

# Maletswai Municipality



## Adjustment Budget 2011/12 – 2013/14

# Table of Contents

Table of Contents .....	2
Glossary .....	3
<b>PART 1 - ADJUSTED ANNUAL BUDGET .....</b>	<b>5</b>
Section 1 - Mayor's Report .....	5
Section 2 - Budget Related Resolutions .....	7
Section 3 - Executive Summary .....	8
Section 4 - Adjusted Annual budget tables.....	21
<b>PART 2 - SUPPORTING DOCUMENTATION .....</b>	<b>22</b>
Section 5 - Overview of adjustment annual budget process .....	22
Section 6 - Overview of alignment of the annual budget with the Integrated Development Plan .....	24
Section 7 - Measurable performance objectives and indicators.....	22
Section 8 - Overview of budget related policies.....	23
Section 9 - Overview of budget assumptions.....	24
Section 10 - Overview of budget funding .....	30
Section 11 - Expenditure on allocations and grant programmes .....	34
Section 12 - Allocations and grants made by the Municipality .....	38
Section 13 - Councillor allowances and employee benefits.....	38
Section 14 - Monthly targets for revenue, expenditure and cash flow .....	40
Section 15 - Annual budgets and service delivery and budget implementation plans - internal departments.....	41
Section 16 - Annual budgets and service delivery agreements - municipal entities and other external mechanisms .....	42
Section 17 - Contracts having future budgetary implications .....	43
Section 18 - Capital expenditure details .....	44
Section 19 - Legislation compliance status.....	45
Section 20 - Other supporting documents .....	51
Section 21 - Municipal manager's quality certification.....	52
Annexure A - Tariffs.....	

## Glossary

**Adjustments Budget** - Prescribed in section 28 of the MFMA. The formal means by which a municipality may revise its annual budget during the year.

**Allocations** - Money received from Provincial or National Government or other municipalities.

**Budget** - The financial plan of the Municipality.

**Budget Related Policy** - Policy of a municipality affecting or affected by the budget, examples include tariff policy, rates policy and credit control and debt collection policy.

**Capital Expenditure** - Spending on assets such as land, buildings and machinery. Any capital expenditure must be reflected as an asset on the Municipality's balance sheet.

**Cash flow statement** - A statement showing when actual cash will be received and spent by the Municipality. Cash payments do not always coincide with budgeted expenditure timings. For example, when an invoice is received by the Municipality it is shown as expenditure in the month it is received, even though it may not be paid in the same period.

**DORA** - Division of Revenue Act. Annual legislation that shows the total allocations made by national to provincial and local government.

**Equitable Share** - A general grant paid to municipalities. It is predominantly targeted to help with free basic services.

**Fruitless and wasteful expenditure** - Expenditure that was made in vain and would have been avoided had reasonable care been exercised.

**GFS** - Government Finance Statistics. An internationally recognised classification system that facilitates like for like comparison between municipalities.

**GRAP** - Generally Recognised Accounting Practice. The new standard for municipal accounting.

**IDP** - Integrated Development Plan. The main strategic planning document of the Municipality

**KPI's** - Key Performance Indicators. Measures of service output and/or outcome.

**MFMA** - The Municipal Finance Management Act - No. 53 of 2003. The principle piece of legislation relating to municipal financial management.

**MTREF** - Medium Term Revenue and Expenditure Framework. A medium term financial plan, usually 3 years, based on a fixed first year and indicative further two years budget allocations. Also includes details of the previous and current years' financial position.

**Net Assets** - Net assets are the residual interest in the assets of the entity after deducting all its liabilities. This means the net assets of the municipality equates to the "net wealth" of the municipality, after all assets were sold/recovered and all liabilities paid. Transactions which do not meet the definition of Revenue or Expenses, such as increases in values of Property, Plant and Equipment where there is no inflow or outflow of resources are accounted for in Net Assets.

**Operating Expenditure** - Spending on the day to day expenses of the Municipality such as salaries and wages.

**Rates** - Local Government tax based on the assessed value of a property. To determine the rates payable, the assessed rateable value is multiplied by the rate in the rand.

**SDBIP** - Service Delivery and Budget Implementation Plan. A detailed plan comprising quarterly performance targets and monthly budget estimates.

**Strategic Objectives** - The main priorities of the Municipality as set out in the IDP. Budgeted spending must contribute towards the achievement of the strategic objectives.

**Unauthorised expenditure** - Generally spending without, or in excess of, an approved budget.

**Virement** - A transfer of budget.

**Vote** - One of the main segments of a budget. In Maletswai Municipality this means at function level.

# PART 1 - ADJUSTED ANNUAL BUDGET

## Section 1 - Mayor's Report

It is with great pleasure that I present the 2011/2012 Adjustment Budget to the Council and especially the community at large, for input.

I am specifically pleased to announce that our adjustment budget materially complies with the latest budget regulations as well as the requirements of the National Treasury, for which I must thank the Chief Financial Officer and his staff for the tremendous effort.

The Council's strategic objective of service delivery includes the continuation of the acceptable levels of service as well as the improvement in those areas where it lacks acceptable levels.

The balancing act is to achieve these objectives with available financial resources, and to always consider the effect of tariff adjustments on the community at large, and specifically the poor. In addition, we did not escape the effect of the global economic downturn, as well as the expected tariff increases by ESCOM, and this makes the achievement of the service delivery objectives so much more difficult.

The forecasted expenditure can be summarised as follows: (R 000)

TYPE	2011/2012	2012/2013	2013/2014
Operating	118 158	128 501	138 703
Capital	33 712	16 359	17 063
<b>TOTAL</b>	<b>151 870</b>	<b>144 860</b>	<b>155 766</b>

We need to recognise the funding role of the National and Provincial Governments, with contributions from these spheres of governments through grants and subsidies being 40% of total expenditure or 39% of total revenue.

6.2% of billing is being budgeted for as a contribution to debt impairment. This, together with the funding as mentioned above, are also indicative of the level of unemployment and poverty in the region, and we must assist in National - and Provincial programs to improve this situation within the means of our Constitutional mandates.

National, Provincial, District and local priorities for service delivery must be aligned and this is to a large degree achieved through the Integrated Development Plan process, whereby communities give input into service needs and which is being incorporated into the I.D.P. The different spheres of government then allocate resources to these requirements, but I must emphasise again that it is only to the extent that resources are available.

Our infrastructure development objectives are obviously to have services at acceptable levels to all, and for this purpose the adjusted budget for 2011/12 provides for roads - and storm water projects totalling R11.14 million which will also contribute to the national priority of safety.

While we recognise the need for the extension of services through infrastructure development, we must also recognise the need for the maintenance of these infrastructures and to this end we provide in the capital program for replacement of some of our aging vehicles and equipment. However, to provide for the capital is probably not that problematic, but to find the funds to maintain our infrastructure and other assets properly in the operating budget, without overburdening our consumers and ratepayers, is the big concern. It is common knowledge that the first place where funds are cut when other expenditure items increase to such an extent that a reduction in expenditure is necessary, is on repairs and maintenance votes. In this adjustment budget our maintenance expenditure equates to 4.37% of operating expenditure, which is in line with national averages, but the pressure on this type of expenditure is increasing every year.

I must also mention the effect of the ESCOM bulk tariff increases and the limitations set by NERSA on the electricity increases to be applied by the municipality. The ESCOM bulk tariff increase for the current year is set at 26.71%, while the increase allowed for the municipality is 20.38%.

I believe we have done all in our power to address service delivery requirements within our financial means and would like to thank our community for their inputs into the I.D.P. process, my fellow Councillors for their continued hard work and support as well as the Municipal Manager and his staff for all their efforts.

## Section 2 - Adjustment Budget Related Resolutions

Maletswai Municipality

These are the resolutions that will be approved by Council in a special council meeting in January 2012:

RESOLVED:

- [a]. That the adjusted annual budget of Maletswai Municipality for the financial year 2011/2012; and indicative for the two projected years 2012/2013 and 2013/14, as set-out in the schedules contained in Section 4, be approved:
  - 1.1 Table B2: Adjusted Budgeted Financial Performance (expenditure by standard classification)
  - 1.2 Table B3: Adjusted Budgeted Financial Performance (expenditure by municipal vote)
  - 1.3 Table B4: Adjusted Budgeted Financial Performance (revenue by source)
  - 1.4 Table B5: Adjusted Budgeted Capital Expenditure for both multi-year and single year by vote, standard classification and funding
- [b]. Property rates reflected in Annexure 1 and any other municipal tax reflected in Annexure 1 are imposed for the budget year 2011/2012.
- [c]. Tariffs and charges reflected in Annexure 1 are approved for the budget year 2011/2012.
- [d]. The measurable performance objectives for revenue from each source reflected in Section 7 are approved for the budget year 2011/2012.
- [e]. The measurable performance objectives for each vote reflected in S are approved for the budget year 2011/2012.
- [f]. [g]. Council notes the performance indicators tabled with the budget for subsequent approval by the Executive Mayor reflected in Section 7.
- [g]. The other new and/or amended budget related policies reflected in Section 8 are approved for the budget year 2011/2012.

## Section 3 - Executive Summary

### Introduction

The budget of the municipality is in the formats prescribed in the new Budget Regulations.

This budget of the municipality complies with the requirements of Generally Recognised Accounting Practices (GRAP).

Full budgetary compliance in all aspects of the regulations and GRAP will take time, as systems, and especially obtaining statistical information, needs to be adapted, but already this year much more information is available and incorporated in to this budget.

### Effect of the adjusted annual budget

A significant change in the budget from the original budget is the derecognition of the Water and Sanitation revenue from Joe Gqabi District Municipality and curtailment of the associated employee related costs.

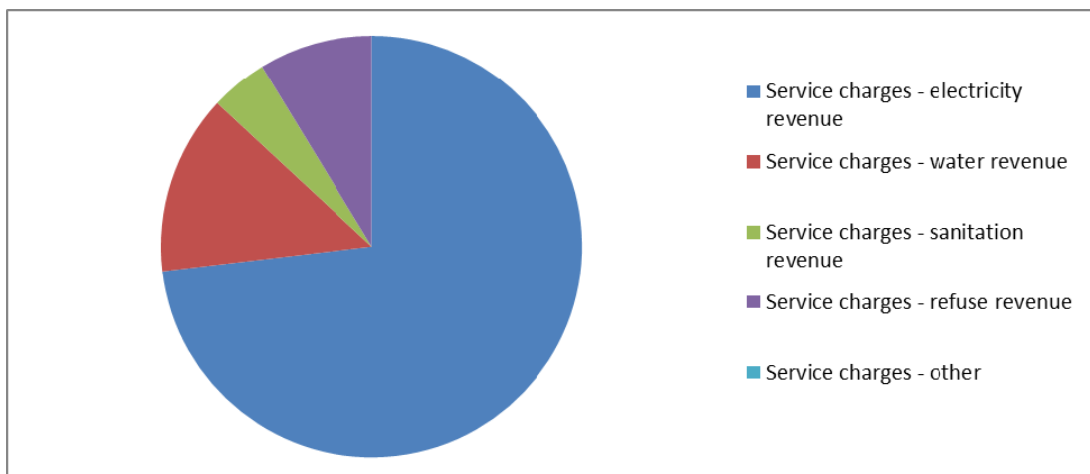
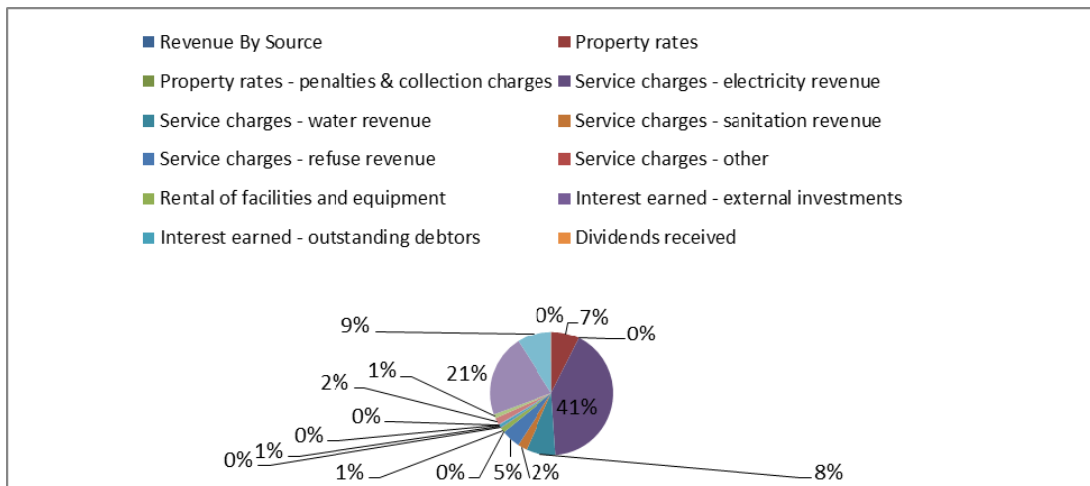
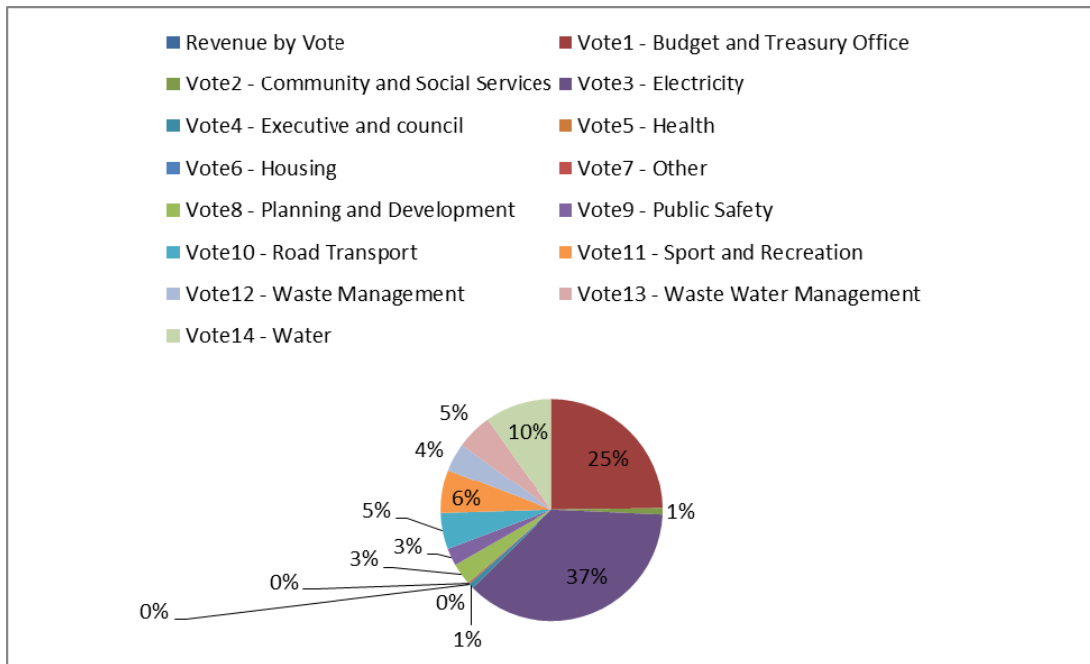
The projected forecasts for the MTREF adjustment are as follows: (R 000)

### OPERATING BUDGET

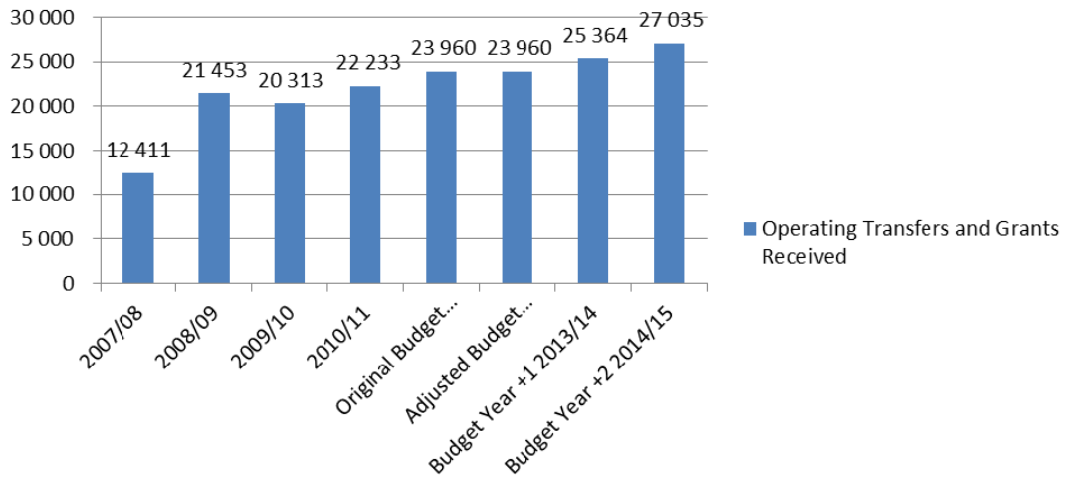
Type	2011/12	2012/13	2013/14
Revenue	1209 88	132,417	142,588
Expenditure	118 158	128,501	138,703
Surplus/(Deficit)	26 765	19,917	20,651
Less: Capital Grants	22 135	16,001	16,766
Surplus/Deficit excluding Capital Grants	4,911	3,916	3,885



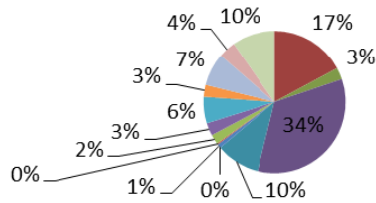
## Revenue By Vote

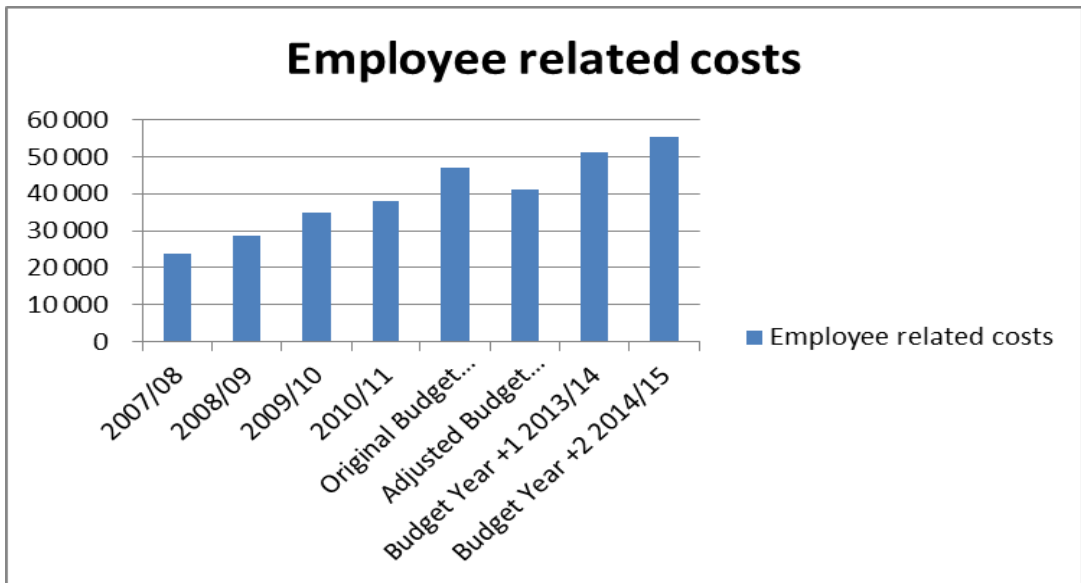
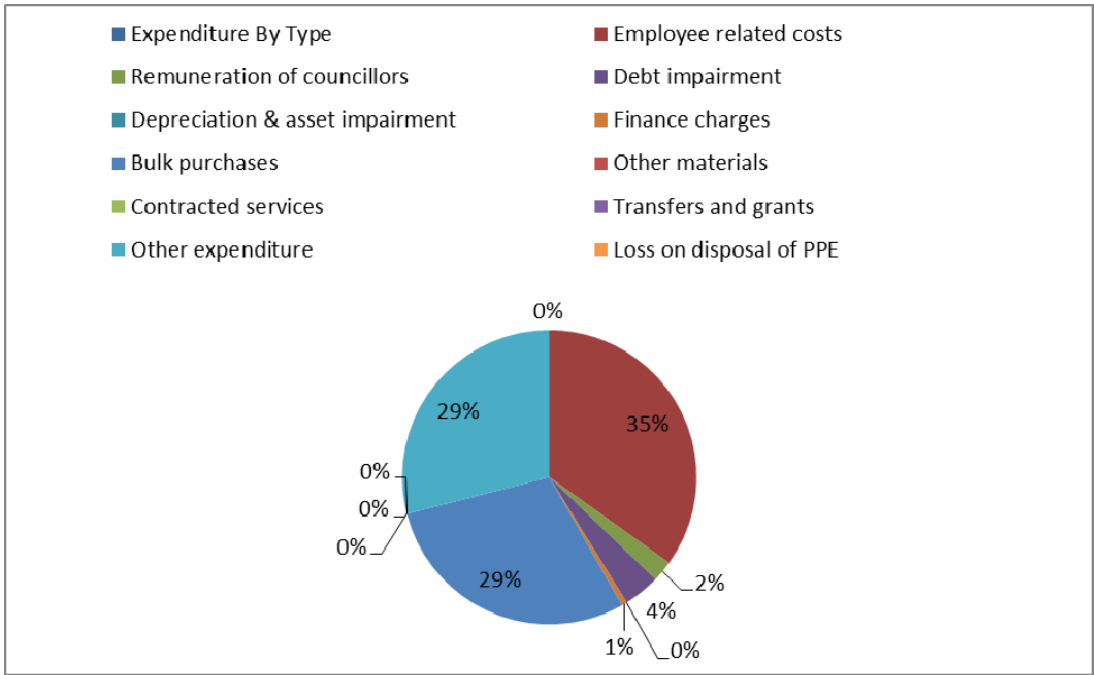


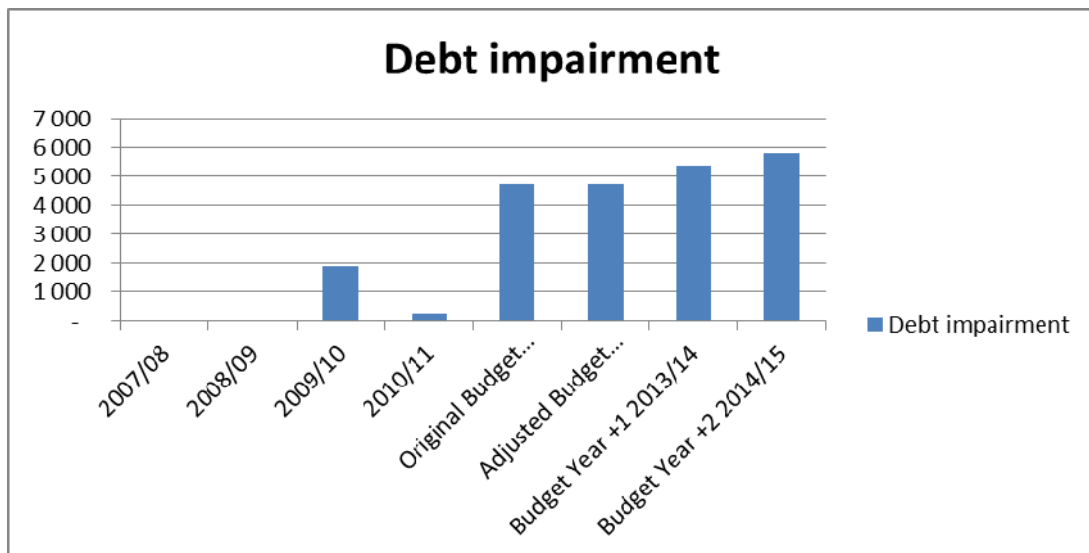
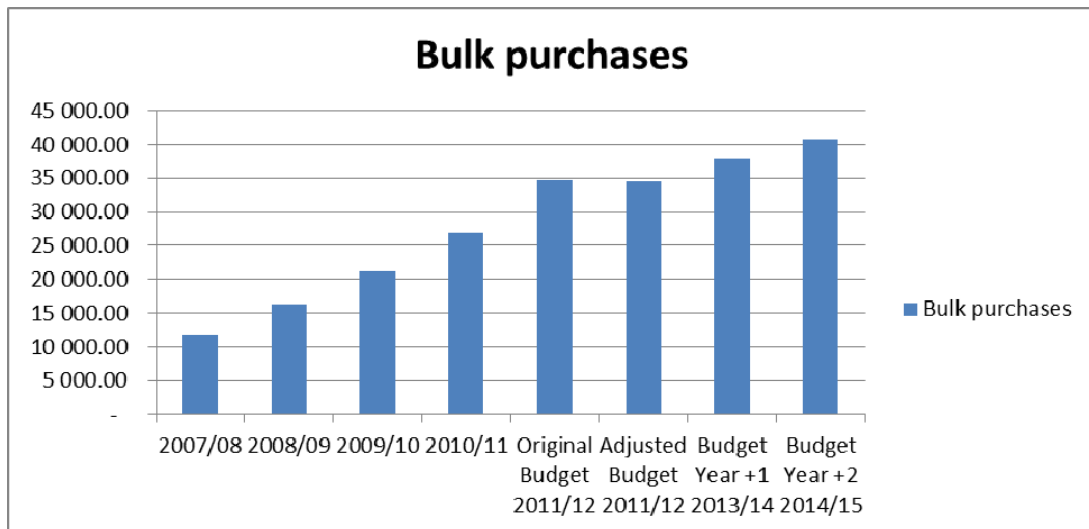
## Operating Transfers and Grants Received



- Expenditure by Vote
- Vote1 - Budget and Treasury Office
- Vote2 - Community and Social Services
- Vote3 - Electricity
- Vote4 - Executive and council
- Vote5 - Health
- Vote6 - Housing
- Vote7 - Other
- Vote8 - Planning and Development
- Vote9 - Public Safety
- Vote10 - Road Transport
- Vote11 - Sport and Recreation
- Vote12 - Waste Management
- Vote13 - Waste Water Management







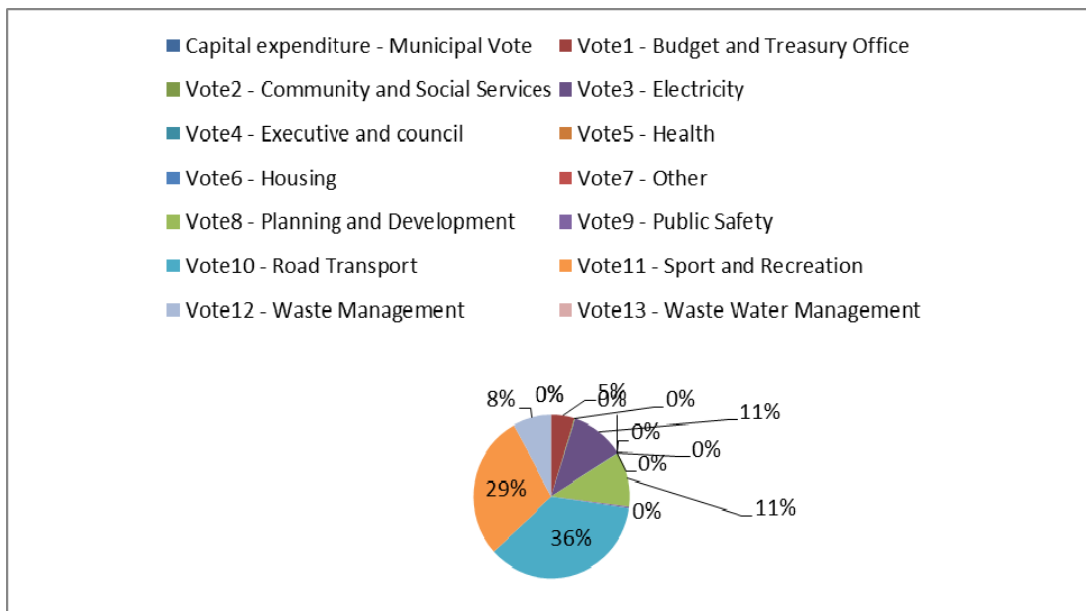
#### CAPITAL BUDGET (R 000)

Objective	2011/12	2012/13	2013/14	2014/15
Governance and Admin	1 635	940	3 149	3 149
Community and Safety Services	9 827	320	105	105
Economic Services	15 823	12,890	25	25
Trading Services	6 427	2 209	13 783	13 783
<b>Total</b>	<b>33 712</b>	<b>16,359</b>	<b>17,063</b>	<b>17 063</b>

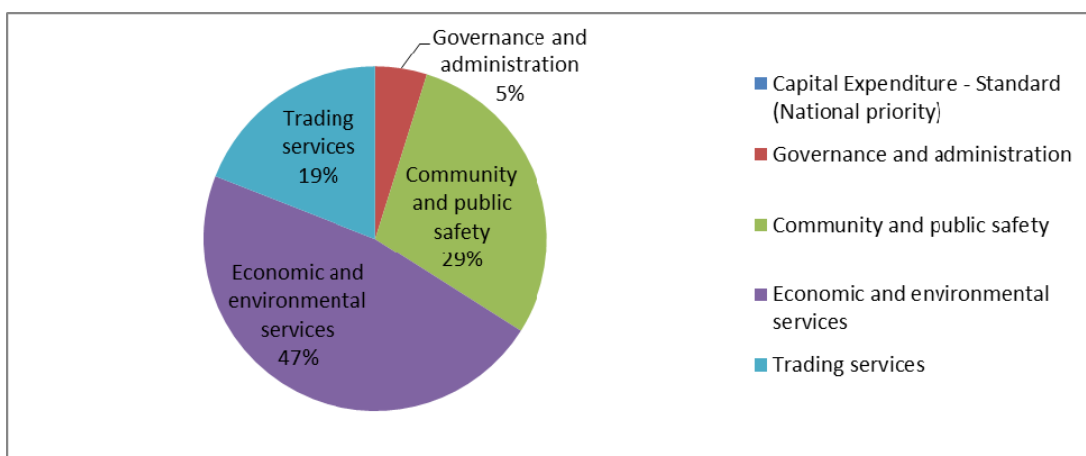
The projected funding of the capital budget is as follows: (R 000)

Funding Source	2011/12	2012/13	2013/14	2014/15
National Government	22 135	16,001	16,766	16 766
Borrowing	7.080	-	-	-
Own Funds	4 496	358	297	297
<b>Total</b>	<b>33 712</b>	<b>16,359</b>	<b>17,063</b>	<b>17 063</b>

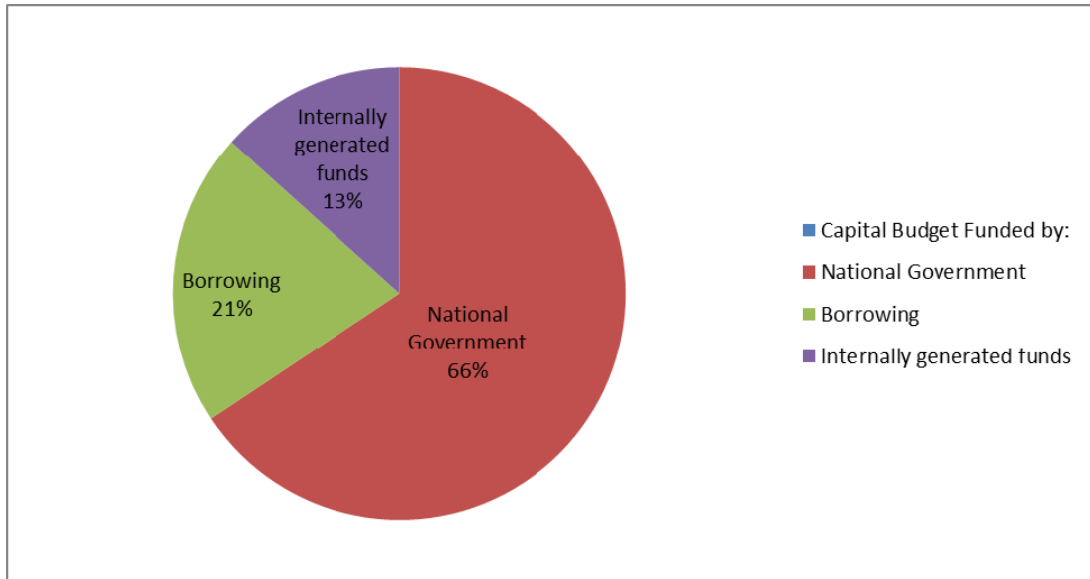
### Capital Expenditure by Municipal Vote



### Capital Expenditure by National Priority



## Capital Budget by Funding type



The summarised results of the MTREF are as follows:

Description	Budget Year 2012/13									Budget Year +1 2013/14	Budget Year +2 2014/15
	Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
	A	1 A1	2 B	3 C	4 D	5 E	6 F	7 G	8 H		
<b>R thousands</b>											
<b><u>Financial Performance</u></b>											
Property rates	9 396	-	-	-	-	-	(396)	(396)	9 000	9 754	10 534
Service charges	63 212	-	-	-	-	-	5 394	5 394	68 607	68 659	74 299
Investment revenue	1 183	-	-	-	-	-	(73)	(73)	1 110	1 277	1 379
Transfers recognised - operational	23 960	-	-	-	-	-	2 023 (10)	2 023 (10)	25 984	25 678	27 374
Other own revenue	26 950	-	-	-	-	-	662)	662)	16 288	27 049	29 002
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>124 701</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3 713)</b>	<b>(3 713)</b>	<b>120 988</b>	<b>132 417</b>	<b>142 588</b>
Employee costs	47 116	-	-	-	-	-	(5 874)	(5 874)	41 243	51 346	55 453
Remuneration of councillors	2 718	-	-	-	-	-	(18)	(18)	2 701	2 963	3 200
Depreciation & asset impairment	-	-	-	-	-	-	-	-	-	-	-
Finance charges	771	-	-	-	-	-	(83)	(83)	688	813	856
Materials and bulk purchases	34 662	-	-	-	-	-	(162)	(162)	34 500	37 781	40 804
Transfers and grants	-	-	-	-	-	-	-	-	-	-	-
Other expenditure	34 522	-	-	-	-	-	4 505	4 505	39 027	35 598	38 390
<b>Total Expenditure</b>	<b>119 790</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1 631)</b>	<b>(1 631)</b>	<b>118 158</b>	<b>128 501</b>	<b>138 703</b>
<b>Surplus/(Deficit)</b>	<b>4 911</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>082)</b>	<b>082)</b>	<b>2 830</b>	<b>3 916</b>	<b>3 885</b>
Transfers recognised - capital	23 534	-	-	-	-	-	402	402	23 935	16 001	16 766
Contributions recognised - capital & contributed	-	-	-	-	-	-	-	-	-	-	-

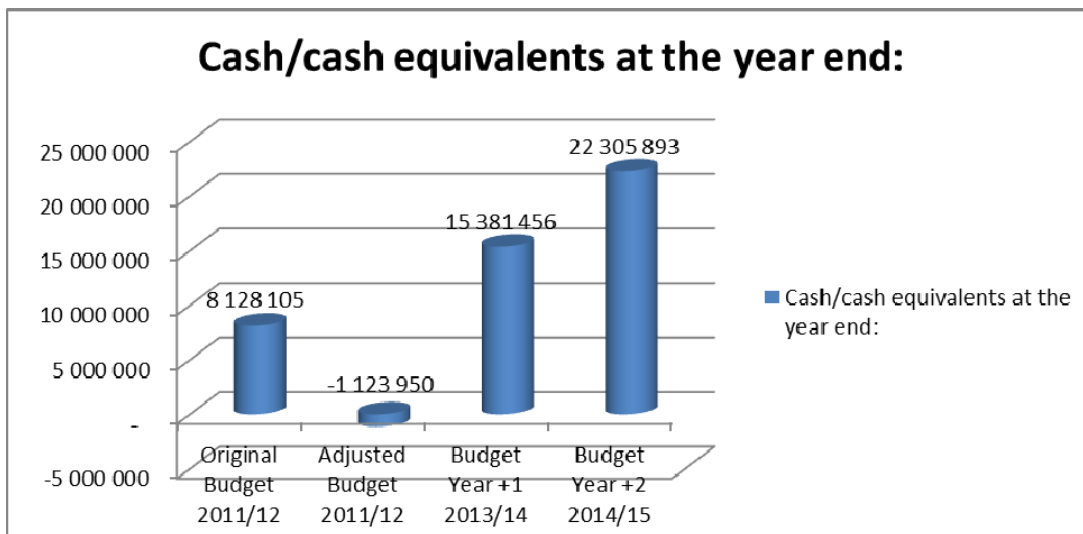
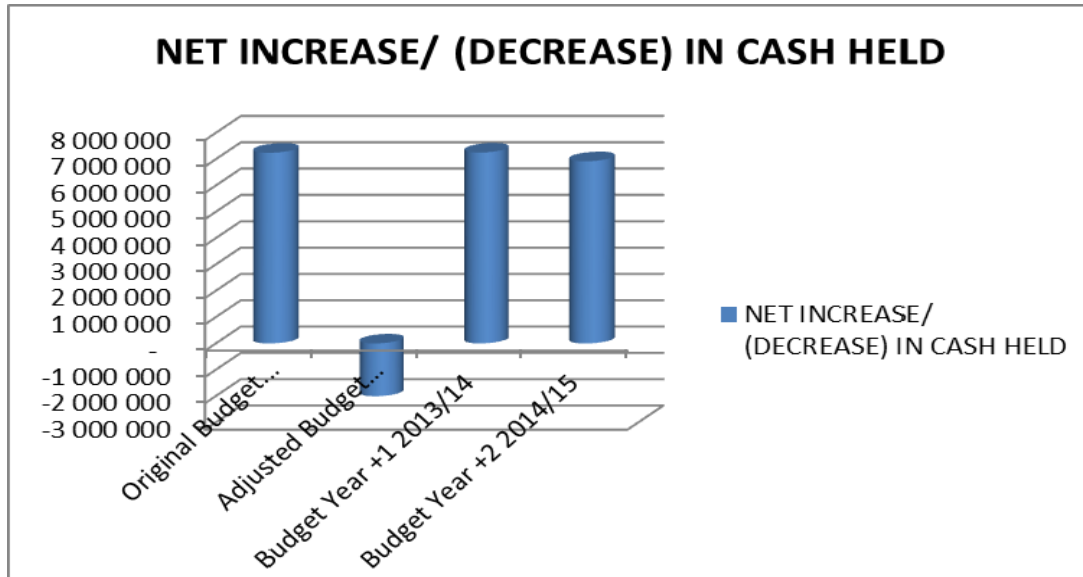
assets												
Surplus/(Deficit) after capital transfers & contributions	28 445	-	-	-	-	-	(1 680)	(1 680)	26 765	19 917	20 651	
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-	-	
Surplus/ (Deficit) for the year	28 445	-	-	-	-	-	(1 680)	(1 680)	26 765	19 917	20 651	
<b>Capital expenditure &amp; funds sources</b>												
Capital expenditure	35 522	-	-	-	-	-	810	(1 810)	33 712	16 359	17 063	
Transfers recognised - capital	23 534	-	-	-	-	-	398	(1 398)	22 135	16 001	16 766	
Public contributions & donations	-	-	-	-	-	-	-	-	-	-	-	
Borrowing	7 080	-	-	-	-	-	-	-	7 080	-	-	
Internally generated funds	4 908	-	-	-	-	-	(412)	(1 412)	4 496	358	297	
Total sources of capital funds	35 522	-	-	-	-	-	810	(1 810)	33 712	16 359	17 063	
<b>Financial position</b>												
Total current assets	26 094	-	-	-	-	-	-	-	26 094	34 128	42 228	
Total non current assets	207 797	-	-	-	-	-	-	-	207 797	224 156	241 219	
Total current liabilities	34 002	-	-	-	-	-	-	-	34 002	38 471	43 204	
Total non current liabilities	18 654	-	-	-	-	-	-	-	18 654	18 661	18 441	
Community wealth/Equity	181 234	-	-	-	-	-	-	-	181 234	201 152	221 802	
<b>Cash flows</b>												
Net cash from (used) operating	37 704	-	-	-	-	-	(11 029)	(11 029)	26 675	23 980	24 693	
Net cash from (used) investing	(35 399)	-	-	-	-	-	1 777	1 777	(33 622)	(16 226)	(16 919)	
Net cash from (used) financing	4 942	-	-	-	-	-	-	-	4 942	(500)	(850)	
Cash/cash equivalents at the year end	8 128	-	-	-	-	-	(9 252)	(9 252)	(1 124)	15 381	22 306	
<b>Cash backing/surplus reconciliation</b>												
Cash and investments available	8 128	-	-	-	-	-	-	-	8 128	15 381	22 306	



Application of cash and investments	(797)	-	-	-	-	-	12 573 (12	12 573 (12	11 776 (3	11 932	12 171
<b>Balance - surplus (shortfall)</b>	<b>8 925</b>	-	-	-	-	-	<b>573)</b>	<b>573)</b>	<b>648)</b>	<b>3 449</b>	<b>10 134</b>
<b><u>Asset Management</u></b>											
Asset register summary (WDV)	-	-	-	-	-	-	-	-	-	-	-
Depreciation & asset impairment	-	-	-	-	-	-	-	-	-	-	-
Renewal of Existing Assets	5 000	-	-	-	-	-	-	-	5 000	-	-
Repairs and Maintenance	7 338	-	-	-	-	-	(883)	(883)	6 455	6 443	6 958
<b><u>Free services</u></b>											
Cost of Free Basic Services provided	-	-	-	-	-	-	-	-	-	-	-
Revenue cost of free services provided	-	-	-	-	-	-	-	-	-	-	-
<b><u>Households below minimum service level</u></b>											
Water:	-	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-	-

## CASH FLOWS

Budgeted cash flows are monitored by the municipality to ensure they are maintained at an acceptable level and ensure sufficient funds for future projects. The cash position of the municipality was under strain, but steps have been taken to improve the cash position over the next three years as can be seen from the tables below.



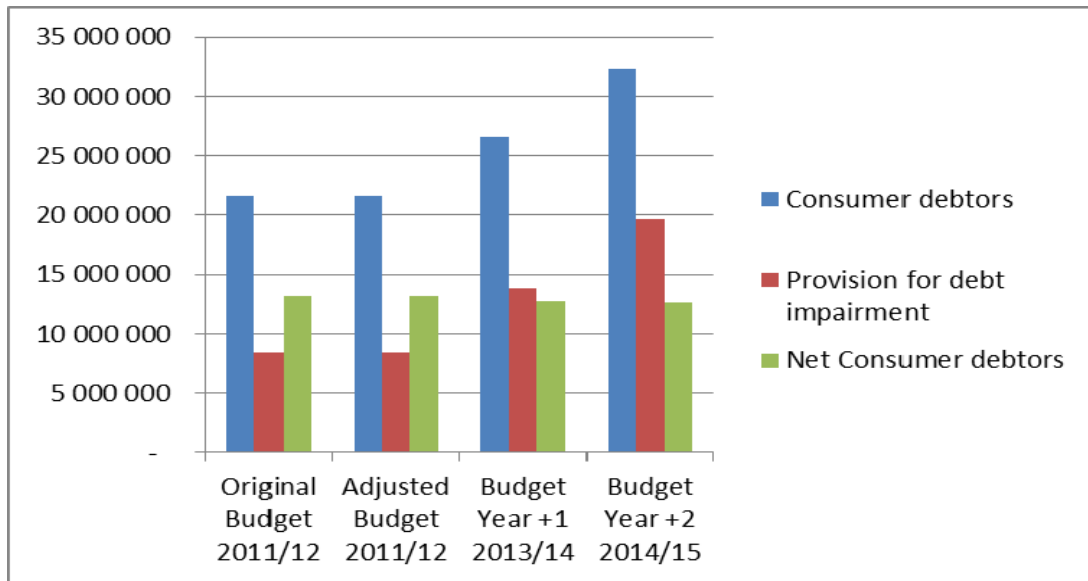
## TARIFFS

There were no adjustments on the current tariff charges

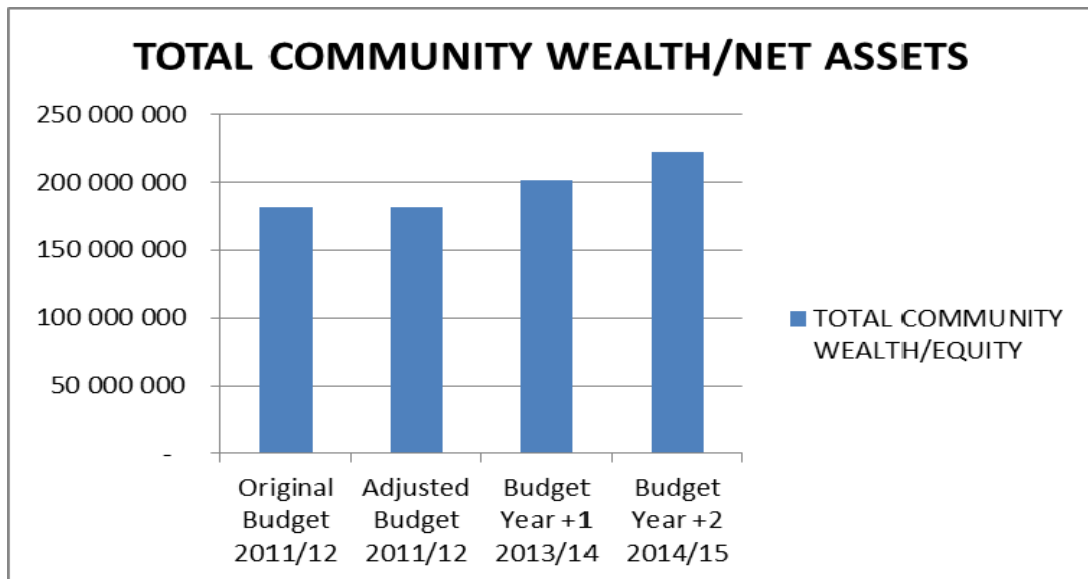
Payment levels, however, has been decreasing over the past few years, probably due to the economic meltdown, and strict credit control.

The balance of receivables (Consumer debtors) increased from the original budget as indicated below due to the increased billing. Although the billing remains high, the rate of debt impairment has increased due to the increasing economic hardships affecting the Maletswai populace.

## Consumer Debtors



Net assets are projected to be R 181 million at the end of the budget year and climbing to R221 million in the final year of the forecast. This is mainly as a result of capital expenditure funded from government transfers and the increase in the cash reserves of the municipality.



The Municipality's adjustment budget must be seen within the context of the policies and financial priorities of the National, Provincial and district government. In essence, the spheres of Government are partners in meeting the service delivery challenges faced in Maletswai. Maletswai Municipality alone, however, cannot meet these challenges. It requires support from the other spheres of Government through the direct allocation of resources as well as the achievement of their own policies.

## The National Context

South Africa has achieved considerable success in achieving macroeconomic stability; however, the economy is still plagued with high levels of unemployment and poverty.

The following table shows the allocations to Maletswai Municipality as set out in the National Budget Division of Revenue Bill in the MTEF period; and the Provincial allocations:

Description	2011/12 Medium Term Revenue & Expenditure Framework		
	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
National Government:			
Equitable Share	20 224	22 351	23 809
MSIG	790	800	900
Finance Management Grant	800	800	800
EPWP	536	-	-
District Municipality:			
IDP Fund	75	81	87
Other grant providers:			
LED	57	62	66
Library Fund	1 206	1 290	1 394
Skills Development	272	294	318
<b>Total Operating Transfers and Grants</b>	<b>23 960</b>	<b>25 678</b>	<b>27 374</b>
<b>Capital Transfers and Grants</b>			
National Government:			
Municipal Infrastructure (MIG)	11 141	13 547	14 292
Finance Management	700	700	700
National Electrification Grant	2 632	1 754	1 754
Other grant providers:			
LED	4 461		
Alliwal SpA	4 600		
<b>Total Capital Transfers and Grants</b>	<b>23 534</b>	<b>16 001</b>	<b>16 747</b>
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>	<b>47 494</b>	<b>41 679</b>	<b>44 140</b>

## Assumptions used in the adjustment budget

Each year, National Treasury issues a circular to municipalities advising them of the budget parameters within which municipalities should work when preparing their budgets.

The headline CPIX forecast for 2011/12, 2012/13 and 2013/14 is an average of 6 percent. However this can change very fast due to external factors.

These growth parameters apply to tariff increases for property rates, user and other charges raised by municipalities and municipal entities, to ensure that

all spheres of government support the national macroeconomic policies, unless it can be shown that external factors impact otherwise. Unfortunately, as explained earlier on, the effect of the ESCOM tariff adjustments *inter alia* forces the municipality to increase tariffs by much more than the CPIX forecasts.

There are no proposed material amendments to the budget related policies.

The budget fully complies with the requirements of the municipality's Funding and Reserves Policy.

The major data and assumptions used in the preparation of the budget are as follows:

Increase in Employee related costs	9.0%
Increase in inflation parameters	6.0%
Average payment rate	85%

Basic services are provided to a large degree to all the towns in the municipal boundaries, and there is a continuing effort in extending services. The total cost of providing free services, as well as rebates and discounts to the community, is R9 million.

## CONCLUSION

The budget is cash - funded while, at the same time, extending within financial means, service delivery and free basic services.

## Section 4 - Adjusted Annual budget tables

The adjusted annual budget tables are attached to this document as Tables B1 to B10.

The Budget tables are:

Table B1 - Adjustment Budget Summary

Table B2B - Adjustment Budgeted Financial Performance (revenue and expenditure by standard classification)

Table B3B - Adjustment Budgeted Financial Performance (revenue and expenditure by municipal vote)

Table B4 - Adjustment Budgeted Financial Performance (revenue and expenditure)

Table B5 - Adjustment Budgeted Capital Expenditure by vote, standard classification and funding

Table B5B - Adjustment Budgeted Capital Expenditure by vote, standard classification and funding

Table B6 - Adjustment Budgeted Financial Position

Table B7 - Adjustment Budgeted Cash Flows

Table B8 - Adjustment Cash backed reserves/accumulated surplus reconciliation

Table B9 - Adjustment Asset Management

Table B10 - Adjustment Basic service delivery measurement

## **PART 2 - SUPPORTING DOCUMENTATION**

### **Section 5 - Overview of annual budget adjustment process**

#### **Budget Process Overview**

##### Political oversight of the budget process

Section 53 of the MFMA requires that the Mayor provides general political guidance over the budget process and the priorities that must guide the preparation of the budget.

##### Schedule of Key Deadlines relating to budget process [MFMA s 21(1)(b)]

The Act requires the formal budget process to start with the tabling by the Mayor in Council of a schedule showing the key budget deadlines. This was prepared for tabling in Council by the end of January. Process used to integrate the review of the IDP & preparation of the budget

The budget process is integrated with the review of the IDP through the IDP review mechanism. The outcome of consultation feeding into the IDP review is taken into account in the budget process.

##### Process for tabling the budget in Council for consultation

A statutory period of consultation follows the tabling of the budget in Council in January 2012. Meetings with the local community will be advertised in the local press following the tabling of the draft adjustment budget.

The Executive Mayor will consider the outcomes of these consultation meetings and a report detailing the responses will be tabled at the same meeting where the adjustment budget will be tabled for final approval.

##### Process for approving the adjustment budget

The budget must be approved by Council by 31 January.

##### Process and media used to provide information on the budget to the community

All budget documentation, the MTREF together with tariffs and policies, will be made available at Council libraries and offices for inspection. It will also be available on Council's website.

Advertisements informing the public about the availability of these documents and the schedules for the IDP/Budget public hearings will be published in all local newspapers and put up at municipal offices and libraries.

### **Budget Process 2011/12**

The adjustment budget process in Maletswai follows the requirements of the MFMA.

A schedule of key deadlines was prepared for tabling in Council by the Mayor prior to the end of February 2012.

The proposed adjustment budget must be tabled in Council by the end of February 2012. A period of consultation then follows. At the culmination of the consultation process the Mayor must consider any representations and decide if any amendments should be made to the budget.

The final adjustment budget has to be agreed by Council by the end of February 2012.

The Municipality's budget is again prepared on a 3 year basis. This takes into account the National and Provincial 3 year allocations to the Municipality. It is necessary to plan and budget on a 3 year basis to take account of resource constraints and also capacity constraints on service delivery. The MFMA requires municipalities to prepare 3 year budgets to ensure more thorough financial planning and provide for seamless service delivery.

However as was the case last six months of the year, in the present uncertain economic climate, both capital and operating income and expenditure figures in the outer years are indicators of need or wish, and in some instances hope, rather than of reality.

The municipality will set out measurable performance objectives to link the financial inputs of the budget to service delivery on the ground. This will be done in the form of the quarterly service targets and monthly financial targets that are contained in the Service Delivery and Budget Implementation Plan (SDBIP).

## Section 6 - Overview of alignment of the annual budget with the Integrated Development Plan

The Integrated Development Plan process aims to, on a continuing basis, address service delivery needs by identifying new needs or areas of improvement. It is, however, also a known fact that the needs identified by far exceeds the resources, and in particular financial resources, available.

The alignment of the budget with the objectives set in the IDP is as follows:

### CAPITAL

Strategic Objective	Goal	2011/12 Medium Term Revenue & Expenditure Framework		
		Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<b>R thousand</b>				
Good Governance	To build an institution capable of effective delivery with sound administration and good governance practices	20	80	80
Sustainable Infrastructure Development	Provide Sustainable Infrastructure Development by improving and reconstructing access roads, other streets and storm water.	12 120	12 820	13 523
Sustainable Basic Services	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing sustainable electricity.	3 707	2 184	2 184
	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing sustainable quality water.	–	–	–
	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing high quality sewerage and sanitation services.	–	–	–
	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing high quality waste management services.	2 720	50	50
	Provide support services to all departments and contribute to the delivery of sustainable basic service delivery	–	–	–
Housing	The allocation of sufficient funds to provide housing within the municipal area	5	25	25
Social Development	To create a healthy and sustainable environment by improving social services and the maintenance of public facilities and buildings.	63	105	105
	To create and maintain public areas, sportsfields and resorts for the benefit of the community.	9 659	65	65
Financial Viability	To create an environment of effective, accountable and viable financial management with reliable information technology and accurate database by fully implementing all MFMA regulations and reforms	1 615	860	860
	To create an environment of effective, accountable and viable financial management with reliable information technology and accurate database by fully implementing all MFMA regulations and reforms	3 703	70	70
Safety & Security	To create a safe and secure environment by providing traffic and related services.	100	100	100
		<b>35 712</b>	<b>16 359</b>	<b>17 063</b>



Strategic Objective	Goal	2011/12 Medium Term Revenue & Expenditure Framework		
		Adjusted Budget Year 2011/12	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>R thousand</b>	<b>REVENUE</b>			
Good Governance	To build an institution capable of effective delivery with sound administration and good governance practices	1 075	1 569	1 668
Sustainable Infrastructure Development	Provide Sustainable Infrastructure Development by improving and reconstructing access roads, other streets and storm water.	7 590	13 663	14 437
Sustainable Basic Services	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing sustainable electricity.	53 456	56 614	61 003
	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing sustainable quality water.	14 191	17 486	18 884
	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing high quality sewerage and sanitation services.	7 539	8 582	9 268
	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing high quality waste management services.	6 001	3 480	3 759
	Provide support services to all departments and contribute to the delivery of sustainable basic service delivery	308	500	540
	Housing	The allocation of sufficient funds to provide housing within the municipal area	-	-
Social Development	To create a healthy and sustainable environment by improving social services and the maintenance of public facilities and buildings.	1 343	1 471	1 589
	To create and maintain public areas, sportsfields and resorts for the benefit of the community.	9 216	1 532	1 654
Financial Viability	To create an environment of effective, accountable and viable financial management with reliable information technology and accurate database by fully implementing all MFMA regulations and reforms	35 927	38 785	41 436
	To create an environment of effective, accountable and viable financial management with reliable information technology and accurate database by fully implementing all MFMA regulations and reforms	4 593	143	154
Safety & Security	To create a safe and secure environment by providing traffic and related services.	3 685	4 594	4 962
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>144923</b>	<b>148 418</b>	<b>159 354</b>

Strategic Objective	Goal	2011/12 Medium Term Revenue & Expenditure Framework		
		Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<b>R thousand</b>				
Good Governance	To build an institution capable of effective delivery with sound administration and good governance practices	11 859	12 047	12 955
Sustainable Infrastructure Development	Provide Sustainable Infrastructure Development by improving and reconstructing access roads, other streets and storm water.	7 109	6 277	6 758
Sustainable Basic Services	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing sustainable electricity.	40 236	39 820	43 006
	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing sustainable quality water.	11 484	17 486	18 884
	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing high quality sewerage and sanitation services.	4 628	8 582	9 268
	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing high quality waste management services.	8 841	11 748	12 687
	Provide support services to all departments and contribute to the delivery of sustainable basic service delivery	327	345	372
	Housing	The allocation of sufficient funds to provide housing within the municipal area	1 066	1 268
Social Development	To create a healthy and sustainable environment by improving social services and the maintenance of public facilities and buildings.	3 157	3 342	3 609
	To create and maintain public areas, sports fields and resorts for the benefit of the community.	3 221	4 484	4 843
Financial Viability	To create an environment of effective, accountable and viable financial management with reliable information technology and accurate database by fully implementing all MFMA regulations and reforms	20 239	17 396	18 788
	To create an environment of effective, accountable and viable financial management with reliable information technology and accurate database by fully implementing all MFMA regulations and reforms	2 598	1 950	2 106
Safety & Security	To create a safe and secure environment by providing traffic and related services.	3 393	3 755	4 056
		<b>118 158</b>	<b>128 501</b>	<b>138 703</b>

Refer to adjusted annual budget tables attached for further details.

## Section 7 - Measurable performance objectives and indicators

### Key financial indicators and ratios:

Refer to attached schedule - SB 4 - for key indicators and ratios.

### Measurable performance objectives:

Measurable performance objectives are included in attached tables SB3 to SB6 and includes the following:

Objectives for revenue for each source

Objectives for operating and capital expenditure for each vote

KPI's for all material expenditure. The complete SDBIP could also be viewed on the official website of the municipality.

### Measurable performance objectives for provision of free basic services

Refer to B10 for the cost associated with the provision of free basic services, the level of services to be provided free and the revenue forgone in providing these services.

## Section 8 - Overview of budget related policies

*The detailed policies are not included in this budget documentation. However they are available at the Council offices in Corner Somerset and Barkly Street, Aliwal North, for viewing as well as on the Internet at [www.maletswai.gov.za](http://www.maletswai.gov.za). This section gives a broad overview of the budget policy framework and highlights the amended policies to be approved by Council resolution.*

Name of Policy	Type	Date of Council adoption (if already done)	Purpose / Basic areas covered by Policy	Summary of changes	Responsible Manager
<b>REVENUE RELATED</b>					
Tariff	Unchanged	May 2010 (with previous budget)	Setting criteria for establishing service tariffs	N/A	CFO
Rates	Unchanged	May 2010 (with previous budget)	Setting criteria for establishing rates tariffs	N/A	CFO
Credit control	Unchanged	May 2010 (with previous budget)	Principles and guidelines to be followed with respect to arrear consumer debt control	N/A	CFO
<b>BUDGET AND EXPENDITURE</b>					
Investment	Unchanged	May 2010 (with previous budget)	Guideline of procedures to be followed when investing or lending money	N/A	CFO

Borrowing and Raising of Debt	Unchanged	May 2010 (with previous budget)	To ensure that the Municipality's borrowing practices at all times comply with the relevant laws and best practices.	N/A	CFO
Cash Management and Payment of Creditors	Unchanged	May 2010 (with previous budget)	To ensure that the Municipality has a sound cash management and payment system	N/A	CFO
Supply chain management	Unchanged	May 2010 (with previous budget)	Dictates procedures for the procurement of goods and services	N/A	CFO
Funding and Reserves Policy	Unchanged	May 2010 (with previous budget)	Sets guidelines for budgeting	N/A	CFO

## Section 9 - Overview of budget assumptions

### Budget Assumptions

Budgets are prepared in an environment of uncertainty. To prepare meaningful budgets, assumptions need to be made about internal and external factors that could influence the budget. This section provides a comprehensive summary of the assumptions used in preparing the adjustment budget.

#### External Factors:

There is no real growth in the municipal area, with the number of people, as well as the number of households, remaining fairly constant.

Job opportunities are limited, and the National budget identified employment creation as a priority and suggests that municipal capital and maintenance projects should seek to assist in this manner, by implementing labour intensive projects within financial means.

#### General inflation outlook and its impact on the municipal activities

General inflation (CPIX) is estimated at 6.00% for the 2011/12 financial year. This of course lends to expectations that municipal tariffs should increase by more or less the same percentage, which is impossible due to a wage increase settlement at national level of inflation plus 2% as well as the increase in bulk electricity charges from ESCOM, and of course the full implementation of GRAP requirements such as depreciation charges and Non - current Employee Benefits and other provisions. This budget therefore exceeds the inflation outlook for these reasons.

	2011/12	2012/13	2013/14
General inflation	6.00%	6.00%	6.00%

Interest rates for borrowing and investment of funds

The following assumptions are built into the MTREF;

	2011/12	2012/13	2013/14
Average Interest Rate - New Borrowing	9,5%	9,5%	9,5%
Average Interest Rate - Investments	6%	6%	6%

The monthly cash flow statement in annexure 1 shows when rates and tariffs are expected to be collected over the financial year. In general terms, the timing of rates, tariffs and charges is based on the following;

Rates and annual charges	Annual and monthly billing in July. Interim billing throughout the year as required. Revenue foregone recognised in July.
Consumption Tariffs	Monthly billing. On-going prepayment meters. Seasonal fluctuations.
Charges	Generally steady state throughout the financial year with seasonal fluctuations.

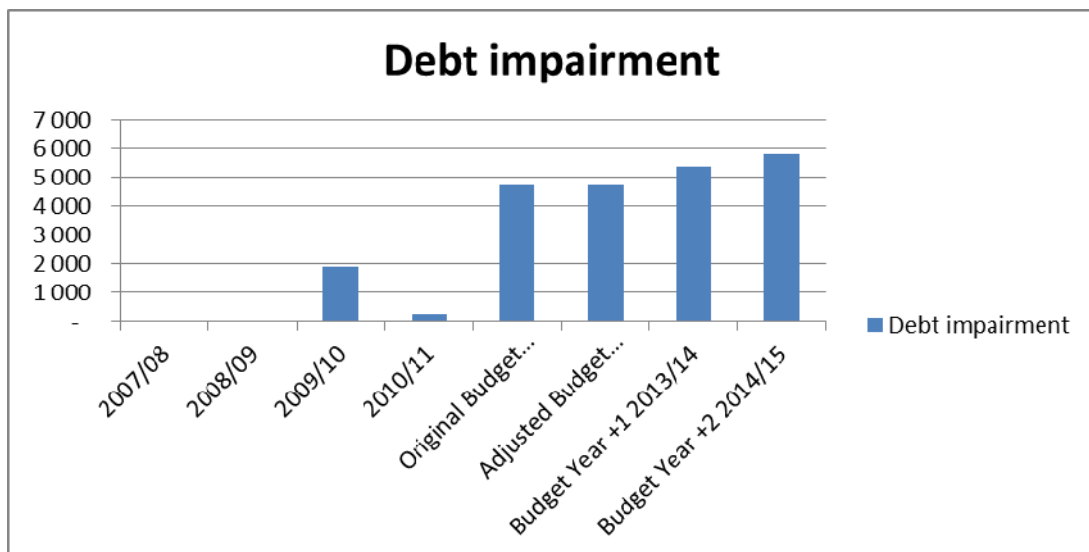
Collection rates for each revenue source and customer type

Furthermore, the policy on indigent support and social rebates means that many households who would normally struggle to pay their accounts receive free or subsidised basic services thereby keeping them free of the burden of municipal debt.

Nevertheless, there will always be an element of the total amount billed that will remain uncollected. The Municipality is the same as any other business in this regard. Adequate provision has to be made in the budget for any bad debts based on assumptions on collection rates. The bad debt contribution also increases substantially against prior budgets due to the water and sanitation functions. This additional shortfall in cash collected is, however, being refunded by the Joe Gqabi District Municipality through the payment of the service delivery budgets.

The following bad debt provisions and collection rates are assumed in the adjustment budget for rates and tariffs.

R '000	2011/12	2012/13	2013/14
Provision for bad and doubtful debts	8,412	13,800	19,618
Assumed collection rate (service charges)	85%	85%	85%
Assumed collection rate (assessment rates)	85%	85%	85%



Price movements on specific items

The bulk purchases from ESCOM 2011/12 - 33 912):

R '000	2012/13	2013/14	2014/15
Eskom	34 500	37 781	40 084

Average salary increases

No salary adjustment were made except for the Joe Gqabi District Municipality associated adjustments.

Industrial relations climate, reorganisation and capacity building

The ability of the Municipality to deliver quality services is dependent on its staff and the ability to provide services to the Maletswai population at a viable level. Failure by the Municipality to invest in its staff to ensure that the capacity and skills exist to meet the challenges being faced by Maletswai will ultimately mean a failure to deliver services.

The Municipality has made the following amounts available for training over the period:

R '000	2011/12	2012/13	2013/14
Training Budget	960	1 059	1 144

*Trends in population and households (growth, decline, stable)*

Population growth trends predict a population of over 80, 000 at the end of the 3 year budget period.

*Changing demand characteristics (demand for services)*

Maletswai has to respond to changing demand for services that can occur through a number of reasons such as population migration, changing demographic profile, technological changes, and major infrastructure development.

The introduction of wireless technology in Maletswai has made the internet available to many more people making on-line interaction with the Municipality possible, including the payment of municipal accounts. The selling of prepaid electricity by all outside vendors assisted consumers to purchase prepaid electricity after hours and over weekends by means of the Syntell system

The growth of formal housing in prior years has impacted on the demand for services and challenges the Municipality in how services are delivered.

*Trends in demand for free or subsidised basic services*

Maletswai's criteria for supporting free or subsidised basic services are set out in the indigent support policy. The Government allocates revenue via the Division of Revenue Act (DORA) in the form of the Equitable Share Grant with the primary aim of assisting municipalities with the costs of providing free or subsidised basic services.

*Impact of national, provincial and local policies*

Maletswai sees itself as working in partnership with national, provincial and district municipality spheres of Government in meeting the priority service needs of its people.

*Ability of the municipality to spend and deliver on the programmes*

The following table shows the trend of spending against budget for the capital programme since 2007/08:

R '000	2007/08	2008/09	2009/10	2010/11
Capital Budget (adjusted)	22,289	24,098	21, 918	33 712



Actual Spending	9,913	21,536	21,796	30 021
%	44%	89%	99%	89%

Spending is monitored closely throughout the year and Managers must ensure that capital schemes are supported by robust planning. The Municipality is continually reviewing its capital planning processes.

The SDBIP includes monthly cash flows of expenditure and is used as the basis for budget monitoring.

*Implications of restructuring and other major events into the future*

The adjustment budget does not include any provision for the establishment of a Regional Electricity Distributor for Maletswai as there is still considerable uncertainty as to how and when this would operate.

**Funding compliance**

The budget is cash - funded which is first indicator of a "credible" budget.

Funding levels are unacceptable at 2 months cash - resources, which is an indication of these economic times, and is insufficient to cover all requirements of the funding and reserves policy.

Revenue from grants exceeds 100% of current grant receipts due to unspent grants still being implemented and carried forward.

## Section 10 - Overview of budget funding

### Funding the Budget

Section 18(1) of the MFMA states that an annual budget may only be funded from:

- Realistically anticipated revenues to be collected;
- Cash backed accumulated funds from previous years' surpluses not committed for other purposes; and
- Borrowed funds, but only for the capital budget referred to in section 17.

Achievement of this requirement in totality effectively means that a Council has 'balanced' its budget by ensuring that budgeted outflows will be offset by a combination of planned inflows.

### A Credible Budget

Amongst other things, a credible budget is a budget that:

- Funds only activities consistent with the revised IDP and vice versa ensuring the IDP is realistically achievable given the financial constraints of the municipality;
- Is achievable in terms of agreed service delivery and performance targets;
- Contains revenue and expenditure projections that are consistent with current and on past performance and supported by documented evidence of future assumptions;
- Does not jeopardise the financial viability of the municipality (ensures that the financial position is maintained within generally accepted prudential limits and that obligations can be met in the short, medium and long term); and
- Provides managers with appropriate levels of delegation sufficient to meet their financial management responsibilities.

A budget sets out certain service delivery levels and associated financial implications. Therefore the community should realistically expect to receive these promised service delivery levels and understand the associated financial implications. Major under spending due to under collection of revenue or poor planning is a clear example of a budget that is not credible and unrealistic.

### Fiscal Overview of Maletswai Municipality

Over the past financial years via sound and strong financial management, Maletswai Municipality has moved internally to a position of relative financial stability. There is also a high level of compliance with the Municipal Finance Management Act and other legislation directly affecting financial management.

As mentioned the switch over to GRAP has had huge ramifications not least amongst the professional staffing at the local government level. Maletswai municipality cannot afford the salaries that are a prerequisite to GRAP. There is already a dearth of qualified accountants in South Africa and the complexities that are GRAP in local government are such that outside of the metropolitan areas it is highly unlikely that qualified accountants are going to be available to work at the salaries on offer internally and Maletswai has therefore taken steps to manage the situation externally.

### Long term financial planning

The municipality's financial position is sound and this budget further ensures that it stays sound. Long-term borrowing is limited and the cash position is not very strong.

The municipality plans to continue exercising strict financial management and ensuring a cash flow which meets the requirements.

Due to the fact that the majority of capital expenditure from own sources be funded by way of own cash, the municipality must ensure that the principle of "the user pays for the use of the assets" be applied in its long -term financial strategy.

### **Sources of funding**

Supporting table SB2 and B4 shows the current investments.

Interest earned from investments is applied to the income and expenditure account to help fund the operating budget. The following tables summarises the budgeted interest;

R '000	2011/12	2012/13	2013/14	2014/15
Investment Interest received	375	210	411	443
Loan interest paid	270	688	813	856

### **Contributions and donations**

The Municipality can receive contributions from developers to provide infrastructure and other works as part of the conditions of agreeing planning permission.

### **Sale of assets**

The Municipality is in the process of reviewing its land and asset holdings as part of its longer term financial strategy. Major asset sales are therefore, excluded from the adjustment budget at this stage.

### **Borrowing**

The MFMA prescribes the conditions within which municipalities may borrow through either short or long term debt.

The Act stipulates that short term debt can be used to meet immediate cash flow needs but that it must be fully repaid within the financial year in which it was incurred. Long term debt can only be incurred for capital expenditure or to re-finance existing long term debt. Proposals to incur long term debt must go through a public consultation process.

The cash flow projections will determine the likely need to borrow short term. It is not projected that any short term borrowing will be required over the adjustment budget period.

The ratios as set out in the Cash and Management Investment policy are used to establish prudential levels of borrowing in terms of affordability and the overall indebtedness of the Municipality.

## **Section 11 - Expenditure on allocations and grant programmes**

### **Grant allocations**

Details of each grant are shown in the schedule that follows:

National and Provincial Grant Allocations 2011/12 to 2013/14

Name of Grant	Operating / Capital	Allocating Authority / Department	Amount 2010/11 R'000	Indicative 2011/12 R'000	Indicative 2012/13 R'000	Purpose of the Grant
Library Services	Operating	Province/ Cultural Affairs and Sport	822	887	958	To enable public libraries to render an improved service by addressing staffing shortages.
Local Government Financial Management Grant (FMG)	Operating	National / National Treasury (National Vote 7)	800	800	800	To promote and support reforms in financial management by building the capacity in municipalities to implement the Municipal Finance Management Act.
Local Government Financial Management Grant (FMG)	Capital	National / National Treasury (National Vote 7)	700	700	700	To promote and support reforms in financial management by building the capacity in municipalities to implement the Municipal Finance Management Act.
Municipal Systems Improvement Programme Grant (MSIG)	Operating	National / Provincial and Local Government (National Vote 29)	790	800	900	To assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems.
Integrated National Electrification Programme	Capital	Provincial	3 000	2 000	2 000	To assist the municipality with the electrification of impoverished areas within the region.
Equitable Share	Operating	National	20 224	22 351	23 809	The equitable share of National Revenue in accordance with the requirements of the Constitution
EPWP Incentive Grant	Operating	National	536	-	-	Assist in creating employment opportunities on extended public works projects
MIG	Capital	National	12 614	15 336	16 180	Capital projects on roads and waste management

## Section 12 - Allocations and grants made by the Municipality

### Allocations Made by the Municipality

None

R '000	2011/12	2012/13	2013/14
Institutions	-	-	-

## Section 13 - Councillor's allowances and employee benefits

### Salaries, Allowances and Benefits

Supporting tables SB11 in Annexure 1 summarises the salary, allowances and benefits of councillors and employees.

## Section 14 - Monthly targets for revenue, expenditure and cash flow

### Monthly Cash Flows by source

Supporting tables SB12 to SB17 show the monthly cash flows.

Supporting tables SB14 to SB15 provide details of all Property Rates and valuations information.

## Section 15 - Annual budgets and service delivery and budget implementation plans - internal departments

Refer to table SB3 for service delivery and budget implementation plans.

The full service delivery budget plan is available on [www.maletswai.gov.za](http://www.maletswai.gov.za).

## **Section 16 - Annual budgets and service delivery agreements - municipal entities and other external mechanisms**

### **ENTITIES**

The municipality does not have any entities.

### **Other Service Delivery Mechanisms.**

The municipality has no other service delivery agreements with external parties for the delivery of the Municipality's services.

The municipality provides the water - and sanitation functions on behalf of the Joe Gqabi District Municipality. After years of negotiations on a mutually agreed Service Level Agreement it is fortunate to report that such agreement had been reached.

## **Section 17 - Contracts having future budgetary implications**

The municipality does not have any roll - over contracts with budget implications, other than the service delivery arrangement with the Joe Gqabi District Municipality for the delivery of the Water and Sanitation functions. The agreement is of such a nature that sufficient funding is provided by Joe Gqabi District Municipality for Maletswai Municipality to deliver the services without incurring own costs.

## **Section 18 - Capital expenditure details**

Capital expenditure details are listed in Supporting Table SB16 to SB18b.

# Section 19 - Legislation compliance status

## Municipal Finance Management Act - No 56 of 2003

The MFMA became effective on 1<sup>st</sup> July 2004. The Act modernises budget and financial management practices within the overall objective of maximising the capacity of municipalities to deliver services.

The MFMA covers all aspects of municipal finance including budgeting, supply chain management and financial reporting.

The various sections of the Act are phased in according to the designated financial management capacity of municipalities. Maletswai has been designated as a low capacity municipality.

The MFMA is the foundation of the municipal financial management reforms which municipalities are implementing.

### The MFMA and the budget

The following explains the budgeting process in terms of the requirements in the MFMA. It is based on National Treasury's guide to the MFMA.

#### The budget preparation process

*The Mayor must lead the budget preparation process through a co-ordinated cycle of events that commences at least ten months prior to the start of each financial year.*

#### Overview

The MFMA requires a Council to adopt three-year capital and operating budgets that take into account, and are linked to, the municipality's current and future development priorities and other finance-related policies (such as those relating to free basic service provision).

These budgets must clearly set out revenue by source and expenditure by vote over three years and must be accompanied by performance objectives for revenue and expenditure, a cash flow statement and any particulars on borrowings, investments, municipal entities, service delivery agreements, grant allocations and details of employment costs.

The budget may be funded only from reasonable estimates of revenue and cash-backed surplus funds from the previous year and borrowings (the latter for capital items only).

#### Budget preparation timetable

The first step in the budget preparation process is to develop a timetable of all key deadlines relating to the budget and to review the municipality's IDP and budget-related policies.

The budget preparation timetable is prepared by senior management and tabled by the Mayor for Council adoption.

#### Budget preparation and review of IDP and policy



The Mayor must co-ordinate the budget preparation process and the review of Council's IDP and budget-related policy, with the assistance of the municipal manager.

The Mayor must ensure that the IDP review forms an integral part of the budget process and that any changes to strategic priorities as contained in the IDP document have realistic projections of revenue and expenditure. In developing the budget, the management must take into account national and provincial budgets, the national fiscal and macro-economic policy and other relevant agreements or Acts of Parliament. The Mayor must consult with the relevant district Council and all other local municipalities in that district as well as the relevant provincial treasury and the National Treasury when preparing the budget, and must provide the National Treasury and other government departments with certain information on request.

This process of development should ideally occur between August and November, so that draft consolidated three-year budget proposals, IDP amendments and policies can be made available during December and January. This allows time during January, February and March for preliminary consultation and discussion on the draft budget.

#### Tabling of the draft budget

The initial draft budget must be tabled by the Mayor before Council for review by 31 March.

#### Publication of the draft budget

Once tabled at Council, the Municipal Manager must make public the appropriate budget documentation and submit it to National Treasury and the relevant provincial treasury and any other government departments as required. At this time, the local community must be invited to submit representations on what is contained in the budget.

#### Opportunity to comment on draft budget

When the draft budget is tabled, Council must consider the views of the local community, the National Treasury and the relevant provincial treasury and other municipalities and government departments that may have made submissions on the budget.

#### Opportunity for revisions to draft budget

After considering all views and submissions, Council must provide an opportunity for the Mayor to respond to the submissions received and if necessary to revise the budget and table amendments for Council's consideration.

Following the tabling of the draft budget at the end of March, the months of April and May should be used to accommodate public and government comment and to make any revisions that may be necessary. This may take the form of public hearings, Council debates, formal or informal delegations to the National Treasury, provincial treasury and other municipalities, or any other consultative forums designed to address stakeholder priorities.

### Adoption of the annual budget

The Council must then consider the approval of the budget by 31 May and must formally adopt the budget by 30 June. This provides a 30-day window for Council to revise the budget several times before its final approval.

If a Council fails to approve its budget at its first meeting, it must reconsider it, or an amended draft, again within seven days and it must continue to do so until it is finally approved - before 1 July.

Once approved, the Municipal Manager must place the budget on the municipality's website within five days.

## **BUDGET IMPLEMENTATION**

### Implementation management - the Service Delivery and Budget Implementation Plan (SDBIP)

The Municipal Manager must within fourteen days of the approval of the annual budget (by 14 July at the latest) submit to the Mayor for approval a draft SDBIP and draft annual performance agreements for all pertinent senior staff.

An SDBIP is a detailed plan for implementing the delivery of municipal services contemplated in the annual budget and should indicate monthly revenue and expenditure projections and quarterly service delivery targets and performance indicators.

The Mayor must approve the draft SDBIP within 28 days of the approval of the annual budget (by 28 July at the latest).

This plan must then be monitored by the Mayor and reported on to Council on a regular basis.

### Managing the implementation process

The municipal manager is responsible for implementation of the budget and must take steps to ensure that all spending is in accordance with the budget and that revenue and expenditure are properly monitored.

### Variation from budget estimates

Generally, Councils may incur expenditure only if it is in terms of the budget, within the limits of the amounts appropriated against each budget vote - and in the case of capital expenditure, only if Council has approved the project.

Expenditure incurred outside of these parameters may be considered to be unauthorised or, in some cases, irregular or fruitless and wasteful. Unauthorised expenditure must be reported and may result in criminal proceedings.

### Revision of budget estimates - the adjustments budget

It may be necessary on occasion for a Council to consider a revision of its original budget, owing to material and significant changes in revenue collections, expenditure patterns, or forecasts thereof for the remainder of the financial year.

In such cases a municipality may adopt an adjustments budget, prepared by the municipal manager and submitted to the Mayor for consideration and tabling at Council for adoption.

The adjustments budget must contain certain prescribed information, it may not result in further increases in taxes and tariffs and it must contain appropriate justifications and supporting material when approved by Council.

#### **Requirements of the MFMA relating to the contents of annual budgets and supporting documentation**

Section 17 of the MFMA stipulates that an annual budget of a municipality must be a schedule in the prescribed format and sets out what must be included in that format. In its MFMA circular 48, National Treasury set out detailed guidance on the contents of budget documentation and the supporting schedules. Maletswai Municipality has made every effort to comply with the circular.

The following table shows how Maletswai Municipality complies with the disclosure requirements of section 17 of the MFMA.

<b>Requirement</b>	<b>Disclosure in adjusted budget documentation</b>
Schedule of reasonably anticipated revenue for the adjusted budget year from each revenue source	B4
Schedule showing appropriations of expenditure for the adjusted budget year under the different votes of the Municipality	B3
Schedule setting out indicative revenue per revenue source and projected expenditure by vote for the two financial years following the budget year	B3 and B4
Schedule setting out- (i) estimated revenue and expenditure by vote for the current year and (ii) Actual revenue and expenditure by vote for the financial year preceding the current year.	B3 and B4
Draft resolutions - (i) approving the budget of the Municipality (ii) imposing any municipal tax and setting any municipal tariffs as may be required for the budget year and (iii) Approving any other matters that may be prescribed.	Section 2
Measurable performance objectives for revenue	Section 7 and SB3

from each source and for each vote in the budget, taking into account the Municipality's Integrated Development Plan.	
Projection of cash flow for the budget year by revenue source broken down per month	<i>SB12-SB17</i>
Proposed amendments to the Municipality's integrated development plan following the annual review of the IDP in terms of section 34 of the Municipal Systems Act	Section 15
Particulars of the Municipality's investments	SB2
Any prescribe information on municipal entities under the sole or shared control of the Municipality	N/a
Particulars of all proposed new municipal entities which the Municipality intends to establish or in which the Municipality intends to participate	N/a
Particulars of any proposed service delivery agreements, including material amendments to existing service delivery agreements	Section 16
Particulars of any proposed allocations or grants by the municipality to- (i) other municipalities (ii) any municipal entities and other external mechanisms assisting the municipality in the exercise of its functions or powers (iii) any other organs of state (iv) any organisations or bodies referred to in section 67 (1) (bodies outside Government)	Section 12
The proposed cost to the municipality for the budget year of the salary, allowances and benefits of- (i) each political office bearer of the Municipality (ii) Councillors of the municipality (iii) the municipal manager, the chief financial officer, each senior manager of the municipality and any other official of the municipality having a remuneration package greater than or equal to that of a senior manager	Section 13
The proposed cost for the budget year to a municipal entity under the sole or shared control of the Municipality of the salary, allowances and benefits of-	N/a

(i) each member of the entity's board of managers and (ii) the chief executive officer and each senior manager of the entity	
Any other supporting documentation as may be prescribed	SA forms

## Other Legislation

In addition to the MFMA, the following legislation also influences Municipal budgeting;

### The Division of Revenue Act (as amended) and Provincial Budget Announcements

Three year national allocations to local government are published per municipality each year in the Division of Revenue Act. The Act places duties on municipalities in addition to the requirements of the MFMA, specifically with regard to reporting obligations.

Allocations to the Municipality from Provincial Government are announced and published in the Provincial budget.

Section 18 of the MFMA states that annual budgets may only be funded from reasonably anticipated revenues to be collected. The provision in the budget for allocations from National and Provincial Government should reflect the allocations announced in the DORA or in the relevant Provincial Gazette.

### The Municipal Systems Act - No 32 of 2000 and Municipal Systems Amendment Act no 44 of 2003

One of the key objectives of the Municipal Systems Act is to ensure financially and economically viable communities. The requirements of the Act link closely to those of the MFMA. In particular, the following requirements need to be taken into consideration in the budgeting process;

- Chapters 4 and 5 relating to community participation and the requirements for the Integrated Development Planning process.
- Chapter 6 relates to performance management which links with the requirements for the budget to contain measurable performance objectives and quarterly performance targets in the Service Delivery and Budget Implementation Plan.
- Chapter 8 relates to the requirement to produce a tariff policy.

## Section 20 - Other supporting documents

More details on the budget can be found in the supporting tables SB1 - SB20.

## Section 21 - Municipal Manager's quality certification

I, M.P. Nonjola, Municipal Manager of Maletswai Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the Municipality.

M.P. Nonjola

Municipal Manager of Maletswai Municipality (EC 143)

Signature .....

Date .....

## Annexure 1 - Rates and tariffs 2011/12

Rates, tariffs and other charges

No tariffs were revised during the adjustment budget process

*All budget documents are available on the official website: [www.maletswai.gov.za](http://www.maletswai.gov.za)*

*These include:*

- *Adjustment Budget Framework 2011/2012 - 2012/2013*
- *Schedule of tariffs & charges 2011/2012*  
*Budget related policies, including Rates & Tariff Policies*