

EXECUTIVE SUMMARY

The development of the budget is informed by the key service delivery priorities as reflected in the IDP and the need to maintain the municipality's financial sustainability. This budget is also in line with the National, Provincial and also District priorities. We were also guided by the National Treasury's MFMA Circulars 58 and 59.

The objective of the IDP/Budget process plan is to integrate the two documents. The IDP as the strategic document and the budget must enable the achievements of the IDP objectives. There must always be a link between the IDP and the projects that are funded in the annual budget.

During the preparation of the 2012/13 MTERF, the municipality had to deal with the following challenges:

- Low revenue base
- Infrastructure backlogs causing difficulties in prioritising projects within the financial affordability of the budget.
- Approval of the new Organisational Structure with critical and prioritised positions.

The budget comprises both the operating and capital budgets as per the requirement of the MFMA. The capital budget consist mainly of Municipal Infrastructure Grant (MIG) funded projects and the Electrification programme in order to address infrastructure backlogs. The operating budget which is by far the largest component of the budget, includes LED projects, Community services projects, Corporate services and Finance projects. After the draft budget was approved the municipality conducted a consultation process in all 31 wards. This budget has managed to accommodate some of the inputs from the consultation process.

CONSOLIDATED OVERVIEW OF MTREF

EC121 Mbashe - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand	1										
Revenue By Source											
Property rates	2	1,484	1,573	2,286	4,008	-	4,008	4,008	5,534	5,833	6,159
Property rates - penalties & collection charges											
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	265	281	38	433	-	433	433	457	482	508
Service charges - other											
Rental of facilities and equipment		186	468		773				819	866	917
Interest earned - external investments		2,111	1,984		63				1,000	1,060	1,124
Interest earned - outstanding debtors	2										
Dividends received											
Fines		26	502		558				602	634	670
Licences and permits		-	300		1,000				1,500	1,581	1,670
Agency services											
Transfers recognised - operational		51,556	65,242		108,568				117,201	130,193	141,869
Other revenue	2	7,065	6,145	10,513	12,255	-	12,255	12,255	9,355	9,866	10,331
Gains on disposal of PPE											
Total Revenue (excluding capital transfers and contributions)		62,695	76,494	12,836	127,658	-	16,696	16,696	136,468	150,515	163,248

Expenditure By Type

Expenditure By Type	-										
Employee related costs	2	20,515	25,373	-	36,497	-	36,497	36,497	53,153	58,170	63,348
Remuneration of councillors		9,291	12,920		50,414				17,874	18,768	19,706
Debt impairment	3										
Depreciation & asset impairment	2	3,974	2,544	-	-	-	-	-	-	-	-
Finance charges											
Bulk purchases	2	-	-	-	-	-	-	-	-	-	-
Other materials	8										
Contracted services		-	-	-	-	-	-	-	-	-	-
Transfers and grants		-	-	-	-	-	-	-	-	-	-
Other expenditure	4, 5	34,085	5,494	-	-	-	-	-	65,441	73,578	80,194
Loss on disposal of PPE											
Total Expenditure		67,865	46,331	-	86,911	-	36,497	36,497	136,468	150,515	156,248
Surplus/(Deficit)		(5,170)	30,162	12,836	40,747	-	(19,801)	(19,801)	0	0	0
Transfers recognised - capital		19,241	33,438						53,208	58,305	64,411
Contributions recognised - capital	6	1,815	2,661	-	-	-	-	-	8,118	3,267	3,407
Contributed assets											
Surplus/(Deficit) after capital transfers & contributions		15,885	66,262	12,836	40,747	-	(19,801)	(19,801)	61,326	61,571	66,041
Taxation											
Surplus/(Deficit) after taxation		15,885	66,262	12,836	40,747	-	(19,801)	(19,801)	61,326	61,571	66,041
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		15,885	66,262	12,836	40,747	-	(19,801)	(19,801)	61,326	61,571	66,041
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		15,885	66,262	12,836	40,747	-	(19,801)	(19,801)	61,326	61,571	66,041

Operating Revenue has increase by 07% for 2012-13 financial year when compared to the 2011-12 revised budget . For the two outer years, operating revenue will increase by 10% and 8% respectively.

Total operating expenditure has increase by 37% for 2012-13 financial year when compared to 2011-12 revised budget and increase by 10% and 8% respectively for the two outer years.

Total capital expenditure has grown by 2% for 2012-13 when compared to 2011-12 revised budget and by 1% and 7% respectively.

Financial Assumptions used:

The municipality has used circular 59 of MFMA as a guide in CPI which is 5.6 per cent for 2012-13, 5.4 per cent and 5,6 per cent respectively. The municipality has used incremental budgeting approach using CPI; performance based budgeting approach for the projects in the departments and zero based budgeting approach. For own revenue the municipality has used the collection rate for each revenue source. For wages and salaries for employees the municipality has used 9.5%, salaries for managers has increased by 9.5% and 5% for councillors. There is an increase in employee's wages and salaries of 31 per cent for 2012-13 when compared to 2011-12 revised budget. The remuneration of councillors has decreased by 65 per cent in 2012-13 when compared to 2011-12 revised budget.

TARRIF INCREASE

MBHASHE MUNICIPALITY TARIFFS							
		2005/2006	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014
No	SERVICE	Tariff R\Cents VAT Inc.	Tariff R\Cents VAT Inc.	Tariff R\CentsVAT Incl.	Tariff R\Cents VAT Incl.	Tariff R\Cents VAT Incl.	Tariff R\Cents VAT Incl.
	UNIFORM TARIFFS			11.00%	5.00%	6.00%	5.00%
1	REFUSE REMOVAL						
1.1	RESIDENTIAL (Per month, one removal a week)		R 61.95	R 68.95	R 72.40	R 76.74	R 80.58
1.1.1	Additional removal (per load or aprt thereof)		R 40.00	R 44.40	R 46.62	R 49.42	R 51.89
1.2	MEDIUM/LARGE BUSINESS (per month, five removals per week)		R 372.65	R 414.87	R 435.62	R 461.75	R 484.84
1.2.1	Additional removal (per load or aprt thereof)		R 100.00	R 111.00	R 116.55	R 123.54	R 129.72
1.3	Garden/Rubble refuse (per load)(to be paid in advance)		R 100.00	R 111.00	R 116.55	R 123.54	R 129.72
2	HIRE OF TOWN ICOMMUNITY HALL						
2.1	SECURITY FEE \DAYNIGHT		R 319.20	R 355.27	R 373.04	R 395.42	R 415.19
2.1.1	NIGHT- PROFIT MAKER		R 363.20	R 404.36	R 424.57	R 450.05	R 472.55
2.1.2	NON PROFIT MAKER		R 290.85	R 323.71	R 339.90	R 360.29	R 378.31
2.1.3	DAY PROFI MAKER		R 290.85	R 323.71	R 339.90	R 360.29	R 378.31
2.1.4	NON PROFIT MAKER		R 218.40	R 243.08	R 255.24	R 270.55	R 284.08
2.1.5	CHAIR HIRING		R 3.15	R 3.51	R 3.69	R 3.91	R 4.11
2.1.6	SECURITY FEE (CHAIRS)		R 132.30	R 147.26	R 154.62	R 163.90	R 172.09
	Hire of In-door Sport Centre (Willowvale)						
2.2	SECURITY FEE \DAYNIGHT		R 638.40	R 710.54	R 746.07	R 790.83	R 830.38
2.2.1	NIGHT- PROFIT MAKER		R 726.40	R 808.72	R 849.14	R 900.09	R 945.10
2.2.2	NON PROFIT MAKER		R 581.70	R 647.43	R 679.80	R 720.59	R 756.62

3	PROPERTY RATES						
	Rateable property a general rate per rand on total market value of the property:						
3.1	Residential Properties	R 0.02	R 0.03	R 0.02	R 0.014	R 0.015	
3.2	Business Properties	R 0.02	R 0.03	R 0.02	R 0.016	R 0.017	
3.3	Government Properties	R 0.02	R 0.03	R 0.03	R 0.018	R 0.019	
	TOTAL INCOME PER MONTH		REBATE	REBATE	REBATE	REBATE	REBATE
3.4	NOT EXCEEDING R2100 per month (Indigent)		100%	100%	100%	100%	100%
	Any other rebates will be applied as per the municipality's rates policy						
4	COMMONAGE						
4.1	VAN LOAD	R 174.30	R 194.00	R 203.70	R 215.92	R 226.72	
4.2	TREE	R 36.75	R 40.91	R 42.95	R 45.53	R 47.80	
4.3	SLEDGE LOAD	R 79.80	R 88.82	R 93.26	R 98.85	R 103.80	
4.4	HEAD LOAD	R 3.15	R 88.31	R 3.69	R 3.91	R 4.11	
4.5	FENCING	R 1.05	R 1.25	R 1.23	R 1.30	R 1.37	
4.6	BUILDING POLES	R 3.15	R 3.51	R 3.69	R 3.91	R 4.11	
4.7	BRUSH	R 19.95	R 22.21	R 23.32	R 24.72	R 25.96	
4.8	BUNDLE OF LATH	R 8.40	R 9.35	R 9.82	R 10.40	R 10.92	
5	COMMUNITY SERVICES						
6	POUND FEES						
6.1	LARGE STOCK	R 58.80	R 65.44	R 68.72	R 72.84	R 76.49	
6.2	SUSTENANCE	R 14.70	R 15.44	R 17.18	R 18.21	R 19.12	
6.3	TRESPASSING	R 22.05	R 24.54	R 25.77	R 27.31	R 28.68	
6.4	DRIVING PER KILOMETER	R 7.35	R 8.18	R 8.60	R 9.11	R 9.57	
6.5	SMALL STOCK	R 29.40	R 32.72	R 34.35	R 36.42	R 38.24	

7	STREET TRADING						
7.1	STATIONERY STREET VENDORS				R 150.00	R 157.50	R 165.38
7.2	CONTAINER HAWKER				R 250.00	R 262.50	R 275.63
7.3	ROVING HOKERS				R 150.00	R 157.50	R 165.38
7.4	SEASONAL HAWKERS				R 75.00	R 78.75	R 82.69
8	SPORTSFIELD						
8.1	Sport Events for Schools						
8.1.1	SECURITY FEE		R 319.20	R 355.27	R 373.04	R 395.42	R 415.19
8.1.2	RENTAL: DAY PER HOUR		R 42.00	R 46.75	R 49.09	R 52.03	R 54.64
8.2	Other Events						
8.2.1	SECURITY FEE		R 478.80	R 531.47	R 558.04	R 591.52	R 621.10
8.2.2	RENTAL: DAY PER HOUR		R 63.00	R 69.93	R 73.43	R 77.83	R 81.72
9	ADMINISTRATION FEES						
9.1	SEARCHING FEES		R 27.30	R 30.39	R 31.91	R 33.82	R 35.51
9.2	REPRINTING OF A CHEQUE			R 30.00	R 30.00	R 30.00	R 31.50
							R -
10	LIBRARY FEES					R -	R -
10.1	STUDENT (URBAN AREA)		R 27.30	R 30.39	R 31.91	R 33.82	R 35.51
10.2	(RURAL AREA)		R 27.30	R 30.39	R 31.91	R 33.82	R 35.51
10.3	ADULT (URBAN AREA)		R 54.60	R 61.24	R 63.81	R 67.64	R 71.02
10.4	(RURAL AREA)		R 54.60	R 60.77	R 63.81	R 67.64	R 71.02
10.5	DAMAGE FEES (LIBRARY BOOKS)		R 17.85	R 19.86	R 20.86	R 22.11	R 23.22

10.6	PHOTOCOPY		R 1.05	R 1.10	R 1.23	R 1.30	R 1.37
10.7	LATE RETURNS		R 21.00	R 23.37	R 24.54	R 26.01	R 27.31
	LOST BOOK		VALUE OF THE BOOK	VALUE OF THE BOOK	VALUE OF THE BOOK		
11	CEMETERY						
	Grave Plot						
11.1	Adult		R 220.00	R 244.20	R 256.41	R 271.79	R 285.38
11.2	Children		R 120.00	R 133.20	R 139.86	R 148.25	R 155.66
11.3	Grave Digging		R 100.00	R 111.00	R 116.55	R 123.54	R 129.72
11.4	Exhumations		R 1,000.00	R 1,110.00	R 1,165.50	R 1,235.43	R 1,297.20
12	DEVELOPMENT PLANNING TARIFF FEES						
			5.4%		5.0%	6.0%	5.0%
12.1	Application for consent	R 891.00	R 939.11	R 939.11	R 986.07	R 1,045.23	R 1,097.50
12.2	Application for rezoning						
	Application fees						
12.2.1	Erven 0 - 2500 square meters	R 950.40	R 1,001.72	R 1,001.72	R 1,051.81	R 1,114.92	R 1,170.66
12.2.2	Erven 2501 - 5000 square meters	R 1,782.00	R 1,878.23	R 1,878.23	R 1,972.14	R 2,090.47	R 2,194.99
12.2.3	Erven 5001 - 10 000 square meters	R 3,564.00	R 3,756.46	R 3,756.46	R 3,944.28	R 4,180.94	R 4,389.98
12.2.4	Erven 1 ha - 5 ha	R	R	R 5,008.61	R	R	R

		4,752.00	5,008.61		5,259.04	5,574.58	5,853.31
12.2.5	Erven over 5 ha	R 5,940.00	R 6,260.76	R 6,260.76	R 6,573.80	R 6,968.23	R 7,316.64
12.2.6	Advertising fees	R 1,188.00	R 1,252.15	R 1,252.15	R 1,314.76	R 1,393.65	R 1,463.33
12.3	Application for departure from building lines & spaza shop applic fees						
12.3.1	Erven smaller than 500m	R 97.50	R 102.77	R 102.77	R 107.90	R 114.38	R 120.10
12.3.2	Erven 500m - 750m	R 189.00	R 199.21	R 199.21	R 209.17	R 221.72	R 232.80
12.3.4	Erven larger than 750m	R 378.00	R 398.41	R 398.41	R 418.33	R 443.43	R 465.60
12.3.5	Departures other than building lines and spaza shops	R 891.00	R 939.11	R 939.11	R 986.07	R 1,045.23	R 1,097.50
12.4	Application for subdivision - application fees						
12.4.1	Basic fee	R 648.00	R 682.99	R 682.99	R 717.14	R 760.17	R 798.18
12.4.2	Charge per subdivision (Remainder considered a subdivision)	R 59.40	R 62.61	R 62.61	R 65.74	R 69.68	R 73.17
12.5	Application for removal of restriction						
12.5.1	Advertisement fees	R 4,158.00	R 4,382.53	R 4,382.53	R 4,601.66	R 4,877.76	R 5,121.65
12.6	SALE OR LEASE OF LAND						
12.6.1	Application fees (Refundable Deposit)	R 653.40	R 688.68	R 688.68	R 723.12	R 766.50	R 804.83
12.6.2	Advertising fee (Recoverable cost against Survey and Advertising)	R 4,104.00	R 4,325.62	R 4,325.62	R 4,541.90	R 4,814.41	R 5,055.13
12.7	Zoning Certificate	R 27.00	R 28.46	R 28.46	R 29.88	R 31.67	R 33.26

12.8	Extension of Time	R 145.80	R 153.67	R 153.67	R 161.36	R 171.04	R 179.59
12.9	Amendments to existing subdivisions	R 653.40	R 688.68	R 688.68	R 723.12	R 766.50	R 804.83
12.10'	Town Planning Scheme Document	R 356.40	R 375.65	R 375.65	R 394.43	R 418.09	R 439.00
13	Tenders						
	R200 001 - R500 000	R 100.00	R 100.00	R 100.00	R 100.00	R 100.00	R 100.00
	R500 000 – above	R 200.00	R 200.00	R 200.00	R 200.00	R 250.00	R 250.00

Tariffs have increase by 6% for 2012–13 and 5% 2013–14 financial years.

ALIGNMENT OF IDP AND BUDGET

EC121 Mbhashe – Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)

Strategic Objective	Goal	G o a l C o d e	R e f	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15	
R thousand													
To maintain existing networks and improve capacity by 2017	By utilising own MIG and lobby funds from partners like DME, Eskom e.t.c										1,400		
To facilitate provision of sustainable housing options, To review SDF	By planning for future expansion, By servicing sites and selling to public & businesses,										3,750	4,800	900

<p>To facilitate provision of sustainable waste management services, To contribute to the protection and management of environment ,Prevention if disasters,To facilitate Traffic,Safety & Security regulations</p>	<p>By distributing wheely bins to households, Supporting recycling initiatives, Develop coastal zone & Integrated Waste management plan, By providing securities and facilitate safety at our strategic areas</p>																
<p>To ensure sound planning and forecasting for future economic growth and development</p>	<p>Co-operative study, Information Day ,Construction of Shearing Shed, Shearing Shed Equipment and Renovation, Support revitalization of irrigation scheme, Agricultural development. Tourism development ,Support SMME'S</p>																
<p>To adequately budget for free basic services to indigents by 2016,To ensure sound Financial Management, compliance and regular reporting, To co-ordinate efforts in achieving Clean Audit outcome by 2014</p>	<p>To supply free basic energy to validated indigents, Implementation of clean audit programmes and strict compliance, By building capacity and implementing internal controls, regular reporting, and monitoring of compliance, Update Asset Register</p>																

<p>To ensure that all stakeholders participate in the affairs of the municipality, To ensure Strategic development Planning, To enhance communication in all municipal activities, Internal Audit risk Management ,IGR, PMS, SPU, HR Development, Personnel administration, Councillor Support.Labour relations, I CT & Telephone usage, Employee wellness</p>	<p>By coordinating stakeholders consultation ,Produce Annual report and table it to council, Monitor and review IDP, By developing and implementing a media plan, By improving signage and branding of offices, By conducting Risk assessment, Coordinating IGR Forums, Review and Implement PMS(SDBIP & Scorecards),Facilitate Audit Committee Seating and functioning, To train Cllrs and Staff, To Install centralised clocking machine, Provide adequate sitting space in the Council Chamber- Furniture, Train LLF Members, By acquisition of Infrastructural assets,Organise wellness campaigns,By implementing occupational Health and safety plan</p>									5,856	3,589	4,271
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EC121 Mbhashe - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (Expenditure)

Strategic Objective	Goal	Goal Code	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15	
R thousand													
To maintain existing networks and improve capacity by 2017	By utilising own MIG and lobby funds from partners like DME, Eskom e.t.c										1,400		
To facilitate provision of sustainable housing options, To review SDF	By planning for future expansion, By servicing sites and selling to public & businesses,										3,750	4,800	900
To facilitate provision of sustainable waste management services, To contribute to the protection and management of environment ,Prevention if disasters,To facilitate Traffic,Safety & Security regulations	By distributing wheely bins to households, Supporting recycling initiatives, Develop coastal zone & Integrated Waste management plan, By providing securities and facilitate safety at our strategic areas										2,540		

<p>To ensure sound planning and forecasting for future economic growth and development</p>	<p>Co-operative study, Information Day, Construction of Shearing Shed, Shearing Shed Equipment and Renovation, Support revitalization of irrigation scheme, Agricultural development. Tourism development, Support SMME'S</p>							5,780	2,050	120
<p>To adequately budget for free basic services to indigents by 2016, To ensure sound Financial Management, compliance and regular reporting, To coordinate efforts in achieving Clean Audit outcome by 2014</p>	<p>To supply free basic energy to validated indigents, Implementation of clean audit programmes and strict compliance, By building capacity and implementing internal controls, regular reporting, and monitoring of compliance, Update Asset Register</p>							10,074	10,618	11,212

<p>To ensure that all stakeholders participate in the affairs of the municipality, To ensure Strategic development Planning, To enhance communication in all municipal activities, Internal Audit risk Management, IGR,PMS,SPU,HR Development ,Personnel administration, Councillor Support.Labour relations, ICT & Telephone usage, Employee wellness</p>	<p>By coordinating stakeholders consultation, Produce Annual report and table it to council, Monitor and review IDP, By developing and implementing a media plan, By improving signage and branding of offices By conducting Risk assessment ,Coordinating IGR Forums ,Review and Implement PMS(SDBIP & Scorecards),Facilitate Audit Committee Seating and functioning, To train Cllr's and Staff, To Install centralised clocking machine, Provide adequate sitting space in the Council Chamber- Furniture, Train LLF members, By acquisition of Infrastructural assets, Organise wellness campaigns, By implementing occupational Health and safety plan</p>																5,856	3,589	4,271
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Allocations to other priorities			2									
Total Revenue (excluding capital transfers and contributions)			1	-	-	-	-	-	-	29,399	21,057	16,504

Budgeted operating expenditure is linked to IDP strategies and objectives



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Allocations to other priorities			3									
Total Capital Expenditure			1	19,241	23,438	41,017	53,489	-	53,489	50,197	39,319	41,487

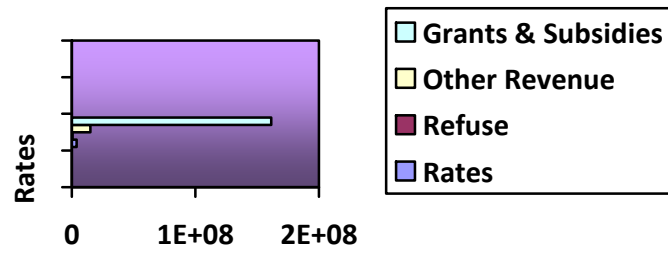
Capital budget is linked to IDP strategies and objectives

Key amendments to the integrated development plan

The municipality will develop a strategy for the development co-operatives. The municipality is planning to develop a Human Resource plan which was never developed before.

Financial and service delivery implication

Mbhashe Local Municipality is dependent on grants the municipality cannot finance its services from own revenue, the revenue from own revenue sources is at 10% and Grants & subsidies at 90%. The municipality is very rural and one of the towns is declared as very poor town in South Africa as a whole. The municipality have limited funding which makes it difficult to deliver the services to all communities in time.



This chart shows how the municipality is depending on grants.