



## **Ephraim Mogale Local Municipality**

2011/2012            ANNUAL  
BUDGET AND 2012/2013-  
2013/2014            MEDIUM-  
TERM REVENUE AND  
EXPENDITURE  
FRAMEWORK

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## Abbreviations and Acronyms

**CPIX** – Consumer Price Index Excluding Mortgage Costs

**DORA** – Division of Revenue Act

**GDP** – Gross Domestic Product

**GRAP** – Generally Recognized Accounting Practice

**Equitable Share** – An unconditional grant paid to municipalities

**IDP** – Integrated Development Plan.

**MFMA** – Municipal Finance Management Act (No 56 of 2003)

**MIG** – Municipal Infrastructure Grant

**MPRA** – Municipal Property Rates Act

**MTREF** – Medium-term Revenue and Expenditure Framework

**NERSA** – National Electricity Regulator South Africa

**NT** – National Treasury

**Operational Expenditure** – Spending on the day to day expenses of a municipality such as general expenses, salaries & wages and repairs & maintenance.

**Rates** – Local Government tax based on assessed valuation of a property

**SDBIP** – Service Delivery and Budget Implementation Plan

**Adjustment Budgets** – Prescribed in section 28 of the Municipal Finance Management Act. It is the formal means by which a municipality may revise its budget during a financial year.

**Allocations** – Money received from Provincial and National Treasury

**Budget** – The financial plan of a municipality

**Capital Expenditure** – Spending on municipal assets such as land, buildings and vehicles. Any capital expenditure must be reflected as an asset on a municipality's balance sheet.

## Part 1 – Annual Budget

### 1.1 MAYOR'S REPORT

Mr. Speaker, allow me to warmly welcome you to this august occasion of the State of the Municipal Address as well as the tabling of the budget of our municipality for the financial year 2011-2012.

This state of the Municipality Address occurs within the context of - and therefore draws an inspiration from - the President's State of the National Address, the Premier's State of the Provincial Address and the Executive Mayor's State of the District Address. These respective addresses set the tone and laid the basis for us to do likewise within our own geopolitical space.

Therefore this should be seen as our attempt to present the issues as we see them, from our vintage point of being in government. These will entail a brief account of where we come from as this Council, the achievements we have registered and the challenges we encountered in quest to implement the mandate that the ruling party, the African National Congress, expected us to carry out.

Ladies and gentlemen I am standing before you on the verge of a historic moment in our country. A moment at which the country will go to polls, on the 18<sup>th</sup> May 2011. We are making a clarion call to all eligible voters to respond to the love your country message by ensuring that they are going to vote in the forthcoming 2011 municipal elections.

We can only echo Premier Cassel Mathale's call on the occasion of the State of the Province Address when he said "It is incumbent upon all political formations, civil society movements, and traditional leaders to encourage and mobilize people to register in order to participate in the forthcoming municipal elections. The right to vote, or to be voted for, is a fundamental right enshrined in the Constitution. Therefore, we are making a humble plea to all employers to afford

their respective employees the opportunity to participate in the elections and, most significantly, be allowed to vote for any candidate or party of their own choice.”

This election marks the end of a five year term of office of this Council. Thus, allow me to applaud the hard work, commitment and endurance of this crop of Councilors, who for over a five year period steered the ship of local level service delivery. In its January 8 statement the ruling party, the African National Congress, had this to say “There are many aspects of local government that work very well in our country. In addition, the majority of our councilors serve our people with honesty and integrity. The ANC commends these diligent and true servants of the people.”

In our hand over report to the new Council will detail both the achievements made and the challenges encountered so that it can have a complete picture of state of things. The incoming Council will surely find you to have laid a solid foundation for it to take the serviced delivery crusade to a higher level.

In preparation for this coming election the Demarcation Board, embarked on ward delimitation process which required all municipalities to hold ward delimitation summits with all stakeholders. Our summit considered the proposals from the Demarcation board and made its own proposals. After submitting alternative proposals to the board, final ward delimitations were published in Provincial gazette on 31 August 2010. The municipality has been delimited from 14 to 16 wards which resulted in the increase of councilors from 27 to 32 in number. We hope that this new delimitation will enhance the ability of Council and its Councilors to best interact with the communities.

Comrades and Friends, the ruling party, the ANC, stated its elections manifesto thus "...we need an economy that creates more jobs, decent work and sustainable livelihoods. We need better quality local public services with access for all. We need to create more united, non-racial, integrated and safer communities; and to strengthen local participation, with effective, accountable and clean local government."

At the epicenter of the ruling party's delivery agenda is the issue of job creation. In its January 8 Statement the ANC declared that it is "...committed to addressing the problem of unemployment through practical measures in this year. Therefore, 2011 will be the year of job creation through meaningful economic transformation."

The President, when declaring this year to be the year of job creation in his state of Nation Address, said: "we have declared 2011 a year of job creation through meaningful economic transformation and inclusive growth. We have introduced a New Growth Path that will guide our work in achieving these goals, working within the premise that the creation of decent work is at the center of our economic policies. We urge every sector and every business entity, regardless of size, to focus on job creation. Every contribution counts in this national effort .....All government departments will align their programmes with the job creation imperative. The provincial and local government spheres have also been requested to do the same". In echoing this, the Premier of the Province, Cassel Mathale said: "...As a province, we are expected to create more than four-hundred-thousand job opportunities in the next nine years as part of contributing to the national target of creating 5 million employment opportunities by the year 2020. We will ensure that government's infrastructure expenditure is refocused to be job creation orientated."

Adding his voice, the Executive Mayor David Magabe asserted: “From this 2011 state of the district address everyone is called to action. The assignment is how to contribute towards the creation of Job Opportunities”

We, as Ephraim Mogale Local Municipality, fully understand and are therefore responding to the call to action on the issue of job creation. We have put in place mechanisms and measures to play our part in the job creation endeavor. We have signed an agreement with Minister of Public Works on EPWP, which enjoins us to create 227 jobs in our current financial year. To date we managed to create 164 jobs directly through various projects under our control.

We envisage to have achieved the target of 227 by the close of this current financial year. We hope to increase this number in the coming years. Indeed the Manifesto of the ruling party asserts that “Municipalities, guided by the New Growth Path, and working with communities, will need to place job creation and sustainable livelihoods at the center of their local economic programs. In doing so municipalities will need to ensure that there is equal access to employment and skills development for women and youth.”

Ladies and Gentlemen, in order to strengthen governance of this Council, capacity building programmes were embarked upon by both the Council itself immediately after its inauguration as well as the assistance from Sekhukhune District Municipality. Various skills ranging from leadership to administration were acquired and applied by members of the Council. We trust that the incoming Council will equally benefit from induction and capacity building programmes with assistance from SALGA and other government departments and agencies. As a result of such training and party political discipline, our Council never committed any dereliction of its duty. It met regularly as per schedule, discharging its constitutional and legislative responsibilities and mandate. Committees as per legislation were constituted, functioned well and reported properly over the years.

Mr. Speaker, our public participation record is impressive and speaks for itself. Over the years we have ensured that we do what the ANC elections manifesto noted, that “Together, we have worked hard to build democratic local government that gives communities a voice and the opportunity to be active participants in the development of areas where they live.” In the same manifesto, the ANC further pledges to review and strengthen the legislative framework where necessary, for Ward Committees and community participation and ensure that “90% of all ward committees are fully functional and better resourced in the next five years” In our case we can proudly announce that we are already at 100% of ward functionality, in that we have strong and functional Ward Committees in all of our current 14 Wards. Since the beginning of this financial year we have been able to consistently implement Cogta directive relating to out-of-pocket expenses for Ward Committee members. This, we believe, went a long way towards compensating and therefore motivating ward committee members. Reports were submitted to the office of the Speaker on a regular basis. Community meetings are held every year during August/September to obtain needs of the community and updating of ward development plans. IDP representative forum meetings have always been held twice a year to present analysis phase and approve IDP reviews. The Province run IDP assessment result for 2010/2011 was that we achieved a high credibility status. With this we therefore believe that we fall within the category of councilors that the President Zuma referred to when he said in his state of the Nation Address that “Some municipalities are functioning very well, and some councilors are also performing their duties as well as they should.”

All our community participation programs like the IDP/BUDGET, Draft IDP Consultations, national, provincial and district government consultations with our communities etc. have been successful and well attended. These izimbizo proved very useful in enabling us to be in touch with the most current and pressing community needs and concerns.

To expand the platform for this kind of engagements with communities and other stakeholders, we are in the process of developing a query logging system. This is going to be made to be accessible to all members of the community through our website where queries can be logged and will be attended to within a specified period of time.

Mr. Speaker, we have established a positive relationship with our traditional leaders. We view them as one of the key stakeholders in municipal governance. We share the recognition that the Premier accorded our Magoshi when he said in his state of the province address that “As the African National Congress-led government we value the fundamental role which is played by traditional leaders in strengthening our democracy and we will continue to offer support to collective and individual traditional leaders in enabling them to realize the expectations of their respective communities.”

Ladies and Gentlemen, we felt motivated listening to the Premier when he said “We will continue with the work of building a responsive, accountable, and effective and efficient local government system that is self-sustainable and able to make a Significant contribution to the course of ameliorating the living conditions of our people. We are making great progress in ensuring that municipalities are equipped with qualified, competent and dedicated personnel at the technical and strategic level of the administration.”

Mr. Speaker, the Council adopted its Local Economic Development Strategy in 2008. The main purpose of this Strategy is to enhance local economic development and growth by attracting investments and support small business. To effect this strategy several studies were undertaken to determine the needs, challenges and opportunities of the local economy. Council embarked upon a series of interventions in the form of programs and projects to stimulate the local

economy. We have recently just launched one of these projects, namely, Organic Farming Project funded by the Department of Trade and Industry (DTI) where about 92 jobs have already been created. This DTI grant, amounting to R25m, is being allocated over 3 year period for the establishment of 15 Co-operatives. This project is designed to create over 500 job opportunities at its maturity. This DTI support follows on the footsteps of EU grant amounting to R4.2m which was received to develop operationalization of LED Strategy, Horticulture Action Plan; Capacity Building of LED and the Logistic Hub Study. We remain grateful for this support and will ensure that the intended results are achieved.

Our aim is to, through the above mentioned organic farming project, tap into the cooperatives support promised by the Premier in his State of the Province Address where he said “Cooperatives have the potential to release more people from the traps of poverty into gainful employment and income generating activities. The building of an economy that is largely driven by competitive cooperative movement is inevitable. We are developing practical initiatives that will enable us to build, support and sustain cooperatives in the province. We are developing an integrated cooperative plan which will define the manner in which cooperatives must be formed and supported in order to be main participants in the economic direction of the province and the country.” In the same address the Premier further said “The African National Congress-led government remains committed to supporting farmers for improved performance which seeks to accelerate food production and ensuring food security.”

The approach we have adopted in realizing the organic farming project resonates with what the Executive Mayor said in his state of the district address that “On agriculture, we will engage vigorously with department of agriculture in ensuring that our local farmers receive adequate support to produce food for our people. The state of the District farms is in such a way that only a particular sector of the community is in commercial farming, leaving the majority in subsistence farming. This situation needs a serious turning around and transformation. It can't

be that with the abundance of land in the district majority of our people are not ripping the economic spin-offs of agriculture at the expense of the few.”

Ladies and Gentlemen, the Spatial Development Framework for the Municipality was developed and approved by Council in June 2007 and Marble Hall town was acknowledged as a Provincial growth point with Leeuwfontein, Elandskraal, Regae, and Rathoke identified as Municipal growth points. We hope to tap into the Marble Hall town as provincial growth point. Similarly, while we are striving towards supporting the other four municipal growth points, we hope that other spheres of government will spatially locate their projects with these growth points in mind.

For these growth points to truly grow, roads infrastructure needs to be attended to. Hence 77% of our own current Capital Budget is for roads. This is because we see these as part and parcel of economic infrastructure without which no investment will take place. We are very grateful that both the District and the Province have intervened and continue to invest substantially in the roads infrastructure within our Municipality. In the past three years approximately 21.4 km's of roads have been paved/tarred within our Municipality. However, the backlog of roads that needs to be paved is still very huge, at 319 km.

Ladies and gentlemen, we are well aware that in as much as most of our roads are economic infrastructure, other of our roads, particularly internal streets and access roads, constitute service delivery infrastructure. Hence we have, since the start of the Municipal Infrastructure Grant, delivered access roads to five of our villages/townships. Since the coming into office of this Council a total of R45 million was spent on upgrading roads from gravel to tar including storm-water management. The areas that have been covered in the rehabilitation or upgrading of the 21 km of access roads and internal streets are Elandskraal; Leeuwfontein; Mamphokgo;

Rathoke; Manapyane and Marble Hall Town. We will be adding other villages as we go into the future until all our internal and access roads are upgraded.

Plans to upgrade other internal streets in the other villages like Vaal-bank, Malebitsa, Moganyaka in the coming years are being implemented. Our long term plan is in such a way that by the end of the next financial year we will have planned and designed about 27 km of roads, estimated to be worth about R81 million. We will incrementally be constructing these roads over a long period of time. The construction of the long awaited low level bridges for Manotlwaneng and Mathukhuthela is now underway. This will help the community by providing access and free movement during rainy season between villages and the closest economic hubs.

In addition to or alongside Capital expenditure on roads, we are also committing substantial amount of resources on maintenance and scraping of internal roads in our villages. We have not been doing well in this regard. Mindful of this, we have budgeted to enhance our capacity to effectively and satisfactorily scrap the internal roads. In the coming budget equipment worth more than R5 million will be procured to enhance such capacity.

As is common cause, for us to realize our plans as budgeted for we need to enhance our revenue collection capacity. Revenue collection continues to be a challenge for the municipality as collection levels are not 100 % achieved. Nevertheless, we have seen an increase in the first quarter of the financial year. The second quarter collection rate remained constant at 70%. This indicates that the municipality still has room to improve on this matter and we are confident that we will achieve improved results as we have completed the development of a revenue enhancement strategy. This is going to assist the municipality to meet some of its service delivery obligations. We have, in addition, appointed a service provider to assist in debt

collection and this will also assist in the collection of revenue in order to enable us to increase the provision of services to the community of Ephraim Mogale.

Mr. Speaker, In an effort to improve our customer care levels we are introducing an sms system for communication with our customers. This, we believe, will resolve most of the service bills and communication challenges that the municipality has been experiencing lately.

Comrades and Friends, one of our greatest achievements as a municipality is on the issue of electrification. As is well known, the Municipality exists in several formal and informal urban developed areas. All the areas that were occupied when the new Municipality was established have been electrified. This even extended to rural farming areas like Witfontein, Tweefontein Garagapola and Toitskraal; Agri Holdings etc. We are currently standing at 97% in terms of electrification rate. Our current backlog is only about 931 households, the lowest in Sekhukhune District. Obviously, the very low backlog of the municipality has caused a reduction in our electrification allocation from Department of Energy (DoE). For the 2011-12 year we should electrify 501 households through the DOE and ESKOM process.

Since the coming into being of the Democratic Local Government 30 high mast lights have been erected. They have all been energized except the three at Moeding. Interaction with Eskom on the matter is ongoing and we hope that they will be energized soon. The Municipality maintains 60 high mast lights and 1017 street lights. However, going forward we are considering installing fewer high mast lights that will cover a bigger area rather than many covering the same area. This will assist in lowering maintenance costs.

Ladies and Gentlemen, one of the key service delivery indicators for electrical services is not just the infrastructure but the continuity and quality of supply. This is determined by the ability to

do maintenance. To this end the Municipality has been maintaining its own electrical network that serves 1143 Customers - residential, commercial, industrial and agricultural. Several old metering kiosks will be replaced with new and improved kiosks to ensure safety and protection of the public. The upgrading of Ext 2 and 4 electrical network will also start soon.

Mr. Speaker, in order to afford our people a choice, the Municipality has started with the installation of prepaid meters for its customers a while ago and has installed about 180 meters to date. The bulk customers of the Municipality generate most of the income from electricity sales. Accurate metering is critical in this regard. To ensure accuracy of metering, a meter audit has been started and a new technology has been installed at several customers. There will also be several small strengthening projects to improve the network performance.

In order to improve service delivery and ensure uninterrupted service regarding issues of electricity, we are planning to:

- Eradicate electrification backlog by 2014.
- Start with remote meter reading in 2012 and expand to smart metering.
- Establish an independent 24 hour vending.
- Conduct monthly quality of supply reports.
- Complete the strengthening projects already identified to ensure quality reliable supply.
- Install more public lighting.
- Provide online vending for the convenience of the customers.
- Provide a SMS reminding service.
- Improve energy efficiency in Municipal buildings.
- Improve energy efficiency on streetlights.

Fellow Residents, in order to ensure that performance of is monitored, Council reviewed and approved performance management system in November 2010. The system provides that PMS be cascaded to other staff below section 57. Service Delivery Business Implementation Plans (SDBIP) are compiled for all departments annually and performance review reports presented on quarterly basis for assessment. Annual report has been compiled annually and oversight committees established. Oversight reports together with annual reports are submitted annually to National/Provincial Treasury and DLGH as required.

To enhance and properly monitor performance at government-wide level, the current administration has adopted what is called an outcome based approach to managing performance. Twelve outcomes have been developed and all of government has a role to play in ensuring that the outcomes and related outputs are achieved.

As most of you would know by now, the twelve outcomes are as follows:

Outcome 1: Improve the quality of basic education

*Outcome 2: Improve health and life expectancy*

Outcome 3: All people in South Africa protected and feel safe

*Outcome 4: Decent employment through inclusive economic growth*

Outcome 5: A skilled and capable workforce to support inclusive growth

*Outcome 6: An efficient, competitive and responsive economic infrastructure network*

Outcome 7: Vibrant, equitable and sustainable rural communities and food security

*Outcome 8: Sustainable human settlements and improved quality of household life*

Outcome 10: Protection and enhancement of environmental assets and natural resources

*Outcome 11: A better South Africa, a better and safer Africa and world*

Outcome 12: A development-orientated public service and inclusive citizenship and

*Outcome 9: A response and, accountable, effective and efficient local government system*

As you would understand outcome nine is the most relevant and applicable to our sphere of government. The outputs for outcome nine are as follows:

- Differentiate approach to municipal financing, planning and support
- Community work program
- Support for human settlements
- Refine ward committee model to deepen democracy
- Improve municipal financial administrative capability
- Single coordination window

In pursuance of implementation of these outcomes, the Mayor has entered into an agreement with the MEC on outcome 9. The Service Delivery Budget Implementation Plans (SDBIP) has to therefore be crafted in such a way that they are aligned to the imperatives of outcome 9. This will ensure that what the Mayor is expected to deliver and account on as per the signed agreement with the MEC - which emanates from what the MEC signed with Minister, and in turn, what the Minister signed with the President - is aligned with what the Managers are expected to account on in terms of their SDBIP's.

Mr. Speaker, refuse removal has been a thorny issue for some time now. Our people have correctly raised the concerns in several consultation forums, particularly at the R293 Towns i.e. Elandskraal and Leeufontein. One of the key challenges has been inability to collect payments for services from these areas. There was a short stint of rendering of this service in Elandskraal, but this could not be sustained due to non-payments of this service. The other challenge relates to our capacity, or lack of it, to render this service in all the areas where we

have promised. We have embarked on equipment acquisition programme to alleviate this. In the current financial year we spent close to R2 million on new equipment. One of these equipments is the roll-on roll-off containerized system which has been fitted to a truck. With this we are able to use it in big containers at Matlala Hospital, Schoeman farms, Marble hall town, Leeufontein, Elandskraal stadium and areas where events are being held.

Ladies and Gentlemen, these challenges have at least been punctuated by noticeable achievements. The Marble Hall landfill site received an award of the best upcoming landfill site in Limpopo Province during Greenest Town Competition in 2010. This attests to the fact that, given resources, we are able to excel in our work. We are striving to do even better service delivery in this regard. Our household refuse removals services in Marble Hall town in particular have had very few interruptions over the years.

The Municipality also received the first prize in the Greenest Town Competition in 2010, Sekhukhune District. We trust that this will contribute towards the provinces' greening program. In his State of the Province address Premier Mathale asserted that "We have launched our Greening Initiative Campaign under the Greening Limpopo Programme, which is another contributor to the green economy. Through this initiative, our province will be able to preserve the environment whilst at the same time creating job opportunities for our people with an estimated seven thousand job opportunities expected to be created"

Ladies and Gentlemen, the cleanliness of our town, Marble Hall, is still a challenge. Several measures have been put in place to address this. This include employment of over 30 people on a temporary basis for six months, a program which is till budgeted for in 2011/2012. In addition, a plan is in place to introduce a shift system within the cleaning section.

Mr. Speaker our program to fence cemeteries and therefore afford our people the dignity they so much fought for has begun in earnest. Construction of the Doornlaagte and Mokganyaka North cemeteries is underway. More cemeteries are budgeted to be fenced in the coming financial year. Council is currently providing a service only a Marble Hall, Leeufontein, Elandskraal, Regae cemeteries.

Mr. Speaker, literacy, numeracy and access to information through reading should be availed to all irrespective to level of ability or disability. People with disability often are not able to fully access some of these services fully. To address this, a partnership between the Municipality, Center for Municipal Research and Advice (CMRA) resulted in the blind of Ephraim Mogale Local Municipality, and indeed even beyond, accessing the library services. In 2009 the Braille Centre for the Blind was established inside the Municipal library and is in use by our relevant residents.

Comrades and Friends, in a quest to expand the accessibility of the learners and drivers' license services we are planning to target school learners during holidays to be tested for drivers' and learners' licenses. Exploration to offer certain licensing services at one or more of our satellite offices is underway.

The allegations of corruption at our licensing division are widespread and well circulated. In collaboration with the Special Investigations Unit, investigations have been launched and are ongoing to follow up these allegations. As a direct result of these investigations, several resignations by some officials in the Licensing Division were made in the recent past.

Ladies and Gentlemen, together with other sporting bodies within our municipality we are continuing to facilitate and support sport programs and activities for our youth. We have actively

participated in the launching of the Local and District Sports Council. We have forged closer ties with the Local Football Association. We hope these partnerships will promote sports in general.

Mr. Speaker, complains from our local service providers about lack of business opportunities and allegations of unfairness have loudly been made and noted. We have since amended our Supply Chain Management policy to ensure that the point system is loaded in favor of local businesses. We hope Council will approve proposed amendment to the Supply Chain Policy compelling service providers (if coming from outside the municipality) to subcontract certain percentage of work to local businesses.

We have procured an electronic supplier database system which will ensure that all suppliers get a fair chance in the form of a rotation that will be managed by the system itself. The system takes away the human element in the selection of service providers and we hope this will go a long way towards reducing allegations of bias in the selection process.

Ladies and Gentlemen, the municipality is proud to pronounce that it has successfully completed its indigent registration process which is aimed at assisting our poor communities to access free basic services provided by our government, in our case, mainly free basic electricity. This database will be valid until the end of the next financial year which is 2011/2012 after which it will have to be reviewed as per Council policy.

Mr. Speaker in terms of community facilities we managed to refurbish the Leeufontein Community Hall which is currently in good use to the community. We constructed the Zamenkomst MPCC. However there are still challenges relating to connection for services to this facility, particularly electricity and water. We have just completed refurbishing the

Mokgwaneng Community hall. Work for the construction of the Klopper Community hall has begun.

Mr. Speaker we have also made contributions towards better and improved public transport system within our municipality. In this regard two taxi ranks were completed during the tenure of this Council. These are located in our former R23 towns, i.e. Elandskraal and Leeufontein. We are confident that the taxi ranks will go a long way in providing planned & convenient pick and drop off points; shelter for commuters during hostile weather and proper vending points for hawkers and traders.

Mr. Speaker, the ruling African National Congress, stated its elections manifesto thus "In localizing priorities of the 2009 Manifesto and in meeting key challenges facing our communities, we will:

- Build local economies to create more employment decent work and sustainable livelihood;
- Improve local public services and broaden access to them;
- Build more united, non-racial, integrated and safer communities;
- Promote more active community participation in local government; and
- Ensure more effective, accountable and clean local government that works together with national and provincial government.

Mr. Speaker, allow me to echo the words of the District Mayor, Councilor David Magabe when he said on the occasion of the state of the district address that "...we call upon communities, parents in particular to pay special attention to issues of education by becoming social partners in the resolve to improve education system and results. We call upon teachers in the district to

continue working hard in improving the plight of the poor children. We call on learners to take education seriously by respecting their teachers and prioritizing their books.”

For our part we have consistently put aside budget for bursaries for both our own staff and the members of the community. In the previous financial year, we have assisted 16 students and in the current financial year we hoping to assist a total of 18 students with their studies.

Comrades and Friends, in his State of the District Address, Executive Mayor David Magabe asserted that “History will judge us heavily if we omit to pay tribute to local heroes and heroines of this area, such great names include Nkwana Maditsi, Ephraim Mogale, Ronny Phokoane, Strike Malope, Mama Lydia Komape....” In our case one such payment of a tribute was in the form of renaming of the municipality after one of those heroes of our struggle, Ephraim Phorogohlo Mogale. His name is an embodiment of a generation of people who sacrificed their youthful lives so that we can deliver and enjoy the freedom we are enjoying today. By renaming the municipality after him we hope to emulate his example of serving his people selflessly.

Cde Ephraim Phumuga Mogale spent a greater part of his youth in student and youth struggles against various forms of oppression. As is now a historical fact, he was a founder member of the Congress of South African Students (COSAS), of which he was elected as its inaugural President in 1979. He became actively involved in various anti-apartheid structures. Cde Eph was a disciplined and dedicated revolutionary whose contribution to the fruits of freedom we are enjoying today is outstanding.

Mr. Speaker, allow me to take this opportunity to also present to you the budget for the 2011/2012 financial year which has been prepared in accordance with the relevant legislative

documents as well as other supporting circulars from previous financial years as published by the National Treasury.

### **Revenue**

The municipality has succeeded in most of the services to maintain tariff increases within the growth limits set by National Treasury in line with the inflation target of the Reserve Bank of 6 per cent. However, the electricity increases are as per NERSA guidelines and were approved to be 20.38%. The municipality has at the same time prepared the electricity tariffs in order to comply with NERSA requirements for inclining block tariffs which resulted in an average increase of 19% for the 2011/2012 financial year. The inclining block tariff is meant to achieve cross subsidization in order to benefit poor or low income customers and less consuming customers. Sundry tariffs have been increased by 15% as the last review of these tariffs was in the 2008/2009 financial year.

The tariff increases are reflected in the table below;

<b>Service</b>	<b>% tariff increase</b>
Property rates	6%
Electricity	Average 19%
Refuse removal	6%
Sundry	15%

### ***Trends in major sources of own revenue***

- Revenue from own source represent 44% of total revenue in 2011/2012 staying constant at 44% in 2012/2013. This indicates that the municipality is still dependent on government grants than its own revenue sources.

- Year-on-year growth for own revenue amounts to 5% from 2010/2011 to 2011/2012 while Government grants increase with 6.4 % from 2010/11 to 2011/12.
- Electricity and Property Rates remain the major source of revenue for the municipality at an average of 32% over the medium term.
- Property rates increase from 17% of own revenue in 2010/11 to 18% in 2011/12. This is mainly due to the implementation of the annual supplementary valuation roll for 2010/11.
- Electricity revenue contributes an entire 44% of own revenue over the medium term period.

Total revenue of R153 643 259.51 has been budgeted in the 2011/2012 financial year which is an average increase of 9% from 2010/11 so as to enable the municipality to fund all operating and capital expenditure:

Description	Budget 2011/2012
Property Rates	R11 785 819.92
Service charges	R34 499 955.74
Government Grants	R86 019 150.00
Other Revenue	R21 338 333.85
<b>Total Revenue</b>	<b>R153 643 259.51</b>

Other Revenue consists of all other revenue sources of the municipality that are not main sources such as interest received on investments, hiring of facilities, traffic revenue, etc.

### **Expenditure**

Expenditure amounts to a total of R151 976 259.51 which is an increase of an averaged 8.5% from the 2010/2011 budget.

**Employee related costs**

The wage increase is informed by the wage agreement reached in 2009 which stipulates that wage increases should be based on CPIX plus 1.5%. This will result in an average increase of 7.5%. To allow for salary increases, an 8% increase has been budgeted across the board. R5 040 235.95 has been put aside to fill vacancies across all municipal votes. Employee costs constitute 34% of the total operating expenditure budget for the 2011/2012 financial year.

**General Expenditure**

The current CPIX increase outlined within circular 54 to be utilized by municipalities in the estimation of their expenditure for 2011/12 is approximately 6%. General expenditure votes increases within the budget follow the 6% guide using twelve months actual expenditure trends for the 2010/2011 financial year as a basis.

Operating expenditure is budgeted as follows:

<b>Description</b>	<b>Budget 2010/2011</b>
Employee related costs	R 42 028 411.48
Councilor Remuneration	R 8 398 830.53
General Expenses	R 64 282 158.89
Repairs and Maintenance	R 8 507 192.46
<b>Total</b>	<b>R 123 216 593.36</b>

Operating expenditure has increased by an average of 5% from 2010/2011 to 2011/2012 due to other expenditure items determined using the zero-based budgeting method.

**Capital expenditure is budgeted as follows:**

***Internally Funded projects:***

<b>Project</b>	<b>Budget 2010/2011</b>
<b>Corporate Services</b>	
Furniture and Equipment	R 800 000
<b>Community Services</b>	
Guard House	R150 000
Machinery and Equipment	R400 000
Expansion of Services	R250 000
Upgrading of Hawker Stalls	R350 000
Greening Project	R330 000
Extension of Cemetery	R1000 000
<b><i>Total Community Services</i></b>	<b><i>R2 480 000</i></b>
<b>Technical Services</b>	<b>R8 862 092</b>
Remote metering	R200 000
Extension of offices	R880 000
Rehabilitation of Admin block	R600 000
Rehabilitation of Municipal Hall	R400 000
N11 road	R300 000
Fencing of Zamenkomst Thusong centre	R300 000
Rehabilitation of Moganyaka and Leeuwfontein halls	R200 000
Internal portion-Moganyaka Access Road	R3 282 092
Upgrading of Obaro Road	R2000 000
Matlala Ramoshebo Tribal Hall	R300 000

<b>Total Internally Funded</b>	<b>R 11 742 092</b>

*MIG Funded Projects*

Building of bridge:Mathukuthela	R2 673 874
Building of bridge:Monotolaneng	R2 765 700
Klopper community hall	R3 500 000
Moganyaka Access road	R1 764 000
Malibitsa Internal Road	R1 176 000
Marbe Hall stormwater phase 2	R4 000 000
Vaalbank access road	R588 000
<b>Total MIG Funded</b>	<b>R16 467 574</b>

**Total Capital 2011/2012: R28 209 666**

Capital expenditure has grown with an overall increase of 25% from 2010/2011 financial year. A portion of the capital budget consisting mainly of vehicles that are going to be utilized in the provision of services are going to be procured using a hire-purchase contract, of which an installment has been budgeted under operating expenditure. This is a great change in the strategies of Council to unlock funds in order to accelerate service delivery to our communities.

We trust that the new Council, noting that this is a widely consulted budget, will hit the ground running in terms of implementation thereof.

I Thank You

## 1.2 COUNCIL RESOLUTIONS

(a) of Council approves the budget of Ephraim Mogale Local Municipality for the financial year 2011/2012 and indicative allocations for the two projected outer years 2012/2013 and 2013/2014, as well as the following multi-year and single year capital appropriations, be considered as set-out in the new budget and reporting regulations, attached as **Annexure A** to the budget document:

- Budgeted Financial Performance (revenue and expenditure by standard classification)
- Budgeted Financial Performance (revenue and expenditure by municipal vote)
- Budgeted Financial Performance (revenue by source and expenditure by type)
- Multi-year and single year capital appropriations by municipal vote and standard classification and associated funding by source;

(b) Council approves the Medium Term Revenue and Expenditure Framework (MTREF) consisting of an operating and capital budget for the 2011/2012 – 2013/2014 financial years, as reflected in the schedule below:

<b><u>DESCRIPTION</u></b>	<b><u>2011/2012</u></b>	<b><u>2012/2013</u></b>	<b><u>2013/2014</u></b>
Employee related costs	42 028 411	45 368 884	48 975 286
Councilor Remuneration	8 398 830	8 986 749	9 615 821
General Expenses	64 282 158.89	65 462 770	73 329 591
Repairs and Maintenance	8 507 192	7 220 743	7 508 538
Capital Expenditure	28 209 666	2 000 000	2 000 000
<b><u>TOTAL</u></b>	<b><u>151 426 259.51</u></b>	<b><u>129 039 145</u></b>	<b><u>141 429 235</u></b>

(c) Council approves tariffs in terms of sections 24(2)(c)(i) and (ii) of the Municipal Finance Management Act, 56 of 2003, sections 74 and 75A of the Local Government: Municipal Systems Act, 32 of 2000, as amended and the Municipal Property Rates Act, 6 of 2004, as well as NERSA regulations, the tariffs for the supply of electricity, waste removal services, and property rates as set out below, that were used to prepare the estimates of revenue by source, be considered for implementation with effect from 1 July 2011 as in **Annexure A**:

<b>Description</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>
Electricity	Average	20.38%	20.38%

	19%		
Refuse Removal	6%	6%	6%
Property Rates	6%	6%	6%
Sundry	15%	10%	6%

(d) Council approves the following budget related policies as set out in **Annexure B**;

- i. Budget Policy
- ii. Tariff and Sundry charges policy
- iii. Cellphone policy
- iv. Property Rates policy
- v. Virement policy
- vi. Credit Control and Debt Collection policy
- vii. Subsistence and Travel policy
- viii. Indigent policy
- ix. Supply Chain Management policy
- x. Investment policy

(e) Council approves the Service Delivery and Budget implementation plan as set out in **Annexure C**

(f) Council approves the proposed organizational structure as set out in **Annexure D** to be implemented in the 2011/2012 financial year.

(g) Council approves the five year Integrated Development plan for 2011-2016 as set out in **Annexure E**

(h) That those outgoing councilors who are unable or unwilling to take over cel phone contracts but want to keep their numbers shall pay 50% of the total cancellation cost of the said contract and council will pay other 50%

(i) That the Municipal Manager implements the decision Council accordingly.

### 1.3 EXECUTIVE SUMMARY

The application of sound financial management principles for the compilation of the Municipality's financial plan 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.

The 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.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers and also make its credit control and debt collection policy a by law.

National Treasury's MFMA Circular No. 51, 54 and 55 were used to guide the compilation of the 2011/12 MTREF. The planning of the budget involved consideration of all factors, which had far reaching implications on the annual budget of the municipality.

#### REDEMARCATION OF MUNICIPAL BOUNDARIES

The planning and budgeting processes for the medium-term have taken into account the new municipal boundaries and wards.

#### NATIONAL PRIORITIES

The President on his 2011 State of the Nation Address mentioned five national priorities which should be embedded by all spheres of government on the planning and budgeting processes for the medium-term. The government has introduced the New Growth Plan that will guide the work of all spheres of government in achieving the goals relating these national priorities within the premise that the creation of decent work is at the center of our economic policies.

The five national priorities are;

- (a) Creating decent jobs;
- (b) Improving the quality of education;
- (c) Enhancing health services;
- (d) Enhancing rural development and agrarian; and
- (e) Fight against crime and corruption.

In His address, the President has further declared 2011 as a year of job creation. The municipalities should align their programmes with the job creation imperative.

To achieve this national priority, municipalities are urged to when drafting 2011/2012 budgets to explore opportunities to mainstream labour intensive approaches to delivering services, and more particularly to participate fully in the EPWP. The municipality ought to focus on maximizing its contribution to job creation by;

- (a) Ensuring that service delivery and capital project use labour intensive methods wherever appropriate.
- (b) Ensuring that service providers use labour intensive approaches.
- (c) Supporting labour intensive LED projects.
- (d) Participating fully in the EPWP/National youth service plan NYDP.
- (e) Implementing internship programmes to provide young people with on-the-job training.

#### NATIONAL OUTCOMES

All municipalities are expected to take the 12 outcomes of government into consideration when reviewing their IDPs and developing their annual budgets for the 2011/2012 MTREF. The 12 outcomes, including the role of local government are as follows;

Outcomes	Role of local government
1. Improve the quality of basic education	<ul style="list-style-type: none"> <li>• Facilitate the building of new schools by;               <ul style="list-style-type: none"> <li>○ Participating in needs assessments.</li> <li>○ Identifying appropriate land.</li> <li>○ Facilitating zoning and planning processes.</li> </ul> </li> <li>• Facilitate the eradication of municipal service backlogs in schools by extending appropriate bulk infrastructure and installing connections</li> </ul>
2. Improve health and life expectancy	<ul style="list-style-type: none"> <li>• Many municipalities perform function on behalf of provinces.</li> <li>• Strengthen effectiveness of health services by specifically enhancing TB treatments and expanding HIV and AIDS prevention and treatments.</li> <li>• Municipalities must continue to improve Community Health Service infrastructure by providing clean water, sanitation and waste removal services.</li> </ul>
3. All people in South Africa protected and feel safe	<ul style="list-style-type: none"> <li>• Facilitate the development of safer communities through better planning and enforcement of municipal by-laws.</li> <li>• Direct the traffic control function towards policing high risk violations – rather than revenue collection.</li> <li>• Metro police services should contribute by:               <ul style="list-style-type: none"> <li>○ Increasing police personnel.</li> <li>○ Improving collaboration with SAPS.</li> <li>○ Ensuring rapid response to reported crimes</li> </ul> </li> </ul>
4. Decent employment through inclusive economic growth	<ul style="list-style-type: none"> <li>• Create an enabling environment for investment by streamlining planning application processes.</li> <li>• Ensure proper maintenance and rehabilitation of essential services infrastructure.</li> <li>• Ensure proper implementation of the EPWP at municipal level.</li> <li>• Design service delivery processes to be labour intensive.</li> <li>• Improve procurement systems to eliminate corruption and ensure value for money.</li> <li>• Utilize community structures to provide services</li> </ul>
5. A skilled and capable workforce to support inclusive	<ul style="list-style-type: none"> <li>• Develop and extend intern and work experience programmes in municipalities</li> </ul>

- growth.
- Link municipal procurement to skills development initiatives.
6. An efficient, competitive and responsive economic infrastructure inclusive growth
- Ring-fence water, electricity and sanitation functions so as to facilitate cost-reflecting pricing of these services.
  - Ensure urban spatial plans provide for communal rail corridors, as well as other modes of public transport.
  - Maintain and expand water purification works and waste water treatment works in line growing demand.
  - Cities to prepare to receive the devolved public transport function.
  - Improve maintenance of municipal networks.
7. Vibrant, equitable and sustainable rural communities and food security
- Facilitate the development of local markets for agricultural produce.
  - Improve transport links with urban centers so as to ensure better economic integration.
  - Promote home production to enhance food security.
  - Ensure effective spending of grants for funding extension of access to basic services
8. Sustainable human settlements and improved quality of household life
- Cities must prepare to be accredited for the housing function.
  - Develop spatial plans to ensure new housing development in line with national policy on integrated human settlements.
  - Participate in the identification of suitable land for social housing.
  - Ensure capital budgets are appropriately prioritized to maintain existing services and extend services
9. A responsive and accountable, effective and efficient local government system
- Adopt IDP planning process appropriate to the capacity and sophistication of the municipality.
  - Implement the community work programme.
  - Ensure ward committee are representative and fully involved in community consultation processes around the IDP, budget and other strategic service delivery issues.
  - Improve municipal financial and administrative capacity by implementing competency norms and standards and acting against incompetence and corruption.
10. Protection and enhancement of environmental
- Develop and implement water management plans to reduce water.

- assets and natural resources
- Ensure effective maintenance and rehabilitation of infrastructure.
  - Run water and electricity saving awareness campaign.
  - Ensure proper management of municipal commonage and urban open spaces.
  - Ensure development does not take place on wetlands.
11. A better South Africa, a better and safer Africa and world
- Role of local government is fairly limited in this area. Must concentrate on:
    - Ensuring basic infrastructure is in place and properly maintained.
    - Creating an enabling environment for investment.
12. A development-oriented public services and inclusive citizenship
- Continue to develop performance monitoring and management systems.
  - Comply with legal financial reporting requirement.
  - Review municipal expenditure to eliminate wastage.
  - Ensure councils behave in ways to restore community trust in local government.

## REVENUE AND CASHFLOW ASSUMPTIONS

The key fundamental issue for the compilation of the medium-term budget will be ability of the municipality to collect the revenue projected. As a result the medium-term budget will be cash flow driven so that the municipality does not find itself in an unfavorable cash flow position in future.

## GRANTS ALLOCATIONS

The 2011 Division of Revenue Bill has provided guidelines in terms of the conditional (17.8 million) and unconditional (R million) grant allocations to the municipality which in total amounts to R million over medium-term.

## MUNICIPAL BUDGET UNDERLYING ASSUMPTIONS, GUIDELINES AND PROJECTIONS

### REVENUE GENERATION AND COLLECTION

The municipality plans to generate revenue from rates, services and sundry charges by adjusting the tariffs and fees by an average of 11.5 % over the medium-term as follows;

Service	% tariff increase
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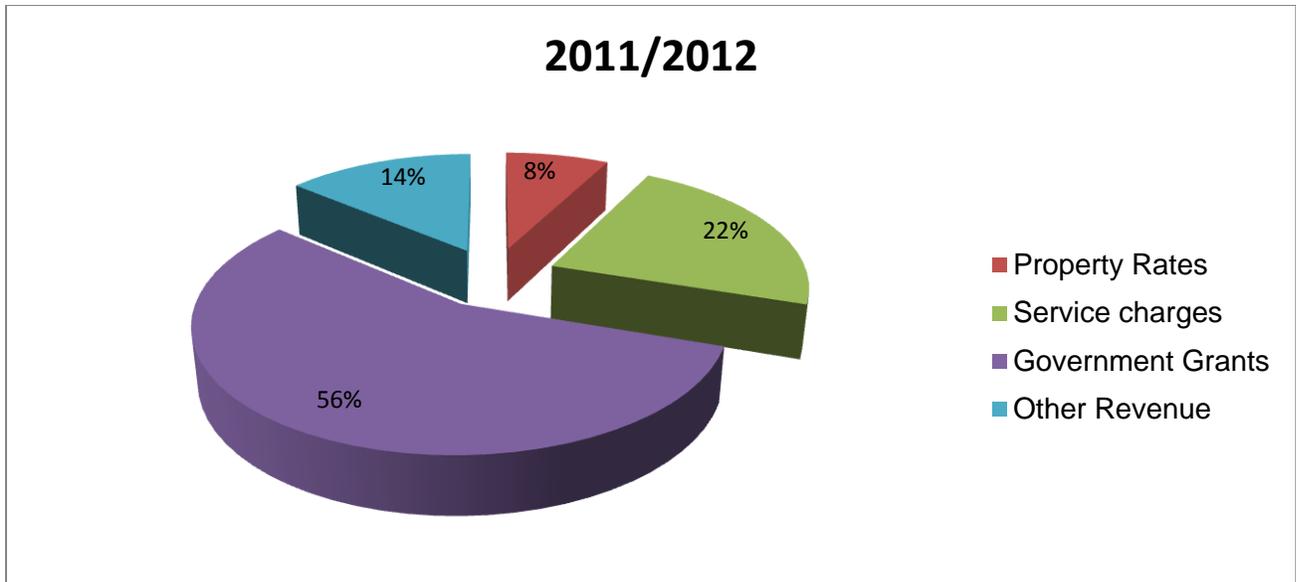
Property rates	6%
Electricity	Average 19%
Refuse removal	6%
Sundry	15%

#### Trends in major sources of own revenue

- Revenue from own source represent 44% of total revenue in 2011/2012 staying constant at 44% in 2012/2013. This indicates that the municipality is still dependent on government grants than its own revenue sources.
- Year-on-year growth for own revenue amounts to 5% from 2010/2011 to 2011/2012 while Government grants increases with 6.4 % from 2010/11 to 2011/12.
- Electricity and Property Rates remains the major source of revenue for the municipality at an average of 32% over the medium term.
- Property rates increases from 17% of own revenue in 2010/11 to 18% in 2011/12. This is mainly due to the implementation of the annual supplementary valuation roll for 2010/11.
- Electricity revenue contributes an entire 44% of own revenue over the medium term period.

Total revenue of R153 643 259.51 has been budgeted in the 2011/2012 financial year which is an average increase of 8.5% from 2010/11 so as to enable the municipality to fund all operating and capital expenditure:

DESCRIPTION	BUDGET 2011/2012
Property Rates	11 785 819.92
Service charges	34 499 955.74
Government Grants	86 019 150.00
Other Revenue	21 338 333.85
<b>TOTAL</b>	<b>153 643 259.51</b>



Other Revenue consists of all other revenue sources of the municipality that are not main sources such as Interest received on investments, hiring of facilities, traffic revenue, etc.

### Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0, 25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA). In addition to this rebate, a further R25 000 reduction on the market value of a property will be granted in terms of the municipality's own Property Rates Policy;
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy;

The categories of rate-able properties for purposes of levying rates are contained below:

Residential Properties
------------------------

Residential property with special consent
Government owned Properties
Business & Commercial
Agricultural
Vacant Land
Other property
Rural communal and state trust land
Public service infrastructure property;
Public benefit organization property;

### OPERATING EXPENDITURE: GROWTH FACTORS

Operating expenditure amounts to a total of R 123 216 593.36 which is an increase of an averaged 4.5% from the 2010/2011 budget.

#### Employee related costs

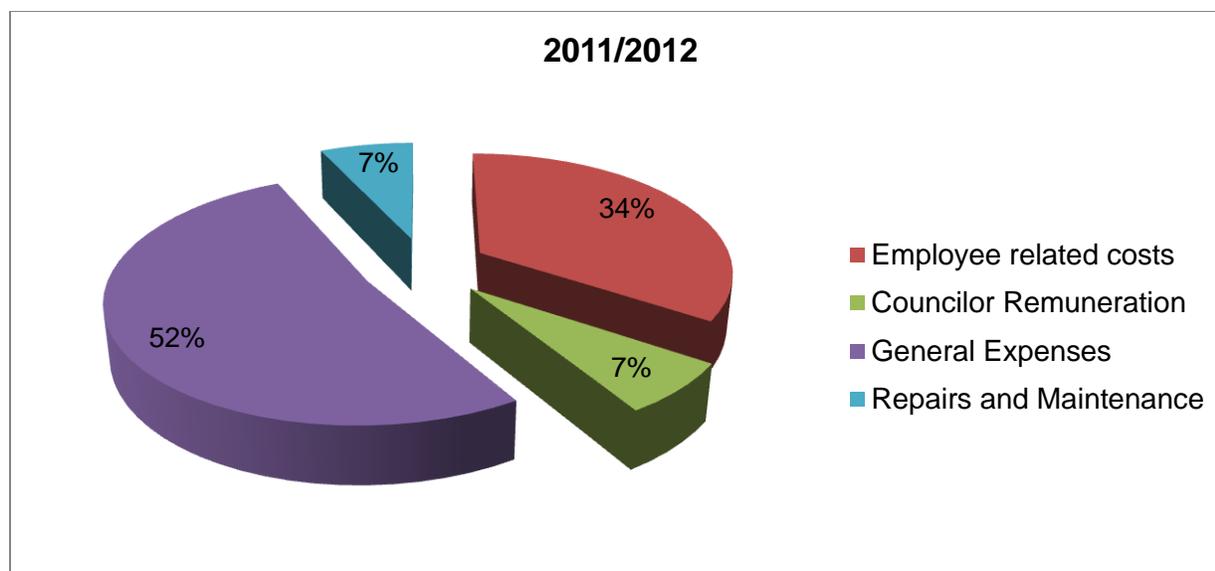
The wage increase is informed by the wage agreement reached in 2009 which stipulates that wage increases should be based on CPIX plus 1.5%. This will result in an average increase of 7.5%. To allow for salary increases an 8% increase has been budgeted across the board. R5 040 235.95 is budgeted for vacant positions across all votes.

#### General Expenditure

The current CPIX increase outlined within circular 54 to be utilized by municipalities in the estimation of their expenditure for 2011/12 is approximately 6%. General expenditure increases within the budget follow the 6% guide using twelve months actual expenditure trends for the 2010/2011 financial year as a basis.

Operating expenditure is budgeted as follows:

<b>DESCRIPTION</b>	<b>BUDGET 2010/2011</b>
Employee related costs	R 42 028 411.48
Councilor Remuneration	R 8 398 830.53
General Expenses	R 64 282 158.89
Repairs and Maintenance	R 8 507 192.46
<b>TOTAL</b>	<b>R 123 216 593.36</b>



General expenditure represent 52% of the total operational expenditure which is the major part of the expenditure budget whereas repairs and maintenance represents 7%, employee related costs represents 34% and councilors' remuneration represents 7% of the total operating expenditure.

Total operating expenditure has increased by an average of 4.3% from 2010/2011 to 2011/2012 due to other expenditure items determined using the zero-based budgeting method.

#### CAPITAL BUDGET FUNDING AND PROJECTS

The funding of the capital expenditure will be sourced from the MIG conditional grant allocation and internal reserves. The availability of the internal reserves will largely depend on the collection of debts which has been projected at 85% on average per annum over the medium-term. Capital expenditure has grown with an overall increase of 5.4 % from 2010/2011 financial year which is a minor change but the majority of the capital plants that are going to be utilized in the provision of services are going to be procured using a hire-purchase contract an installment of which has been budgeted under operating expenditure.

#### Internally Funded projects:

Project	Budget 2010/2011
<b>Corporate Services</b>	
Furniture and Equipment	R 800 000
<b>Community Services</b>	
Guard House	R150 000

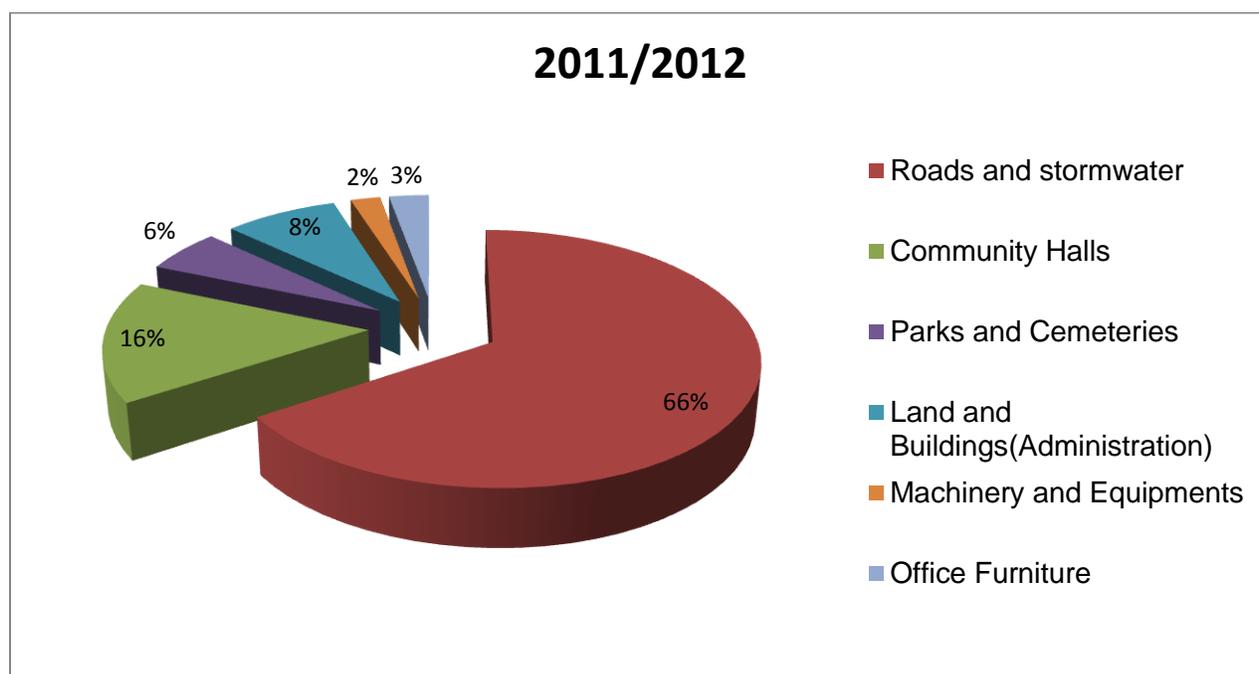
Machinery and Equipment	R400 000
Expansion of Services	R250 000
Upgrading of Hawker Stalls	R350 000
Greening Project	R330 000
Extension of Cemetery	R1000 000
<b>Total Community Services</b>	<b>R2 480 000</b>
<b>Technical Services</b>	<b>R8 862 092</b>
Remote metering	R200 000
Extension of offices	R880 000
Rehabilitation of Admin block	R600 000
Rehabilitation of Municipal Hall	R400 000
N11 road	R300 000
Fencing of Zamenkomst Thusong centre	R300 000
Rehabilitation of Moganyaka and Leeuwfontein halls	R200 000
Internal portion-Moganyaka Access Road	R3 282 092
Upgrading of Obaro road	R2000 000
Matlala Ramoshebo Tribal Hall	R300 000
<b>Total Internally Funded</b>	<b>R 11 742 092</b>

MIG Funded Projects:

Building of bridge:Mathukuthela	R2 673 874
Building of bridge:Monotolaneng	R2 765 700

Klopper community hall	R3 500 000
Moganyaka Access road	R1 764 000
Malibitsa Internal Road	R1 176 000
Marbe Hall stormwater phase 2	R4 000 000
Vaalbank access road	R588 000
<b>Total MIG Funded</b>	<b>R16 467 574</b>

The total capital budget amounts to R28 209 666.00.



Roads and storm water constitutes 66% of the total capital budget whereas the remaining portion is constituted by 16% community halls, 8% land and buildings (administration), 6% parks and cemeteries, 3% office furniture and the lowest being 2% for machinery and equipment.

#### 1.4 ANNUAL BUDGET TABLES (ATTACHED)

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2011/12 budget and MTREF as approved by the Council.

## Part 2 – SUPPORTING DOCUMENTATION

### 1.5 OVERVIEW OF THE BUDGET PROCESS

Phases	Activity	Outputs	Role Players	Tools/Meth odology	Time Frame
Preparatory	Management Meeting Discuss IDP Review and Budget Process	IDP Review and Budget Process Plan	IDP Manager Municipal Manager Departmental Heads	Meeting	22 Aug 10
Analysis	*Status Quo report *Identification of opportunities and constraints *Strategy Development *Implementation plan	Visit to 14 wards	IDP Manager Unit Managers PRO Ward Committees	Interviews Questionnaires Meetings Desktop	1 Aug – 31 Aug 2010
	1 <sup>st</sup> IDP Representative forum	Presentation of analysis phase	All Stakeholders	Meeting	30 November 2010
Strategies	Performance and IDP Status Quo Report	Assessment of organizational Achievements, problems opportunities and constraints. Consolidation of information from Ward Development plans Recommendations on future plans	Municipal Manager IDP Manager	Interview Desktop	30 Nov 2010
	Strategic Planning Session	Institutional challenges and SWOT analysis	Municipal Manager IDP Manager Departmental Heads	Working session	8-9 February 2011
	Strategic Planning Session	Priority issues & development of KPA's & KPI's	Municipal Manager IDP Manager Departmental Heads Councillors	Working session	8-9 February 2011

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.

#### 1.5.1 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 2010) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule on 25 August 2010. Key dates applicable to the process were:

The table below indicates the process that will be followed to compile the Budget and IDP:

Phases	Activity	Outputs	Role Players	Tools/Meth odology	Time Frame
	1 <sup>st</sup> Draft IDP and draft Budget to Executive Committee	Political Assessment and recommendations of draft IDP and Budget	Mayor Executive Committee Management	Meeting	25 February 2011

Phases	Activity	Outputs	Role Players	Tools/Meth odology	Time Frame
Projects	Strategic Planning Session	Projects which have funding & wish list which have no funding	Municipal Manager IDP Manager Departmental Heads	Working session	8-9 February 2011
Integratio n	Drafting of Annual Departmental/Operational Plans and Departmental budgets	Programmes reflective of :- -Projects/programmes -Objectives -KPI's and Targets -Cost Estimates -Implementation plan	Departmental Heads Relevant organs of state	-Planning sessions with staff -Planning sessions with officials from various organs of state -Desktop	8-9 Feb 2011
	Annual Municipal Business plan (consolidation of Departmental plans)	Consolidated Draft IDP and Budget	IDP Manager Chief Financial Officer	Desktop	8-9 February 2011
	Strategic Planning Session	Discuss draft IDP which include annual business/operational plans	Departmental Heads Divisional Managers	Meeting	8-9 February 2011
	1 <sup>st</sup> Draft IDP and draft Budget to IDP/Budget Steering and Portfolio Committees	Political Assessment and recommendations of draft IDP and draft Budget	Departmental Heads IDP/Budget Steering and Portfolio committees members	Meeting	23 February 2011
	2 <sup>nd</sup> IDP Representative	Tabling of the 1 <sup>st</sup> draft	Stakeholders	Meeting	24 February

	forum	IDP to stakeholders · Stakeholders comments/inputs			2011
	1 <sup>st</sup> Draft IDP and draft Budget to Council	· Political assessment and approval of draft Budget and IDP	All Councillors Management	Meeting	28 February 2011
	Invitation for public comments on the Budget and IDP	· Stakeholders comments	-All residents -District Municipality -Stakeholders	Written/oral submissions Public hearings/ Roadshows /Imbizo's	1 March- 28 March 2011
	Development of service delivery and Budget implementation plan	Service delivery and Budget implementation plan	Municipal Manager IDP Manager Heads of departments	Submit final plans to MM/IDPM	4 April 2011
Approval	Final draft to the IDP/Budget Steering and Portfolio committees	Political inputs and recommendations on final draft of the IDP and Budget	IDP/Budget Steering and Portfolio Committees	Meeting	13 April 2011
	Final draft to the Executive committee	Political inputs and recommendations on final draft of the IDP and Budget	Executive Committee	Meeting	18 April 2011
	Final draft to the Council for approval	Council approval of Budget and IDP	All Councillors Management Members of the public	Meeting	20 April 2011
	Development of performance plans and performance agreements	Performance plans and performance agreements	Mayor Municipal Manager	Planning session	3-7 June 2011

Phases	Activity	Outputs	Role Players	Tools/Meth odology	Time Frame
	Implementation of IDP, Budget and PMS	Implementation	All staff members	Work	1 Jul 2011- 30 Jun 2012
	1 <sup>st</sup> <u>Quaterly Review</u> 2 <sup>nd</sup> <u>Quaterly Review</u> 3 <sup>rd</sup> <u>Quaterly Review</u> 4 <sup>th</sup> <u>Quaterly Review</u>	Review Progress against: Meeting of objectives Time frames Expenditure patterns Development impact	Mayor Municipal Manager Departmental Heads	Meeting/Wo rkshop	Mid Oct 2010  Mid Jan 2011 Mid Apr 2011

				Mid July 2011
	Annual report	Compile annual report	Municipal Manager Departmental Heads	Mid July 2011

## 1.6 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 the municipality, 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 municipality 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 the municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;

- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

### **National Priorities**

The President on his 2011 State of the Nation Address mentioned five national priorities which should be embedded by all spheres of government on the planning and budgeting processes for the medium-term. The government has introduced the New Growth Plan that will guide the work of all spheres of government in achieving the goals relating to these national priorities within the premise that the creation of decent work is at the center of our economic policies.

#### **The five national priorities are;**

- (a) Creating decent jobs;
- (b) Improving the quality of education;
- (c) Enhancing health services;
- (d) Enhancing rural development and agrarian; and
- (e) Fight against crime and corruption.

In His address, the President has further declared 2011 as a year of job creation. The municipalities should align their programmes with the job creation imperative.

To achieve this national priority, municipalities are urged to when drafting 2011/2012 budgets to explore opportunities to mainstream labour intensive approaches to delivering services, and more particularly to participate fully in the EPWP. The municipality ought to focus on maximizing its contribution to job creation by;

- (a) Ensuring that service delivery and capital project use labour intensive methods wherever appropriate.
- (b) Ensuring that service providers use labour intensive approaches.
- (c) Supporting labour intensive LED projects.
- (d) Participating fully in the EPWP/National youth service plan NYDP.
- (e) Implementing interns programmes to provide young people with on-the-job training

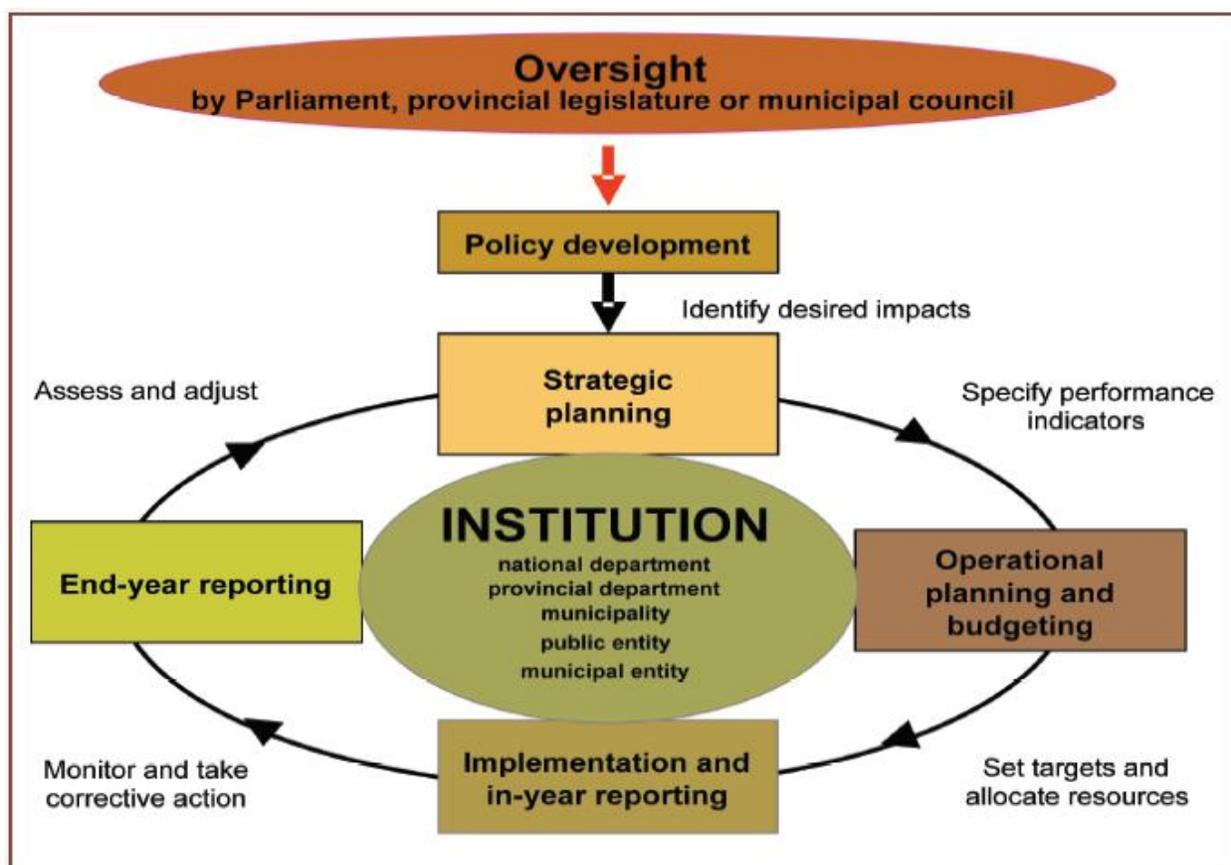
The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's seven strategic objectives for the 2011/12 MTREF and further planning refinements that have directly informed the compilation of the budget:

The 2011/12 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.

## 1.7 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 Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assess and reviews organisational performance which in turn is directly linked to individual employee's performance.

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. The planning, budgeting and reporting cycle can be graphically illustrated as follows:



**Figure 1.7.1. Planning, budgeting and reporting cycle**

The performance of the municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);

- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The following table sets out the municipality's main performance objectives and benchmarks for the 2011/12 MTREF

#### STRATEGIC THRUST 1: EFFECTIVE FINANCIAL MANAGEMENT

OBJECTIVES	DATE	KEY PERFORMANCE INDICATOR
1.1 Monitor and control the budget of the municipality so that expenditure is in line with Council's requirements and availability of funds	End June 2012	<ul style="list-style-type: none"> <li>a) All spending occurs within the parameters of the budget.</li> <li>b) Sound financial management</li> <li>c) Highlight any irregularities to H.O D's</li> <li>d) Provide a monthly overview of the budget for each department and the municipality and any issues that need to be taken into consideration</li> </ul>
1.2 Develop a medium term financial framework within which Council can operate.	End June 2012	<ul style="list-style-type: none"> <li>a) Develop a Five-year financial plan which should be approved by Council.</li> <li>b) Evidence to be provided that the financial plan is linked to the IDP.</li> </ul>

OBJECTIVES	DATE	KEY PERFORMANCE INDICATOR
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.3 Develop and implement a budget process and system that allows for public participation and the alignment of the budget to community needs.	End May 2012	<p>a) Budget process plan approved by 31 August 2011.</p> <p>b) Prepare and submit draft budget to the Municipal Manager for discussion with management and thereafter the finance portfolio committee</p> <p>c) CFO should prepare the budget process as far as is practically possible in line with GAMAP principles. Prepare a plan that will show what needs to be in place in order to implement GAMAP by 2011/2012.</p> <p>d) Budget process should be communicated and implemented. (Evidence to be provided on the implementation of the system).</p> <p>e) Ensure budget is adopted by end of May 2012.</p>
<b>OBJECTIVES</b>	<b>DATE</b>	<b>KEY PERFORMANCE INDICATOR</b>
1.4 Manage and control budgeting and financial planning so that the strategic direction of Council is reflected in the budget and that the budget is adhered to.	31 May 2012	<p>a) Evidence to be provided of public participation (this will be arranged by finance portfolio committee, who will be guided by the development of the budget within timeframes that will lead to the adoption of the budget by 31 May 2012)</p> <p>b) Budget submitted to and approved by Council within required deadlines/format.</p> <p>c) Approved budget should be submitted to National Treasury within 14 days after adoption of the budget</p> <p>d) Preparation and submission of financial statements within required deadlines in the format required by the Auditor General</p>
1.5 Manage all assets and insurance of Council so that there is adequate cover.	30 June 2012	<p>a) Asset risk management strategy should be developed.</p> <p>b) Develop an asset register</p>
1.6 Manage and control revenue so that Council receives all money owed to it.	30 June 2012	<p>a) Plan developed, approved and implemented to improve payment facilities/pay points in conjunction with other service providers. (Progress to be in line with plan).</p> <p>a) Indigents and Credit Control Policies</p>

OBJECTIVES	DATE	KEY PERFORMANCE INDICATOR
		developed and approved by Council. (Progress to be measured against policies). b)A Tariff Policy that differentiates various categories of consumers and areas based on services and affordability to be developed and approved by Council. c)Differentiated rates system to be developed and approved by Council. (Evidence of progress to be provided).
1.7 Facilitate the process of building capacity in the Finance Department	30 June 2012	a)Appoint interns in consultation with the Manager Corporate Services b)Develop and implement a mentoring programme for the interns c)Appoint a Deputy Chief Financial Officer
1.8 To identify other sources of revenue which will improve income received by the municipality	30 June 2012	Facilitate the compilation of a comprehensive valuation roll

**STRATEGIC THRUST 2: INSTITUTIONAL TRANSFORMATION**

OBJECTIVES	DATE	KEY PERFORMANCE INDICATOR
2.1 Develop and implement an Employment Equity Plan for the Council and promote adherence to the plan in the Corporate Services Department	30 June 2012	a)Plan approved by Council.
2.2 To promote and ensure that capacity is built within the institution and in the community	30 June 2012	a)Coordination of Internship/ volunteer/ mentorship programmes. b)Development of a skills development plan. c)Accessing of funds for skills development from LGWSETA d) Assisting other departments in facilitating access to training for members of the community i.e SETA's and Dept. of Labour .
2.3 To lead and direct the Human Resources Section so that the HR objectives of Council are achieved.	30 June 2012	a)Develop an institutional development business plan and facilitate its implementation. b)Develop HR policies and plans. c)Facilitate change management d)Develop a policy and programmes around the issue of HIV/AIDS in the workplace e) Purchasing of software that will assist in the management and

OBJECTIVES	DATE	KEY PERFORMANCE INDICATOR
		administration of Human resource related information
2.4 Lead and direct the Administration Section so that the administration objectives of Council are achieved	30 June 2012	Purchasing of software that will assist in the management, administration and distribution of information
2.5 Lead and direct the Legal Service Section so that the objectives of Council in this area are achieved.	30 June 2012	Development and review of by-laws.
2.6 Lead, direct and manage staff within Department so that they are able to meet their objectives.	30 June 2012	All subordinates to have job descriptions which are available for inspection and links to the overall strategic objectives of Department.

**STRATEGIC THRUST 3: SUSTAINABLE DEVELOPMENT AND ENVIRONMENTAL MANAGEMENT**

OBJECTIVES	DATE	KEY PERFORMANCE INDICATOR
3.1 To promote a safe, clean sustainable and well managed environment in line with the Integrated Development Plan of the Municipality.	End of June 2012	a)develop and implement policies and by-laws b)provide an efficient refuse removal service in Marble Hall and Leeuwfontein and develop a plan to extend the service to Elandskraal, Matlereking and other areas c)Proper disposal of collected waste at registered waste sites

**STRATEGIC THRUST 4: SERVICE DELIVERY EXCELLENCE, CUSTOMER SERVICE AND BATHO PELE**

OBJECTIVES	DATE	KEY PERFORMANCE INDICATOR
4.1 To strive to provide services to the customers in an effective and efficient manner	30 June 2012	a)Conduct customer survey to determine service and support satisfaction level : <ul style="list-style-type: none"> <li>❖ Employees</li> <li>❖ Departments</li> <li>❖ Senior Management</li> <li>❖ Labour</li> <li>❖ Political Structures</li> </ul> b)Training, awareness and implementation of BathoPele principles c)Establish suggestion boxes

**STRATEGIC THRUST 5: ACCESS TO BASIC SERVICES**

OBJECTIVES	DATE	KEY PERFORMANCE INDICATOR

5.1 Prepare and facilitate the implementation of strategic plans for electricity that both inform and are aligned to the Integrated Development Plan	End June 2012	a) Annual electricity plan developed and approved by Council. Plan should complement plans for municipality's growth b) Plan should be submitted to the District municipality and Eskom for funding c) Facilitate the Provision of free basic electricity d) Facilitate the provision of electricity for the Marble Hall Loskop housing development project
5.2 Prepare strategic plans for water and sewerage that both inform and are aligned to the Integrated Development Plan of the Municipality.	End June 2012	a) Annual Water and Sanitation project Plan approved by Council and submitted to District municipality for implementation. Plan should complement plans for the Municipality's growth. b) Progress against plan provided – progress to be on track with approved plan. c) 5-year capital plan aligned to IDP, approved by Council and reviewed annually.
5.3 Plan in liaison with the District municipality for services that are	End June 2012	a) Facilitate a service level agreement with the District for the provision of water
<b>OBJECTIVES</b>	<b>DATE</b>	<b>KEY PERFORMANCE INDICATOR</b>
within the powers and functions of the district municipality		
5.4 Prepare and implement strategic plans for roads and storm water that both inform and are aligned to the Integrated Development Plan of the Municipality.	End June 2012	a) Annual roads and storm water plan approved by Council. Plan should complement plans for the Municipality's growth. <ul style="list-style-type: none"> <li>• internal roads</li> <li>• Tarring of existing gravel roads</li> <li>• Progress against plan provided – progress to be on track with approved plan.</li> </ul> b) 5-year capital plan aligned to IDP, approved by Council and reviewed annually.
5.5 Maintain the road assets so that the life cycle costs are optimized and the mobility/access needs of the population are met.	End June 2012	Maintenance of internal tarred roads as part of the urban renewal plan
5.6 Reduce the infrastructural backlogs to ensure efficient and effective provision of service for improved living conditions.	End June 2012	a) 100% of capital budget to be spent. b) Facilitate process of provision of housing and the implementation process

**STRATEGIC THRUST 6 : PUBLIC SAFETY AND BY-LAW ENFORCEMENT**

<b>OBJECTIVES</b>	<b>DATE</b>	<b>KEY PERFORMANCE</b>
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		<b>INDICATOR</b>
6.1 Ensure the enforcement of by-laws and the prosecution of offenders.	End June 2012	Control, regulate and monitor hawkers in town (Traffic/health). Identify and Allocate sites. Development of infrastructure c)Determination of tariffs and registration of hawkers Develop a database of hawkers info and a plan d)10% of informal traders trained and certified. e)Assessment of which by-laws are necessary to regulate activities in the department of community services
6.2 To promote a safe and secure environment	End June 2012	a) Undertake an assessment of the status quo in terms of police stations and the problems communities are encountering and the best mechanisms to deal with the problems. b)Facilitate and ensure that Community policing forums are established Develop a crime prevention strategy
6.3 Regulate and manage traffic, enforce by-laws and educate the public so that safety on the road is improved	End June 2012	a) Develop and implement targets for law enforcement to improve service delivery and increase income generated through this exercise for each official.
<b>OBJECTIVES</b>	<b>DATE</b>	<b>KEY PERFORMANCE INDICATOR</b>
6.4 Oversee the management of the Licensing Section and Testing Stations so that efficient and effective license services and testing of vehicles takes place	End June 2012	a)Perform an audit of establishing the testing stations compliance with SABS requirements.
6.5 Oversee the management of disasters and safety of the residents	End June 2012	a)Facilitate discussions with the District municipality for the development of a Disaster management centre in Marble Hall. b)Investigate the feasibility of establishing an ambulance service and develop a proposal

**STRATEGIC THRUST 7: HOUSING DELIVERY**

<b>OBJECTIVES</b>	<b>DATE</b>	<b>KEY PERFORMANCE INDICATOR</b>
7.1 Make provision for the improvement of service delivery of low income housing for low income communities.	End June 2012	a) Evidence to be provided of housing provision for low-income communities.

**STRATEGIC THRUST 8 : TRANSPORTATION**

<b>OBJECTIVES</b>	<b>DATE</b>	<b>KEY PERFORMANCE INDICATOR</b>
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8.1 To provide an effective and efficient transport system	End June 2012	a)Identify areas where there is a need to develop taxi and bus ranks and make applications for funding.
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**STRATEGIC THRUST 9 : ECONOMIC GROWTH AND DEVELOPMENT**

<b>OBJECTIVES</b>	<b>DATE</b>	<b>KEY PERFORMANCE INDICATOR</b>
. 9.1 To empower and build the capacity of entrepreneurs so that they are able to understand and have an impact on the economic development and growth of this Municipality.	End June 2012	a)Develop a database of information on the economy, skills audit. b)Capacity building and training of entrepreneurs c)Empowerment of farmers through Emerging farmers development programme Evidence provided (in the form of a report) to show interaction with stakeholders i.e. names and positions of people, dates of meetings, meetings initiated by, issues discussed at meetings and outcome of meetings.
9.2 Facilitate and foster the economic development through planning and increased economic activity in the municipal area	30 June 2012	a)Development of a unique tourism destination (mini national park, Flag Boshielo eco-tourism etc) e)Job creation through capital projects
<b>OBJECTIVES</b>	<b>DATE</b>	<b>KEY PERFORMANCE INDICATOR</b>
9.3 To preserve the heritage and culture of the municipality through promoting eco- tourism	30 May 2012	a)Heritage, culture, heritage sites and cultural sites preservation. b)Development of a cultural village.

**STRATEGIC THRUST10: GOOD GOVERNANCE AND BUILDING DEMOCRACY**

<b>OBJECTIVES</b>	<b>DATE</b>	<b>KEY PERFORMANCE INDICATOR</b>
10.1 To promote effective and efficient communication both internally and externally	30 June 2012	a)Implementation of the communication strategy.
. 10.2 To ensure that there is effective and meaningful public participation by communities in Council programmes and activities	30 June 2012	a)Provide institutional support to ward committees b)Outreach programme by the Mayor
<b>OBJECTIVES</b>	<b>DATE</b>	<b>KEY PERFORMANCE INDICATOR</b>

10.3 Develop an IDP that ensures the activities of the municipality and its resource allocation are aligned to political priorities and community needs taking into account human resource and financial constraints	30 June 2012	Evidence to be provided of public participation and communication of the process to stakeholders e.g. publicity of information in the media, guidelines for councillors and staff, etc.
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**STRATEGIC THRUST 11 : STRATEGIC MANAGEMENT**

OBJECTIVES	DATE	KEY PERFORMANCE INDICATOR
11.1 Develop an IDP that ensures the activities of the municipality and its resource allocation are aligned to political priorities and community needs taking into account human resource and financial constraints	30 June 2012	a) Planning process approved by Council. b) Evidence to be provided of education /support given to councilors and ward committee members during the planning process e.g. Councilors training programmes, etc. c) Development of Ward level IDP d) Facilitating the drafting of Annual municipal and Departmental business plans

**STRATEGIC THRUST 12 : FIGHTING POVERTY AND PROMOTING HUMAN DEVELOPMENT**

OBJECTIVES	DATE	KEY PERFORMANCE INDICATOR
12.1 Lead and direct the Community Services for the Municipality so that the key strategic objectives in relation to Welfare are achieved.	End June 2012	a) Initiate and facilitate food security projects in each ward. b) Facilitate the provision of shelter, sanitation, water and safety at pension pay points

**STRATEGIC THRUST 13 : HIV/AIDS PREVENTION AND MANAGEMENT**

OBJECTIVES	DATE	KEY PERFORMANCE INDICATOR
.13.1 Lead and direct the Community services for the Municipality so that the key strategic objectives in relation to Health are achieved	End June 2012	a) Develop and implement an HIV/AIDS strategy b) Coordinate the activities of NGO's, CBO's and other interest groups so that there is an integrated approach in dealing with HIV/AIDS and other social issues

**1.8. Overview of budget related-policies**

As required by law, the budgeting process is guided and governed by relevant legislations, framework and policies, all the budget related policies must be reviewed annually. Any amendments, additions or deletions must be tabled to Council for approval.

Ephraim Mogale Municipality has reviewed the following Budget Related policies for the financial year 2011/2012 whereas all other policies remained unchanged:

### 1.8.1. SUBSISTENCE AND TRAVEL POLICY

This policy was reviewed as follows;

1. The rand per kilometer claimed by employees who do not receive any fixed travel allowance was changed in order to comply with SARS rates from the previously used AA rates which are meant for private companies

#### Sec. 3.1.1.3.

Officials who are not receiving a fixed monthly allowance	Applicable SARS rate as approved by the minister of finance.(R3.05)
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2. A new section has been included in order to regulate the provision of a fixed travel allowances

#### Sec. 3.1.4. Fixed Travel Allowance:

3.1.4.1. An application for a fixed travel allowance will be approved by the Municipal Manager from a unit manager given the nature of the duties for the applicant or a special project that requires temporary travel allowance if it constitutes sound financial management.

3.1.4.2. All travel allowances approved as per clause 3.1.4.1. will be calculated at a maximum of 750km per month.

3. All other rates have been changed in order to comply with the current rates from SARS

Daily allowance- R88

Overnight allowance- R110

Overnight with no accommodation arrangement- R286

### 1.8.2. CELLPHONE ALLOWANCE POLICY

The policy has been reviewed to allow for an increase based on the inflation rate of 6% as per circular 54.

#### Sec. 4.4.2.

Capping	All-inclusive Amount (in Rand)
Municipal Manager	R 1 452.00
Unit Managers	R 1 111.00
PRO	R 825.00
Divisional Managers	R 770.00
Supervisors	R 605.00
Drivers	R165.00 airtime voucher per month

### 1.8.3. SUPPLY MANAGEMENT POLICY

The SCM policy has been amended to include a clause that promotes LED as follows;

*Sec.55* .For the purpose of Local Economic Development within the municipality, any construction contract that is awarded to a company that does not reside within the municipal area will be subjected to subcontract 30% of the contract value to a local company or business.

## 1.9. Overview of budget assumptions

### 1.9.1 External factors

Domestically, after five years of strong growth, during which about two million jobs were created, our economy shrank by an estimated 1.8 per cent last year and about 900 000 people lost their jobs. It is expected that recovery from this deterioration will be slow and uneven, and that growth for 2011 will be 2.3 per cent rising to 3.6 per cent by 2012.

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 City's finances.

### 1.9.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2011/12 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration. Employee related costs comprise 27.7 per cent of total operating expenditure in the 2011/11 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget. The wage agreement SALGBC concluded with the municipal workers unions on 31 July 2009 as well as the 53 categorization and job evaluation wage curves collective agreement signed on 21 April 2010 must be noted.

### 1.9.3. Salary increases

- (a) The collective agreement regarding salaries/wages came into operation on 1 July 2009 and shall remain in force until 30 June 2012. Year three is an across the board increase of 8 per cent.

### 1.9.4. Impact of national, provincial and local policies

- Integration of service delivery between national, provincial 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;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve this national priority, municipalities are urged to when drafting 2011/2012 budgets to explore opportunities to mainstream labour intensive approaches to delivering services, and more particularly to participate fully in the EPWP. The municipality ought to focus on maximizing its contribution to job creation by;

- a. Ensuring that service delivery and capital project use labour intensive methods wherever appropriate.
- b. Ensuring that service providers use labour intensive approaches.
- c. Supporting labour intensive LED projects.
- d. Participating fully in the EPWP/National youth service plan NYDP.
- e. Implementing interns programmes to provide young people with on-the-job training.

### 1.9.5. Ability of the municipality to spend and deliver on the programmes

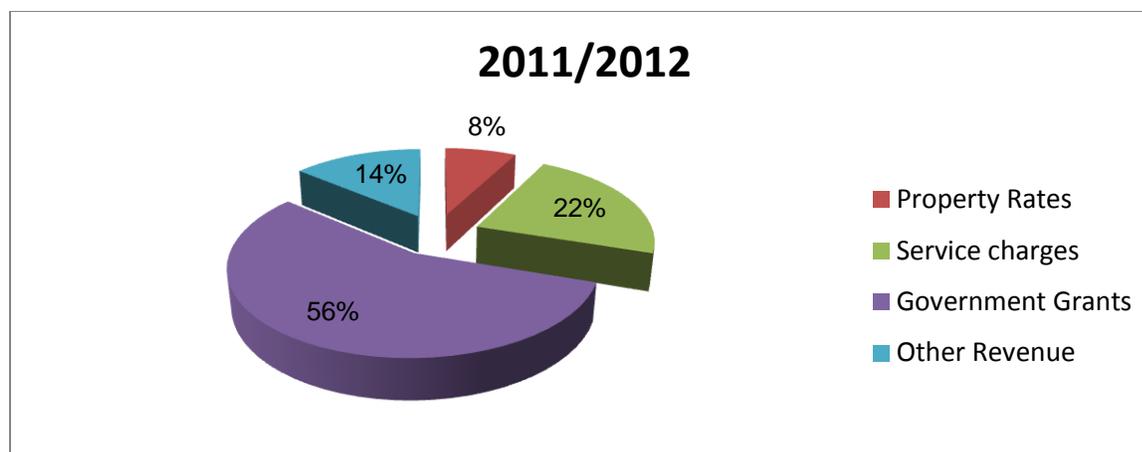
It is estimated that a spending rate of at least 90 per cent is achieved on operating expenditure and 100 per cent on the capital programme for the 2011/12 MTREF of which performance has been factored into the cash flow budget.

## 1.10 Overview of budget funding

### 1.10.1. Medium-term outlook: operating revenue

The following table is a breakdown of the total revenue of the municipality:

DESCRIPTION	BUDGET 2011/2012
Property Rates	11 785 819.92
Service charges	34 499 955.74
Government Grants	86 019 150.00
Other Revenue	21 338 333.85
<b>TOTAL</b>	<b>153 643 259.51</b>



Tariff determination plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The municipality derives most of its operational revenue from the provision of goods and services such as electricity and solid waste removal, property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc.).

The revenue strategy is a function of key components such as:

- Growth in the municipality and economic development;
- Revenue management and enhancement;
- Achievement of a 95 per cent annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

The proposed tariff increases for the 2011/12 MTREF on the different revenue categories are:

Service	% tariff increase
Property rates	6%
Electricity	Average 19%
Refuse removal	6%
Sundry	15%

Trends in major sources of own revenue

- Revenue from own source represent 45% of total revenue in 2011/2012 staying constant at 45% in 2012/2013. This indicates that the municipality is still dependent on government grants than its own revenue sources.
- Year-on-year growth for own revenue amounts to 5% from 2010/2011 to 2011/2012 while Government grants increases with 6.4 % from 2010/11 to 2011/12.

- Electricity and Property Rates remains the major source of revenue for the municipality at an average of 32% over the medium term.
- Property rates increases from 17% of own revenue in 2010/11 to 18% in 2011/12. This is mainly due to the implementation of the annual supplementary valuation roll for 2010/11.
- Electricity revenue contributes an entire 44% of own revenue over the medium term period.

### Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0, 25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA). In addition to this rebate, a further R25 000 reduction on the market value of a property will be granted in terms of the municipality's own Property Rates Policy;
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy;

The categories of rate-able properties for purposes of levying rates are contained below:

Residential Properties
Residential property with special consent
Government owned Properties
Business & Commercial
Agricultural
Vacant Land
Other property
Rural communal and state trust land
Public service infrastructure property;
Public benefit organization property;

### 1.11. Legislation compliance status

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

- a) In year reporting

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days).

b) Internship programme

The Municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department. The interns are currently undergoing a formal competency level training with the DBSA and expected to complete the programme during 2011/2012.

c) Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA.

d) Audit Committee

An Audit Committee has been established has been operating during the financial year..

e) Service Delivery and Implementation Plan

The detailed SDBIP document is finalized and attached to this document for approval.

f) Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements.

## 1.12. MUNICIPAL MANAGER'S QUALITY CERTIFICATE

I ....., Municipal Manager of Ephraim Mogale 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 \_\_\_\_\_

Municipal manager of Ephraim Mogale Local Municipality (LIM 471)

Signature \_\_\_\_\_

Date \_\_\_\_\_