

SCHEDULE A

AN ANNUAL BUDGET AND SUPPORTING
DOCUMENTATION

DRAFT ANNUAL BUDGET OF

MBHASHE LOCAL MUNICIPALITY

2014/15 TO 2016/17

MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS (MTREF)

Part 1 – Annual Budget

1.1 Mayor's Report

In his State of the Nation Address President Jacob Zuma said, “Our country still faces the triple challenge of poverty, inequality and unemployment, which we continue to grapple with. Dealing with these challenges has become a central focus of all democratic administrations. We elected to focus on five priorities, education, health, the fight against crime and corruption, rural development and land reform as well as creating decent work”.

In this IDP and Budget I want to emphasize that, we cannot expect to do the same old things and expect different results. We need to improve the way we do things for the betterment of our communities.

In the past couple of years the world economy has gone through its deepest recession. Signals are that the recovery is still fragile and many commentators caution that current positive economic trends may be short-lived. Mphashe Local Municipality is no way immune to the harsh economic realities associated with the recession.

Among the impacts are the serious cash flow challenges currently being experienced by the municipality due to among other things declining collection rates; historic expenditure patterns and a general lack of doing business smarter.

In his last budget speech for the current administration Finance Minister Pravin Gordhan said “the current budget sets out the resource plan for an intensified implementation of our National Development Plan”. This means all South Africans will gain from the economic transformation and will all share in our Constitutional democracy.

Central to the NDP, is the commitment to reduce poverty and unemployment. Mbhashe is one of the areas with high unemployment and illiteracy rate. There is also a high infrastructure back log. This means out of our total budget of more than R240m for 2014/15 and R313m, R323m for 2015/16 and 2016/17 respectively we must create an environment for job opportunities and partner with businesses.

Premier of the Eastern Cape said in her State of the Province address, "Our success moving into the new term of government will be determined by the active participation and involvement of citizens of this Province in the programs of government. We cannot be spectators in the struggle for our own emancipation".

As it was evident in our community meetings, people want service delivery and we have been entrusted with such a task. More than R64m has been allocated for capital investment in 2014/15, R84m in 2015/16 and R90m in 2016/17.

It is our duty as Councilors to correctly inform the public and not to mislead them as a way of electioneering. We need to ask ourselves a question that in the 20 years of democracy, have we done enough to service our communities?

Portfolio heads in this cluster which is service delivery are full time and should make sure that there will be no roll overs. It is no secret that in the last two years we have not done well in service delivery which is our core function. That has to change.

As way of creating sustainable jobs the municipality is in the process of filling all vacancies that exist in our organogram in the next three years. Hence we have a budget R66m for salaries of employees and R20m for the remuneration of Councillors in 2014/15, R71m and R21m for 2015/16 and R76m and 22m for 2016/17. Portfolio head for HR and Administration should lead in making sure that working conditions are improved.

We have budgeted more than R3, 7m under good governance in order to improve oversight and accountability. We have oversight committees that are doing well like Audit Committee, Performance Audit Committee and Municipal Public Accounts Committee. These committees should always be objections and provide advices to Council and not does a witch hunt.

One of our strength in Mbhashe is on agriculture and farming. Hence we intend to review our LED strategy in order to be able to coordinate all the resources in reducing poverty and unemployment.

Management within local government has a significant role to play in strengthening the link between the citizen and government's overall priorities and spending plans. The goal should be to enhance service delivery aimed at improving the quality of life for all people within Mbhashe Municipality.

Budgeting is primarily about the choices that the municipality has to make between competing priorities and fiscal realities. The challenge is to do more with the available resources. We need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms.

As we know, the President has announced that the 5th democratic election date is the 7th of May 2014. I call upon registered voters in our Province to go all out to discharge their civic duty and exercise their hard won democratic right in voting for progress so that, together, we can move South Africa forward.

I thank you

1.2 Council Resolutions

On the 31 March 2014 the Council of Mbhashe Local Municipality met to consider the draft annual budget of the municipality for the financial year 2014/15. The Council approved and adopted the following resolutions:

1. The Council of Mbhashe Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
 - 1.1. The annual budget of the municipality for the financial year 2014/15 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification)
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote)
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type)
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source
 - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
 - 1.2.1. Budgeted Financial Position
 - 1.2.2. Budgeted Cash Flows
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation
 - 1.2.4. Asset management
 - 1.2.5. Basic service delivery measurement
2. The Council of Mbhashe Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts the draft tariffs for 2014/15.

1.3 Executive Summary

The application of sound financial management principles for the compilation of the municipality's budget is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

Mbhashe municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items as outline in circular 70.

The municipality has embarked on the implementation of data cleansing report which include management of municipal leases, writing off of long outstanding and untraceable balances and implement credit control and debt collection policy. The municipality has reviewed its revenue enhancement strategy with the aim of give rise to additional sources of revenue and to grow its own revenue base.

National Treasury's MFMA Circular No. 54, 55, 58, 59, 64, 66, 67, 70 and 72 were used to guide the compilation of the 2014/15 to 2016/17 MTREF.

The main challenges experienced during the compilation of the 2014/15 MTREF can be summarised as follows:

- The ongoing difficulties in the economy;
- Aging and poorly maintained infrastructure;
- High rate of vacancies within the municipality and the need to fill the vacancies in order to be able to implement IDP and Budget;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- Increase in debtors book as a result of non-payment by rate payers
 - Municipality has not undertaken general valuation; the current one is older than four years. This has an impact on the revenue projected.
- Lack of resources to fund infrastructure backlog

The following budget principles and guidelines directly informed the compilation of the 2014/15 MTREF:

- As per MFMA circular 64, when determining an annual tariff need to consider thee input costs of trading services, the financial sustainability considering that 90% of the budget is from grants, local economic conditions and affordability including the municipal indigent policy.
- Considered the level of services versus the associated cost (affordability).
- Revised spending plans and reprioritizes funds to ensure key objectives are achieved and well-performing programs are supported.

- Ensured that efficiency gains, eradication of non-priority spending (cost containment measures) and the reprioritization of expenditure relating to core infrastructure continue to inform the planning framework of all municipalities as indicated in circular 72.

Table 1 Overview of the 2014/15 MTREF

Description	Budget year 2014/15	Budget year 2015/16	Budget year 2016/17
Total revenue	247 689 467	316 100 934	326 004 912
Personnel Exp	86 166 287	93 275 272	99 548 706
R & M	19 394 920	21 387 899	22 540 147
Other Exp	61 398 909	63 286 955	66 655 771
Capital	64 828 543	84 647 594	91 538 003

The total revenue is made up of grants and subsidies which is 90% and own revenue which is made up of income derived from our tariffs. Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of Mbhashe Municipality.

The expenditure listed above is fully funded from the above mentioned sources of revenue. Personnel expenditure has the biggest slice which is 35% of our budget. The municipality has lot of vacancy that results to lack of service delivery. The auditors have also raised the issue of employment as a major concern for the municipality's going concern.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). T

Other operating expenditure includes repairs and maintenance (8%) and other expenditure which is general expenditure (25%). A capital contribution is 26%.

Below is the summary of the MTREF and prior year audited outcomes.

Table A1 This is the summary of the municipal MTERF with audit outcomes for the prior years.

EC121 Mbhashe - Table A1 Budget Summary

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousands									
Financial Performance									
Property rates	6 972	6 973	4 710	5 534	5 534	5 534	5 844	6 159	6 492
Service charges	702	802	916	482	730	730	771	812	856
Investment revenue	654	2 087	3 626	1 700	2 071	2 071	4 000	4 216	4 444
Transfers recognised - operational	74 807	112 728	137 664	143 163	142 463	142 463	169 025	214 873	216 993
Other own revenue	3 488	2 578	2 429	13 324	37 052	37 052	14 184	14 449	15 227
Total Revenue (excluding capital transfers and contributions)	86 622	125 167	149 346	164 203	187 848	187 848	193 824	240 510	244 012
Employee costs	33 933	38 264	37 033	59 727	59 627	59 627	66 034	71 854	76 756
Remuneration of councillors	12 601	15 745	17 907	18 851	18 851	18 851	20 133	21 421	22 792
Depreciation & asset impairment	14 036	24 338	30 327	24 692	31 692	31 692	33 467	35 274	37 179
Finance charges	922	71	600	-	-	-	-	-	-
Materials and bulk purchases	-	-	-	-	-	-	-	-	-
Transfers and grants	-	-	-	-	-	-	-	-	-
Other expenditure	55 364	60 236	55 497	76 251	111 404	111 404	81 794	86 539	91 163
Total Expenditure	116 856	138 654	141 363	179 521	221 575	221 575	201 428	215 088	227 891
Surplus/(Deficit)	(30 233)	(13 487)	7 983	(15 318)	(33 726)	(33 726)	(7 604)	25 421	16 121
Transfers recognised - capital	45 916	49 526	28 222	62 853	74 482	74 482	53 866	75 591	81 993
Contributions recognised - capital & contributed a	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	15 682	36 038	36 206	47 535	40 756	40 756	46 262	101 013	98 114
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	15 682	36 038	36 206	47 535	40 756	40 756	46 262	101 013	98 114
Capital expenditure & funds sources									
Capital expenditure	45 916	49 526	38 254	75 042	93 149	93 149	64 829	84 648	91 538
Transfers recognised - capital	45 916	49 526	28 222	62 853	62 853	62 853	53 866	75 591	81 993
Public contributions & donations	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-
Internally generated funds	-	-	10 031	12 189	30 295	30 295	10 963	9 056	9 545
Total sources of capital funds	45 916	49 526	38 254	75 042	93 149	93 149	64 829	84 648	91 538
Financial position									
Total current assets	18 738	37 817	69 657	39 904	39 904	39 904	69 004	122 064	166 443
Total non current assets	184 238	209 425	285 435	327 740	338 847	338 847	372 873	423 510	479 152
Total current liabilities	12 252	20 480	18 211	26 780	15 480	15 480	27 979	29 397	29 982
Total non current liabilities	-	-	3 911	-	-	-	4 365	5 633	6 953
Community wealth/Equity	190 724	226 762	332 971	340 864	364 244	364 244	410 506	511 518	609 632
Cash flows									
Net cash from (used) operating	34 636	58 884	79 594	71 867	71 215	71 215	79 629	136 287	135 293
Net cash from (used) investing	(46 821)	(49 526)	(38 363)	(74 682)	(92 889)	(92 889)	(64 729)	(84 648)	(91 538)
Net cash from (used) financing	-	-	-	-	-	-	-	-	-
Cash/cash equivalents at the year end	17 763	27 121	68 352	65 537	46 679	46 679	61 579	113 218	156 974
Cash backing/surplus reconciliation									
Cash and investments available	11 503	27 155	68 352	33 588	33 588	33 588	61 579	113 218	156 974
Application of cash and investments	5 785	11 270	17 141	20 464	7 698	7 698	20 555	20 551	20 513
Balance - surplus (shortfall)	5 718	15 885	51 212	13 124	25 890	25 890	41 024	92 668	136 461
Asset management									
Asset register summary (WDV)	184 238	209 425	285 435	327 740	338 947	338 947	372 973	423 610	479 252
Depreciation & asset impairment	14 036	24 338	30 327	24 692	31 692	31 692	33 467	35 274	37 179
Renewal of Existing Assets	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	5 769	4 741	-	12 120	19 860	19 860	19 385	21 906	23 089

The municipality's expenditure framework for the 2014/15 budget and MTREF is informed by the following:

- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit which is not the case in Mphashe;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the infrastructure backlog;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plans no budget*. If there is no plan no funding allocation can be made.
- The current agreement with the unions in terms of collective bargaining has used to inform the municipality's remuneration of employees.
- Depreciation is widely considered a proxy for the measurement of the rate of asset consumption (implementation of GRAP 17).

Part 2 – Supporting Documentation

1.4 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 all the EXCO members, Municipal Manager, Directors and senior officials of the municipality.

The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- 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.

1.4.1 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 2013) a time schedule that sets out the process to revise the IDP and prepare the budget.

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.

The Mayor tabled in Council the required the IDP and budget time schedule in August 2013. Key dates applicable to the process were:

SCHEDULE OF MEETINGS FOR IDP AND BUDGET PROCESS

JULY-PRE-PLANNING PHASE				
ITEM. NO.	ACTIVITIES	NATURE OF THE MEETING	DATE	RESPONSIBLE PERSON
1.	Provincial IDP Assessment	Assessments	15-19/07/2013	KPA Champs
AUGUST-PLANNING PHASE				

ITEM. NO.	ACTIVITIES	NATURE OF THE MEETING	DATE	RESPONSIBLE PERSON
1.	Preparation of the process plan	Budget Steering Committee	08/08/2013	Task Team
2.	Preparations for Community Based Planning with DLGTA & ADM	IDP/ Budget /PMS steering committee	21/08/2013	Task Team
3.	Adoption of the IDP/Budget Process	Council Meeting	28/08/2013	MM
SEPTEMBER-PLANNING PHASE				
ITEM. NO.	ACTIVITIES	NATURE OF THE MEETING	DATE	
1.	Advertise Rep Forum & applications to be included in the IDP/Budget/PMS Rep Forum	None	02/09/2013	Task Team
2.	Process Plan to be Advertised and submitted to ADM/MEC & relevant offices	None	02/09/2013	Task Team
OCTOBER-ANALYSIS PHASE				

ITEM. NO.	ACTIVITIES	NATURE OF THE MEETING	DATE	
1.	Ward Based Plans	Meetings, Consultations, Interviews and Reporting	01 – 30/10/2013	Steering Committee
2.	PMS Reporting	Meetings	14 - 15/10/2013	MM
3.	Presentation of plans for the Ward Based Plans Report, 2012/13 Performance Report to the Rep forum	IDP/Budget/PMS Rep Forum	17/10/2013	Mayor
4.	<ul style="list-style-type: none"> • Presentation of budget statement-quarterly report. • Conclude first draft budget to confirm priorities and identify other financial & non - financial budget parameters including government allocations. 	Budget Steering Committee	21/10/2013	Mayor
5.	Sector plan reports from the head of departments	IDP/Budget/PMS Steering Committee	24/10/2013	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	07/11/2013	KPA Champs
2.	Presentation of situational analysis	Cluster meetings	11-14/11/2013	KPA Champs
3.	Identify Municipal Priorities from Ward level	Cluster Meetings	11-14/11/2013	KPA Champs
4.	Presentation of situational analysis and Ward priorities to IGR Forum	IGR Forum	22/11/2013	MM
5.	Situational Analysis Presentation	IDP/Budget Rep Forum	27/11/2013	Mayor
6.	Review objectives, strategies and programs as necessary	Clusters	25-29/11/2013	KPA Champs
DECEMBER-STRATEGIES PHASE				

ITEM. NO.	ACTIVITIES	NATURE OF THE MEETING	DATE	
1.	Presentation of draft objectives, strategies and programs	IDP/Budget Steering Committee	09/12/2013	Task Team
JANUARY-STRATEGIES PHASE				
ITEM. NO.	ACTIVITIES	NATURE OF THE MEETING	DATE	
1.	IGR	IGR Meeting	15/01/2014	MM
2.	PMS Reporting	Meetings	13-14/01/2014	MM
3.	Final preparations for the Strategic session	IDP/Budget Steering Committee	16/01/2014	MM
4.	Reviewal of the strategies and objectives, setting up new objectives and strategies based on new priorities	Strategic Sessions	20-22/01/2014	MM
5.	<ul style="list-style-type: none"> Consider audit report on financial statements & prepare action and identify areas that 	Budget steering Committee	27/01/2014	Mayor

	<p>need to be funded.</p> <ul style="list-style-type: none"> • Presentation of SALGA upper limits. 			
7.	<p>Approval of Draft Annual Report</p> <p>Presentation of budget statement-quarterly report.</p> <p>Assessment of mid – year performance report financial & non –financial (sec. 72 of MFMA)</p>	Council Meeting	29/01/2014	Mayor
FEBRUARY-STRATEGIES PHASE				
ITEM. NO.	ACTIVITIES	NATURE OF THE MEETING	DATE	
1.	Consider projects from other sector departments	IGR Meeting	18/02/2014	MM
2.	<ul style="list-style-type: none"> • Presentation of adjustment budget. • Consider the state of nation address to budget priorities. 	Budget steering committee	26/02/2014	Mayor
MARCH-PROJECTS PHASE				

ITEM. NO.	ACTIVITIES	NATURE OF THE MEETING	DATE	
1.	PMS reporting (project progress)	Cluster meetings	4/03/2014	KPA 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	11/03/2014	Task Team
3.	Presentation of draft revised IDP with broad budget per cluster, draft project lists and revised sector plan	IDP/Budget/PMS Rep Forum	18/03/2014	KPA Champs
4.	Presentation and approval of the draft Budget/ IDP/SBIP, Annual and Oversight Reports to and by Council	Council Meeting	26/03/2014	MM
5.	Advertising of the IDP, calling for public comments	None	27 /03/2014	Task Team

6.	Submit draft IDP/SDBIP & Budget to MEC /Treasury/ ADM and any other relevant office	None	31/03/2014	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	01-17/04/2014	Mayor
2.	Presentation of budget statement-quarterly report	Budget steering committee	24/04/2014	Mayor
3.	Consider comments from roadshows	IGR	29/04/2014	MM
MAY-APPROVAL PHASE				
ITEM. NO.	ACTIVITIES	NATURE OF THE MEETING	DATE	
1.	Consider the comments from the roadshows	IDP Steering Committee	05/05/2014	Task Team

		Meeting		
2.	Presentation of the final draft IDP/Budget/SBIP to steering committee	IDP Steering Committee meeting	14/05/2014	Task Team
3.	PMS reporting	Cluster meetings	15/05/2014	KPA Champs
4.	Presentation of the final draft IDP to IGR	IGR	16/05/2014	MM
5.	Presentation of the final draft IDP/Budget to rep forum	IDP/Budget/PMS representative forum	20/05/2014	MM
6.	Approval of the final draft IDP/Budget/SDBIP by council	Council Meeting	28/05/2014	Mayor
JUNE-APPROVAL PHASE				
ITEM. NO.	ACTIVITIES	NATURE OF THE MEETING	DATE	
1.	Submission of the Final IDP/SDBIP to MEC and other relevant departments	None	02/06/2014	Task Team
2.	Public notice on the	None	10/06/2014	Task Team

	adoption of the IDP/Budget/SDBIP			
3.	Signing of MM and Section 57 Managers Performance Agreements no later than 14 days after approval	None	17/06/2014	MM, Mayor

1.4.2 IDP and Service Delivery and Budget Implementation Plan

Mbhashe municipal 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 IDP has been taken into a business and financial planning process leading up to the 2014/15 MTREF, based on the approved 2013/14 MTREF, 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 2014/15 MTREF, each department had to review the planning process, including the setting of priorities and targets after reviewing the mid-year performance against the 2013/14 Departmental Service Delivery and Budget Implementation Plan. Planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

1.4.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2014/15 MTREF, the following key factors and planning strategies were undertaken to ensure affordability and financial sustainability:

- Policy priorities and strategic objectives
- Asset management
- Economic situation (i.e inflation and debt)
- Performance trends
- The approved 2013/14, adjustments budget and performance against the SDBIP

- Cash Flow Management Strategy
- Debtor payment levels
- Investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

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

1.4.4 Community Consultation

The draft 2014/15 MTREF as tabled before Council on 31 March 2014 for community consultation was published on the newspaper, and hard copies were made available at all the unit offices and libraries.

All documents in the appropriate format (electronic and printed) were provided to National Treasury and provincial treasury, and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Ward Councillors Ward Committees were utilised to facilitate the community consultation process. The applicable dates and venues were published in the local newspapers (from 03/04/2014 to 14/04/2014). The consultation processes, including the specific targeting of ratepayer associations, sessions were scheduled with organised business. Other stakeholders involved in the consultation included churches, non-governmental institutions and community-based organisations.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant considered as part of the finalisation of the 2014/15 MTREF. Feedback and responses to the submissions received are available on request.

1.5 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. 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. 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 and speed up service delivery.

Integrated developmental planning in the South African context 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.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to Mbashe, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Mbashe strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and Mbashe response to these requirements.

The review of the IDP focuses of the infrastructure backlog of the whole Mbashe 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 Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP.

In order to ensure integrated and focused service delivery between all spheres of government it was important for Mphashe municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and good governance.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national, provincial and district priorities.

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for Mphashe municipality. The five-year programme responds to the development challenges and opportunities faced by the municipality by identifying the key performance areas.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of this IDP and budget with the aim of improving.

The 2014/15 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

1.6 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Performance Management, the municipality has to develop and implement a performance management system of which system must be constantly refined as the integrated planning process unfolds.

The Municipality intends to monitor, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance and cascade it downwards to all levels. This will be done by appointing a service provider to assist in this process.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. This area needs to be strengthened in order to improve service delivery.

1.7 Overview of budget related-policies

The municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies. The municipality has the following budget related policies:

- Credit control and debt collection policy
- Supply Chain Management policy
- Asset management policy
- Budget policy
- Virement policy
- Banking policy
- Investment policy
- Tariff policy
- Property rates policy
- Payment policy
- Indigent support policy
- Petty cash policy

1.8 Overview of budget assumptions

1.8.1 External factors

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the municipality's finances.

1.8.2 General inflation outlook and its impact on the municipal activities

The following are the key factors that have been taken into consideration in the compilation of the 2014/15 MTREF:

- National Government economic targets;
- The general inflationary outlook and the impact on the municipality's residents and businesses;
- The impact of municipal cost drivers;
- The impact of tariffs
- The increase in the cost of remuneration. The wage agreement SALGBC concluded with the municipal workers unions.
- Infrastructure backlogs

1.8.3 Collection rate for revenue services

The base assumption is that tariff for property rates will not increase as the municipality is currently doing valuation. The collection rate on arrear debt is very high and consumers are not paying. The municipality only collect rates and refuse.

1.8.4 Impact of national, provincial and local policies

Integration of service delivery between national, provincial, district and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Infrastructure development
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial, district and local objectives.

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

The municipality has been underspending in past two years resulting in roll overs of the conditional grants. The cash flow projection for this 2014/15 has been completed in the budget.

1.9 Overview of budget funding

1.9.1 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from ratepayers and other to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue.

Cash Backed Reserves/Accumulated Surplus Reconciliation

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences.

1.9.2 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against different measures that look at various aspects of the financial health of the municipality. All the information comes directly from the annual budgeted statements of financial performance,

financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA.

1.9.2.1 Cash/cash equivalent position

The municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A positive cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

1.10 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting
Reporting to Provincial and National Treasury in electronic format was complied with on a monthly basis. Reporting is improving each and every year.
2. Internship programme
The municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions within Budget and Treasury and Internal Audit.
3. Budget and Treasury Office
The Budget and Treasury Office has been established in accordance with the MFMA.
4. Audit Committee
An Audit Committee and performance audit committee has been established and is fully functional.
5. Service Delivery and Implementation Plan
The detail SDBIP document is at a draft stage and will be finalised after approval of the IDP and budget, and will be signed by the mayor thereafter.
6. Annual Report
Annual report is compiled in terms of the MFMA and National Treasury guidelines.

7. Policies

The municipality is currently reviewing all its policies and a workshop will be conducted for all councilors and employees before submission to council for adoption.

1.11 Municipal manager's quality certificate

I,acting municipal manager of Mphashe Local 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.

Print Name _____

Acting Municipal manager of Mphashe Local Municipality (EC121)

Signature _____

Date _____

