

**ANNUAL BUDGET
OF
MBHASHE LOCAL MUNICIPALITY
EC121**

2013/14 TO 2015/16

**MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS**

EXECUTIVE SUMMARY

In a municipal strategic planning session it was agreed that the core business for Mbhashe Local Municipality is service delivery. Therefore it is important to develop a budget that is informed by the key service delivery priorities as reflected in the IDP to ensure that services provided are sustainably, economically and equitably to all communities and the need to maintain the municipality's financial sustainability.

National treasury circulars No. 51, 54, 55, 58, 66 & 67 were used to guide the preparation and compilation of the 2013/14 Budgets and Medium Term Revenue and Expenditure Framework (MTREF).

The Municipality faced the following significant challenges during the compilation of the 2012/13 MTREF:

- Mbhashe municipality is still grant dependant
- Low revenue collection
- High vacancy rate
- High infrastructure backlog
- Lack of understanding of budgeting principles by various Directors
- Insufficient funding for assets repairs and maintenance.

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.

The annual budget as per the Municipal Finance Management Act must be divided into capital and operating budget in accordance with the international best practice. The operating budget consists of:

- Personnel costs – 35%
- General expenses – 27%
- Repairs & maintenance – 5%

There has been a significant drop in the budget for repairs and maintenance. This is caused by the fact that infrastructure services has opted not to budget for road maintenance rather acquire plant and machinery.

The capital budget for 2013/14 is 33%.

OVERVIEW OF THE 2013/14 MTREF

Table 1

	CURRENT BUDGET 2012/13	BUDGET YEAR 2013/14	%
GRANTS	R 188 498 151	R 206 016 000	9%
OWN REVENUE	R 19 266 823	R 21 039 865	9%
PERSONNEL	R 71 357 784	R 78 478 223	10%
REPAIRS & MAINTENANCE	R 15 577 109	R 12 120 044	(22)%
GENERAL EXPENDITURE	R 58 276 456	R 61 415 228	5%
CAPITAL CONTRIBUTIONS	R 66 275 870	R 75 042 370	13%
TOTAL BUDGET	R 211 325 276	R 227 055 865	7%

The total grants and subsidies have increased by 9% based on the census information and own revenue has increased by 9%. Own revenue is based on the tariffs that the municipality has proposed. Grants include but not limited to:

- Municipal Infrastructure Grant (MIG) – R47 m
- Finance Management Grant (FMG) – R1,5 m
- Municipal Systems Improvement grant (MSIG) – R890 k
- Electrification Programme – R18 m

The total municipal budget has increased by 7%, see the above table.

BUDGETED FINANCIAL PERFORMANCE

EC121 Mbashe - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)						
Standard Classification Description	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
	R thousand	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15
<u>Revenue - Standard</u>						
<i>Governance and administration</i>	138,095	142,039	142,039	155,904	183,359	232,568
Executive and council	7,459	7,759	7,759	8,357	10,551	10,951
Budget and treasury office	130,125	133,769	133,769	147,008	172,239	221,018
Corporate services	511	511	511	540	569	599
<i>Community and public safety</i>	2,444	3,160	3,336	3,631	2,720	2,867
Community and social services	151	151	151	859	168	177
Sport and recreation	17	257	257	368	19	20
Public safety	2,276	2,257	2,433	2,404	2,534	2,670
Housing	-	495	495	-	-	-
Health	-	-	-	-	-	-
<i>Economic and environmental services</i>	56,724	65,419	65,419	66,960	72,841	76,983
Planning and development	924	2,410	2,410	746	775	808
Road transport	55,800	63,009	63,009	66,214	72,066	76,175
Environmental protection	-	-	-	-	-	-
<i>Trading services</i>	531	531	531	561	591	623
Electricity	-	-	-	-	-	-
Water	-	-	-	-	-	-
Waste water management	74	74	74	78	82	87
Waste management	457	457	457	482	508	536
<i>Other</i>	-	-	-	-	-	-
Total Revenue - Standard	197,794	211,149	211,325	227,056	259,511	313,042

The above table shows revenue by standard classification and the one below shows expenditure by standard classification. The 'standard classification' refers to a modified Government Finance Statistics (GFS) reporting structure. The aim of the standard classification approach is to ensure that all municipalities approve a budget in one common format, to facilitate comparison across all municipalities.

Expenditure - Standard						
Governance and administration	78,493	80,973	80,973	93,050	97,133	103,726
Executive and council	36,524	37,874	37,874	41,448	44,075	46,892
Budget and treasury office	27,327	28,057	28,057	32,702	32,774	35,158
Corporate services	14,643	15,043	15,043	18,901	20,284	21,676
Community and public safety	22,542	23,178	23,178	23,625	24,948	26,750
Community and social services	1,204	1,204	1,204	1,905	2,077	2,265
Sport and recreation	3,111	3,206	3,206	1,039	742	798
Public safety	12,311	12,311	12,311	13,587	14,605	15,704
Housing	5,915	6,457	6,457	7,093	7,525	7,983
Health	–	–	–	–	–	–
Economic and environmental services	26,271	31,641	31,641	50,297	51,536	54,683
Planning and development	8,926	10,616	10,616	10,695	10,607	11,281
Road transport	17,345	21,025	21,025	39,602	40,928	43,402
Environmental protection	–	–	–	–	–	–
Trading services	9,162	9,257	9,257	12,549	13,410	14,241
Electricity	–	–	–	–	–	–
Water	–	–	–	–	–	–
Waste water management	363	363	363	693	742	795
Waste management	8,799	8,894	8,894	11,856	12,668	13,446
Other	–	–	–	–	–	–
Total Expenditure - Standard	136,468	145,049	145,049	179,521	187,027	199,400
Surplus/(Deficit) for the year	61,326	66,100	66,276	47,535	72,484	113,641

BUDGETED CAPITAL EXPENDITURE

The table below is a breakdown of the capital programme in relation to capital expenditure by municipal vote; capital expenditure by standard classification; and the funding sources necessary to fund the capital budget. This is inclusive of information on capital transfers from national and provincial departments.

The capital expenditure has increased from R66m in 2012/13 to R75m in 2013/14 which 13%. The bulk of the capital expenditure is funded from transfers by national government. The budget has been funded from the realistically anticipated revenues also taking into account the current year collection levels.

EC121 Mbashe - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand							
Capital Expenditure - Standard							
<i>Governance and administration</i>	2,453	2,586	2,586	2,586	4,066	2,635	2,777
Executive and council	780	930	930	930	500	–	–
Budget and treasury office	820	803	803	803	1,916	949	1,000
Corporate services	853	853	853	853	1,650	1,686	1,777
<i>Community and public safety</i>	2,040	3,239	3,239	3,239	2,420	2,740	2,888
Community and social services	–	50	50	50			
Sport and recreation	–	–	–	–			
Public safety	2,040	3,189	3,189	3,189	2,420	2,740	2,888
Housing	–	–	–	–			
Health	–	–	–	–			
<i>Economic and environmental services</i>	55,334	58,931	58,931	58,931	66,026	72,644	76,725
Planning and development	70	70	70	70			
Road transport	55,264	58,861	58,861	58,861	66,026	72,644	76,725
Environmental protection		–	–	–			
<i>Trading services</i>	1,500	1,520	1,520	1,520	2,530	2,530	2,666
Electricity	–	–	–	–			
Water	–	–	–	–			
Waste water management	–	–	–	–			
Waste management	1,500	1,520	1,520	1,520	2,530	2,530	2,666
<i>Other</i>	–	–	–	–			
Total Capital Expenditure - Standard	61,326	66,276	66,276	66,276	75,042	80,549	85,056
Funded by:							
National Government	61,326	66,276	66,276	66,276	75,042	80,359	84,857
Provincial Government		–					
District Municipality		–					
Other transfers and grants		–					
Transfers recognised - capital	61,326	66,276	66,276	66,276	75,042	80,359	84,857
Public contributions & donations							
Borrowing							
Internally generated funds							
Total Capital Funding	61,326	66,276	66,276	66,276	75,042	80,359	84,857

PROJECTS ALLOCATION AS PER IDP PRIORITIES

Department	Amount
Executive	R 993 120
Council	R 600 000
OFFICE OF THE Municipal Manager	R1 978 000
BUDGET & TREASURY OOFICE	R 12 873 735
CORPORATE SERVICES	R 1 600 000
Communications	R 285 600
LED	R 6 000 000
Property	R 100 000
Libraries	R 700 000
Traffic	R 3 150 000
SOLID WASTE	R 3 550 000
INFRASTRUCTURE	R74 707 220
Environmental	R 250 000

MAYOR'S REPORT

In his State of the Nation Address the President Mr Jacob Zuma outlined the importance of our National Development Plan (NDP) which is the vision of the country for the next 20 years. He said, "the NDP is a roadmap to a South Africa where all will have water, electricity, sanitation, jobs, housing, public transport, adequate nutrition, education, social protection, quality healthcare, recreation and a clean environment".

The NDP contains proposals for tackling the problems of poverty, inequality and unemployment. Mbhashe municipality is not immune to such challenges, in fact, based on the current statistics; our municipality is severely affected by challenges. Our revised Integrated Development Plan (IDP) talks to that.

The Premier of the Eastern Cape Province in the 2013 State of the Province Address has heeded the call our President has made in his State of the Nation Address for the immediate and effective implementation of the NDP. This means all of us should follow suit in order to align our priorities with those on national and provincial.

The municipality is also faced with huge infrastructure backlog in most of our wards, which cannot be addressed over a short period of time due to limited resources.

In preparation of our IDP and Budget we were mindful of all the above challenges, including the fact that no single force acting individually can achieve the objectives we have set for ourselves in the NDP. All spheres of government, business and labour need to work together in achieving these goals.

The 2013/14 IDP Review and MTREF Budget in one way or another address some of these challenges, in response to the needs highlighted by our communities. Efficiency and financial discipline will be vital in ensuring the long-term financial sustainability of the institution and that the scarce resources available are channelled to areas of greatest need. This also includes the improvement in spending trends by various directorates.

In our last strategic planning session we all agreed that the core business of the municipality is service delivery. Therefore most of our resources and energies should focus on delivering basic services to our communities.

When reviewing this IDP we were guided by the 5 key performance areas which are as follows:

- The municipal transformation and organisational development
- Basic service delivery and Infrastructure Investment
- The Local Economic Development (LED)
- Municipal financial viability and Management
- Good governance and Public Participation

More than R86m has been allocated for service delivery and infrastructure investment as a way of addressing backlogs in our wards. LED has been allocated

R6m for the 2013/14 and it is encouraged that this KPA needs to play coordinating role with other stakeholders.

In the current financial year the municipality has embarked on massive registration of its indigent households. Currently, we have an indigent register which has been approved by the Council of more than 20 000 households. A sum of R8m has been set aside under KPA 4 (financial viability) to assist the indigent households with basic services.

A sum of R2, 5m has allocated for municipal transformation and organisational development. This will assist in building capacity for both councillors and employees in order to better deliver services.

The council has the following committees which assist in doing the oversight and promoting good governance:

- Audit Committee
- Performance Audit Committee
- Municipal Public Accounts Committee

We have set aside R3, 5m for good governance in order to enhance oversight and accountability. The municipality needs to implement performance management system for all its directors and cascades to the levels below them.

Our view as the EXCO is that the municipality needs to prioritise the following:

- Stability within the council
- Improve stakeholder consultation
- Create favourable environment with labour
- Achieving clean audit by 2014
- Look at ways of enhancing our revenue, including better management of leases
- Enhance the functioning of council committees
- Implement performance management
- Fill all vacant and budgeted positions in the organogram.

Richard Koch in his famous book called, “the 80/20 principle”, also known as “Pareto Law”, emphasis the secret of achieving more with less. This means as we work towards implementing this IDP with limited resources we must be mindful of this principle in order to make a difference in our communities.

Nelson Mandela once said, “Living isn’t just about doing for yourself, but what you do for others as well”. Let us go and serve our communities with dignity.

I thank you

OVERVIEW OF THE ALIGNMENT OF ANNUAL BUDGET WITH IDP

A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget.

The review of the IDP focuses of the infrastructure backlog of the whole Mbhashe area and also the prioritised as identified by the communities in all wards. The budget has been prepared in accordance with the IDP focusing on five national key performance areas, which are:

- Municipal transformation and development
- Service delivery and infrastructure development
- Local economic development
- Financial sustainability and viability
- Good governance and public participation

The abovementioned strategic focus areas informed the preparation of the budget and SDBIP with measurable performance indicators and targets.

After the tabling of the draft budget, a series of meetings was held throughout the municipal area to consult with the public representatives, civil society, business, labour and other government departments on how the budget addresses the IDP priorities and objectives. The feedback flowing from these meetings was referred to a management and EXCO to find a way of attending to all the issues. Some has financial implications and some not.

The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources through its budget and speed up service delivery.

IDP is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality. The municipality has also aligned its budget and IDP in line with the National, provincial and district.

The table below illustrate the link between the IDP and budget as per KPAs:

KPA	BUDGET
Municipal Transformation & Development	R2 593 120
Service Delivery & Infrastructure Development	R86 857 220
Local Economic Development	R6 000 000
Financial Viability	R12 873 735
Good governance	R3 513 600

OVERVIEW OF THE ANNUAL BUDGET PROCESS

Section 21 of the MFMA requires the mayor of a municipality to coordinate the processes for preparing the annual budget and reviewing the IDP including budget related policies.

The Budget process started in August 2012 after the approval of IDP/Budget process timetable and strategy to guide the preparation of the 2013/14 to 2015/16 Operating and Capital Budgets. It allows for consultation with stakeholders, such as communities, employees of the municipality, civil society, State departments, business and NGOs.

The consultation took the form of a series of public meetings in the various wards under the direction and leadership of the Mayor and her Executive Committee. Taking the inputs of the aforementioned consultations into account, the Mayor tabled the IDP and Budget for consideration and approval at a Council meeting held on 29 May 2013.

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 MFMA.

Our budget steering committee consists of all EXCO members, the municipal manager, all directors and officials responsible for budget.

The primary aims of the Budget Steering Committee are to ensure:

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

In preparing the 2013/14 budget we were guided by the municipal budget circulars issued by national treasury. Division of Revenue Act figures were used in preparing the budget and as the way of assessing affordability.

Budget templates reflecting the actual figures, forecast expenditure for the year were distributed for population of the line item details, at meetings held with HOD's and the budget office. Departments were also given guidelines funding as well as the expenditure levels.

After all that, the budget was considered by the Budget Technical Team which consists of all directors, section heads of various departments, project managers and

union representatives, where areas of possible cuts were assessed. The main objective of the Budget Task Team is to ensure that the budget is maintained within the affordability levels, taking the IDP deliverables into account and inputs from the consultation process.

IDP AND BUDGET TIMEFRAMES

JULY-PRE-PLANNING PHASE				
ITEM. NO.	ACTIVITIES	NATURE OF THE MEETING	DATE	
AUGUST-PLANNING PHASE				
ITEM. NO.	ACTIVITIES	NATURE OF THE MEETING	DATE	RESPONSIBLE PERSON
1.	Preparation of the process plan	IDP Steering Committee	13/08/2012	Task Team
2.	PMS implementation	PMS Workshop	23/08/2012	Task Team
3.	Adoption of the IDP/Budget process	Council Meeting	29/08/2012	MM
4.	Preparations for Community Based Planning	IDP/ Budget steering committee	31/08/2012	Task Team
SEPTEMBER-PLANNING PHASE				
ITEM. NO.	ACTIVITIES	NATURE OF THE MEETING	DATE	
1.	Advertise Rep Forum	None	3/09/2012	Task Team
2.	Process Plan to be submitted to ADM		05/09/2012	Task Team
3.	Community Based Planning	Village and Ward meetings	10-28/09/2012	EXCO
4.	Presentation of the adopted process plan to the Rep forum	IDP/Budget Rep Forum	21/09/2012	Mayor
OCTOBER-ANALYSIS PHASE				
ITEM. NO.	ACTIVITIES	NATURE OF THE MEETING	DATE	
1.	Presentation of reports from wards	IDP/Budget steering committee	03-04/10/2012	EXCO
2.	PMS Reporting	Meetings	15-19/10/2012	MM
3.	IDP Rep Forum	Meeting	23/10/2012	Mayor
4.	<ul style="list-style-type: none"> • Presentation of budget statement-quarterly report. • Conclude first draft budget to 	Budget Steering Committee	24/10/2012	Mayor

	confirm priorities and identify other financial & non - financial budget parameters including government allocations.			
5.	Sector plan reports from the head of departments	IDP steering committee	25/10/2012	Task Team
NOVEMBER-ANALYSIS PHASE				
ITEM. NO.	ACTIVITIES	NATURE OF THE MEETING	DATE	
1.	Presentation of the Situational Analysis to the steering committee	IDP Steering Committee meeting	07/11/2012	T/Cluster Champs
2.	Presentation of situational analysis	Cluster meetings	13-14/11/2012	T/Cluster Champs
3.	Identify Municipal Priorities from Ward level	Cluster Meetings	13-14/11/2012	T/Cluster Champs
4.	Presentation on issues identified in this phase	IDP/Budget Steering Committee	24/11/2012	Task Team
5.	Presentation of situational analysis and Ward priorities to IGR Forum	IGR Forum	27/11/2012	MM
DECEMBER-STRATEGIES PHASE				
ITEM. NO.	ACTIVITIES	NATURE OF THE MEETING	DATE	
1.	Review objectives, strategies and programs as necessary	Clusters, IDP Steering Committee	03-12/12/2012	T/Cluster Champs
2.	Presenting the Situational Analysis and Ward priorities to Rep forum	IDP/Budget representative forum meeting	05/12/2012	P/Cluster Champs
3.	Receiving reports for the strategic session meeting from the HODs	Management Meeting	04/12/2010	MM
4.	<ul style="list-style-type: none"> Consider audit report on financial statements & prepare action and identify areas need to be 	Budget steering Committee	05/12/2012	Mayor

	<ul style="list-style-type: none"> funded. • Presentation of SALGA upper limits. 			
5.	Receive presentations on issues identified in this phase	IDP/Budget steering committee	09/12/2012	Task Team
JANUARY-STRATEGIES PHASE				
ITEM. NO.	ACTIVITIES	NATURE OF THE MEETING	DATE	
1.	PMS reporting (Project progress)	Cluster meetings	15-16/01/2013	
2.	Final preparations for the Strategic session	IDP steering Committee Meeting	18/01/2013	Task Team
3.	Presentation of budget statement-quarterly report.	Budget steering committee	21/01/2013	Mayor
4.	Approval of Draft Annual Report	Council Meeting	30/01/2013	MM
5.	Assessment of mid – year performance report financial & non –financial (sec. 72 of MFMA)approved by council	Council Meeting	30/01/2013	MM
FEBRUARY-STRATEGIES PHASE				
ITEM. NO.	ACTIVITIES	NATURE OF THE MEETING	DATE	
1.	Considering projects from other sector departments	IGR forum meetings	18-22/02/2013	MM
2.	Reviewal of the strategies and objectives, setting up new objectives and strategies based on new priorities	Strategic session meeting	20-25/02/2013	MM
3.	<ul style="list-style-type: none"> • Presentation of adjustment budget. • Consider the state of nation address to budget priorities. 	Budget steering committee	26/02/2013	Mayor
4.	Receive presentations on issues identified in	IDP/ Budget Steering	28/02/2013	Task Team

	this phase	Committee		
MARCH-PROJECTS PHASE				
ITEM. NO.	ACTIVITIES	NATURE OF THE MEETING	DATE	
1.	PMS reporting (project progress)	Cluster meetings	05-06/03/2013	T/Cluster Champs
2.	<ul style="list-style-type: none"> • Presentation of draft budget/ revised IDP/draft SBIP, draft project lists and revised sector plans. • Consideration of national priorities by the minister of finance. 	Budget/IDP steering committee	11/03/2013	Task Team
3.	Presentation of draft revised IDP with broad budget per cluster, draft project lists and revised sector plan	Rep Forum	14/03/2013	P/Cluster Champs
4.	Presentation and approval of the draft Budget/ IDP/SBIP, Annual and Oversight Reports to and by Council	Council Meeting	21/03/2013	MM
5.	Advertising of the IDP, calling for public comments	None	22 /03/2013	Task Team
6.	Submit draft IDP to MEC and draft budget to Treasury		29/03/2013	Task Team
APRIL-APPROVAL PHASE				
ITEM. NO.	ACTIVITIES	NATURE OF THE MEETING	DATE	
1.	Public Comments Phase presentation of the IDP to the communities	IDP/Budget Roadshows	01-27/04/2013	
2.	Presentation of budget statement-quarterly report	Budget steering committee	19/04/2012	

MAY-APPROVAL PHASE				
ITEM. NO.	ACTIVITIES	NATURE OF THE MEETING	DATE	
1.	Consider the comments from the roadshows	IDP Steering Committee Meeting	01/05/2013	Task Team
2.	Presentation of the final draft IDP/Budget/SBIP to steering committee	IDP Steering Committee meeting	09/05/2013	Task Team
3.	PMS reporting	Cluster meetings	13-14/05/2013	T/Cluster Champs
4.	Presentation of the final draft IDP to IGR	IGR	16/05/2013	MM
5.	Presentation of the final draft IDP/Budget to rep forum	IDP representative forum	22/05/2013	MM
6.	Approval of the draft final draft IDP/Budget by council	Council Meeting	29/05/2013	Mayor
7.	Submission of the draft IDP to MEC and other relevant departments	None	31/05/2013	Task Team
JUNE-APPROVAL PHASE				
ITEM. NO.	ACTIVITIES	NATURE OF THE MEETING	DATE	
1.	Drafting of SDBIP	Cluster meetings	03-07/06/2013	T/Cluster Champs
2.	Submit SDBIP within 14 days after approval of the budget	None	13/06/2013	MM
3.	Signing of MM and Section 57 Managers Performance Agreements no later than 14 days after approval	None	12/07/2013	MM, Mayor
4.	Approval of SDBIP Scorecards within 21 days after budget	None	26/06/2013	Mayor