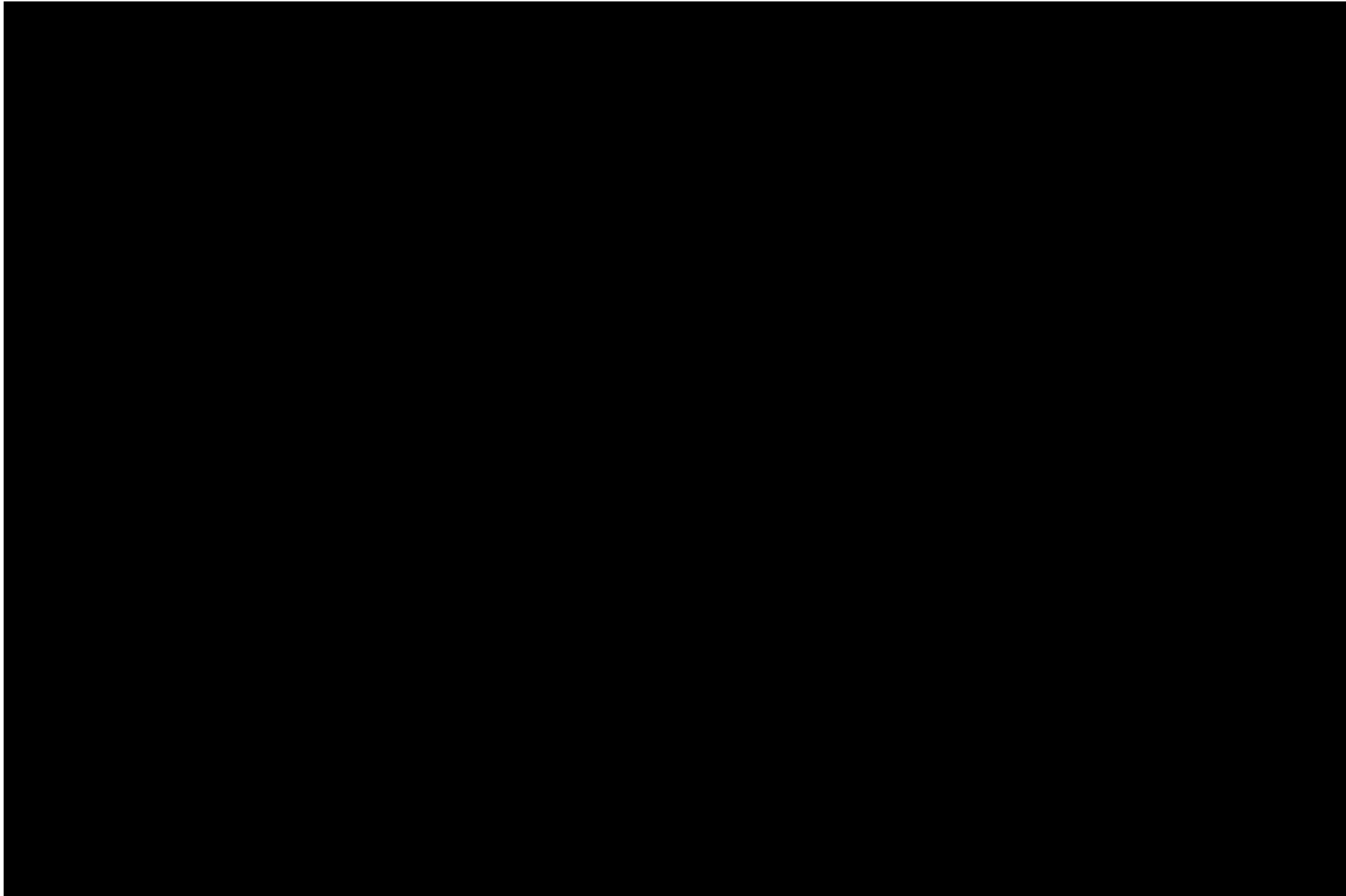




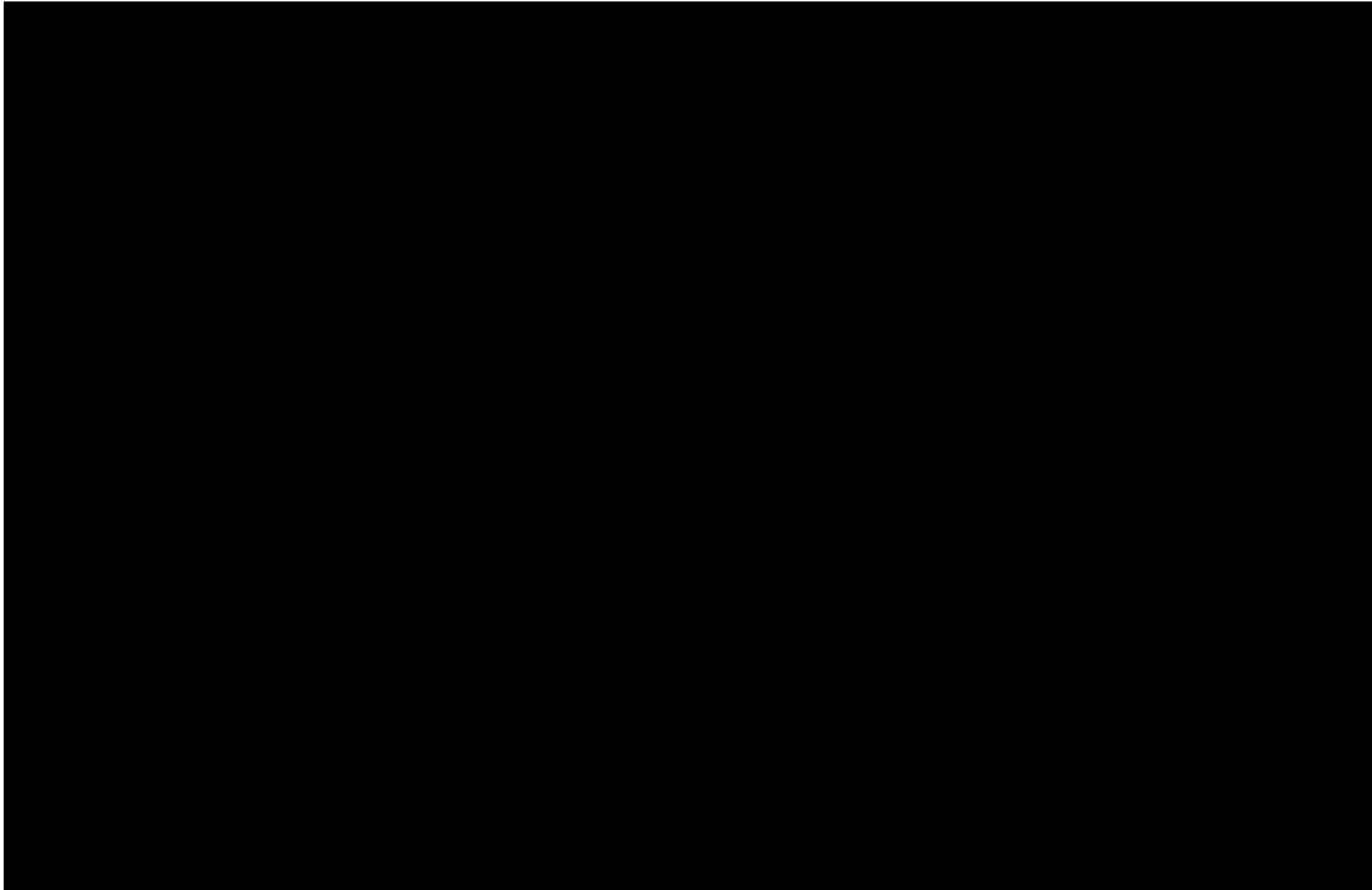


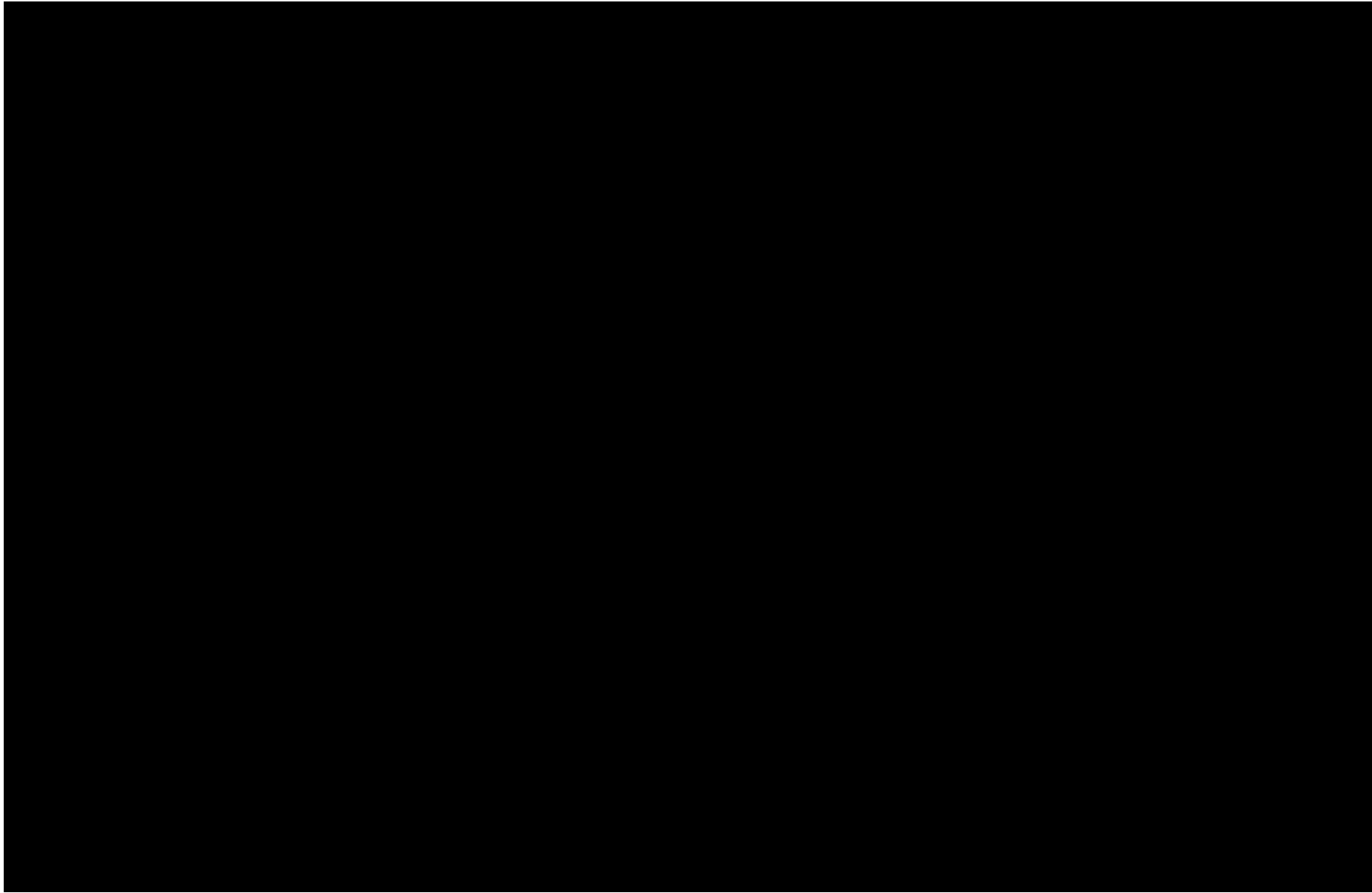


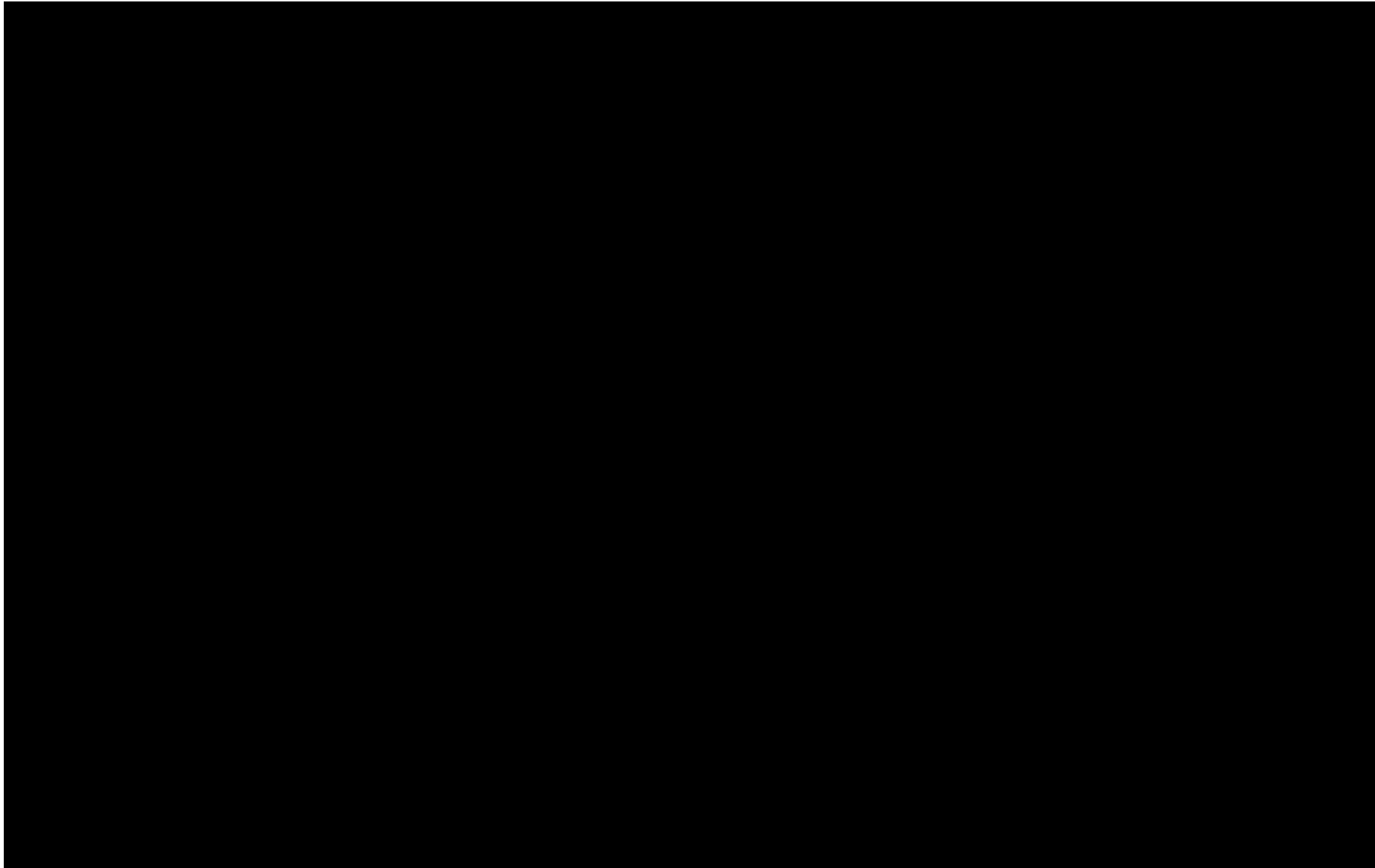


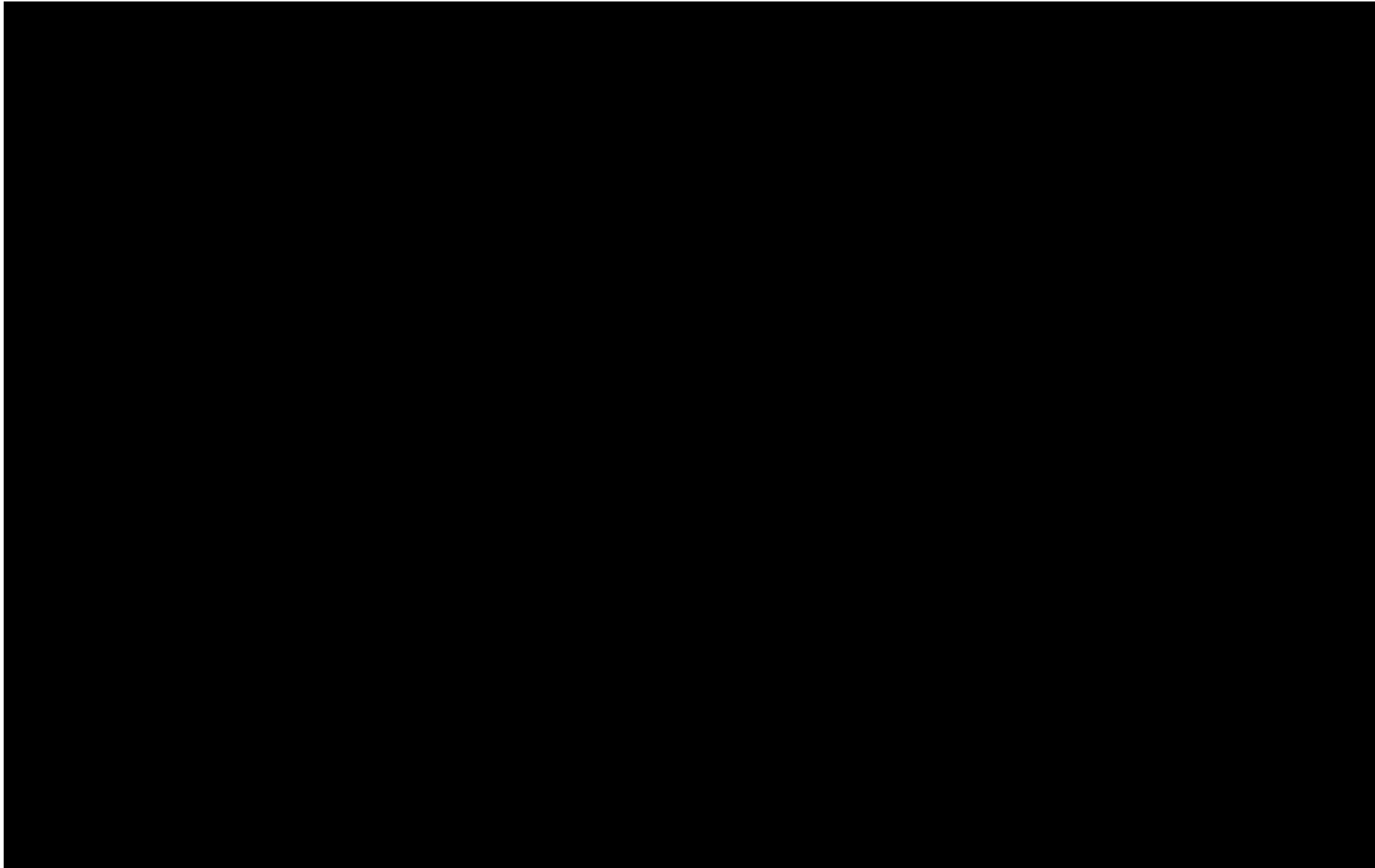


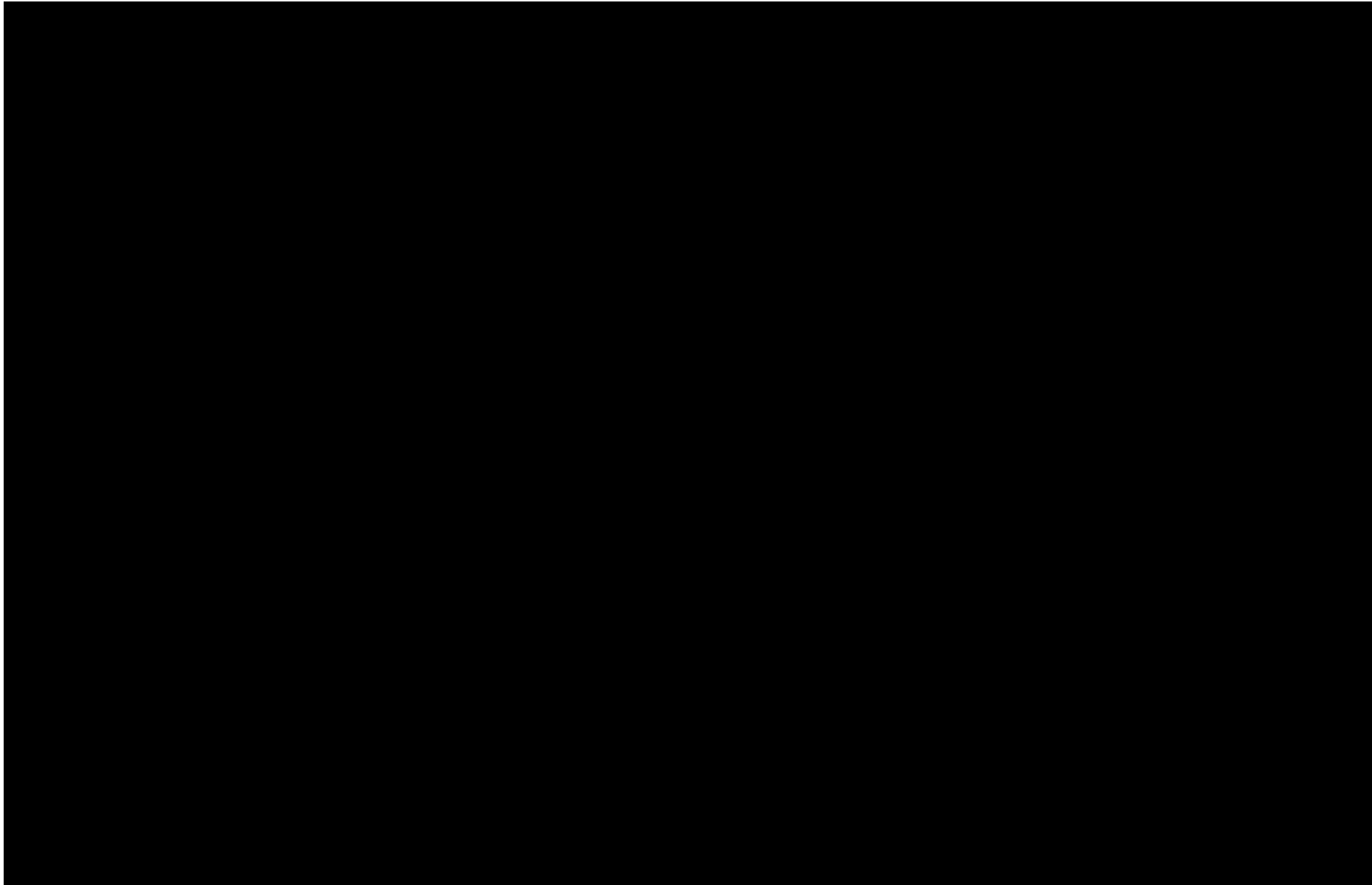


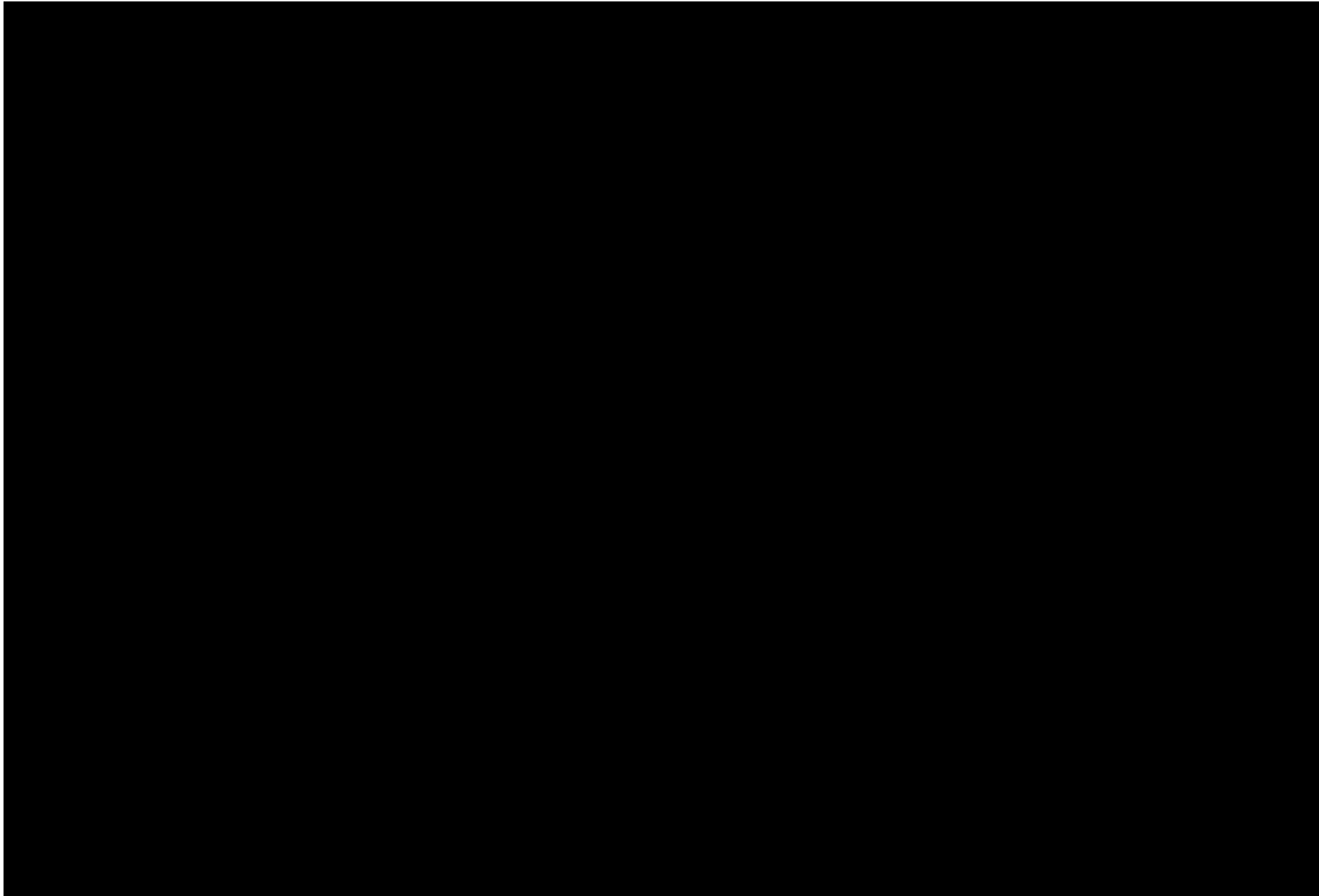


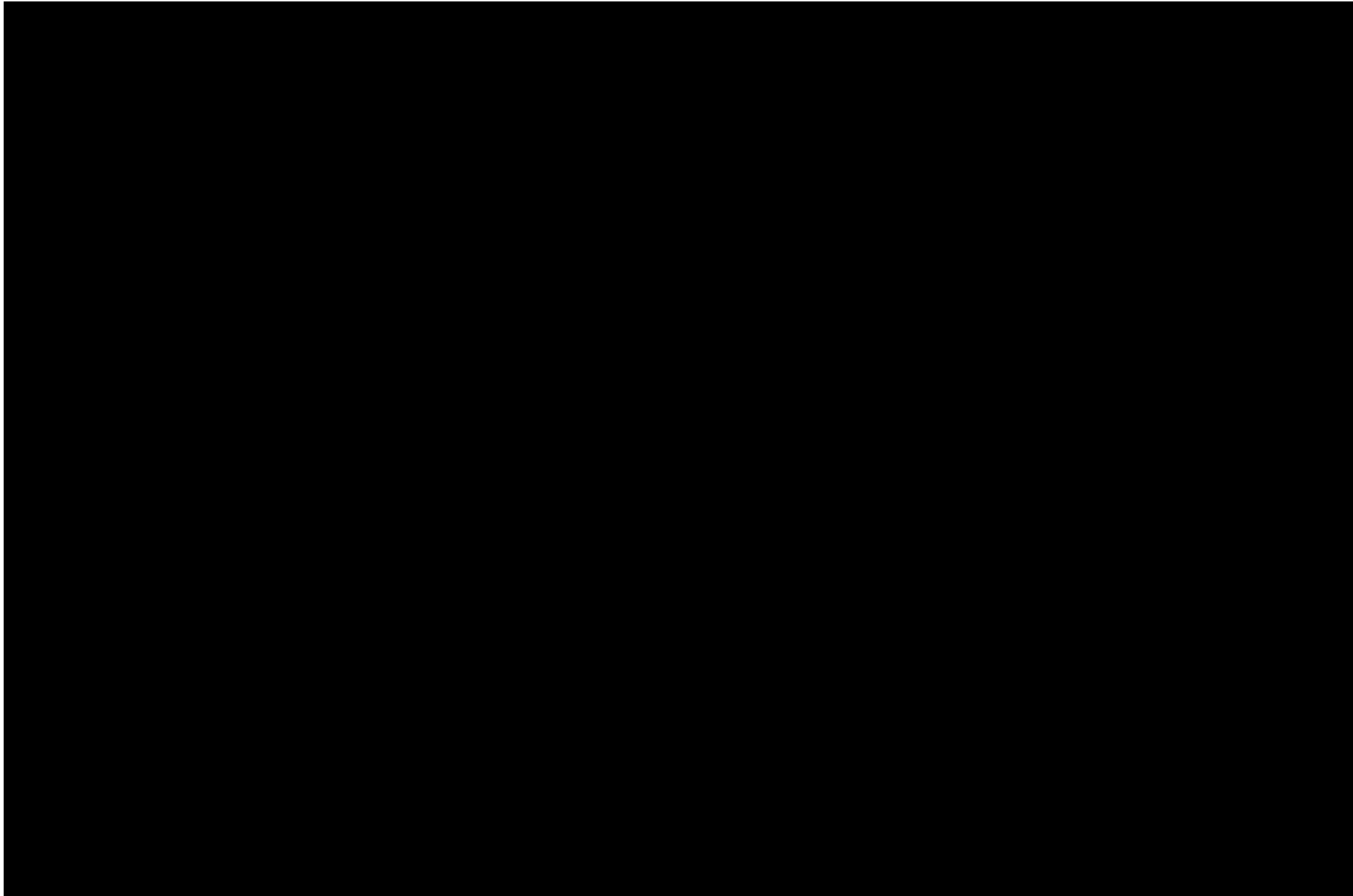


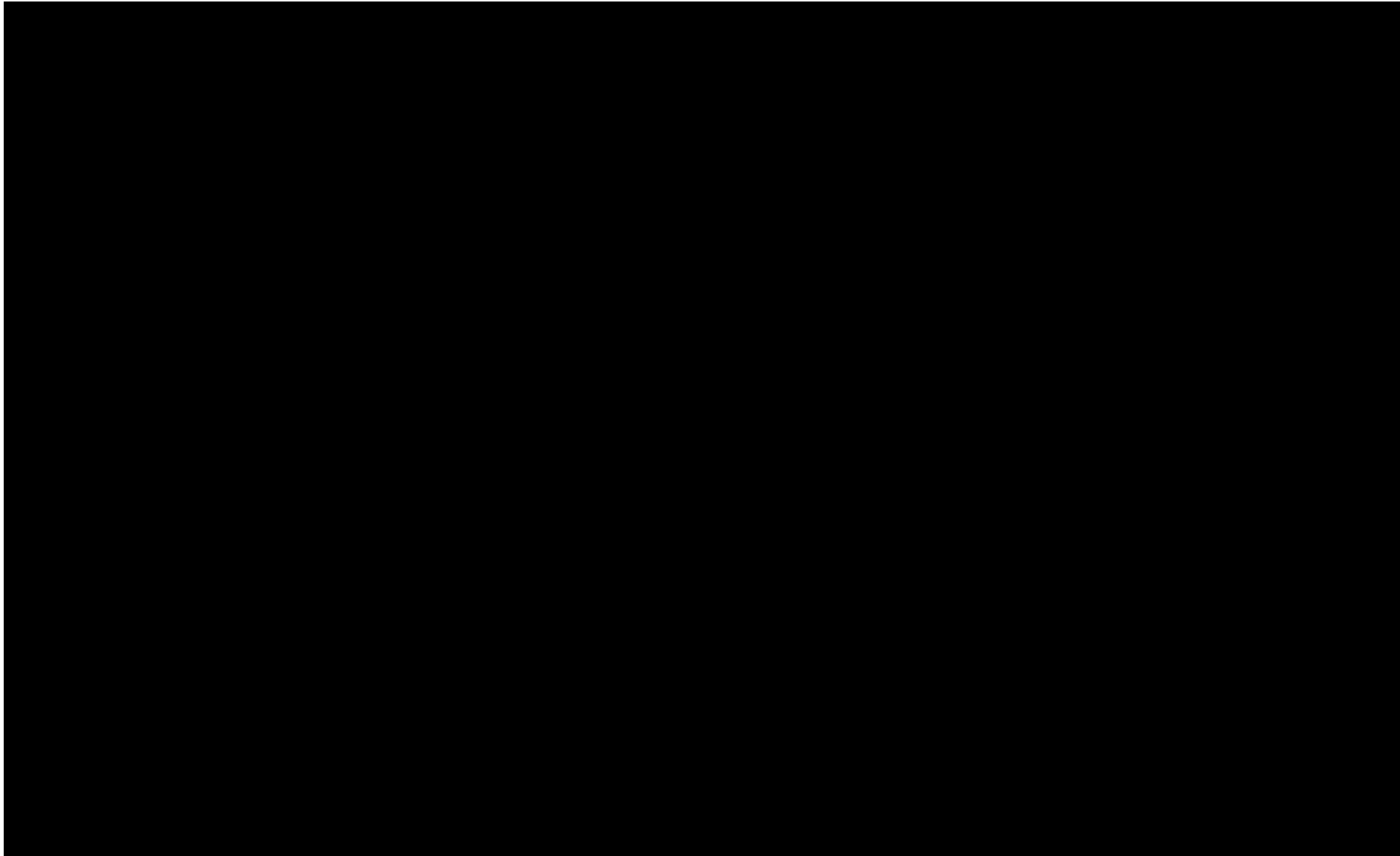


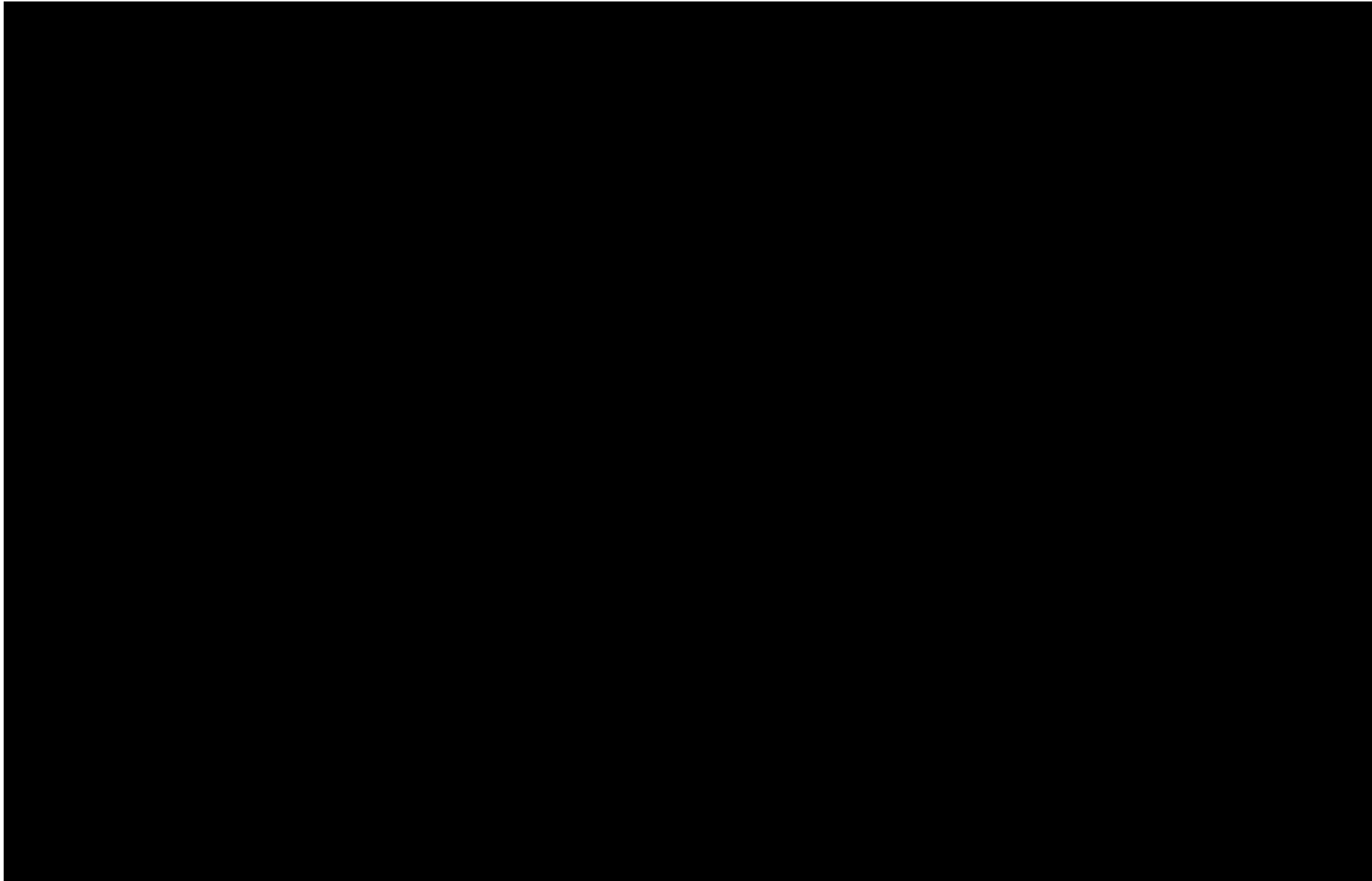


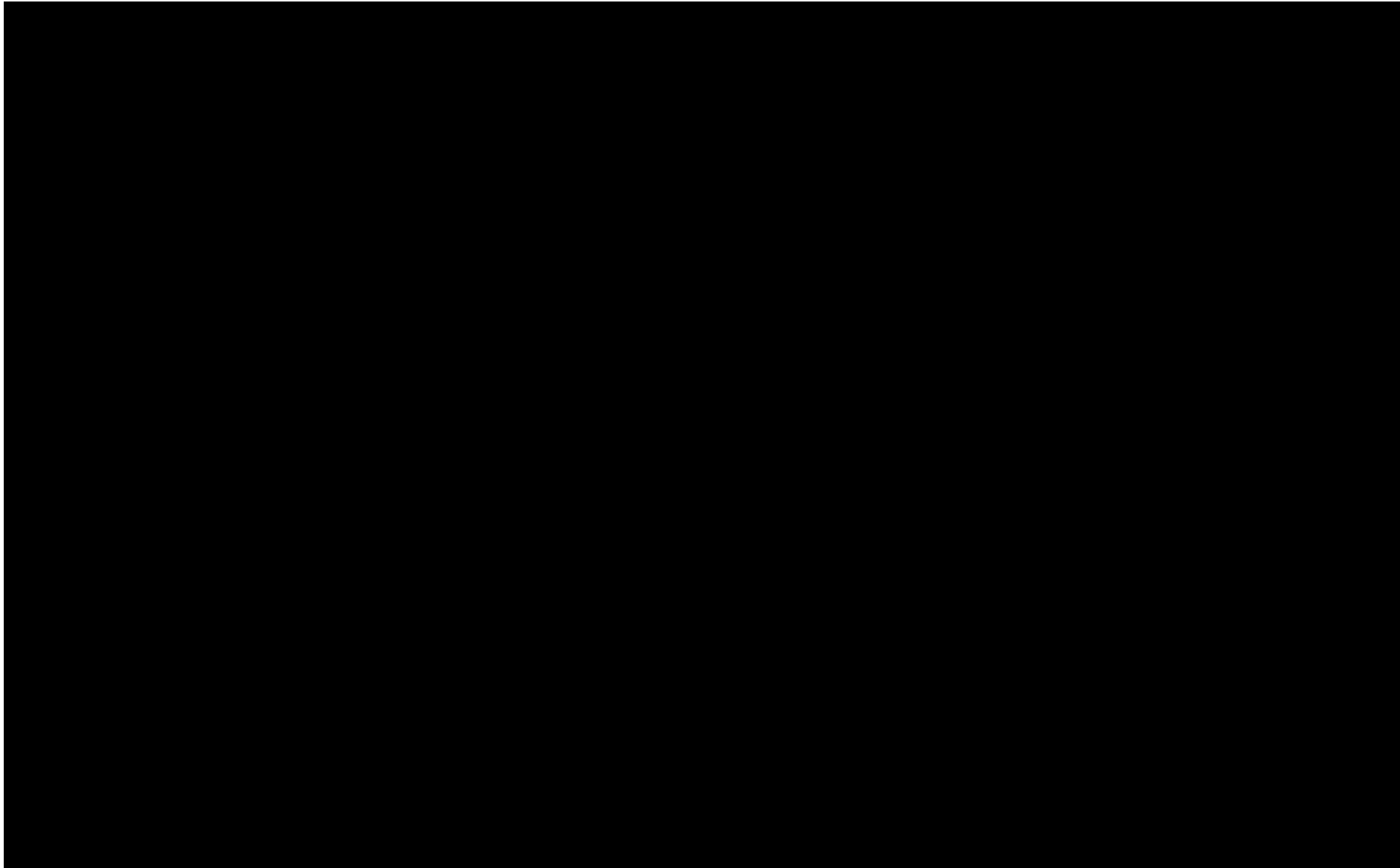


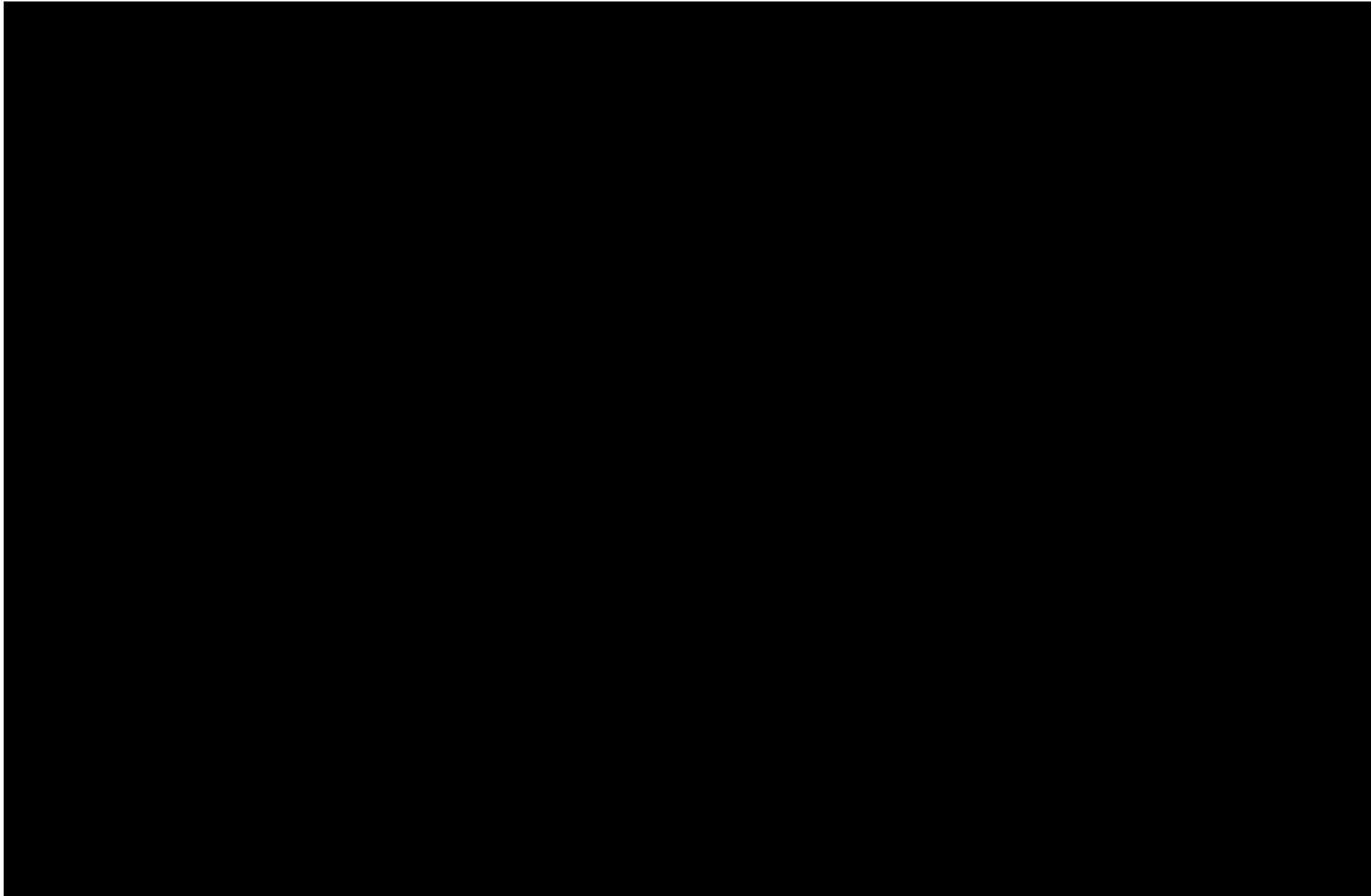


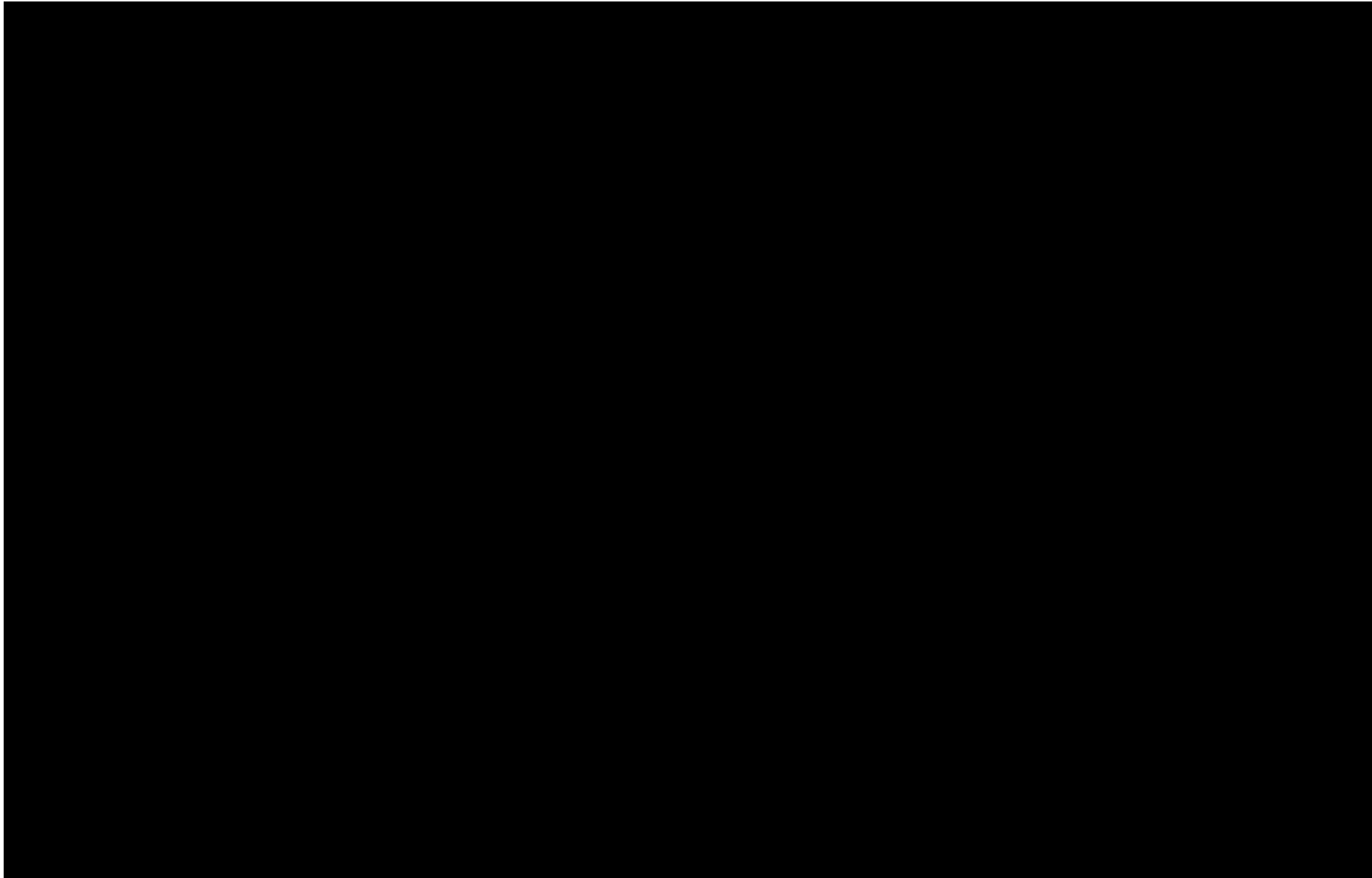


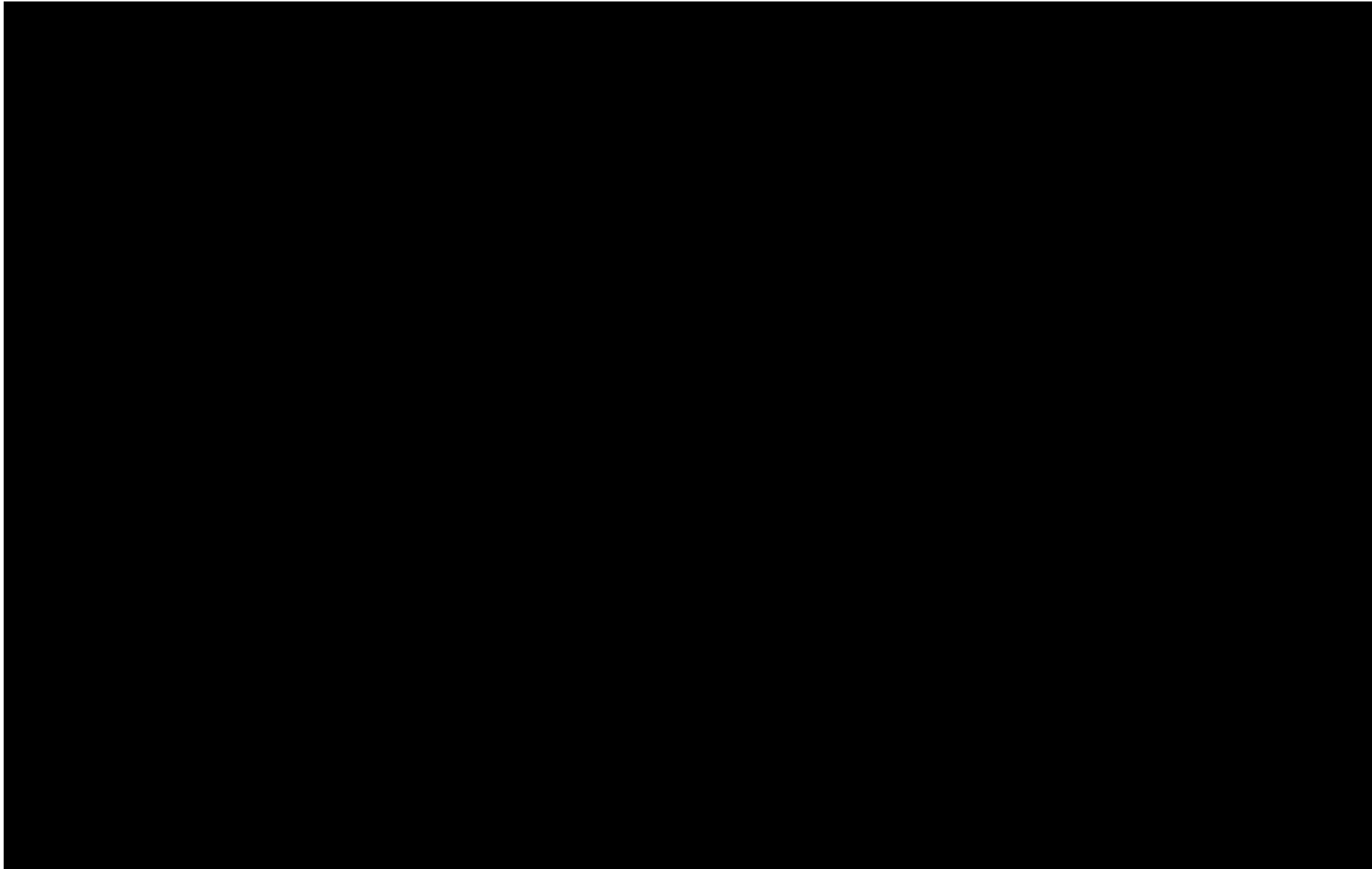


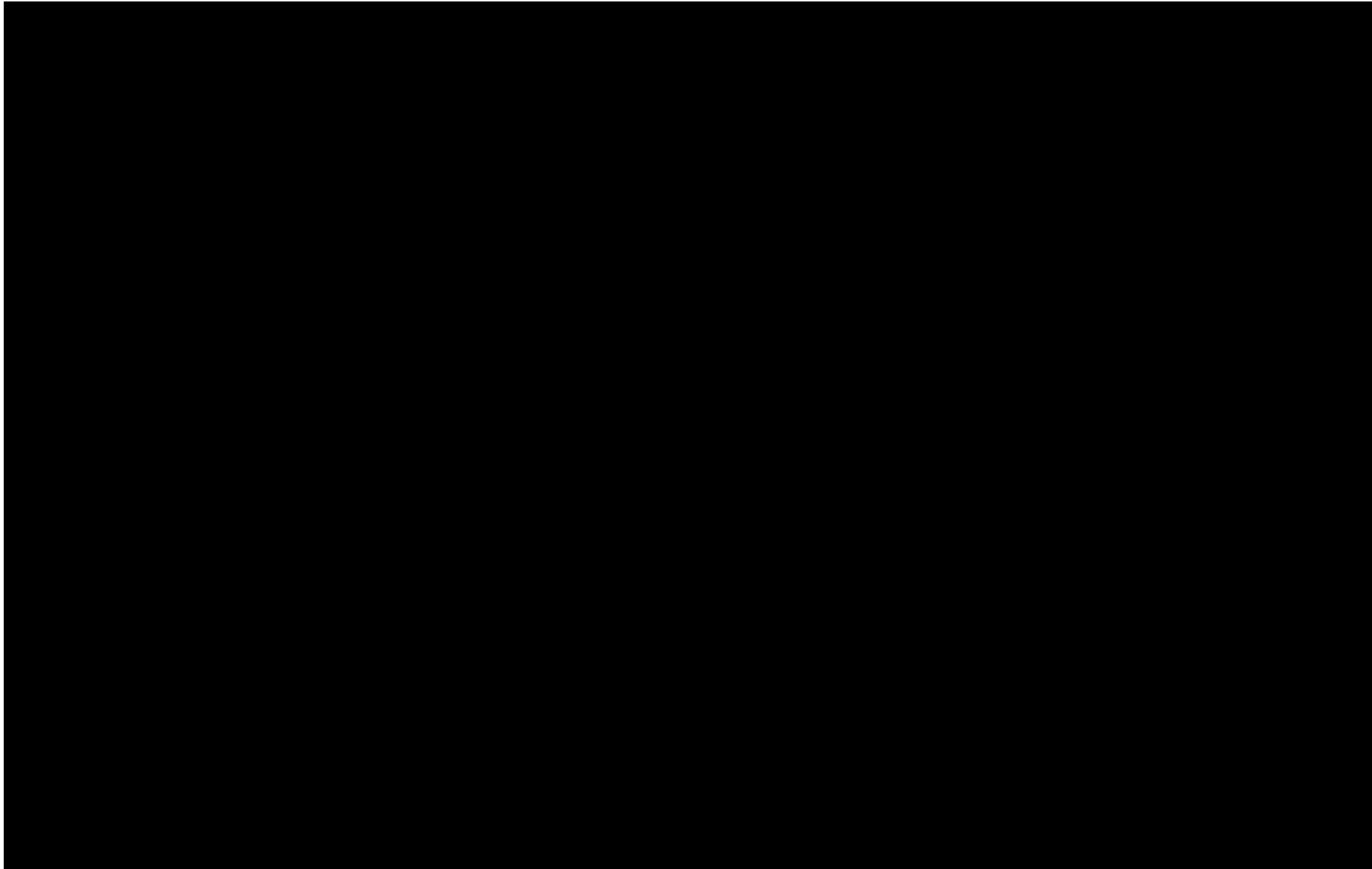


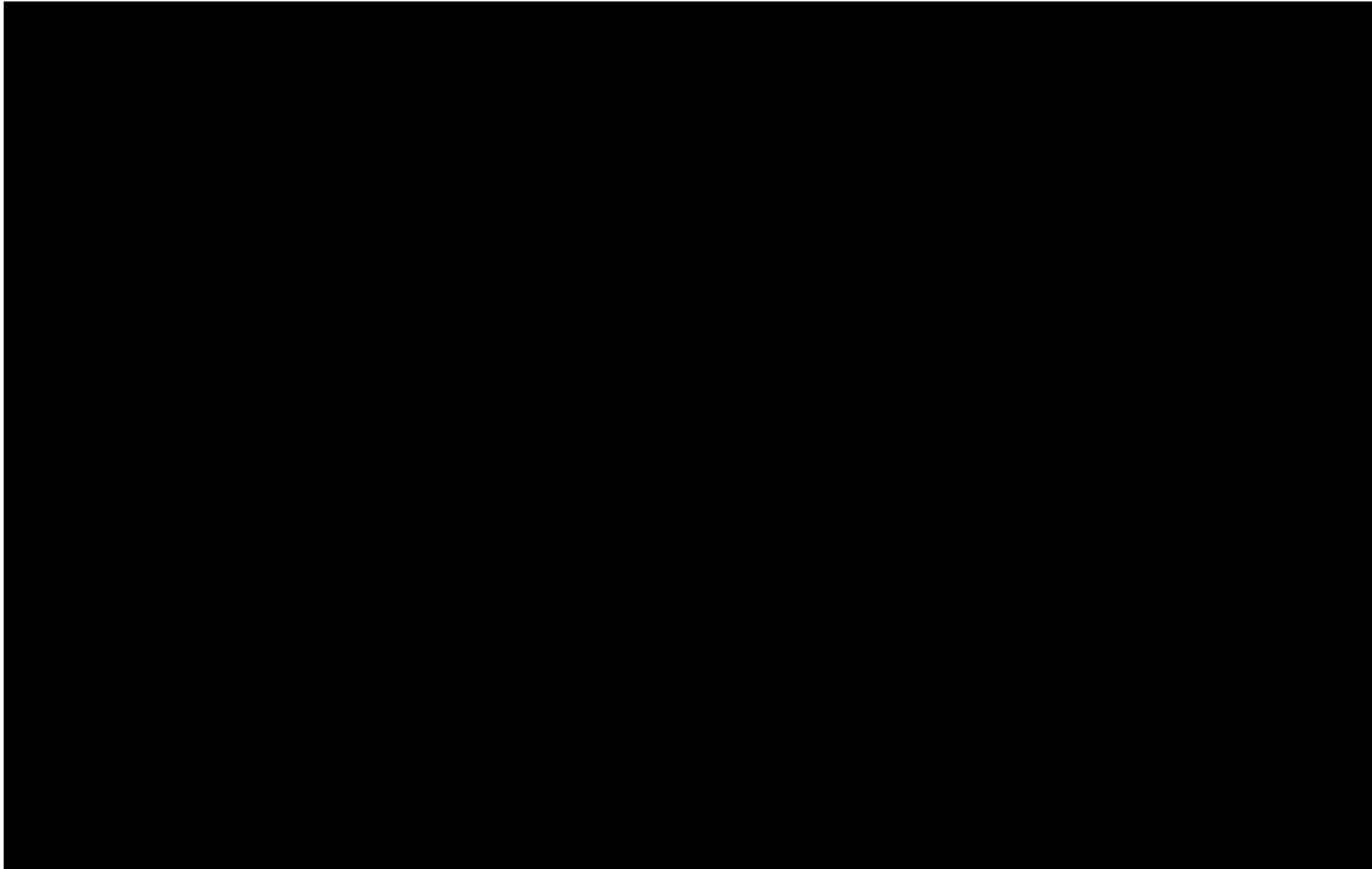


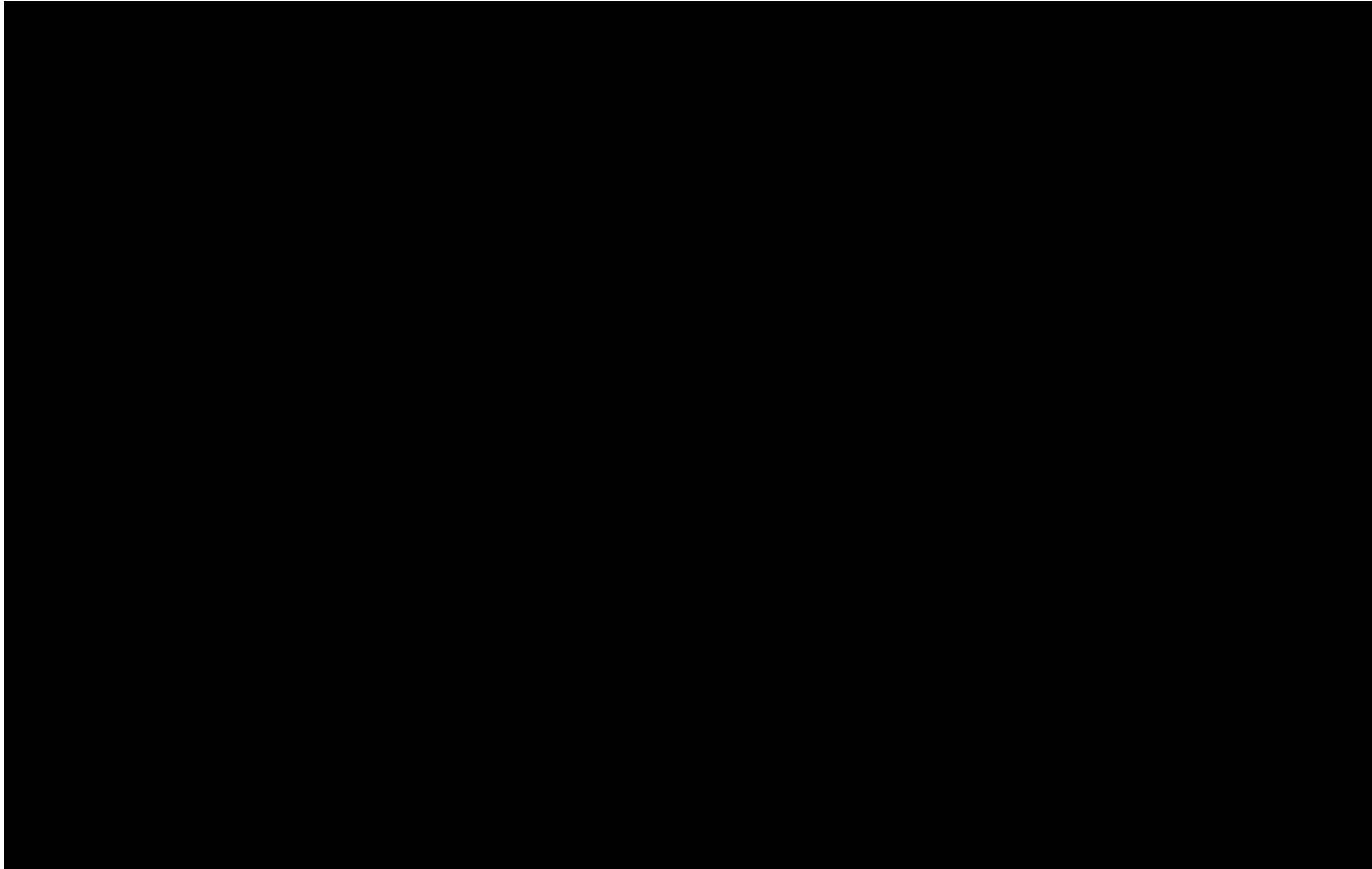


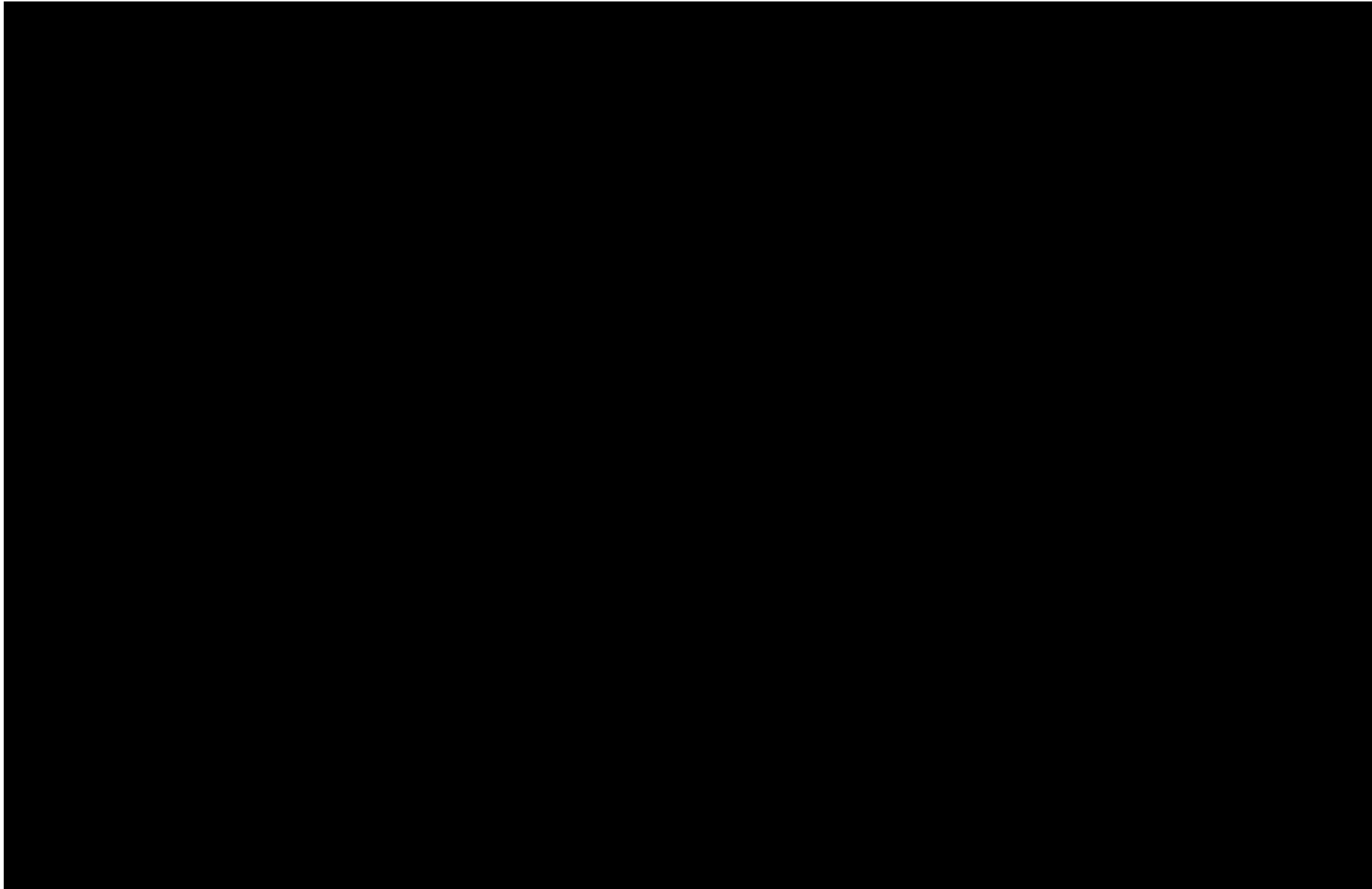


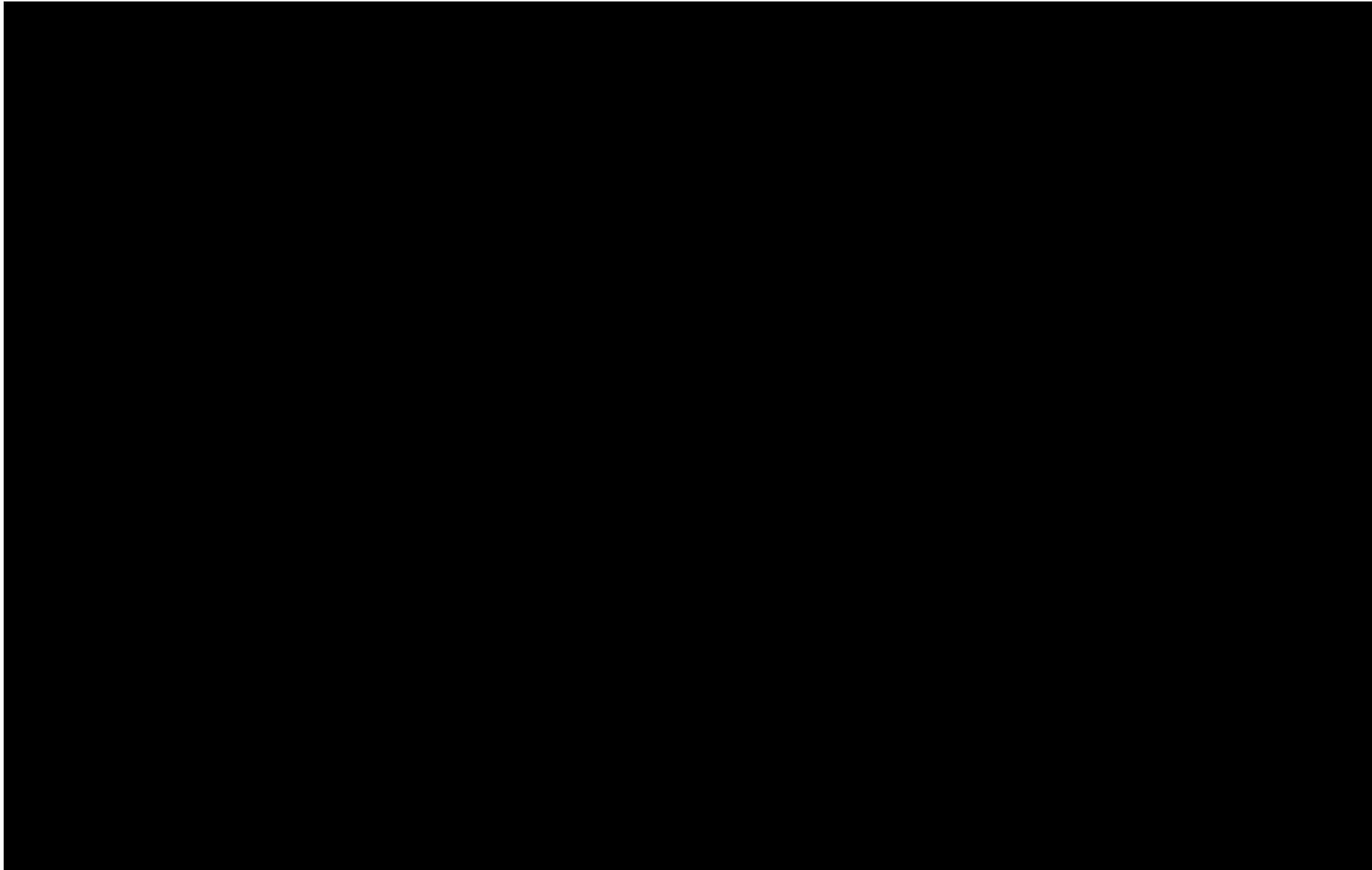




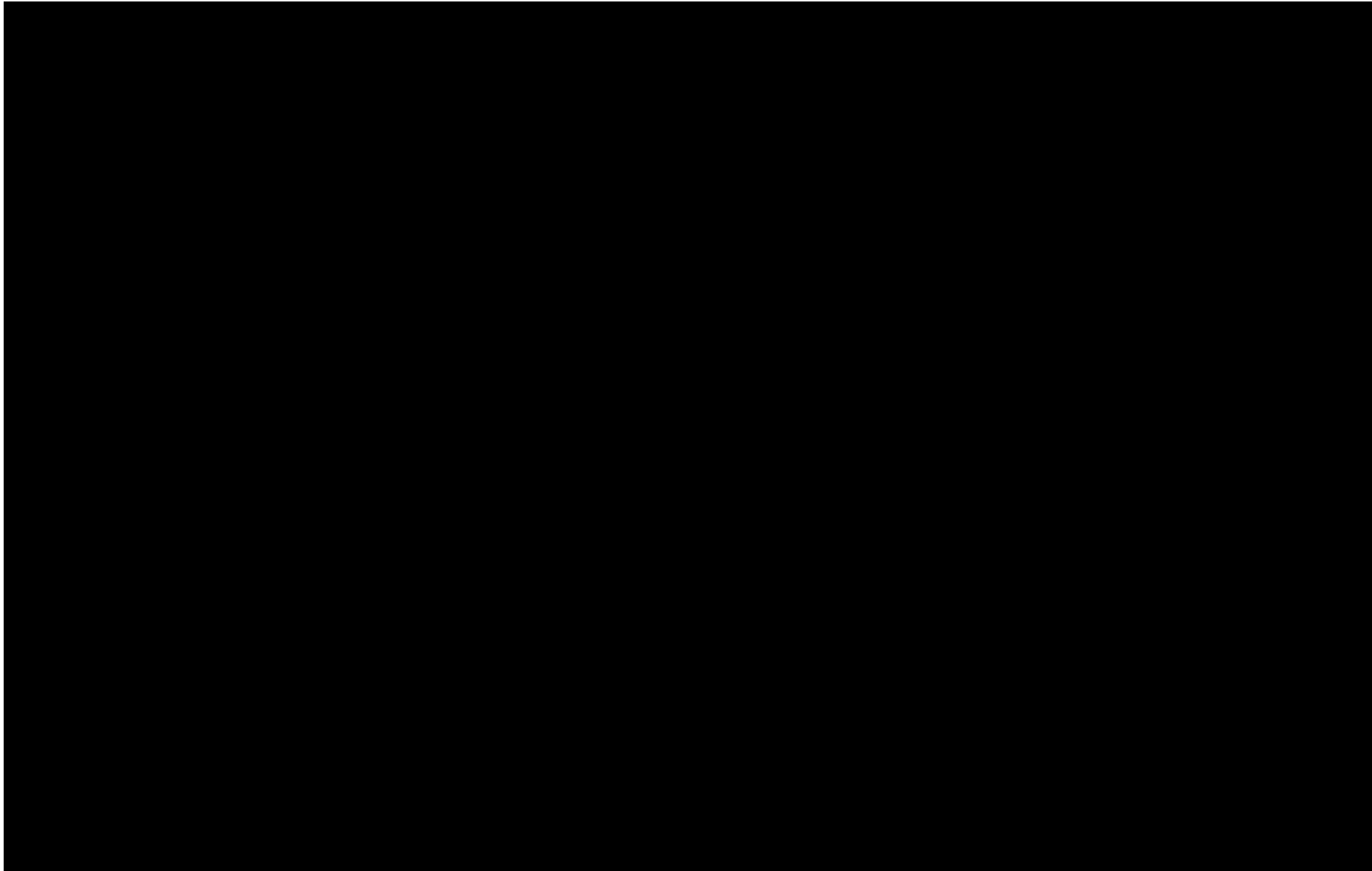


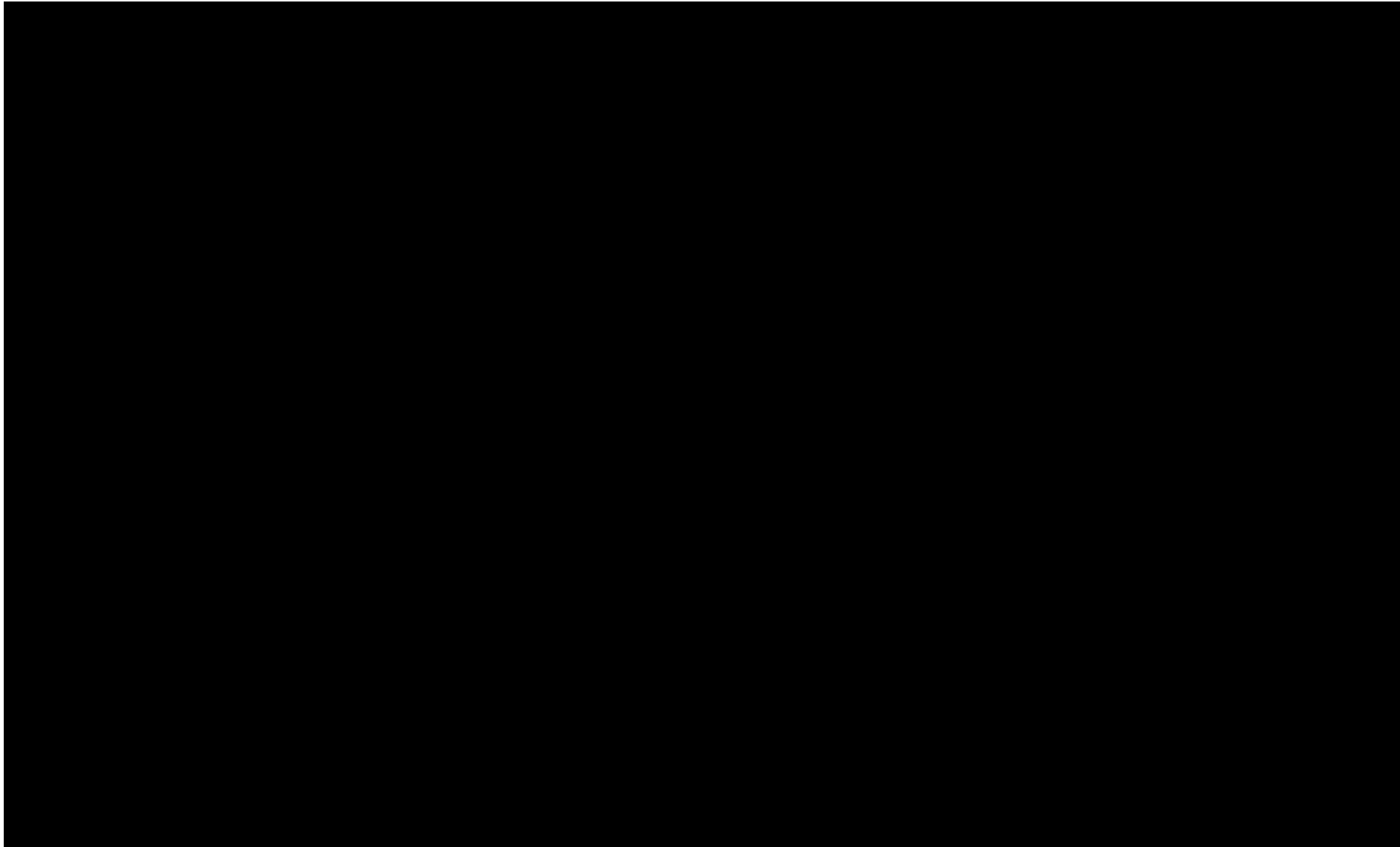


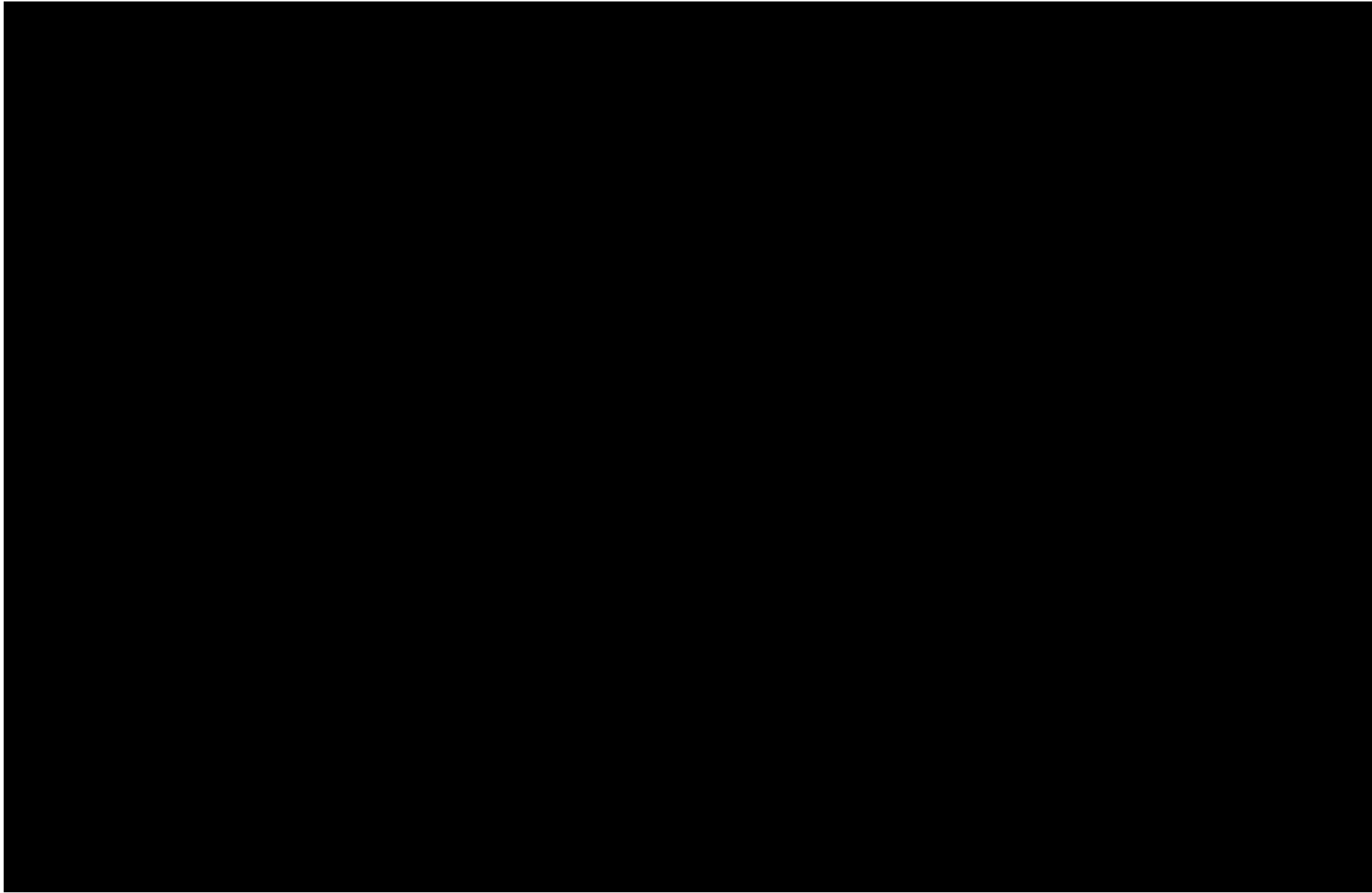


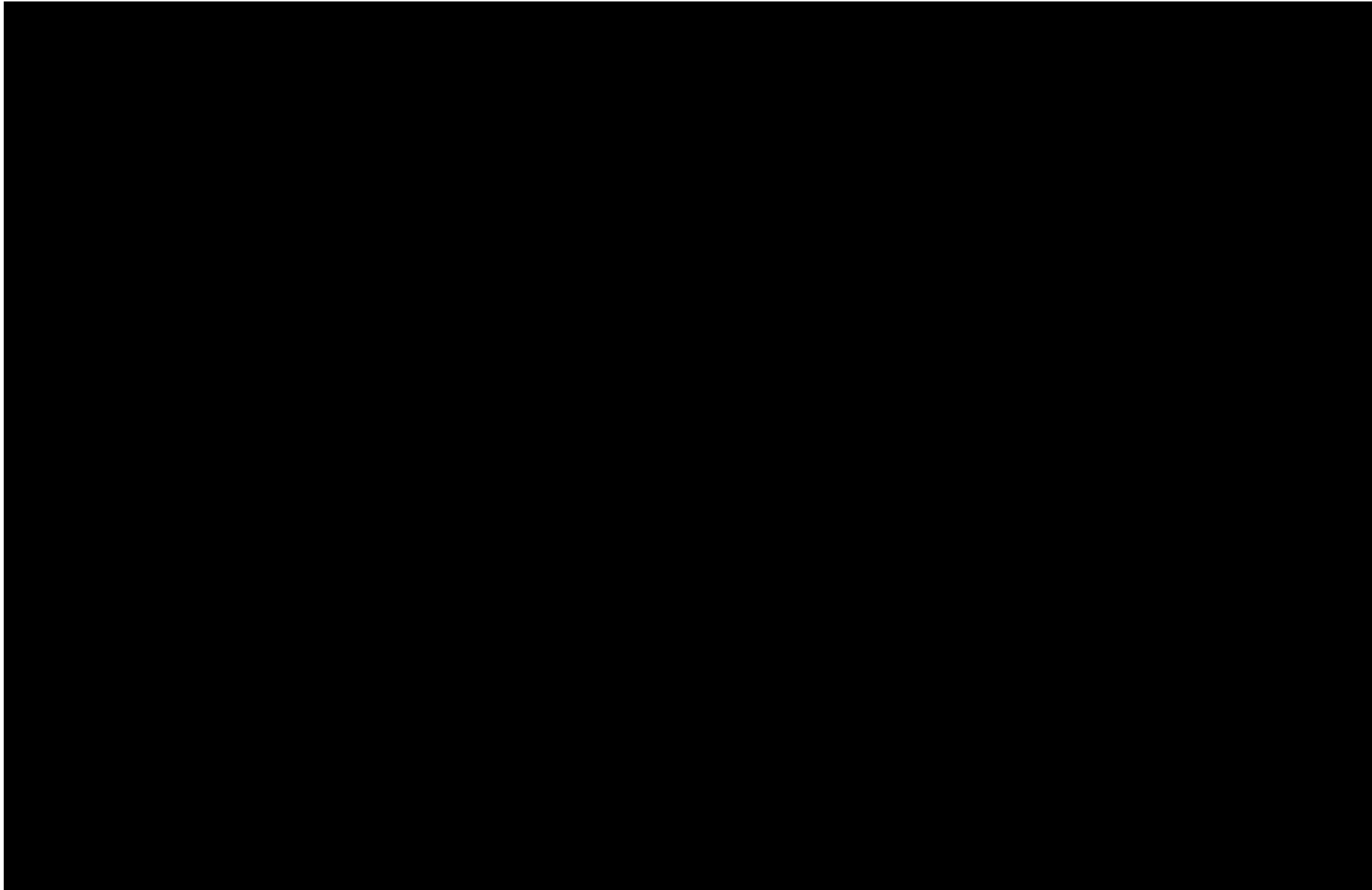


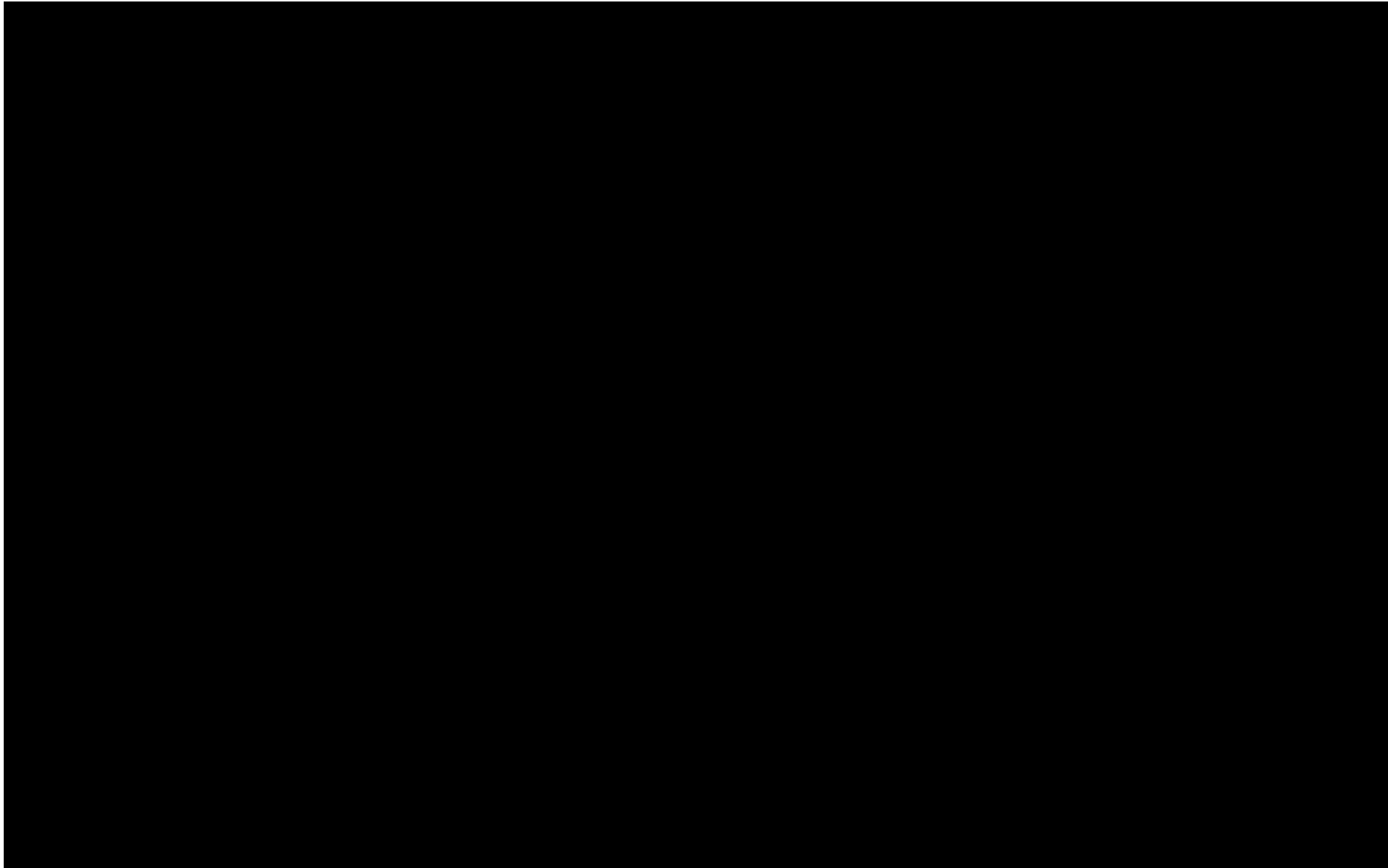


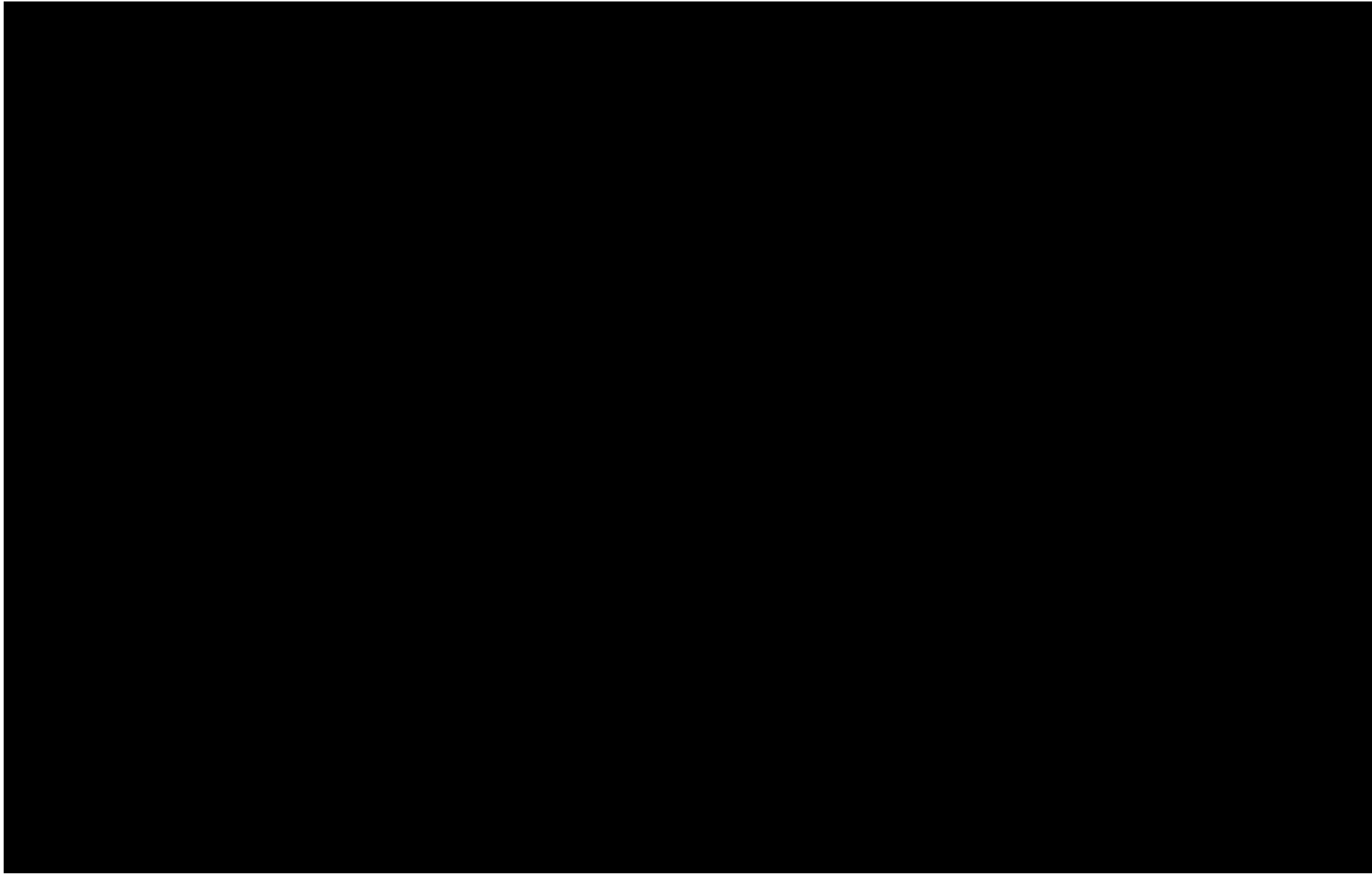


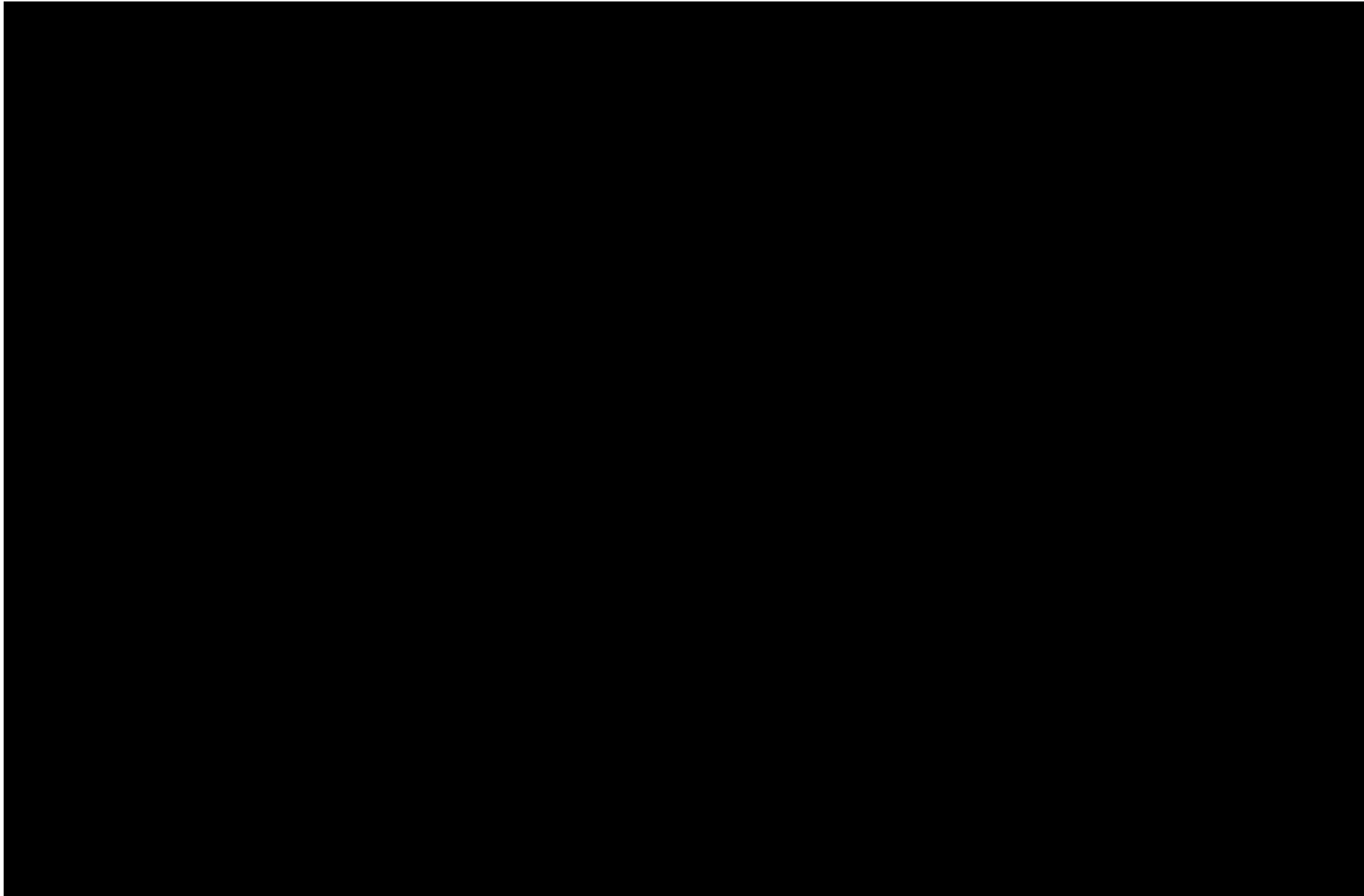












MANGAUNG METROPOLITAN MUNICIPALITY

Municipal Manager's Quality Certification

Quality Certificate

I, **Municipal Manager of the Mangaung Metropolitan Municipality**, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the **Municipal Finance Management Act** and the regulations promulgated under the Act, and that the annual budget and supporting documents are consistent with the **Integrated Development Plan of the Municipality**.

Print Name: _____

Municipal Manager of Mangaung Metropolitan Municipality

Signature: _____

Date: _____