

Part 2

Supporting Documentation

2.1 Overview of the Annual Budget Process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in Section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The purpose of the Budget Steering Committee is to ensure that:

- The process followed to compile the budget complies with legislation and good budget practices;
- There is proper alignment between the policy and service delivery priorities set out in the City's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- The municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- The various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.1.1 Budget Process Overview

In terms of Section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2011) a time schedule that sets out the process to revise the IDP and prepare the budget.

Key dates applicable to the process were:

Budget and tariff process 2012/13	Timeframe	Status
GDS Lekgotla 1	10-11 October 2011	√
Issuing of budget and tariffs guidelines	November 2011	√
Presentation of budget proposals to Technical Budget Steering Committee	20- 27 January 2012	√
Budget Steering Committee meetings	13-14 February 2012	√
Budget Lekgotla 2	20-22 February 2012	√
Issuing of final indicatives	February 2012	√
Submission of final draft tariffs, budgets and business plans to Budget Office	29 February 2012	√
National Treasury Visit	28 February 2012	√
Tabling of draft budget, tariffs and IDP reports to Special Mayoral Committee	20 March 2012	√
Tabling of the draft budget, tariffs and IDP at Council	29 March 2012	√
Public participation period is 30 days		√
Approval of final IDP and Budget by Special Mayoral Committee	May 2012	√
Council approval of final Budget and IDP, and Budget Day	May 2012	√

The process for 2012/13 MTB commenced with the Growth and Development Strategy (GDS) Lekgotla that was held on 10- 11 October 2011. The objectives of the GDS Lekgotla were to reflect on the progress made in relation to the service delivery imperatives, to discuss the issues emerging from the GDS outreach process and to reach agreement on long term goals and objectives and key flagship programmes for the term of office. Departments and municipal entities (MEs) were requested to prepare budget proposals in line with the approved GDS. These budget proposals were then presented to the Technical Budget Steering Committee(BSC) and the Budget Steering Committee hearings held on 20- 27 January and 13- 14 February 2012 respectively. The primary objective of these hearings was to assess budget proposals presented by the departments and municipal entities to ensure that the proposed spending gives effect to the developmental objectives expressed in the City's GDS and to ensure that the available resources are allocated in line with the City's priorities.

The assessment of the BSC was then presented to the 2nd Budget Lekgotla held on 20-22 February 2012. Draft MTB allocations were determined and issued to all departments and Municipal Entities to prepare their draft budgets in line with the allocations and to align to flagship and IDP programmes.



2.1.2. IDP and Service Delivery and Budget Implementation Plan

The City's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to this revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Compilation of the SDBIP; and
- The review of the performance management and monitoring processes

The IDP has been taken into a business and financial planning process leading up to the 2012/13 MTB, based on the approved 2011/12 MTB, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2012/13 MTB, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2011/12 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2011/12 MTB, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2012/13 MTB:

- City growth;
- Policy priorities and strategic objectives;
- Asset maintenance;
- Economic climate and trends (i.e inflation, Eskom increases, household debt, migration patterns)
- Performance trends;
- The approved 2010/11 adjustments budget and performance against the SDBIP;
- Cash Flow Management Strategy;
- Debtor payment levels;
- Loan and investment possibilities;
- The need for tariff increases versus the ability of the community to pay for services; and
- Improved and sustainable service delivery.

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 51, 54 and 58 has been taken into consideration in the planning and prioritisation process.

2.1.4 Community Consultation

As per legislative requirements, once the draft budget is tabled in Council, it will be made available for the public to comment on. MFMA guides the public consultation process in the City. The tabling of the draft budget in March facilitated community participation, encouraged discussion with all stakeholders and provided an opportunity for feedback. The public participation process took place throughout April. The outcome of the public participation process on the draft budget and tariffs will be submitted in a separate report for Council to consider.