



ANNUAL BUDGET OF MAFUBE LOCAL MUNICIPALITY

2012/13 TO 2014/15 MEDIUM TERM

REVENUE AND EXPENDITURE FORECASTS

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1.1 EXECUTIVE SUMMARY

1.1.1 BACKGROUND

In terms of section 16 (1) of the MFMA, the council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year.

(2) In order for a municipality to comply with subsection (1), the Mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.

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 has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 48, 51, 54, 55, 58 & 59 were used to guide the compilation of the 2012/13 MTREF.

The main challenges experienced during the compilation of the 2012/13 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Ageing and poorly maintained water, roads and electricity infrastructure backlogs
- Water quality
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Poverty
- The disclaimer of opinion that the municipality received
- Higher levels of expenditure (operating and capital) than revenue received
- Over reliance on conditional grants, instead of using own funds to fund capital expenditure projects.

The following budget principles and guidelines directly informed the compilation of the 2012/13 MTREF:

- The 2011/12 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2012/13 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;

- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water . In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2012/13 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2012/13 MTREF

DESCRIPTION	ADJUSTMENT BUDGET	BUDGET 2012/13	BUDGET 2013/14	BUDGET 2014/15
TOTAL OPERATING EXPENDITURE	145 813 589	123 607 612	130 566 094	138 486 149
TOTAL OPERATING INCOME	-147 883 394	-133 086 684	-141 950 765	-152 273 311
TOTAL OPERATING SURPLUS/(DEFICIT)	-2 069 805	-9 479 071	-11 384 671	-13 787 162
TOTAL CAPITAL EXPENDITURE	49 803 000	43 831 823	34 258 997	40 335 000

Total operating revenue has decreased by 10% or R 133 086 684 for the 2012/13 financial year when compared to the 2011/12 Adjustments Budget. For the two outer years, operational revenue will increase by 7% for both financial years.

Total operating expenditure for the 2012/13 financial year has been appropriated at R123 607 612 and translates into a budgeted surplus of R 9 479 071. When compared to the 2011/12 Adjustments Budget, operational expenditure has decreased by 15% in the 2012/13 budget and increased by 6% for both outer years of the MTREF. The operating surplus for the two outer years will increase to R 11 384 671 and R 13 787 162 respectively. The surplus for 2012/13 which amounts to R 7 069 304 will be used to fund the capital projects and further ensure cash backing of reserves and funds.

The capital budget of R 43 831 823 for 2012/13 is 12% less when compared to the 2011/12 Adjustment Budget. The decrease is mainly caused by the fact that the capital project of upgrading and maintenance of the Namahadi Waste Water Treatment Works (NWWTW) to the amount of R10 000 000 was only budgeted for the 2011/12 financial year, and also the Tweeling Sports Complex on which the projects is anticipated to be complete by the end of 2011/12 financial year. The MIG funding has been increased by 21% in order to address the backlog regarding infrastructure. The EPWP grant has been increased by 91% when compared to the 2011/12 budget.

1.2.2 OPERATING REVENUE FRAMEWORK

For Mafube Local Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;
- Efficient revenue management,
- The municipality contracted Rural Maintenance (Pty) Ltd to assist with the management, operation and maintenance of electricity in order to enhance electricity distribution and bring loss on distribution under control.
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services;
and
- Tariff policies of the Municipality.

The following table is a summary of the 2012/13 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

INCOME				
DESCRIPTION	ADJUSTMENT BUDGET	BUDGET 2012/13	BUDGET +1 2013/14	BUDGET +2 2014/15
Service Charges				
Electricity	(34 194 164)	-	-	-
Water	(13 427 238)	(14 232 872)	(15 086 845)	(15 992 055)
Sewerage	(10 154 952)	(10 764 249)	(11 410 104)	(12 094 710)
Refuse Removal	(9 487 040)	(10 056 262)	(10 659 638)	(11 299 216)
Property Rates	(7 200 000)	(8 280 000)	(8 776 800)	(9 303 408)
Operating Grants and Subsidies				
Equitable Share	(67 075 000)	(75 102 000)	(80 555 000)	(87 006 000)
Financial Management Grant	(1 450 000)	(1 500 000)	(1 500 000)	(1 750 000)
Municipal Systems Improvement Grant	(790 000)	(800 000)	(870 000)	(950 000)
Capital Grants and Subsidies				
Municipal Infrastructure Grant	(21 303 000)	(25 841 000)	(27 259 000)	(28 835 000)
Expanded Public Works Programme	(536 000)	(1 024 000)	-	-
Integrated National Electrification Grant	(12 100 000)	(10 000 000)	(5 000 000)	(10 000 000)
Social Dev (Youth Sports Complex)	(3 800 000)	-	-	-
DWA (Upgrading & maintenance of FNWWTW)	(10 000 000)	-	-	-
Other revenue				
Traffic Fines	(262 000)	(277 720)	(294 383)	(312 046)
Interest on overdue accounts	(2 625 000)	(2 782 500)	(2 949 450)	(3 126 417)
Rentals	(518 000)	(549 080)	(582 025)	(616 946)
Sundries	(700 000)	(8 742 000)	(9 266 520)	(9 822 511)
TOTAL	(195 622 394)	(169 951 684)	(174 209 765)	(191 108 311)

Table 3 Percentage growth in revenue by main revenue source

DESCRIPTION	ADJUSTMENT BUDGET 2011/12		BUDGET 2012/13		BUDGET +1 2013/14		BUDGET +2 2014/15	
		%		%		%		%
Service Charges								
Electricity	(34 194 164)	-31%	-	-100%	-	0	-	0
Water	(13 427 238)	0%	(14 232 872)	6%	(15 086 845)	6%	(15 992 055)	6%
Sewerage	(10 154 952)	0%	(10 764 249)	6%	(11 410 104)	6%	(12 094 710)	6%
Refuse Removal	(9 487 040)	0%	(10 056 262)	6%	(10 659 638)	6%	(11 299 216)	6%
Property Rates	(7 200 000)	-17%	(8 280 000)	15%	(8 776 800)	6%	(9 303 408)	6%
Operating Grants and Subsidies								
Equitable Share	(67 075 000)	0%	(75 102 000)	12%	(80 555 000)	7%	(87 006 000)	8%
Financial Management Grant	(1 450 000)	0%	(1 500 000)	3%	(1 500 000)	0%	(1 750 000)	17%
Municipal Systems Improvement Grant	(790 000)	0%	(800 000)	1%	(870 000)	9%	(950 000)	9%
Other revenue								
Traffic Fines	(262 000)	0%	(277 720)	6%	(294 383)	6%	(312 046)	6%
Interest on overdue accounts	(2 625 000)	0%	(2 782 500)	6%	(2 949 450)	6%	(3 126 417)	6%
Rentals	(518 000)	0%	(549 080)	6%	(582 025)	6%	(616 946)	6%
Sundries	(700 000)	0%	(8 742 000)	1149%	(9 266 520)	6%	(9 822 511)	6%
TOTAL OPERATING INCOME	(147 883 394)	-10%	(133 086 684)	-10%	(141 950 765)	7%	(152 273 311)	7%

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality.

Operating grants and transfers totals R 77 402 000 in the 2012/13 financial year and steadily increases to R 82 925 000 and R 89 706 000 for the two outer years respectively. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 4 Operating Transfers and Grant Receipts

DESCRIPTION	BUDGET	BUDGET	BUDGET	CURRENT YEAR 2011/12			2013 MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK		
	2008/09	2009/10	2010/11	ORIGINAL BUDGET	ADJUSTMENT BUDGET	FULL YEAR BUDGET	BUDGET 2012/13	BUDGET 2013/14	BUDGET 2014/15
R Thosands	AUDITED OUTCOME	AUDITED OUTCOME	AUDITED OUTCOME	ORIGINAL BUDGET	ADJUSTMENT BUDGET	FULL YEAR BUDGET	BUDGET 2012/13	BUDGET 2013/14	BUDGET 2014/15
Equitable Share	37 780	49 407	61 766	67 075	0	67 075	75 102	80 555	87 006
Finance Management Grant	500	750	1 000	1 450	0	1 450	1 500	1 500	1 750
Municipal Systems Improvement Grant	735	735	750	790	0	790	800	870	950
TOTAL OPERATING GRANTS	39 015	50 892	63 516	69 315	0	69 315	77 402	82 925	89 706

1.2.3 TARIFF MODELLING

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to

municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges in which a full recovery of cost to render a particular service will be recovered. It must be noted that in the past the municipality applied inflation adjustment to increase tariffs and this led the municipality fail to recover the full cost of providing services and thus seldom generate sufficient revenue to cover those costs.

1.2.3.1 MAFUBE LOCAL MUNICIPALITY 2012/13 TARIFF INCREASES

Electricity Tariffs

✓ **It is recommended:**

- (i) That, the electricity tariffs for the 2012/13 financial year be increased with 10% (on average) when compared to the previous year;
- (ii) That, the new electricity tariffs for 2012/13 be applicable from the 1st of July 2012
- (iii) That, the following charges and prices in connection with the supply and consumption of electricity are submitted for approval:

BUSINESS TARIFFS					
Description	2011/ 2012	2012/2013		2012/2013	
	Single & Three Phase	Three Phase	Single Phase	Three Phase	Single Phase
Basic Charge	110.00	666.61	388.61	83%	72%
	2011/2012	2012/2013		2012/2013	
	Summer & Winter	Summer	Winter	Summer	Winter
Energy	1.16	1.23	1.41	6%	18%

BUSINESS TARIFFS (Time of Use)			
Description	2011/2012	2012/2013	
	All year	Winter	Summer
Peak	n/a	2.74	1.45
Standard	n/a	1.41	1.23
Off-peak	n/a	1.05	1.00

DOMESTIC CONVENTIONAL			
Description	2011/2012	2012/2013	% Inc
Energy (Flat Rate)			
Basic Charge	0.1	66.62	100%
Block 1 (0-50kWh)	0.63	0.68	7%
Block 2 (51-350kWh)	0.72	0.76	5%
Block 3 (351-600kWh)	0.98	1.09	10%
Block 4 (>600kWh)	1.16	1.29	10%

DOMESTIC CONVENTIONAL (Time of Use)			
Description	2011/2012	2012/2013	
	All year	Winter	Summer
Peak	n/a	2.51	1.12
Standard	n/a	1.18	0.93
Off-peak	n/a	0.78	0.72

DOMESTIC PREPAID			
Description	2011/2012	2012/2013	% INC
Block 1 (0-50kWh)	0.82	0.8165	0%
Block 2 (>50kWh)	0.82	0.9798	16%

DOMESTIC PREPAID (Time of Use)			
Description	2011/2012	2012/2013	
	All year	Winter	Summer
Peak	n/a	2.63	1.23
Standard	n/a	1.3	1.02
Off-peak	n/a	0.94	0.89

LARGE POWER USERS		
Description	2011/2012	2012/2013
Basic Charge	n/a	1943.03
Demand / Maximum Demand	91.50 per kWh	35.53 pm
Energy	0.55 per kWh	0
Network Access	n/a	24.43 pm

LARGE POWER USERS (Time of Use)			
Description	2011/2012	2012/2013	
	All year	Winter	Summer
Peak	n/a	2.51	1.14
Standard	n/a	1.03	0.9
Off-peak	n/a	0.76	0.71

Other Tariffs

- (i) It is recommended that all service tariffs and other tariffs be increased by an average of 8%
- (ii) That the all new tariffs for 2012/13 be applicable from the 1st of July 2012

2012/13 PROPOSED TARIFFS			
DESCRIPTION	2011/2012	2012/2013	% INC
Indigent subsidy until R 2000			
Subsidy	181.55	206.97	8%
WATER			
Household	6.16	7.02	8%
Business & Governmental Departments	8.69	9.91	7%
SEWERAGE			
Household	75.60	86.18	8%
Business	86.40	98.50	8%
Governmental Departments	162.00	184.68	8%
Churches	43.86	50.00	0%
REFUSE			
Household	70.00	79.80	8%
Business & Governmental Departments	162.00	184.68	8%
EMPTY SITES			
Town	165.00	188.10	10%
Township	145.00	165.30	21%
HALL RENTALS			
Deposits	270.00	307.80	8%
Hire	331.58	378.00	8%
CEMETRIES			
Namahadi, Mafahlaneng, Qalabotjha & Ntswanatsatsi			
Single	156.80	178.75	12%
Double	313.60	357.50	12%
8ft Double	224.00	255.36	12%
Children	112.00	127.68	12%
Frankfort, Tweeling, Villiers, & Cornelia			
Single	545.00	621.30	9%
Double	1 090.00	1 242.60	9%
8ft Double	1 090.00	1 242.60	9%
Children	327.00	372.78	9%

2012/13 PROPOSED TARIFFS			
Description	2011/2012	2012/2013	% INC
TRAFFIC CONTROL			
Escourting of vehicles			
Burials	170.00	193.80	13%
Abnormal loads	270.00	307.80	8%
APPROVAL OF PLANS			
Residential Tariffs			
Any new structure less than 50m ²	105.00	119.70	5%
Thereafter - every 1m ² or part of it	4.02	4.58	15%
When bigger than 800m ²	5.15	5.87	3%
Business Tariffs			
Any new structure less than 50m ²	175.00	199.50	9%
Thereafter - every 1m ² or part of it	5.15	5.87	3%
When bigger than 800m ²	7.01	7.99	8%

- **Municipal services**

The Municipality has increased services rendered to the community by averagely 10% on electricity and 8% on other services. The reason for this increase that is above inflation rate is due to an increase on input costs (salaries, tools used to maintain the equipment, water and waste water chemicals.

Though chemicals have increased by over 10% the municipality will continue to keep its tariffs as low as possible.

This initiative will encourage consumers to pay services and as a result enhance revenue.

1.2.4.2 DEBT RELIEF SCHEME

The debt balance on the service accounts for the financial year as at 31 December 2011 was R 113 832 714.52

The municipality has to introduce strategy to encourage consumers to settle their account arrears. The strategy must encourage participation from consumer by offering debt relief options and incentives. This initiative is done with a reasonable cost to the municipality and without involvement of attorneys and or debt collectors. This move will be considered only if all attempts failed.

The strategy must also consider those who have demonstrated commitment and consistency to their service accounts with the municipality by way of offering incentives.

- **Consumer in Arrears**

The outstanding debt on services and rates accounts attracts interest that is accumulated monthly on the FMS.

The purpose of the proposal is to encourage those in arrears to settle their account and offer them a rebate and interest weaver proposed as follows:

- **Interest Weaver Scheme**

The consumer's interest charges to 31 December 2011 will be reversed. This will be to encourage the consumers to settle the capital debt derived from services charged without accumulated interest due to arrears.

- **Rebate on Balance Scheme**

This scheme offers a rebate on the debt balance if only the consumer requested for an arrangement of not more than six months to settle the balance and this excludes current account.

Household Earnings	Discount	Deposit
R2 500 – R3 500	70%	10%
R3 501 – R5 500	60%	10%
R5 501 – R7 500	50%	10%
R7 501 and above	40%	10%

OR

The consumer will be offered 60% rebate on the current balance provided the consumer is willing to settle the remaining 40% at once without any further arrangement with the municipality.

- **Water Leaks Rebates**

In a case where an account massively increased due to water leakages which could not be identified, the municipality will grant a rebate of 40% provided that the owner provides the municipality with the proof from the registered plumber that this matter has been addressed.

- **Customer Debt Relief Information Distribution**

The municipality has to ensure that consumers are well informed about the new debt relief scheme introduced and they fully understand the terms and condition of the scheme. The information can be distributed through many the following channels:

- Electronic Media (Lesedi and OFM)
- Print Media (Local Newspapers)
- Printing on monthly accounts statements
- Pamphlets distributed to consumers
- Ward based public meetings
- Ward Committees
- Mouth to mouth

Financial Implications

More than 40% of the total debt can be recovered in a short period and at a minimum costs to the municipality. Long term implication in consumers will be encouraged to pay their monthly bill regularly.

- **Recommendations**

It is recommended that:

1. Council approves the Debt Relief Incentive Scheme.
2. That Council takes note of the financial advantages of the debt relief scheme on both short and long term.
3. That incentive scheme must be available to consumers until 31 December 2012.

- **Pensioner Rebates**

- Pensioners earning less than R 2000 per month will be exempt from paying rates and taxes
- Pensioners earning between R 2001 – R5000 per month will be discounted by 40% on their rates and taxes
- Pensioners earning between R5001 – R8000 per month will be discounted by 20% on their rates and taxes.

1.2.4.3 DISSOLUTION OF THE MAFUBE CRISIS COMMITTEE

1. BACKGROUND

The crisis committee was established by members of the community who felt that they are not receiving value for money on services rendered by the municipality, where they withheld payments which were due to the municipality. The money due to the municipality was paid in a trust account that was opened by the members of the said committee. The municipality had a number of deliberations with the members of the committee with an attempt to close this matter but failed. It was only last year where both parties agreed to settle this matter based on the agreement to be signed by the Municipal Manager.

2. LEGAL IMPLICATIONS

1. The agreement should be signed for the criminal charges against the former Municipal Manager, who was acting on behalf of the municipality to be withdrawn.
2. After signing the agreement and having obtained the Council resolution regarding this matter, the Crisis Committee will cease to exist with immediate effect.

4. FINANCIAL IMPLICATIONS

1. It is expected that the crisis committee will pay all the monies owed to the municipality and thereafter cease to exist.
2. The minimum amount which is immediately available is R 1600 000 and a further amount of ± R 2 00 000 will be paid in three months after the first payment

5. RECOMMENDATIONS

It was recommended that:

1. Council concedes to the contents of the agreement which amongst others includes the following:
 - 1.1 monies due to the municipality be transferred into the Municipal bank account
 - 1.2 any balance thereof from the members of the Crisis Committee be written off

2. Council gives the Municipal Manager authority to sign the agreement with the crisis committee and immediately collect all the money due to the municipality.

2 DEPARTMENTAL NARRATIONS/ NOTES

2.1 Office of the Mayor

- The budget has been increased by 6% when compared to the 2011/12 Adjustment budget, the reason for this is that the EPWP was allocated in the Mayor's Office but the budget circular from the National Treasury advised that the EPWP should be budgeted for as all other conditional grants. No major adjustments have been made except for the Publication vote which has an increase of 500% and new vote such as Let the river flow project. Contributions to the Aged, Gender & Children Special Programmes have been moved from Community to the Mayors' Office.

2.2 Office of the Speaker

- The budget has been decreased by 3% which is on the Councillors' Allowances because it was discovered that they were overpaid.

2.3 Office of the Municipal Manager

- Some of the votes such as Agricultural Development, SMME Development and LED have been moved from the MM's office to the Town Planning

and Economic Development Department, and this will explain the decrease of 18%. Other votes such as entertainment have been reduced drastically because they are not a priority.

2.4 Corporate Services

- The office furniture vote has been moved to Corporate Services for the entire Municipality which will explain the extreme increase of 525%. The other major adjustment is Employee Wellness because the Municipality is in a process of sourcing medical services for its employees.

2.5 Community Services

- Some votes have been removed from the budget for the year in review, Waste Management Plan has not been budgeted for because it was budgeted for in the 2011/12 budget so it is anticipated that the plan will be developed before the end of the financial year.
- Pauper Burial vote has been moved to the Speakers' Office. Contributions to the aged, Gender and Children Special Programmes have been moved to the Mayors' Office. The new votes such as Maintenance of the Auction Kraals, Maintenance of Cemeteries and Maintenance of Water Parks are the major contributors of the 27% increase.

2.6 Town Planning and Economic Development

- The Town Planning and Economic Development has a new unit hence the name change, it was previously called Land use & human settlement. The

new items /votes are the major contributors of the 319% increase and some of the votes which have more than 1000% increase.

2.7 Financial Services

- Votes such as Printing & Stationery and Office furniture have been moved to Corporate Services. Some of the votes have been removed from the budget hence the 11% decrease.
- The income has decreased by 13%, the reason behind the decrease is that the income for electricity has not been budgeted for because Rural Maintenance is in charge of electricity services.

2.8 Infrastructure Services

- The major contributor to the 54% decrease is the fact that the Municipality contracted Rural Maintenance to assist with the maintenance, control and operations of electricity, the municipality does not service electricity therefore repairs & maintenance for electricity is not budgeted for 2012/13 and the two outer years.

3 BUDGET RELATED RESOLUTIONS

3.1 That in terms of Section 24 of the Municipal Finance Management Act, 56 of 2003, the annual budget of the municipality's Operating Revenue of R 133 086 684, Operating Expenditure of R 123 607 612 and Capital Expenditure Budget of R 43 831 823 for the financial year 2012/13, and indicative allocations for the two

projected outer years 2013/14 and 2014/15, be approved/adapted as set-out in the following tables:

(a) Budgeted Financial Performance (revenue and expenditure by standard classification); - Table A2

(b) Budgeted Financial Performance (revenue and expenditure by municipal vote); -Table A3

(c) Budgeted Financial Performance (revenue by source and expenditure by type); - Table A4 and,

(d) Multi-year and single year capital appropriations by municipal vote and standard classification and associated funding by source – Table A5

3.2 That the financial position, cash flow, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets be adopted as set-out in the following tables:

(a) Budgeted Financial Position -Table A6

(b) Budgeted Cash Flows – Table A7

(c) Cash backed reserves and accumulated surplus reconciliation – Table A8 and

(d) Asset management – Table A9

3.3 That the Council of Mafube Local Municipality acting in terms of Section 75A of the Local Government Municipal Systems Act, Act 32 of 2000 as amended, approves and adopt with effect from 1 July 2012, the following tariffs:

3.3.1 Property rates

3.3.2 Supply of water

3.3.3 Sanitation fees

3.3.4 Refuse removal fees

3.3.5 Supply of electricity

3.4 That the General Tariffs as set out in the Tariffs List be approved for the 2012/13, financial year.

3.5 That in terms of Section 24(2) (c) (v) of Municipal Finance Management Act, 56 of 2003, the budget related policies, including any amendments be approved for the budget year 2012/13

PART 2 – SUPPORTING DOCUMENTATION

1. OVERVIEW OF ANNUAL BUDGET PROCESS

The MFMA requires the mayor of a municipality to provide general political guidance over the budget process and the priorities that must guide the preparation of a budget. The new National Treasury Budget Regulations gives further effect to this by prescribing that the mayor of a municipality must establish a Budget Steering Committee to assist in discharging the mayor's responsibility' set out in section 53 of the Municipal Financial Management Act.

Local Government Legislation including Municipal Structures Act (117 of 1998), section 16 - 20 of Municipal Systems Act (32 of 2000) read along with section 151 of the Constitution of the Republic of South Africa provides for the establishment of the Local Government and the procedures followed in administrating the municipalities from different spheres. Public and/or community participation provides for joint and

informed decision making between the municipality in question and its communities in rendering services, communities are constantly consulted on council decisions impacting the provision of services by that municipality with regard but not limited to the IDP and Budget Consultations.

1.1 BUDGET PROCESS PLAN

Mafube Local Municipality			
2012/13 Budget Process Plan			
OBJECTIVE	RESPONSIBILITY	TARGET DATE	% COMPLETE
Develop budget process and schedule for preparation of operating and capital budgets (Adopted from Treasury guide)	CFO	31 August 2011	31 August 2011
Review tariffs and charges and collection of revenue and prepare forecasts of revenue for next three years in consultation with other Municipalities (Section 21(2)(d)).	CFO	29 September 2011	29 September 2011 Tabled to Council with a draft budget
Develop structure of budgets to align with portfolios and organisational management structures.	CFO	28 October 2011	28 October 2011
Integrate the IDP planning process with the budget process and timetable through development of operational and project plans.	MM / CFO	28 October 2011	February 2012 - Appointment of IDP Manager
Prepare initial estimates of portfolio allocations for next three years based on past performance, council priorities and objectives and operational and project plans.	CFO	23 November 2011	23 November 2011
Evaluate estimates and allocations to determine a draft budget and budget options for three years.	CFO/ All Heads of Departments	12 December 2011	01 February 2012
In consultation with Executive Committee develop capital and operating budgets for next three years.	EXCO / MM /CFO	25 January 2012	01 February 2012
Prepare cash flow budget / statements	CFO	08 February 2012	08 February 2012
Prepare budget documentation in accordance with framework.	CFO	22 February 2012	22 February 2012
Prepare budget information in reporting formats (National Treasury)	CFO	23 March 2012	
Communicate proposed budget to community for comments and inputs	Councillors	23 April 2012	02 May 2012 - 14 May 2012
Submit draft budget to National Treasury	CFO	24 April 2012	13 April 2012
Advertise proposed budget for public for objections	MAS	24 April 2012	24 April 2012
Table draft budget in Council for public consultation and debate.	Mayor	07 May 2012	29 March 2012
Submit electricity tariffs to the NER for approval.	CFO	18 May 2012	01 April 2012
Approve 2012/2013 capital and operating budgets and cash flow budget by resolution that also notes out two year's projected budgets.	Council	30 May 2012	
Submit approved budgets to National Treasury.	CFO	13 June 2012	
Draft SDBIP (Section 69(3)(a).	IDP Manager	18 June 2012	

1.2 PUBLIC PARTICIPATION

Public participation processes unfolded smoothly, wards and communities were consulted and involved for effective participation and to meet specific deadlines as reflected in the process plan. The following table provides a “snap-shot” analysis of the public participation processes as unfolded.

DRAFT BUDGET AND IDP PUBLIC MEETINGS

Notice is hereby given in terms of section 16 & 17 of the Municipal Systems Act No 32 of 2000 together with section 22 & 23 of Municipal Finance Management Act No 56 of 2003 that Mafube Local Municipality invites members of the public and stakeholders to participate in the meetings as indicated below for the 2012/13 Draft Budget.

DATE	TIME	TOWN	VENUE
02 May 2012	16h30	Qalabotjha (Ward 03)	Mohlakeng PS
02 May 2012	16h30	Qalabotjha (Ward 04)	NG Church
03 May 2012	10h00	Villiers	Town Hall
03 May 2012	16h30	Qalabotjha (Ward 09)	Ntataise Creche
07 May 2012	10h00	Tweeling (Ward 08)	Town Hall
07 May 2012	16h30	Mafahlaneng (Ward 08)	Mafahlaneng Community Hall
08 May 2012	10h00	Cornelia (Ward 01)	Town Hall
08 May 2012	16h30	Ntswanatsatsi (Ward 01)	Ekukhanyeni Community Hall
09 May 2012	10h00	Frankfort (Ward 05)	Town Hall
09 May 2012	16h30	Namahadi (Ward 05 & 06)	Namahadi Community Hall
10 May 2012	16h30	Namahadi (Ward 02)	Mfundo Thuto Sec School
10 May 2012	14h00	Namahadi (Ward 07)	Phomolong (Sunset)
10 May 2012	16h30	Namahadi (Ward 07)	Poelano Primary School
14 May 2012	16h30	Namahadi (Ward 05)	Save Gospel

The Draft Budget for 2012/13 has been tabled in the Municipal Council Meeting on the 29th March 2012. Written comments should be submitted to the office of the Municipal Manager before or on the 11th May 2012.

Enquiries regarding the budget may be directed to the Acting Chief Financial Officer Mr Nkgaudise N Molefe at (058) 813 9703

In terms of section 23 of the Municipal Finance Management Act 56 of 2003 and Municipal Systems Act, the municipality should commence the process of consultation on tabled budget by conducting public hearings (budget road shows).

The draft 2012/13 MTREF as tabled before Council on 29 March 2012 for community consultation were made available at customer care offices, municipal notice boards and various libraries. Ratepayer associations, community-based organisations and organised business were also invited to participate in the road shows. The opportunity to give electronic feedback was also communicated on the roadshows.

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

1.2.1 ATTENDANCE

Ward Committees and the Office of the Speaker were utilised to facilitate the community consultation process from 02 to 14 May 2012. The applicable dates and venues were published in all the local newspapers and on average attendance of 200 was recorded for all meetings held. This is up on the previous year's process. This can be attributed to the additional initiatives that were launched during the consultation process. Individual sessions were scheduled with organised business and imbizo's were held to further ensure transparency and interaction. Other stakeholders involved in the consultation included churches, non-governmental institutions and community-based organisations.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant considered as part of the finalisation of the 2012/13 MTREF.

1.2.2 METHODOLOGY USED

Consultations were made in a form of an open public meeting where the community was given ample opportunity to comment and ask questions on budget related issues. Each meeting lasted for about two to three hours.

1.2.3 CONCERNS, COMMENTS & QUESTIONS RAISED BY THE COMMUNITY

ISSUES RAISED BY THE COMMUNITY	RESPONSES
Poor quality of water being consumed.	The Municipality budgeted R 14 078 076 for the construction of the extension for water treatment works
The youth called for sponsorships from the municipality to assist in making their recreational and developmental activities a success.	The IDP/LED Manager was appointed November 2011. He will address the issues concerning LED
The local clinic should be upgraded as it is not in a good state.	Even though the clinics do not fall under the municipal competency. We have included clinics in the 2012/13 IDP.
More high mast lights should be provided.	The draft budget was adjusted after the roadshows to accommodate the high mast lights
Speed humps should be constructed to regulate the speed level in which motorist ride around the township streets.	It is an ongoing process to construct speed humps, fix potholes and paint the streets
The municipality should invest more funds in the maintenance infrastructure, especially the roads, so as to attract investors to Villiers.	After public consultation, the municipality increased the budget of upgrading gravel roads to paved roads in Namahadi. Priority will be given to Villiers with regards to roads during the 2013/14 financial year
There should be an initiative taken for the completion of the sports stadium in Qalabotjha.	It was requested from the National Treasury that the funds that were supposed to be used for Sports Facilities be transferred to the upgrading and maintenance of Water Works Treatment.
There should be an establishment of tourism unit as there are a lot of investors who are interested in Villiers.	The municipality has tourism which falls under the IDP/LED unit. There were posts advertised in order to fill the posts in that unit
5% should be taken from some of the programmes for the maintenance of sports facilities.	The Council will prioritise on sports facilities during the next financial year
The municipality should appoint an individual that is to be in charge of the safe-guarding of the sports facilities.	The Council will consider appointing a security guard in that regard
The municipal officials should develop effective ways in which to communicate with residents and be open to suggestions e.g. put up suggestion boxes or supply an e-mail address to which these would be forwarded.	The suggestion box will be placed at the cashiers and the e mail will be provided in the municipal website
There is a need for storm water channels as residents are often faced with challenges in their households during rainy weather conditions.	The municipality budgeted for roads and storm water channels for Mafahlaneng
The stench arising from nearby dumping sites is also one of the challenges they are faced with.	The community department has a programme called the "Cleaning Campaign" where by they clean all the dumping sites and the programme is ongoing.
The municipal budget should be divided amongst the four towns to facilitate service delivery.	It was explained to the community that since all four towns were amalgamated to Mafube, the budget cannot be compiled
Way bridges should be constructed for children and scholars crossing river canals	It is included in the IDP
Faulty meters are a real concern and residents do not fail to understand how meter readers extract readings when meters are in such conditions.	Water meters for 2012/13 are budgeted for and the other batch will be budgeted for during 2013/14

2. OVERVIEW ON ALIGNMENT OF ANNUAL BUDGET WITH INTEGRATED DEVELOPMENT PLAN

CAPITAL PROJECTS					
<i>DESCRIPTION</i>	<i>IDP PRIORITY</i>	<i>MTAS</i>	<i>Ref</i>	<i>BUDGET 2012/13</i>	<i>SOURCE OF FUNDING</i>
PMU	Infrastructure and Bulk Services			1 295 050	MIG
NAMAHADI WATER RETICULATION AND INSTALLATION OF 1714 ERF CONNECTIONS	Infrastructure and Bulk Services	Access to water	1.1	5 078 452	MIG
MAFAHLANENGRoads AND STORMWATER DRAINAGE	Infrastructure and Bulk Services	Access to municipal roads and stormwater channels	1.4 & 1.5	3 700 000	MIG
CORNELIA/NTSWANATSATS: BUCKET ERADICATION	Infrastructure and Bulk Services	Access to sanitation	1.2	141 425	MIG
REPLACEMENT OF WATER METERS	Infrastructure and Bulk Services	Access to water	1.1	800 000	OWN FUNDS
CONSTRUCTION OF MUNICIPAL OFFICES	Infrastructure and Bulk Services			1 500 000	OWN FUNDS
HIGH MAST LIGHTS	Infrastructure and Bulk Services	Access to electricity	1.3	500 000	OWN FUNDS
EPWP	Infrastructure and Bulk Services			1 024 000	EPWP
NAMAHADI - PHAHAMENG: UPGRADING OF GRAVEL ROADS TO PAVED ROADS	Infrastructure and Bulk Services	Access to municipal roads and stormwater channels	1.4 & 1.5	4 335 475	MIG
QALABOTJHA: CONSTRUCTION OF THE EXTENSION OF WATER TREATMENT WORKS	Infrastructure and Bulk Services	Access to water	1.1	13 607 421	MIG
QALABOTJHA EXT 4658 (HOUSE CONNECTIONS)	Infrastructure and Bulk Services	Access to electricity	1.3	5 000 000	INEP
NAMAHADI EXT/PHASE 1 (HOUSE CONNECTIONS)	Infrastructure and Bulk Services	Access to electricity	1.3	5 000 000	INEP
FENCING OF LANDFILL SITES	Infrastructure and Bulk Services			1 850 000	OWN FUNDS
TOTAL				43 831 823	

MUNICIPAL AND PROVINCIAL PRIORITY ALIGNMENT

KPA's	MUNICIPAL	PROVINCIAL GROWTH AND DEVELOPMENT STRATEGY
1	Municipal Transformation and Institutional Development	Reduce poverty through human and social development
2	Financial Viability and Financial Management	Stimulate economic development
3	Basic Service Delivery and Infrastructure Investment	Ensure a safe and secure environment for all people of the province
4	Local Economic Development	Develop and enhance infrastructure for economic growth and social
5	Good Governance and Community Participation	Promote effective and efficient governance and administration

4 OVERVIEW OF BUDGET RELATED POLICIES

The following are policies that govern the municipality's budget, compilation and/or implementation thereof:

- Budget Policy
- Subsistence and Travelling Policy
- Supply Chain Management Policy
- Indigent Policy
- Cell phone allowance policy

- Fleet Management Policy

2.1 REVIEWED BUDGET RELATED POLICIES

- **Budget Policy**

- ✓ The objective of this policy is to set out the budgeting principles which the municipality will follow in preparing each annual budget and Medium Term Revenue and Expenditure Framework (MTREF), the responsibilities of the Mayor, the Accounting Officer, the Chief Financial Officer and other senior managers in compiling the budget as well as to secure sound and sustainable management of the budgeting and reporting practices of Mafube Local Municipality by complying with uniform norms and standards and other requirements for ensuring transparency, accountability and appropriate lines of responsibility in budgeting and reporting processes of this municipality as established by the National Treasury.

- **Subsistence and Travelling Policy**

- ✓ The objective of this policy is to clearly define the Subsistence and Travelling related expenses that may be funded by Mafube Local Municipality, set out the conditions and approval required, set uniform guidelines for councilors and officials of Mafube Local Municipality; and clarify the various related processes and responsibilities

▪ **Supply Chain Management Policy**

The objectives of the policy are:

- ✓ To provide for efficient, fair, equitable, transparent, competitive and cost-effective supply chain operations when sourcing and procuring goods, services and works as well as the sale and letting of assets that conforms to constitutional and legislative principles;
- ✓ To provide for maximization of the benefits from the municipality's consolidated buying power in the market place.
- ✓ To ensure the efficient, fair, equitable, transparent and uniform disposal of assets through compliant procurement process.
- ✓ To ensure that Mafube Local Municipality shall manage its financial and administrative resources in such a manner that it meets and sustain its supply chain goals.
- ✓ To provide for a preferential procurement system that will encourage, promote and achieve social-economic objectives and good governance.

▪ **Indigent Policy**

The objectives are:

- ✓ To provide basic services to the community in a sustainable manner within the financial and administrative capacity of the council and to provide

procedures and guidelines for the subsidization of basic service (s) charges to its indigent households, using the council's budgetary provisions received from central government in accordance with prescribed policy guidelines.

- ✓ To address the key issues and challenges of indigents. The strategic aim is to create an enabling environment in which the objectives of revenue generation can be realized, given that many of the residents can simply not afford the cost of full provision of services.
- ✓ To provide procedures and guidelines for the subsidization of basic service(s) charges to indigent households, using the council's budgetary provisions received from central government in accordance with prescribed policy guidelines.
- ✓ To facilitate implementation of an effective program to assure free or lower cost services to those that cannot afford it, while eliminating the booking of these services as outstanding debtors.
- ✓ To provide a framework to assist the municipality in identifying those who qualify for the limited basic services and assuring that the limits are placed as needed.

2.2 NEW BUDGET RELATED POLICIES

- **Cell phone Allowance Policy**

- ✓ Mafube Local Municipality continuously endeavors to achieve best practice policies and procedures when managing the administration and operations of the assets of the Municipality.
- ✓ In order to enable and enhance productivity of the municipality's business units it is critical to make use of the latest means of technology for communication. Based on this, cellular phones are allocated for sound business reasons, primarily for receiving business calls and making business calls when officials are not in the office.
- ✓ The purpose of this Policy is to develop a means of managing these tools/assets in an effective and efficient manner.

▪ **Fleet Management Policy**

- ✓ The motor vehicle pool is an operational resource to enable employees to effectively execute the business of the Council. Planning and usage of vehicles must be coordinated and aimed at achieving maximum asset benefit with minimum asset utilisation. Employees, political office bearers and Councillors are expected to observe all policy and procedural aspects applicable to the operation of the motor vehicle pool.
- ✓ Vehicles are the property of the Council and are to be used in a responsible manner. Employees, political office bearers and Councillors are expected to protect the interests of Council while using pool vehicles. Adequate controls will be exercised to ensure that Council property is not misused.

2.3 OVERVIEW OF BUDGET ASSUMPTIONS

Key Parameters

The following provisional indicative growth rates and parameters were used as directives in the compilation of the 2012/13 and the two outer years

	PARAMETERS		
Expenditure	2012/13	2013/14	2014/15
Salaries - Annual increase	8%	8%	8%
Councillors Remuneration	-3%	7%	7%
Bulk Water Purchases	-16%	5%	5%
Contracted Services	-4%	5%	5%
Repairs and Maintenance	-13%	5%	5%
Depreciation	0%	5%	5%
Bad Debts Provision	-35%	5%	5%
Capital Expenditure			
Grants	35 901 000	32 259 000	38 835 000
Own Funded	7 930 823	1 999 997	1 500 000
	PARAMETERS		
Revenue	2012/13	2013/14	2014/15
Capital Grants	43 831 823	34 258 997	40 335 000
Equitable Share	75 102 000	80 555 000	87 006 000
MSIG	800 000	870 000	950 000
FMG	1 500 000	1 500 000	1 750 000
Refuse Removal	6%	6%	6%
Water	6%	6%	6%
Sewerage	6%	6%	6%
Property Rates	15%	6%	6%
Fines	6%	6%	6%
Interest on overdue accounts	6%	6%	6%

Municipal Manager's Quality Certification

Quality Certificate

I Puseletso Isaac Radebe, Municipal Manager of the Mafube 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 promulgated 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 Mafube Local Municipality

Signature: _____

Date: _____