

Annual Budget of



Mbizana Local Municipality

2013/14 to 2015/16

Medium Term Revenue and Expenditure Framework

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Abbreviations and Acronyms

AMR	Automated Meter Reading
ASGISA	Accelerated and Shared Growth Initiative
BPC	Budget Planning Committee
CBD	Central Business District
CFO	Chief Financial Officer
MM	Municipality Manager
CPI	Consumer Price Index
CRRF	Capital Replacement Reserve Fund
DBSA	Development Bank of South Africa
DORA	Division of Revenue Act
DWA	Department of Water Affairs
EE	Employment Equity
EEDSM	Energy Efficiency Demand Side Management
EM	Executive Mayor
FBS	Free basic services
GAMAP	Generally Accepted Municipal Accounting Practice
GDP	Gross domestic product
GDS	Growth and Development Strategy
GFS	Government Financial Statistics
GRAP	General Recognized Accounting Practice

HR	Human Resources
HSRC	Human Science Research Council
IDP	Integrated Development Strategy
IT	Information Technology
kℓ	kilolitre
km	kilometer
KPA	Key Performance Area
KPI	Key Performance Indicator
kWh	kilowatt
ℓ	litre
LED	Local Economic Development
MEC	Member of the Executive Committee
MFMA	Municipal Financial Management Act
MIG	Municipal Infrastructure Grant
MMC	Member of Mayoral Committee
MPRA	Municipal Properties Rates Act
MSA	Municipal Systems Act
MTEF	Medium-term Expenditure Framework
MTREF	Medium-term Revenue and Expenditure Framework
NERSA	National Electricity Regulator South Africa
NGO	Non-Governmental organisations
NKPIs	National Key Performance Indicators
OHS	Occupational Health and Safety
OP	Operational Plan
PBO	Public Benefit Organisations
PHC	Provincial Health Care
PMS	Performance Management System
PPE	Property Plant and Equipment
PPP	Public Private Partnership
PTIS	Public Transport Infrastructure System
RG	Restructuring Grant
RSC	Regional Services Council
SALGA	South African Local Government Association
SAPS	South African Police Service
SDBIP	Service Delivery Budget Implementation Plan
SMME	Small Micro and Medium Enterprises

1.1 MAYOR'S REPORT

The Mbizana Local Municipality is currently faced with huge infrastructural backlogs in various forms. These include backlogs in road construction, electrification of villages, provision of water and sanitation. The restricting factor to all of this is the limited funding to initiate and complete all the service delivery imperatives to all the communities within reasonable time.

The 2013/14 MTREF attempts to address these issues. Funds have been set aside for road construction and maintenance. The Integrated National Electrification programme has provided funding for the past few years to enable us to perform villages in a number of villages. Further funding has been made available and an amount of R20million, R30million and R30million for the 2013/14, 2014/15 and 2015/16 financial periods respectively as per the Division of Revenue Bill Of 2013.

The Municipal Infrastructure Grant on the other hand will be utilised for the construction of roads, community halls and other infrastructure. To this end, the grant will be received will be approximately R40million, R45million and RR48million for the 2013/14, 2014/15 and 2015/16 financial periods respectively. The amounts reflect on the 2013/14 Annual Budget and the MTREF.

Mbizana Local Municipality's funding is also derived from internally generated revenue. This forms only 28% of the total budget, which indicates a heavy reliance on grants. The own revenue funds mainly the operating budget, although a limited amount is utilised for capital spending like furniture and equipment, vehicles, plant and equipment and other capital expenditure that does not have specific grant funding.

No major changes have been done as yet to the Integrated Development Plan in terms of set priorities and targets.

1.2 Executive Summary

METHOD OF PREPARATION

The Budget was prepared according to the Zero Based Method. In terms of the method all votes and line items were reduced to zero and every amount allocated had to be motivated. Heads of Departments were requested to hand their requests to the Chief Financial Officer for inclusion on the budget. The information was requested to reach the Chief Financial Officer by the 28 February 2013. All departments gave inputs.

In terms of Section 16(2) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003), hereafter called the MFMA, the Mayor must table the Annual Budget at least 90 days before the start of the budget year, that is 31 March. The MFMA, in terms of Section 24, requires municipal council, to at least thirty (30) days before start of the budget year, consider approval of the annual budget. Council must therefore consider any views of the community on the tabled budget (Section 22 of the MFMA) and approve the budget before the start of the financial year which is 1 July (Section 16(1) of the MFMA).

Operating Budget

In terms of GRAP format Capital Grants receivable are included in the Operating Budget. Capital Expenditure is not included in Operating Budget.

Operating expenditure is the day to day management items of the Municipality, i.e.:Salaries and Wages, Repairs and Maintenance, Debt Servicing, Depreciation on Assets, Insurance, Electricity, Telephone, Subsistence and Travelling Allowances, Fuel etc.

The Operating Budget amounts to R175 841 284. Table 1 hereunder summarizes the budget per department. General Managers must manage their own budgets consulting with the Chairpersons of the Standing Committees and the Standing Committees where necessary.

Allocations per line item are done by the departments themselves, as long as they don't exceed the amounts allocated per Table 1. Table 1 which is Consolidated Overview of the 2013/14 Medium Term Revenue Expenditure Forecast.

	Budget year 2013/14	Budget Year +1 2014/15	Budget Year +2 2014/15
Total Revenue (excl. transfers & contributions)	175 841 284	184 503 855	223 262 292
Total Expenditure	175 841 284	182 168 467	193 646 829
Net	0	2 335 388	29 615 463
Total Capital Expenditure	79 880 767	88 992 651	93 017 992

The annual budget of Mbizana Local Municipality, as tabled, is driven by the five strategic pillars of local government, which are Good governance, Service Delivery, Local Economic Development, Financial viability and Municipal Institutional development and transformation.

The financial viability of the municipality is driven by a number of policies, which direct the municipality as to how it is funded, how procurement takes place, how the municipal funds should be accounted for and so on. A number of amendments have been proposed to some of the policies which should make it easier, and trouble free to implement. These are outlined on the overview of budget related polices below.

Service delivery imperatives form the basis of what the municipality is established for. A number of projects have been earmarked, as per the Integrated Development Plan, for the 2013/14 financial period as well as the two outer years. These include the electrification of villages within the municipality as per the amounts provided for by the Department of Energy. There are roads and other infrastructural assets that the municipality plans to construct that are detailed in the IDP.

Road maintenance has become a sore spot, as the municipality was doing the road shows and consultations with the communities. An amount of R10 million has been set aside for this purpose for the 2013/14 financial period for the maintenance of roads. This is expected to improve access to all wards and key points like clinics, schools, hospitals and other amenities that communities need to reach through road transportation.

1.3 COUNCIL RESOLUTIONS

On 29th of May 2013 the Council of Mbizana Local Municipality met in the Council Chambers to consider the final annual budget of the municipality for the financial year 2013/14. The Council approved and adopted the following resolutions:

1. That the Revised IDP 2013/14 be approved;

2. That the Budget 2013/14 be approved as per section 21 of the MFMA.

3. That the Council approves the Annual Budget of the Municipality for the financial year 2013/14; and indicative figures for the two projected outer years 2014/2015 and 2015/2016 be approved as set out in the following;
 - Operating Revenue by Source
 - Operating Expenditure by Source
 - Capital Expenditure by vote
 - Capital Funding by source
4. That Council approves the property rates reflected and any other municipal taxes reflected are imposed for the budget year 2013/14.
5. Council approves that the Tariffs of Charges reflected are approved for the budget year 2013/14.
6. Council approves that the measurable performance objectives for each vote reflected are approved for the budget year 2013/14.
7. Council approves that the other proposed amended budget related policies reflected are approved for the budget year 2013/14 after public consultation was done.
8. That the Council approves the budget consultative meetings as set out in the revised budget process plan.

In terms of section 24 of the Municipal Finance Management Act, 56 of 2003, the Annual Budget of the Mbizana Local municipality for the 2013/2014 financial year and indicative allocations for the two projected outer years 2014/2015 and 2015/2016, and the multi-year and single year capital appropriations are approved as set out in the following tables:

- 1.3.1 Budgeted Financial Performance (revenue and expenditure by standard classification)
- 1.3.2 Budgeted Financial Performance (revenue and expenditure by municipal vote)
- 1.3.3 Budgeted Financial Performance (revenue by source and expenditure by type); and

- 1.3.4 Multi-year and single year capital appropriations by municipal vote and standard classification and associated funding source,
- 1.3.5 The financial position, cash flow, cash-backed reserve and asset management are adopted as set out in the following tables;
- 1.3.6 Budgeted Financial Position
- 1.3.7 Budgeted Cash flows
- 1.3.8 Cash backed reserves
- 1.3.9 Asset Management; and
- 1.3.10 Basic Service Delivery measurement

In terms of section 24(2)(i) and (ii) of the Municipal Finance Management Act 56 of 2003 and sections 74 and 75A of the Local Government: Municipal Systems Act 32 of 2000 as amended, the tariffs for the supply of electricity, waste services and property rates that were used to prepare the estimates of revenue source, are approved with effect from 01 July 2013.

- 1.3.11 In terms of section 5 of the Municipal Rates Act, 6 of 2004, the rates policy as set out in Budget Chapter 19 and the annexed policy is approved.
- 1.3.12 In terms of section 24(2)(c)(iv) of the Municipal Finance Management Act, 56 of 2003, the measureable performance objectives for capital and operating expenditure by vote for each year of the medium term revenue and expenditure framework as out in Supporting Table SA7 are approved.
- 1.3.13 In terms of section 24(2)(c)(iv) of the Municipal Finance Management Act, 56 of 2003, the amendments to the integrated development plan as set out in Budget Chapter 17 are approved.
- 1.3.14 In terms of section 24(2)(c)(v) of the Municipal Finance Management Act, 56 of 2003, the budget-related policies, including any amendments as set out in Budget Chapter 19 are approved for the budget year 2013/2014.

2 Supporting Documents

2.1 Overview of the Annual Budget Process

An IDP and budget process plan for the 2013/14 annual budget was tabled and adopted by Mbizana Local Municipality Council with all the key deadlines. This plan had specific dates on which certain milestones will be realised together with the responsible persons. Following the dates and adhering to the process plan to the latter has been a challenge due to activities that have been obtaining in the municipality. However, work was performed and a budget was compiled for the 2013/14 financial period and the outer years.

The compilation of the budget was a municipal wide exercise, with the Budget and Treasury Office compiling the information and assisting all departments with forecasts, historical information and key guidelines needed in compiling a credible budget. Inputs were invited from all departments from the municipality and these were utilised. The

receipt and capturing of personnel information was then done by the Corporate Services Department and the product was then submitted to the Budget and Treasury Office.

Guidance was sort from the Treasury Circulars, the Budget Review Document, the Division of Revenue Bill 2013 as well as historical information from the previous years' budgets. Trends were also observed from the Accounting System, Munsoft, to ensure that all estimates were realistic.

2.2 Overview of the alignment of annual budget with the Integrated Development Plan

The Budget and the Integrated Development Plan processes have been continuing together. This was mainly designed to ensure that the two documents relate to the same bottom line which is service delivery to the people. The strategies and objectives that are in the IDP need to be funded. The funds are clearly set out in the tabled budget. This was achieved by ensuring that all projects were funded across the relevant years and in the correct department.

Efforts have been made as well to ensure numbering on the IDP that relates to the numbering in the Budget. This facilitates ease of reference between the two documents. Over and above that, the numbers are then balanced out so that whatever is in the budget is exactly the same with what is in the IDP.

2.3 Overview of the budget related policies

The Budget compilation process was informed by a number of underlying policies that need to be reviewed for relevance and to close gaps on an annual basis. These Budget related policies are as follows:-

- The Budget Policy
- The Tariffs Policy
- The Credit Control And Debt Collection Policy
- The Property Rates Policy
- The Cash Management and Investment Policy.
- The Supply Chain Management Policy

These policies can be found at the municipal offices as well as the municipal website.

There were no major amendments to the policies, but the following are the few that we would want to highlight in some of the policies

- On the tariffs policy, we suggest that the interest charged on long outstanding debts be set at prime plus one. This is in keeping with the practices of other municipalities and some businesses. The municipality has always set interest at 2% per annum which not based on anything.

- On the Credit Control and Debt Collection policy, there has always been an issue on who opens a consumer account with the municipality. This arose from the fact that the municipality has in the past opened consumer accounts for tenants, who tend to up and leave with no notice and the municipality is unable to collect on the remaining debt. Huge losses have been suffered by the municipality due to this practise and we say it must stop. Landlords only will be allowed to open consumer account, after paying the requisite consumer deposit.
- On the Property Rates Policy, the Municipal Property Rates Act No.4 of 2004 requires that the first R15, 000.00 on the market value of the rateable property be exempt from the levying of rates. An additional amount of R20,000.00 was set by the municipality which meant that properties with a value or R35,000.00 and less would not be levied rates. We suggest on the policy that this amount be increased to R35,000.00 which would mean rateable properties of R50,000.00 and less would not be charged property rates.
- On the Supply Chain Management Policy, there were updates that came into effect as a result of MFMA Treasury Circular that brought into effect the utilisation of BBEEE certification. Our policy had not been updated to accommodate this change, and now we are updating it.

2.4 Overview of the Budget Assumptions

The Mbizana Local Municipality is a rural municipality. This means it relies a lot on grant funding from the government and a very low percentage is generated through own means. The budget assumptions should reflect this and therefore affect the forecasts and estimates that are made accordingly.

As mentioned, reliance was placed to a larger extent on the Treasury MFMA circulars with final guidance in terms of forecasts derived from the provisions of Circular 67. The headline inflation forecasts that were used are as follows:

Fiscal Year	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016
	Actual		Estimate	Forecast		
CPI Inflation	3.8	5.6	5.6	5.6	5.4	5.4

The Employee related costs have been budgeted for according to the multi year Salary Wage Collective Agreement for the period 01 July 2012 t0 30 June 2015. In the final analysis, a provision has been made for 6.85 per cent for 2013/14 financial period and 6.4 percent for 2014/15 financial period.

2.5 Overview of the Budget funding

The Mbizana Local Municipality budget has operational and capital expenditure components to it. The operational budget covers all general expenses, repairs and maintenance and personnel expenditure. These operational expenses are funded mainly from the Equitable Share as received from the National Treasury and funds generated by the municipality from its own sources, though limited. As stipulated in the Division of Revenue Bill 2013. Mbizana Local Municipality stands to receive approximately R126million, R145 million and R183 million for 2013/14, 2014/15 and 2015/16 financial periods respectively in Equitable Share Allocations.

The following Conditional Grants are also received for some operations. These are conditional because they have specific purposes for which they have been set aside for and cannot be utilised for anything else. These are:-

- Financial Management Grant
- Municipal Systems Improvement Grant
- Expanded Public Works Programmes.

Although some capital expenditure is funded from the Equitable Share, a larger percentage is always funded by the Municipal Infrastructure Grant and the Integrated Electrification Grant. The MIG is mainly for the construction of roads, bridges, community halls, sporting facilities and other amenities that are required by the communities. INEP on the other hand is earmarked for the electrification of households in the municipality. To this end, R40 million has been allocated for the MIG projects while R35million has been allocated for the INEP for the 2013/14 financial period.

As set out in the Municipal Property Rates Act No 4 of 2004, the municipality has an obligation to levy rates on all rateable properties within its jurisdiction. To this end, the municipality is finalising on the 2013 Valuation Roll, which will be in force for a period of four years, with supplementary valuations performed annually during that time. Calculations have shown that we expect to bill approximately R12million for property rates with tariffs set as will be shown in a table of tariffs below.

The setting of rates and other tariffs has been determined with the sole purpose of ensuring decent levels of service delivery to the communities whilst ensuring that the municipality breaks even and makes a moderate surplus where it is possible. CPI inflation as guided by MFMA Circular 67 was utilised and resulted in the as set out in the table below. The electricity tariffs have been increased by 8% and this was as the result of the increment awarded to Eskom who is our bulk supplier.

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	OLD 2012/2013	2013/14	2014/15	2015/16
Connection Fees				
20 AMPS (Single Phase	500.00	530.00	558.62	588.79
60 AMPS (Single Phase)	2250.00	2 400.00	2 529.60	2 666.20
100 AMPS (Prepaid/Conventional-3Phase))	0.00	2 800.00	2 951.20	3 110.56
kVa	1400.00	1 500.00	1 581.00	1 666.37

Reconnection Fees	300.00	320.00	337.28	355.49
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Meter Replacements

20 AMPS (Single Phase	300.00	2 400.00	2 529.60	2 666.20
60 AMPS (Single Phase)	350.00	2 401.00	2 530.65	2 667.31
100 AMPS (Prepaid/Conventional-3Phase))	500.00	2 402.00	2 531.71	2 668.42

	OLD 2012/2013	2013/14	2014/15	2015/16
GRASS CUTTING				
Square Meter	17.00	10.00	17.87	18.74
Travelling per km more than 10km from town	5.50	5.50	5.78	6.06

HALL HIRE

	OLD 2012/2013	2013/14	2014/15	2015/16
Town				
Meetings & Churches (Hourly rates)	92.75	98.31	103.32	108.39
Entertainment & workshops	231.88	245.79	258.33	270.98
Security Fee	811.58	860.27	904.14	948.45

	OLD 2012/2013	2013/14	2014/15	2015/16
Villages				
Hall Hire	220.00	220.00	231.22	242.55
Security Deposit	440.00	440.00	462.44	485.10

	OLD2012/2013	2013/14	2014/15	2015/16
CEMETERY				
Adults	510.14	510.14	536.16	562.43
Children	268.84	255.07	268.08	281.21
Stillborn	100.00	100.00	105.10	110.25

POUND FEES	
Admission of Guilt under Municipal By-Law(for all animals	300.00
Storage at the Pound	
Cattle, Horses, Donkeys and other	R50 per night

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animals of similar size Goats, Sheep, and other animals of the same size If Captured by SAPS(e,g recovered stolen animals)	R30 per night R20.00 per night
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LIBRARY FEES	OLD 2012/2013	2013/14	2014/15	2015/16
MEMBERSHIP				
Adults - Per Annum	50.00	50.00	52.80	55.65
Children - per annum	30.00	30.00	31.68	33.39
Children 12 years and younger	0.00	-	-	-
PHOTOCOPY				
Per Page	0.00	0.50	0.53	0.55
Penalties				
Overdue returns - per day	0.60	0.60	0.63	0.66
Book tempered with(missing cover, barcode, lost card)	30.00	30.00	31.53	33.07
Lost Book	Market value of the book			

DUMPING SITE	OLD 2012/2013	2013/14	2014/15	2015/16
BAKKIE - PER LOAD	30.00	50.00	52.55	55.12
TRUCK - PER LOAD	60.00	-	-	-

2.6 Expenditure on allocations and grant programmes

As indicated in the overview of funding streams, the municipality receives grants for specific purposes and these can only be utilised for specific purposes. This means that the municipality has to create an environment which would prevent the temptation to spend on the grants for purposes other than those specified.

The planned expenditure on each of the grants is clearly stated in the Strategic objectives of the municipality in the IDP.

2.7 Councillor Allowances and Employee Benefits

The Councillor Allowances have been budgeted for the in 2013/14 annual budget in line with the provisions of Determination of the upper limits for public office bearers. The councillors receive the following allowances over their basic salaries:-

- Public Office Allowance
- Pension Fund

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- Medical Aid
- Cell phone Allowance and
- Travelling Allowance

These allowances are further detailed in Table SA23.

Disclosure of Salaries, Allowances & Benefits 1.	Ref	No.	Salary		Allowances	Total Package
				Contributions		
Rand per annum				1.		2.
Councillors	3					
Speaker	4	1	489 516	–	18 840	508 356
Chief Whip		1	458 921	–	11 748	470 669
Executive Mayor		1	611 896	–	18 840	630 736
Deputy Executive Mayor		–				–
Executive Committee		10	252 407		11 748	264 155
Total for all other councillors		48	8 811 312		563 904	9 375 216
Total Councillors	8	61	10 624 052	–	625 080	11 249 132

The Municipal Manager and the Senior Managers receive a total package which they structure in the way they deem appropriate, with guidance from the Corporate Services Department. The table below shows this and can also be view in Table SA23 in the budget.

Disclosure of Salaries, Allowances & Benefits 1.	No.	Salary		Allowances	Performance Bonuses	In-kind benefits	Total Package
			Contributions				
Rand per annum			1.				2.
Senior Managers of the Municipality							
Municipal Manager (MM)	1	1 121 925	30 874	14 400	–		1 167 199
Chief Finance Officer	1	897 540	24 549	6 000	–		928 089
Senior Manager : Corporate Services	1	897 540	24 549	6 000	–		928 089
Senior Manager : Community Services	1	897 540	24 549	6 000	–		928 089
Senior Manager : Planning and Infrastructure	1	897 540	24 549	6 000	–		928 089
							–
List of each official with packages >= senior manager							
Manager : Operations	1	750 000	–	6 000	–		756 000

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Manager : Internal Audit	1	750 000	-	6 000	-	756 000
Manager : Income and Expenditure	1	750 000	-	6 000	-	756 000
Manager : Budgeting and Reporting	1	750 000	-	6 000	-	756 000
Manager : Supply Chain Management	1	750 000	-	6 000	-	756 000
Manager : Human Resources	1	750 000	-	6 000	-	756 000
Manager : ICT	1	750 000	-	6 000	-	756 000
Manager : Co-ops and Agricultural Dev	1	750 000	-	6 000	-	756 000
Manager : Social Services and Environment	1	750 000	-	6 000	-	756 000
Manager : Law Enforcement	1	750 000	-	6 000	-	756 000
Superintendent : Electrical	1	750 000	-	6 000	-	756 000
Total Senior Managers of the Municipality	16	12 116 790	129 071	104 400	-	12 350 261

Other Municipal employees also receive salaries and benefits and can be summarised in the table below. This can also be viewed in the budget table SA22.

Other Municipal Staff	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
	000	000	000
-			
Basic Salaries and Wages	43 699	46 617	49 811
Pension and UIF Contributions	5 416	5 781	6 176
Medical Aid Contributions	2 109	2 251	2 406
Overtime	360	384	411
Performance Bonus			
Motor Vehicle Allowance	1 518	1 621	1 732
Cellphone Allowance	1 123	1 197	1 279
Housing Allowances	708	758	810
Other benefits and allowances	1 954	2 086	2 228
Payments in lieu of leave			
Long service awards			
Post-retirement benefit obligations			
Sub Total - Other Municipal Staff	56 889	60 695	64 853

2.8 Legislation compliance status

The Mbizana Local Municipality has ensured that it adheres to all the applicable legislations in the compilation of this budget. The Municipal Finance Management Act No 56 of 2003 has been the main guiding piece of legislation with the time frames, the contents and the key personnel and stakeholders in the budget preparation process. Although there have been challenges regarding adherence to time frames as set out in the process plan, means have been made to ensure that a credible budget is compiled and presented to the communities of Mbizana.

Quality Certificate

I _____, Acting Municipal Manager of MBIZANA LOCAL MUNICIPALITY hereby certify that the annual budget and the supporting documentation have been prepared in accordance with the Municipal Finance Management Regulations made under the Act, and that the annual budget and the supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name _____
Municipal Manager of Mbizana Local Municipality (EC443)

Signature _____

Date _____