

TABLE OF CONTENTS

	Section Description	Page
1	ANNUAL BUDGET	
	Executive Mayor's Report	2
	Resolutions	2
	Executive Summary	3
	Annual Budget Tables	17
2	SUPPORTING DOCUMENTATION	18
	Overview of annual budget process	18
	Overview of alignment of annual budget with Integrated Development Plan	19
	Measurable Performance Objectives and Indicators	22
	Overview of budget-related policies	24
	Overview of budget assumptions	25
	Overview of budget funding	26
	Allocations and grants made by the municipality	29
	Councillor and board member allowances and employee benefits	29
	Monthly Targets for Revenue and Expenditure	29
	Contracts having future budgetary implications	30
	Capital expenditure details	31
	Legislation compliance status	33
	Other supporting documents	34
	Annual budgets of municipal entities attached to the municipalities annual budget	34
	Municipal Manager's quality certification	35

PART 1 – ANNUAL BUDGET

1. EXECUTIVE MAYOR'S REPORT

To be tabled in Council under a separate cover.

2. BUDGET RELATED RESOLUTION

2.1 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 R3 361.57 million, Operating Expenditure of R2 988,32 million and Capital Expenditure Budget of R 373,25 million for the financial year 2010/11, and indicative allocations for the two projected outer years 2011/12 and 2012/13, be approved 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.

2.2 That the financial position, cash flow, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are 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;
- (d) Asset management – Table A9; and
- (e) Basic service delivery measurement – Table A10.

2.3 That the consolidated budget that includes the financial impact of Centlec (Pty) Ltd is approved.

2.4 That Centlec (Pty) Limited budget be noted.

2.5 That in terms of Section 24(2) (c) (i) and (ii) of the Municipal Finance Management Act, 56 of 2003 and sections 74 and 75A of the Local Government: Municipal Systems Act, Act 32 of 2000 as amended, the tariffs for the supply of water, electricity, waste services, sanitation services and property rates as set out in Annexure P1., which were used to prepare the estimates of revenue by source respectively, are approved with effect from 1 July 2010.

2.6 That in terms of Section 24(2) (c) (v) of Municipal Finance Management Act, 56 of 2003, the budget related policies, including any amendments as set out in the Annexure B are approved for the budget year 2010/11.

2.7 That the General Tariffs as set out in Tariffs Booklet be approved for the budget year 2010/11.

3. EXECUTIVE SUMMARY

INTRODUCTION

The 2010/11 medium term budget proposes a total budget of R3 361.57 million, comprising of R373,25 million for Capital and R2 988,32 million for Operating Expenditure respectively.

The 2011/2013 Medium Term Revenue and Expenditure Framework was developed within the framework of the City's development objectives. The development objectives are premised on four key strategic goals being:

- To ensure service excellence within and around Mangaung Local Municipality;
- To stimulate integrated and sustainable economic development;
- To improve and sustain financial, human resource excellence and management excellence;
- To evolve institutional excellence through an ongoing institution and re-enforcing, effective leadership and effective long-range development planning.

The budget has been prepared in terms of guidelines as contained in the National Treasury's MFMA Circular 48. The budget poses many challenges and competing needs/priorities which had to be addressed and accommodated by limited financial resources, not least the current recessionary economic climate.

BACKGROUND

The purpose of the 2010/11 MTREF budget is to comply with the MFMA (No 56 of 2003) and is a financial plan to enable the municipality to achieve its vision and mission through the IDP/Turnaround Strategy which is informed by our development agenda and community/stakeholder inputs.

The tabling of the draft budget is the start of a journey towards the final budget approval later in June 2010. It serves to initiate many processes both politically and administratively, amongst others, consultations with communities throughout the municipal area.

3.1 PAST AND CURRENT PERFORMANCE, ACHIEVEMENTS AND CHALLENGES

3.1.1 SERVICE DELIVERY

The Mangaung Local Municipality has since its inception on 1994, fast tracked the provision of basic services to the previously disadvantaged areas of Botshabelo, Thaba Nchu and Mangaung. As part of institutional transformation and in an endeavour to build an efficient administration, we are currently in the process of decentralisation of services to the city regions, in order to ensure improved service delivery.

While we are proud of the achievements we have made, we are under no illusion about the importance of the work that still needs to be done. The municipality has however, in the last few years been subjected to both the political and administrative leadership instability, which ultimately led to the declining service delivery levels and a low staff morale. The challenge that faces us all is to consolidated the leadership and for the city to regain/reinstitute its status as a "benchmark" municipality within the province.

3.1.2 SERVICE DELIVERY STANDARDS

The City is experiencing a constant/steady migration of individuals from surrounding farms, and towns, as well as Lesotho, in seeking a better life in the Bloemfontein areas. Through the Municipal Infrastructure Grant, particular emphasis is given to the eradication of service backlogs, especially water and sanitation, eradication of informal settlements through the provision of housing and household services.

The following table below provides a summary of the current backlogs of the municipality together with the estimated timeframes for addressing them:

Basic Services	Existing Backlogs (Households)	Timeframe to address based on current funding levels (years)
Water	16 342	5
Sanitation	48 018	7
Solid Waste	40 000	5
Solid Waste/Regional (Landfill site)	1	5
INFRASTRUCTURAL		
Main Stormwater Canals	82 Km	5
Roads (Mains Arterial & Street Residential)	465 Km	10
Pedestrianisation - Sidewalks	3 632 Km	15

3.1.3 FINANCIAL PERFORMANCE (2008/9)

The 2008/9 financial year was a very challenging year as it strives to meet its service delivery targets, amid the recessionary economic climate and the rising debtors' book. Our weakening balance sheet, assisted by under collection of debtors and rising operating costs, threatens the foundation for sustainable growth that Council should be striving for. The municipality received a disclaimer audit opinion for the second year in a row. In going forward the municipality need to take drastic actions to turn its financial position around toward sustainability and to meet the national 'clean audit' objectives by 2014.

OPERATING BUDGET

In respect of the 2008/09 financial year, expenditure in the amount of R 1,543 million was fully funded from the municipality's revenues as well as grants and subsidies from National and Provincial Government. The resultant over expenditure was R190,8 million, mainly as a result of debt impairment provision of R201 million against the budget of R20 million.

CAPITAL BUDGET

The actual Capital Expenditure was R478,5 million, showing a variance of R213,1 million against a budget of R691,6 million. The bulk of the expenditure of R625 million, was on Infrastructural services, including the major 2010 Soccer World Cup related projects.

3.2 BUDGET SUMMARY

3.2.1 MID-TERM OUTLOOK: 2011/12 – 2012/13

OPERATING BUDGET

The operating budget increases from R2 964,9 million in 2009/10 to R2 988,3 million in 2010/11 , R3 394,4 and R3 840,6 millions respectively, for the outer two years of the MTREF period. The growth is mainly attributed to:

- * Cost of bulk purchases of water and electricity;
- * Employee related costs as a result of the provision for salary increase and the full impact of staggered filling of vacancies in the 2009/10 fiscal year.
- * Impact of the increase in contracted services by 56.0%.

OPERATING BUDGET - HIGHLIGHTS

- Personnel costs grew by 15.98% based on the 2009/10 approved budget of R668, 2 million to R774, 95 million in 2010/11. This expenditure category constitutes 25.9.3% of the operating budget.
- Bulk purchases (water and electricity) grew by 15.98% against the 2009/10 budget to the proposed amount of R986, 92 million. Bulk purchases takes up approximately 33.03% of the operating budget for 2010/11. The increase in the electricity purchases costs (24.5%), is the biggest cost driver, with a direct influence on the cost of water.
- Repairs and maintenance growth is 13.97% on 2009/10 budget to the now proposed amount of R158, 97 million. Repairs and Maintenance takes up approximately 5.32% of the operating budget. Ideally the municipality should be budgeting between 6 – 8% of its operating budget on maintenance.
- Contracted services recorded a growth percentage of 56.09% to R153.5 million for the 2010/11 financial year. The major growth in this services is in respect of Vendors Commission(Electricity) for R20,1 million, Leasing of Vehicles R7 million ,Valuation Expenses R7 million and Audit Fees R6 million.
- Transfer to bad debts reserves has been increased by R32.0 million from the 2009/10 budget allocation to R87.5 million. The increase in the reserve allocation is mainly due to the Grap/IFRIS impairment requirements of the debtors' book, as well as the impact of the current recessionary economic climate.
- Interest on external borrowing has been set at R50,97 million for the 2010/11 financial year, representing a growth rate of 174.02%. The growth of R32,4 million is mainly as a result of Interest – Defined Benefit Plan of R28,2 million (not provided for in the 2009/10 budget.), Interest of the DBSA Loan of R6,3 million and a reduction Centlec's interest payment to the parent municipality by R2.4 million.

CAPITAL BUDGET

The capital budget has been reduced by R476.30 million from the 2009/10 budgeted amount of R841,7 million to R365,4 million in 2010/11. The projected capital expenditure budget has been set at R716,3 and R524,9 millions respectively for the 2011/12 and 2012/13 financial years.

CAPITAL BUDGET HIGHLIGHTS

The municipality is experiencing an influx of people seeking both employment and educational opportunities in the greater Bloemfontein and Botshabelo areas. The rapid inward migration, declining household sizes and greater economic and educational activity puts pressure on the existing municipal infrastructure.

The following are some of the major capital budget projects, which have been included in the MTREF budget:

PROJECT / ITEM	R'M
4 New Townships Establishment	8,0
Contribution to Airport Link Road	8,0
Inter-Modal Public Transport Facility	15,0
North Eastern Waste Water Treatment Works	50,2
Extension to Sterkwater Waste Water Treatment Works	24,9
Extension to Eastern Waste Water Treatment Works	6,5
Upgrading of Sewer System in Freedom Square	37,5
Bulk Water Supply to Mangaung	53,6
ELECTRICITY	
Electrification Connection – DME Grant	13,0
Installation of Pre-paid Meters (Indigents)	5,0
Electrification Connections DME	5,0
Demand Side Management	5,0
Public Electricity Connections	19,9

1. Assessment Rates

It is recommended:

- (a) That, the following general assessment rates in respect of the Mangaung Local Municipality be determined as follows:
- (i) Comma six three eight six cent (0,6386 cent), multiply by comma two five cent (0.25) and comma five (0.50) cent per rand on the rateable value of farm property (exempt from VAT);
 - (ii) Comma six three eight six cent (0,6386 cent) per rand on the rateable value of residential property (exempt from VAT);
 - (iii) One comma five nine six five one cent (1,5965 cent) per rand on the rateable value of government property (exempt from VAT);
 - (iv) Three comma one zero eight one cent (3,1081 cent) per rand on the rateable value of business property (exempt from VAT).
 - (v) Interest shall be paid to Council on rates, which have not been paid within thirty days from the date on which such rates became due, at a rate of 1% higher than the prime rate for the period during which such rates remain unpaid after expiry of the said period of thirty days.

Assessment Rates:

- * The first R 40 000 (Forty thousand Rand only) of the rateable value of residential properties are exempted;
- * That in respect of qualifying senior citizens and disabled persons, the first R200 000 (Two hundred thousand rand only) of the rateable value of their residential properties be exempted from rates;
- * That the rebate on the first R200 000 of the rateable value for residential properties of qualifying senior citizens and disabled persons will only be applicable on properties with a value that does not exceed R2 000 000 (Two million rand only); and,
- * That for the 20010/11 financial year the criteria for child headed families regarding the total monthly income from all sources must not exceed an amount of R 3000-00 per month.

(b) Sanitary Fees:

That the following levies in respect of the Mangaung Local Municipality (excluding residential in Bloemdundria, Ribblesdale, Bloemspruit, Bainsvlei, Farms and Peri Urban areas in Thaba Nchu, but including parsonages and the Langenhovenpark area) be determined:

- (i) Comma three seven two seven cent (0,3828 cent) per rand on the rateable value of the property (VAT excluded) with a minimum of seventy seven rand only (R 79,10) (VAT excluded) per erf per month

Sanitation – residential properties with a value of R 40 000,00 or less are exempted

- (ii) Levy on churches, church halls and other places of similar nature, qualifying charitable institutions and welfare organizations:

R 71,00 per sanitary point per month (VAT excluded);
R 23,61 per refuse container per month (VAT excluded);

- (iii) Martie du Plessis School, Dr Böhmer School, Lettie Fouche School, and schools of similar nature:
R 35,51 per sanitary point per month (VAT excluded);
R 11,81 per refuse container per month (VAT excluded);
- (iv) that the rates and levies in accordance with (a) and (b), as stated above, become due monthly on the following dates, 17 July 2010, 17 August 2010, 16 September 2010, 17 October 2010, 16 November 2010, 17 December 2010, 17 January 2011, 14 February 2011, 17 March 2011, 16 April 2011, 17 May 2011 and 16 June 2011;
- (v) that the rates and levies in accordance with (a) and (b), as stated above, become due monthly on the following dates, 17 July 2010, 17 August 2010, 16 September 2010, 17 October 2010, 16 November 2010, 17 December 2010, 17 January 2011, 14 February 2011, 17 March 2011, 16 April 2011, 17 May 2011 and 16 June 2011;

2. General Tariffs

It is recommended:

- (i) That the general tariffs and charges, at an average increase of 23%, as reflected in the **Tariffs Booklet**, be approved for the 2010/11 budget year.

3. Water Tariffs

It is recommended:

- (i) That, the water tariffs for the 2010/11 financial year be increased by 15.0% above the previous year;
- (ii) That, the water tariffs for 2010/11 be applicable from the consumer month of July 2010;
- (iii) That, for the calculation of water accounts the consumer month will be the period between the successive monthly readings irrespective of the period between reading dates and
- (iv) That, in terms of section 145 of the Local Government Ordinance of 1962, (Ordinance No 8 of 1962) the following charges and prices, excluding VAT, in connection with the supply and consumption of water are submitted for approval.

Part A: Erf within Municipal Area

Tariff 1: (a) Erf Used for Residential Purpose and

(b) Sports Club Incorporated in the Council's Sport Club Scheme Water Consumed:

- (i) R 3,32 per kilolitre per month for 0 to 6 kilolitres;
- (ii) R 10,01 per kilolitre per month for 7 up to 30 kilolitres;
- (iii) R 10,40 per kilolitre per month for 31 up to 100 kilolitres;

(iv) R 11,02 per kilolitre per month for each kilolitre more than 100 kilolitres.

(c) Bulk metered Flats / Townhouses / Duet Houses:

(i) Total kilolitres used, number of Flats/Townhouses/Duet Houses

(ii) Apply sliding scale: 0 - 6 kilolitres
 7 - 30 kilolitres
 31 - 100 kilolitres
 101 kilolitres and more

Multiply amount by number of Flats/Townhouses/Duet houses. Tariffs applicable to normal residential dwellings are applicable to the above.

Tariff 2: Unmetered Erf Used for Residential Purposes Only.

Fixed amount: R 19,23 per month

Tariff 3: Unimproved Erf

3.1 Unimproved erf which may be used for residential purposes only:

Minimum charge: R 21,21 per month

3.2 Any other unimproved erf:

Minimum charge: R 2284,84 per month

Tariff 4: Directorates of Council

Water consumed: R 8,26 per month

Tariff 5: Any Other Point where Water is supplied not mentioned in Tariffs 1, 2, 3 and 4 per Water Meter:

5.1 Minimum charge: R 284,84 per month

plus

5.2 Water consumed: R 10,47 per kilolitre per month.

Part B: Erf Out-side Municipal Area

Tariff 6: Erf used for Residential Purposes Only

Water consumed:

(a) R 3,32 per kilolitre per month for 0 to 6 kilolitres;

(b) R 10,01 per kilolitre per month for 7 up to 30 kilolitres plus a surcharge of 35%;

(c) R 10,40 per kilolitre per month for 31 up to 100 kilolitres plus a surcharge of 35%;

(d) R 11,02 per kilolitre per month for each kilolitre more than 100 kilolitres plus a surcharge of 35%;

Tariff 7: Any other point where water is supplied not mentioned in Tariff 6, per water meter (Excluding Special Arrangements)

7.1 Minimum charge: R 284,84 per month, plus a surcharge of 35%
plus

7.2 Water consumed: R 10,17 per kilolitre per month plus a surcharge of 35%

1.6 Electricity Tariffs

The following should be taken as background:

- **Eskom announced a 24.8% increase on electricity purchases applicable as from 1 April 2010;**
- **A tariff application was submitted to NERSA on 30TH April 2010 for an electricity tariff increase of 19% (based on NERSA's guidelines) for implementation as from 1 July 2010;**
- **CENTLEC will not be able to do any Capex with the electricity tariffs were only increased with 19% as from 1 July 2010.**

It is recommended:

- (i) That, the electricity tariffs for the 2010/11 financial year be increased with **19%** (on average) above the previous year;
- (ii) That, the new electricity tariffs for 2010/11 be applicable from the consumer month of July 2010
- (iii) That, for the calculation of electricity accounts the consumer month will be the period between the successive monthly readings irrespective of the period between reading dates and
- (iv) That, the following charges and prices, excluding VAT, in connection with the supply and consumption of electricity are submitted for approval:

RESIDENTIAL TARIFF GROUP	Current	PROPOSED TARIFFS AS FROM 1 JULY 2010	
	TARIFF AS FROM JULY 2009	TARIFF AS FROM JULY 2010	% INCREASE
TARIFF I(a): HOMEPower Service Charge - Urban Service Charge - Peri-Urban Units (c/kWh)	R 68.6000 R 102.7540 R 0.5760	TO BE DISCONTINUED - Replaced by Inclining Block Tariffs	
TARIFF I: RESIDENTIAL TARIFF - INCLINING BLOCK TARIFF Energy Block 1 (1 - 50kWh) Energy Block 2 (50 - 350kWh) Energy Block 3 (351 - 600kWh) Energy Block 4 (> 600kWh)	R 0.5530 R 0.5760	R 0.6000 R 0.6350 R 0.6800 R 0.8100	8.50% 10.24%
TARIFF I(b): HOMEPower (OFF-PEAK) Service Charge - Urban Service Charge - Peri-Urban Units (c/kWh) Peak - High demand Units (c/kWh) Peak - Low demand Units (c/kWh) Off-Peak - High demand Units (c/kWh) Off-Peak - Low demand	R 68.6000 R 102.7540 R 0.8630 R 0.5790 R 0.4480 R 0.4300	TO BE DISCONTINUED - Replaced by Inclining Block Tariffs	
TARIFF IV: HOMEPower BULK (SEE NOTE BELOW) Service Charge - Urban Service Charge - Peri-Urban Units (c/kWh)	R 849.1110 R 849.1110 R 0.5820	R 1,010.4421 R 1,010.4421 R 0.6926	19.00% 19.00% 19.00%
TARIFF V: PREPAID METERS Units (c/kWh) (H3 - Homelight 3 - full install. Costs) Units (c/kWh) (H2 - Homelight 2 - partly subsidized) Units (c/kWh) (H1 - Homelight 1 - largely subsidized) Units (c/kWh) (BFN CENTLEC URBAN > 500 kWh) Units (c/kWh) (BFN CENTLEC URBAN > 500 kWh) Units (c/kWh) (BFN CENTLEC PERI-URBAN > 500kWh) Units (c/kWh) (BFN CENTLEC PERI-URBAN > 500kWh) Units (c/kWh) (BFN CENTLEC BUSINESS - ALL) Units (c/kWh) (BFN CENTLEC BUSINESS - ALL) Units (c/kWh) (H3 - Homelight 3 - full install. Costs) INDIGENTS Units (c/kWh) (H2 - Homelight 2 - partly subsidized) INDIGENTS Units (c/kWh) (H1 - Homelight 1 - largely subsidized) INDIGENTS	R 0.6440 R 0.7380 R 0.7820 R 68.6000 R 0.5760 R 102.7540 R 0.5760 R 0.0000 R 0.0000 R 0.5530 R 0.6340 R 0.6710	TO BE DISCONTINUED - Replaced by Inclining Block Tariffs	
TARIFF VI HOMEFLEX Basic Charge (Service Levy) Capacity charge (R/Amp/m) Energy - High Demand - Peak (R/kWh) Energy - High Demand - Standard (R/kWh) Energy - High Demand - Off-Peak (R/kWh) Energy - Super peak (R/kWh) Energy - Low Demand - Peak (R/kWh) Energy - Low Demand - Standard (R/kWh) Energy - Low Demand - Off-Peak (R/kWh) Energy - Super peak (R/kWh)	No Super Peak R 32.3210 R 1.6160 R 1.3880 R 0.5620 R 0.4270 R 0.0000 R 0.5840 R 0.4630 R 0.4050 R 0.0000	R 38.4620 R 1.9230 R 1.6517 R 0.6688 R 0.5081 R 0.0000 R 0.6950 R 0.5510 R 0.4820 R 0.0000	19.00% 19.00% 19.00% 19.00% 19.00% 0.00% 19.00% 19.00% 19.00% 0.00%

TARIFF IV: HOMEPOWER BULK - TO BE PHASED OUT - Replaced by TOU Elecflex

Commercial/Business Rate

BUSINESS & COMMERCIAL TARIFF GROUP	TARIFF AS FROM JULY 2009	TARIFF AS FROM JULY 2010	% INCREASE
TARIFF II (a) BUSINESS RATE Service Charge - Urban Service Charge - Peri-Urban Units (c/kWh)	R 334.5100 R 334.5100 R 0.7100	SEE NOTE 1: TO BE DISCONTINUED	
TARIFF II: BUSINESS RATE TARIFF - DECLINING BLOCK TARIFF Energy Block 1 (1 - 50kWh) Energy Block 2 (50 - 350kWh) Energy Block 3 (351 - 600kWh) Energy Block 4 (> 600kWh)		R 8.0000 R 0.9500 R 0.9200 R 0.9000	SEE Comparison table in Annexures
TARIFF II(b): BUSINESS RATE (OFF-PEAK) Service Charge - Urban Service Charge - Peri-Urban Units (c/kWh) Peak - High demand Units (c/kWh) Peak - Low demand Units (c/kWh) Off-Peak - High demand Units (c/kWh) Off-Peak - Low demand	R 334.5100 R 334.5100 R 0.9690 R 0.7220 R 0.6400 R 0.6220	SEE NOTE 2: TO BE DISCONTINUED	
TARIFF II (c) DEPARTMENTAL (PUBLIC LIGHT) Units (c/kWh) PUBLIC LIGHT (Streetlights) Units (c/kWh) (Departmental Buildings)	R 0.4790 R 0.5820	R 0.5700 R 0.6926	19.00% 19.00%
TARIFF VI COMMFLEX Basic Charge (Service Levy) Capacity Charge (R/Amp/phase/month) Energy – High Demand – Peak Energy – High Demand – Standard Energy – High Demand – Off-Peak Energy – Low Demand – Peak Energy – Low Demand – Standard Energy – Low Demand – Off-Peak		R 51.5600 R 2.3200 R 1.8700 R 0.8380 R 0.6120 R 0.8000 R 0.6700 R 0.5800	NEW COMMERCIAL TOU TARIFF

NOTE 1: TARIFF II (a): BUSINESS RATE	TARIFF II (a): BUSINESS RATE - TO BE PHASED OUT - Connections smaller than 100Amp/phase - Replaced by Inclining Block Tariff. Connections larger than 100Amp/phase - Replaced by Bulk TOU Elecflex Tariffs
NOTE 2: TARIFF II (b): BUSINESS RATE (OFF-PEAK)	TARIFF II (b): BUSINESS RATE (OFF-PEAK) - TO BE PHASED OUT - Connections smaller than 100Amp/phase - Replaced by Inclining Block Tariff. Connections larger than 100Amp/phase - Replaced by Bulk Tou Elecflex Tariffs

AMR TOU Bulk Supply

AMR TOU Bulk Supply		PROPOSED TARIFFS AS FROM 1 JULY 2010		
BULK TARIFF GROUP	TARIFF AS FROM JULY 2009	TARIFF AS FROM JULY 2010	% INCREASE	
TARIFF III (a): TOU - ELEC FLEX 1 - BULK SUPPLY - MV: Direct from Distribution Centre				
Basic Charge (Service Levy)	R 3,584.0600	R 3,965.3500	10.64%	
Reactive Energy Charge (c/kWh)	R 0.0000	-		
Access Charge (R/kVA)	R 13.4000	R 14.7550	10.11%	
kVA Demand Charge (R/kVA)	R 44.9620	R 57.5450	27.99%	
Energy - High Demand - Peak (c/kWh)	R 1.2530	R 1.5010	19.79%	
Energy - High Demand - Standard (c/kWh)	R 0.4340	R 0.5160	18.89%	
Energy - High Demand - Off-Peak (c/kWh)	R 0.2990	R 0.3350	12.04%	
Energy - Low Demand - Peak (c/kWh)	R 0.4550	R 0.5350	17.58%	
Energy - Low Demand - Standard (c/kWh)	R 0.3360	R 0.4350	29.46%	
Energy - Low Demand - Off-Peak (c/kWh)	R 0.2790	R 0.3300	18.28%	
TARIFF III (b): TOU - ELEC FLEX 2 - BULK SUPPLY - MV: Feeding from MV Network				
Basic Charge (Service Levy)	R 2,433.9210	R 2,665.1500	9.50%	
Reactive Energy Charge (c/kWh)	R 0.0000	-		
Access Charge (R/kVA)	R 14.0700	R 15.4200	9.59%	
kVA Demand Charge (R/kVA)	R 47.1350	R 60.3500	28.04%	
Energy - High Demand - Peak (c/kWh)	R 1.3130	R 1.5700	19.57%	
Energy - High Demand - Standard (c/kWh)	R 0.4560	R 0.5450	19.52%	
Energy - High Demand - Off-Peak (c/kWh)	R 0.3150	R 0.3500	11.11%	
Energy - Low Demand - Peak (c/kWh)	R 0.4780	R 0.5430	13.60%	
Energy - Low Demand - Standard (c/kWh)	R 0.3530	R 0.4580	29.75%	
Energy - Low Demand - Off-Peak (c/kWh)	R 0.2930	R 0.3470	18.43%	
TARIFF III (c): TOU - ELEC FLEX 3 - BULK SUPPLY - LV: Feeding from LV Network				
Basic Charge (Service Levy)	R 1,283.4230	R 1,588.7800	23.79%	
Reactive Energy Charge (c/kWh)	R 0.0000	-		
Access Charge (R/kVA)	R 14.4720	R 17.5700	21.41%	
kVA Demand Charge (R/kVA)	R 48.5010	R 64.5500	33.09%	
Energy - High Demand - Peak (c/kWh)	R 1.3480	R 1.6500	22.40%	
Energy - High Demand - Standard (c/kWh)	R 0.4680	R 0.6200	32.48%	
Energy - High Demand - Off-Peak (c/kWh)	R 0.3230	R 0.3850	19.20%	
Energy - Low Demand - Peak (c/kWh)	R 0.4910	R 0.5750	17.11%	
Energy - Low Demand - Standard (c/kWh)	R 0.3620	R 0.4750	31.22%	
Energy - Low Demand - Off-Peak (c/kWh)	R 0.3000	R 0.3650	21.67%	
TARIFF III (e): BULK				
Service Charge LV	R 849.1110	TARIFF III (e): BULK - TO BE DISCONTINUED - REPLACED BY TOU ELEC FLEX TARIFFS		
Service Charge MV	R 1,294.4330			
Units (c/kWh) LV	R 0.4010			
Units (c/kWh) MV	R 0.3760			
kVA Demand Tariff (Low Tension) (R/kVA)	R 95.8500			
kVA Demand Tariff (11kV & 33kV) (R/kVA)	R 89.5400			

1.7 Explanation on the Changes of the Tariff Structure

This application is based on the approach of changing the tariff structure to operate within the set NERSA guidelines as well as the proposed restructuring of the EDI in the forming of REDS. By changing the MLM/CENTLEC tariff structure one must also bare in mind that Mangaung was identified as one of the future Metros and that the structure must also make provision for these changes. It is also a priority to comply with National Government's vision (*Government Gazette No R 842 dated 8 August 2008 – see ANNEXURE I attached*) for the implementation of TOU tariffs to all customer categories using more than 500kWh/month. The following tariff structural changes are thus submitted for approval:

Tariff Structure Changes:

- a. **Bulk:** *It is a single point of supply to an individual customer and/or premise, where the electricity is then distributed to separate sub-customers (and sub-metered by the bulk customer) and the resale of electricity is done in accordance with Mangaung Local Municipality's By-laws relating to electricity supply. This tariff will be phased out and replaced by TOU Elecflex tariffs.*
- b. **Businessrate:** *It is a single point of supply to an individual commercial customer and/or premise and can be re-distributed to separate sub-customers (and sub-metered by individual sub-meters) and the resale of electricity is done in accordance with Mangaung Local Municipality's By-laws relating to electricity supply. The intention is that this tariff will be phased out on 30 June 2010 and replaced with a declining block tariff (DBT) as from 1 July 2010. When the technology allows, this tariff will then be replaced with a TOU (Commflex) tariff (Government Gazette No R 842 dated 8 August 2008).*
- c. **Businessrate Off-peak:** *It is a single point of supply to an individual commercial customer and/or premise and can be re-distributed to separate sub-customers (and sub-metered by individual sub-meters) and the resale of electricity is done in accordance with Mangaung Local Municipality's By-laws relating to electricity supply. The intention is that this tariff will be phased out on 30 June 2010 and replaced with a declining block tariff (DBT) as from 1 July 2010. When the technology allows, this tariff will then be replaced with a TOU (Commflex) tariff (Government Gazette No R 842 dated 8 August 2008).*
- d. **CENTLEC Tariff:** *This is a new tariff and it is based on a single point of supply to an individual CENTLEC building, substation or premise for the exclusive use for CENTLEC alone. It will be based on a single rate c/kWh tariff. The same tariff will also be used for the billing of street lights and traffic light consumptions.*
- e. **Departmental:** *It is a single point of supply to an individual Municipal building and/or premise. Due to the fact that CENTLEC is a Ring-Fenced entity, the Departmental Tariff shall be discontinued on 30 June 2010. Mangaung Local Municipality's buildings and/or premises will be measured and billed according to the appropriate DBT or TOU tariff. CENTLEC premises will be measured and billed under a separate CENTLEC Tariff as from 1 July 2010. Street light and Traffic light consumption will be billed*

under the CENTLEC Tariff.

- f. **Elecflex 1:** *It is a TOU tariff for MV Bulk Supply customers feeding directly from CENTLEC'S Distribution Centres.*
- g. **Elecflex 2:** *It is a TOU tariff for MV Bulk Supply customers feeding directly from CENTLEC'S MV Substations on the MV Network.*
- h. **Elecflex 3:** *It is a TOU tariff for LV Bulk Supply customers feeding directly from CENTLEC'S LV Networks with a load of more than 100Ampere per phase (three phase connection).*
The tariff for all Elecflex (1, 2 & 3) tariffs will consist out of the following components:
- **A Basic Charge (Service Levy – R/month)** *based on the point of supply on the network – either:*
 1. *directly from the CENTLEC Distribution Centre,*
 2. *or from a CENTLEC substation on the MV network,*
 3. *or from CENTLEC's LV network.*
 - **A Reactive Energy Charge (c/kvarh)** *supplied in excess of 30% (0.96 Pf) of the kWh recorded during the Peak and Standard periods. The excess reactive energy is determined per 30-minute integrating period and accumulated for the month and will only be applicable during the High-Demand season.*
 - **Access Demand Charge (R/kVA)** *(See definition for Access Demand Charge).*
 - **Maximum Demand Charge (R/kVA)** *(See definition for Maximum Demand Charge).*
 - **Active Energy Charge (c/kWh)** *It is a seasonally and Time-Of-Use differentiated Active Energy Charge based on three TOU periods, namely Peak, Standard and Off-Peak periods and dependable on the point of supply on the network - either:*
 1. *directly from the CENTLEC Distribution Centre,*
 2. *or from a CENTLEC substation on the MV network,*
 3. *or from CENTLEC's LV network.*
- i. **Commflex 1:** *It is a new TOU tariff for Commercial LV (Business rate) customers with a maximum of 100Ampere per phase three phase connections feeding directly from CENTLEC'S LV Networks.*
The tariff for all Commflex customers will consist out of the following components:
- **A Basic Charge (Service Levy – R/month).**
 - **A Capacity Charge (R/Ampere/month)** *based on the Ampere rating as supplied as a standard single phase or three-phase connection. In the case of a three-phase connection, the Ampere rating will be determined by the sum of the three phases.*
 - **Active Energy Charge (c/kWh)** *It is a seasonally and Time-Of-Use differentiated Active Energy Charge based on three TOU periods, namely Peak, Standard and Off-Peak periods.*
- j. **Homeflex 1:** *It is a TOU tariff for MV Bulk Supply customers feeding directly from CENTLEC'S LV Networks.*

The tariff for all Homeflex customers will consist out of the following components:

- **A Basic Charge (Service Levy – R/month).**
- **A Capacity Charge (R/Ampere/month)** based on the Ampere rating as supplied as a standard single phase or three-phase connection. In the case of a three-phase connection, the Ampere rating will be determined by the sum of the three phases.

Active Energy Charge (c/kWh) It is a seasonally and Time-Of-Use differentiated Active Energy Charge based on three TOU periods, namely Peak, Standard and Off-Peak periods.

- k. **Homelight 1:** Residential prepaid tariff for electrification projects where the electrical connection was largely (or fully) being subsidized. **This tariff will be phased out on 30 June 2010 and replaced by the IBT tariff.**
- l. **Homelight 2:** Residential prepaid tariff for customers where the electrical connection was partly being subsidized. **This tariff will be phased out on 30 June 2010 and replaced by the IBT tariff.**
- m. **Homelight 3:** Residential prepaid tariff for customers where the electrical connection was paid in full. **This tariff will be phased out on 30 June 2010 and replaced by the IBT tariff.**
- n. **Homepower:** Residential connection where a conventional meter was installed and a monthly bill generated. **This tariff will be phased out on 30 June 2010 and replaced by the IBT tariff.**
- o. **Homepower Bulk:** Residential connection for bulk domestic customers (like townhouses) with a connection larger than 150Ampere/phase. These connections are still **in a process to be phased out** and converted to fully AMR TOU connections.
- p. **Homepower Off-peak:** Residential connection where a conventional meter is installed and a monthly bill generated. The tariff was based on two time-of-use periods namely peak and off-peak. Only 25 customers applied and were converted to this tariff. **This tariff will be phased out on 30 June 2010 and replaced by the IBT tariff until the availability of technology to convert to Homeflex.**
- q. **Prepaid – Indigents:** Residential prepaid tariff for indigent customers. **This tariff will be phased out on 30 June 2010 and replaced by the IBT tariff.**
- r. **Public Lights (Streetlights/Traffic lights):** (See New CENTLEC Tariff).

1.8 Housing Rental Tariffs

It is recommended that the rental tariffs on all housing schemes be increased with 10% from 1 July 2010.

ANNUAL BUDGET TABLES – CONSOLIDATED MUNICIPALITY

Table FS	Mangaung - Contact Information
Table A1	Consolidated Budget Summary
Table A2	Consolidated Budget Financial Performance (revenue and expenditure by standard classification)
Table A3	Consolidated Budgeted Financial Performance (revenue and expenditure by municipal vote)
Table A4	Consolidated Budgeted Financial Performance (revenue and expenditure)
Table A5	Consolidated Budgeted Capital Expenditure by vote, standard classification and funding
Table A6	Consolidated Budgeted Financial Position
Table A7	Consolidated Budgeted Cash Flows
Table A8	Consolidated Cash backed reserves/accumulated surplus reconciliation
Table A9	Consolidated Asset Management
Table A10	Consolidated Basic service delivery measurement
Chart A1	Revenue by Municipal Vote classification
Chart A2a	Expenditure by Municipal Vote
Chart A2 (b)	Expenditure by Municipal Vote - Trend
Chart A3	Revenue by Standard Classification
Chart A4	Expenditure by Classification
Chart A5 (a)	Revenue by Source – Major
Chart A5 (b)	Revenue by Source – Major - Source Trend
Chart A6	Revenue by Source – Minor
Chart A7	Expenditure by Type – Major Expenditure by Type – Minor
Chart A9	Capital Expenditure by Municipal Vote – Major
Chart A10	Capital Expenditure by Municipal Vote - Minor
Chart A11	Capital Expenditure by Standard Classification
Chart A12	Capital Expenditure by Municipal Vote – Major Trend Capital Expenditure per Programme per Vote 2010/11 Capital expenditure per Programme per Vote 2010/13 (3 year total)
Chart A13	Capital Funding by Source

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 responsibilities set out in section 53 of the Municipal Financial Management Act. Compilation of the Municipality's annual budget commenced with the establishment of the Budget Committee, composed of executive political representatives. The Committee's terms of reference include the following:

- To provide guidance on budget principles;
- To consider draft budget operational and capital parameters;
- To review directorates' budget inputs via budget hearings after tabling of the draft budget; and
- To review and advice on the outcome of MTREF

Following consideration of budget proposals from directorates, the Executive Management Team deliberated on the draft MTREF budget for endorsement in April 2010.

The 2010/11 to 2012/13 Draft MTB was tabled at a Council meeting held in April 2010. Subsequent to the tabling, the draft IDP, budget and proposed tariffs were published for stakeholders and public comment during May 2010.

Advertisements were placed in local newspapers, the Municipality's website and in the regional offices, Thaba Nchu, Botshabelo and Mangaung. As required by legislation, the draft MTREF budget was submitted to the Provincial and National Treasury for comments.

The progress and evaluation of the status of service delivery, summary of community and stakeholder views on the IDP, MTREF budget and the linkage of the budget to the IDP and support from other stakeholders were presented to the IDP and Budget Conference on the 26 May 2010.

The IDP and Budget time schedule as well as public participation for the 2010/11 budget cycle as approved by Council on 25 November 2009 in terms of Section 21 (1) (b) of the Municipal Finance Management Act is outlined below.

DELIVERABLE AND PROCESS MANAGEMENT	DATES
Development of IDP and Budget Process Plan	Aug 2009
Draft Process Plan sent to IDP and Budget Steering Committee	21 Oct 2009
Tabling of the IDP and Budget Process Plan to Council	25 Nov 2009
Advertisement of IDP and Budget Process Plan	26 Nov 2009
Committees and consultation forums for the budget process	
Briefing session with Budget Committee	9 Feb 2010
One day self assessment dialogue with Executive Management Team, Mayoral Committee and Councillors	
IDP Steering Committee to review emerging issues/changes and to prioritize IDP and budget items	3 March 2010
EMT to submit budget inputs on capital projects	31 Jan 2010
Refine municipal key performance area strategies, objectives and targets so as to influence the budget	19 Feb 2010

Initiate Public Participation process in line with Medium Term Revenue and Expenditure Framework	1 Mar 2010
Mayoral Committee Lekgotla confirm IDP, SDBIP and Budget priorities	12 Mar 2010
Review tariffs and budget policies	12 Mar 2010
Set and agree on IDP priority programme, projects and services	16 Mar 2010
Draft Medium Term Revenue and Expenditure Framework budget	16 Mar 2010
One and multi-year scorecard revised and presented to MAYCO	16 Mar 2010
Institutional plan refined to deliver on the municipal strategy	18 Mar 2010
Directorates identifying programmes and projects with external stakeholders	23 Mar 2010
Integration of sector plans and institutional programmes	23 Mar 2010
Horizontal and vertical alignment with District, Province and other stakeholders	23 Mar 2010
Present service plans and integration into the IDP document to Mayoral Committee	23 Mar 2010
Tabling of the Draft IDP including proposed revisions and MTREF Budget and related resolutions	30 April 2010
Submission of draft IDP and MTREF Budget to MECs Treasury and Cooperative Governance, Traditional and Human Settlements, and National	30 April 2010
Public participation process including hearings on Draft IDP and Budget	20 - 21 May 2010
IDP and Budget Conference	26 May 2010
Council considers submissions, representations and recommendations from hearings. Executive Mayor respond to submissions during consultation and table amendments for Council consideration	3 June 2010
Council meeting to approve MTREF budget by resolution, setting taxes and tariffs, approving changes to IDP and budget related policies, approving measurable performance objectives for revenue by source and expenditure by vote before start of budget year	3 June 2010
Publication of approved IDP and budget on the website and in local newspapers	5 Jun 2010

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

The Mangaung Local Municipality's IDP outlined the key focal area for development in the short to medium term. These are the commitments that Council will take forward as developmental agenda and requires dedicated resources for implementation. By and large the Mayoral Committee played a significant role in shaping these priorities and it was necessary to linked them to the national, provincial, district and sector departments' priorities and plans.

Council has set the following Mayoral Priorities:

- Service delivery excellence and sustainability - continuing to provide quality services with effective strategic management of the municipality to drive the strategic intent.
- Stimulating our integrated and sustainable economic development - increased emphasis on development and promotion of growth to grow the revenue base and fighting poverty.
- Improving and sustaining financial, human resource excellence and management excellence - continuing to be financially sustainable as a municipality and promoting human resource and management excellence.
- Institutional excellence, civic leadership and common purpose - effectiveness in providing services and continuous enhancement of institutional operations; promoting effective intergovernmental relations and mobilising other resources of government;

The 2010/11 budget continues to address the following IDP interventions:

- Access to infrastructural services (water and sanitation, roads and stormwater, electricity, refuse removal)

- Formalization of informal settlements
- Housing
- Community and social development
- Intermodal transport
- Credit and debt collection
- Indigent management
- Implementation of Financial Recovery Plan
- Meter reading services
- Local economic development
- Compliance in implementing the budget in line with the IDP
- Public participation and governance
- 2010 FIFA Soccer World Cup
- Operation Hlasela
- Anti-fraud and corruption

The Mangaung Local Municipality faced with financial constraints and related challenges have attempted to bring together the development strategy and priorities of Council in line with financial resources.

IDP Development Focus Operating Expenditure	Current Year 2009/10			2010/11 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
Governance and IDP	164,921	239,216	233,236	230,870	240,140	257,468
Information Technology	90,521	90,521	88,258	27,457	29,721	31,439
Human Resource Management	14,313	14,313	13,955	52,805	59,777	65,305
Support Services/Fleet	17,738	17,738	17,295	19,199	15,312	16,790
Miscellaneous Services	274,807	274,807	267,937	328,416	352,808	382,584
Emergency Services	46,936	46,936	45,762	43,893	48,099	52,811
Health	-	-	-	15,063	13,291	14,298
Parks and Cemeteries	57,528	57,528	56,090	66,362	73,649	78,711
Traffic and Security	78,004	78,004	76,054	79,707	89,965	96,139
Social Development	37,535	37,535	36,597	44,474	50,840	54,709
Economic Development	54,769	54,769	53,400	68,343	72,565	77,350
Economic Development	12,750	12,750	12,431	13,814	15,188	16,335
Financial Sustainability	64,795	64,795	63,175	93,151	100,102	109,382
Roads and Stormwater	135,177	135,177	131,798	139,350	150,913	160,926
Solid Waste Management	75,829	75,829	73,934	85,477	94,937	103,539
Water and Sanitation	103,531	103,531	100,942	117,094	137,032	145,520
Housing	28,555	28,555	27,841	28,749	33,036	35,655
Water	316,419	316,419	308,508	344,812	373,732	406,810
Electricity	1,045,194	1,045,194	1,019,064	1,189,288	1,443,327	1,734,835
Total	2,619,323	2,693,617	2,626,277	2,988,324	3,394,433	3,840,608

IDP Development Focus Revenue	Current Year 2009/10			2010/11 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
Governance and IDP	65,498	65,498	65,498	43,538	27,609	30,025
Information Technology	2,115	2,115	2,115	-	-	-
Human Resource Management	2,950	2,950	2,950	1,473	1,573	1,679
Support Services/Fleet	237	237	237	0	0	0
Miscellaneous Services	962,434	962,434	962,434	542,824	599,546	661,048
Emergency Services	464	464	464	563	619	681
Health	-	-	-	6,802	2,670	2,936
Parks and Cemeteries	4,821	4,821	4,821	6,078	6,670	7,316
Traffic and Security	17,664	17,664	17,664	10,004	11,504	13,051
Social Development	2,924	2,924	2,924	3,410	3,637	3,884
Economic Development	14,707	14,707	14,707	16,217	17,596	19,050
Economic Development	15,150	15,150	15,150	16,802	18,204	19,654
Financial Sustainability	54,198	354,194	354,194	586,946	629,067	682,717
Roads and Stormwater	2,024	2,024	2,024	1,062	1,123	1,185
Solid Waste Management	2,667	2,667	2,667	5,789	6,368	7,005
Water and Sanitation	237,424	237,424	237,424	297,717	327,058	357,660
Housing	15,314	15,314	15,314	16,962	17,118	18,569
Water	422,243	422,243	422,243	473,737	525,766	581,487
Electricity	1,142,089	1,142,089	1,142,089	1,289,181	1,510,134	1,796,018
Total Revenue (excluding capital transfers and contributions)	2,964,924	3,264,919	3,264,919	3,319,105	3,706,260	4,203,966

IDP Development Focus Capital Expenditure	Current Year 2009/10			2010/11 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
Governance and IDP	155,447	155,447	139,902	30,040	64,940	66,075
Information Technology	14,200	14,200	12,780	-	8,849	1,169
Human Resource Management	-	-	-	-	-	-
Support Services/Fleet	-	-	-	-	528	-
Miscellaneous Services	-	-	-	-	-	-
Emergency Services	10,560	10,560	9,504	3,775	9,545	11,326
Parks and Cemeteries	500	500	450	10,000	30,612	31,912
Traffic and Security	8,000	8,000	7,200	-	1,613	347
Social Development	7,500	7,500	6,750	-	51,085	30,278
Economic Development	306,484	306,484	275,835	11,000	115,948	18,525
Economic Development	-	-	-	-	4,700	950
Financial Sustainability	5,000	5,000	4,500	-	5,364	2,400
Roads and Stormwater	74,594	161,177	145,059	90,552	113,795	118,628
Solid Waste Management	5,400	5,400	4,860	1,500	11,720	5,780
Water and Sanitation	137,806	137,806	124,025	123,241	169,088	110,772
Housing	-	-	-	-	8,453	-
Water	37,248	37,248	33,523	53,660	85,520	92,995
Electricity	79,000	79,000	71,100	49,488	39,081	39,767
	841,738	928,321	835,489	373,256	720,840	530,925

3. MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

3.1 Key Financial Ratios / Indicators

The benchmark reflected in the table below as based on actual results in the 2008/2009 financial year and the outlook for the MTREF:

Description of Financial Indicator	Basis of Calculation	2006/2007	2007/2008	2008/2009	Current Year 2009/10			Medium Term Revenue & Expenditure Framework		
		Audited Outcome			Original Budget	Adjust Budget	Full Year Forecast	2010/2011	2011/2012	2012/2013
<u>Borrowing Management</u>										
Borrowing to Asset Ration	Total Long-Term Borrowing / Total Assets	0.5%	0.4%	2.5%	0.7%	1.1%	1.1%	2.5%	3.7%	5.4%
<u>Safety of Capital</u>										
Credit Rating			A	A	A	A	A	A	A+	A+
Capital Charges to Operating Expenditure	Interest & principal Paid/Operating	0.2%	0.3%	0.9%	1.3%	0.8%	0.3%	1.75%	1.8%	1.7%
Borrowed funding of 'own' capital	Borrowing/Capital expenditure excl. grants & contributions	0.0%	0.0%	47.3%	12.1%	0.0%	0.0%	49.4%	22.0%	9.5%
Debt to Equity	Loans, Creditors, Overdraft & Tax Provision/Funds and	19.4%	19.2%	22.4%	21.5%	35.4%	35.4%	35.4%	35.2%	37.3%

	Reserves									
Gearing	Long Term Borrowing/Funds & Reserves	1.0%	0.8%	5.6%	1.5%	6.5%	6.5%	16.4%	26.1%	40.9%
<u>Liquidity</u>										
Current Ratio	Current assets/current liabilities	1.4	1.2	0.9	0.7	1.0	1.0	0.9	0.9	0.8
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	1.4	1.2	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)
Liquidity Ratio	Monetary Assets/Current Liabilities	0.3	0.4	0.2	0.1	0.3	0.3	0.2	0.2	0.2
<u>Revenue Management</u>										
Annual Debtors Collection Rate (Payment Level %)	Last 12 months receipts/ Last 12 months billing		156.5%	166.9%	101.9%	102.1%	100.4%	87.8%	94.5%	91.8%
Outstanding Debtors to Revenue	Total outstanding Debtors of Annual Revenue	28.0%	24.3%	24.5%	18.4%	15.5%	15.5%	13.5%	11.9%	10.4%
Longstanding Debtors Recovered	Debtors > 12 months Recovered / Total Debtors > 12 months old									
<u>Creditors Management</u>										
Creditors System efficiency	% of Creditors Paid within Terms (within MFMA' 65 (e))	95.0%	95.0%	95.0%	97.5%	97.5%	97.5%	99.0%	99.0%	99.0%
<u>Funding of Provisions</u>										
Provisions not funded - %	Unfunded Provisions./Total Provisions	0.0%	0.0%	0.0%	100.0%	100. %	100.0%	100.0%	100.0%	100.0%
<u>Other Indicators</u>										
Electricity Distribution Losses (2)	% Volume (units purchased and generated less units sold)units purchased and generated	8.3%	9.4%	9.1%	16.0%	16.0%	16.0%	15.0%	14.0%	13.5%
Water Distribution Losses (2)	% Volume (units purchased and own source less units sold) total units purchased and own source				27.9%	27.9%	27.9%	28.0%	28.0%	28.0%
Employee costs	Employee Costs (Total Revenue – capital revenue)	28.6%	24.0%	27.9%	24.9%	24.3%	23.7%	25.1%	25.8%	24.8%
Remuneration	Total remuneration (Total Revenue – capital revenue)	29.5%	28.4%	28.9%	25.7%	25.2%	22.8%	25.9%	26.6%	25.5%
Repairs & Maintenance	R&M (Total Revenue excluding capital revenue)	0.0%	0.0%	6.8%	5.2%	5.1%	5.0%	5.6%	5.4%	0.0%
Finance charges & Depreciation	FC*D (Total Revenue-Capital revenue)	9.1%	7.6%	10.4%	8.7%	8.5%	8.3%	7.6%	7.3%	6.2%
i. Debt coverage	(Total Operating – Operating Grants) Debt service payments due within financial year)	26.7	28.5	22.5	28.8	28.8	28.8	33.7	65.7	74.7

ii.	O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	41.8%	40.2%	34.6%	25.8%	22.2%	22.2%	19.5%	16.9%	14.4%
iii.	Cost Coverage	(Available cash + Investments)/ monthly fixed operational expenditure	1.0	1.6	0.9	(4.5)	(2.5)	(2.1)	1.2	0.7	0.5

4. OVERVIEW OF BUDGET-RELATED POLICIES

4.1 Budget Policies

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

- Supply Chain Management Policy
- Banking and Investment Policy
- Credit Control Policy
- Debt Collection Policy
- Land Disposal Policy
- Indigent Policy
- Tariffs Policy

The abovementioned policies are available on the Mangaung Local Municipality's website (www.mangaung.co.za)

4.2 New and Amendments to Policies

The following new draft policies are being tabled in Council with this draft budget:

- Unauthorised, Irregular, Fruitless and Wasteful Expenditure Policy;
- Budget Policy;
- Property Rates Policy;
- Credit Control and Debt Collection Policy

The objectives of the proposed policies can be briefly described as follows:

(a) Unauthorised, Irregular, Fruitless and Wasteful Expenditure

The objective of this policy document is to clearly define the responsibilities of the Mangaung Local Municipality in terms of the Municipal Finance Management Act with respect to Unauthorised, Irregular, Fruitless and Wasteful expenditure. This policy document addresses the following areas:

- The definition of Unauthorised, Irregular, Fruitless and Wasteful expenditure in terms of the Municipal Finance Management Act.
- The roles and responsibilities of the Accounting Officer, management and other officials of the municipality with respect to the prevention, identification, reporting, recovery, write off or approval and disclosure in the annual financial statements of Unauthorised, Irregular, Fruitless and Wasteful expenditure.

(b) Budget

The objectives of budgeting and this policy are:

- (a) to assist the planning of the Municipality's operations for a budget year;
- (b) to coordinate the activities of the various organisational components of the Municipality;
- (c) to control the planned activities;
- (d) to provide high-level strategic objectives for both councillors and the community; and
- (e) to shift the focus from inputs towards outputs and outcomes.

(c) Property Rates Policy

The objectives of this policy are to ensure that-

- (a) All ratepayers within a specific category are treated equally and reasonably;
- (b) Rates are levied in accordance with the market value of the property;
- (c) The rate will be based on the value of all rateable property and the amount required by Council to expenditure of rates related services reflected in the operational budget, taking into account any surpluses generated from Council services and the amounts required to finance exemptions, reductions and rebates that the municipality may approve from time to time;
- (d) To optimally safeguard the income base of the municipality by only approving exemptions, reductions and rebates that is reasonable and affordable.

(d) Credit Control and Debt Collection

Objective of the policy is to ensure that:

This policy has been compiled as required in terms of Section 96 and 97 of the Local Government: Municipal Systems Act 32 of 2000, and is designed to provide for credit control and debt collection procedures and mechanisms. It also aims to ensure that the Municipality's approach to debt recovery is sensitive, transparent and is equitably applied throughout the Municipality's geographic area.

5. OVERVIEW OF BUDGET ASSUMPTIONS

5.1 Key Parameters

The following provisional indicative growth rates and parameters were issued to directorates on the 17 November 2009 for compiling their operating budgets and tariffs.

	PARAMETER		
	2010/2011	2011/2012	2012/2013
Expenditure			
Average CPI	7.50%	6.50%	6.20%
Salary Agreement	1.50%	2%	N/A
Salary Increase	9.00%	8.50%	8.00%
General Expenditure	8%	7.50%	7.00%
Repairs and Maintenance	8%	7.50%	7.00%
Bulk Purchases			
Water	10%	9.50%	9.00%
Electricity	20%	15%	12.00%
Contracted Services	8%	7.50%	7.00%
Bad Debt Provision	R69,5 Million	R85 million	R97 million
All Other Expenditure	7.5%	7.00%	7.00%

Revenue	PARAMETER		
	2010/2011	2011/2012	2012/2013
Capital Grants and Subsidies	R445,88 million	R468,10 million	R510 million
Tariff Increases			
General	23.00%	10.00%	10.00%
Water	15.00%	10.00%	9.50%
Electricity	19.00%	15%	12.50%
Rates	13.00%	10.00%	9.50%
Sanitation	13.00%	10.00%	9.50%
Trade Refuse Removal	13.00%	10.00%	9.50%
Interest on Shareholder Loan	R99 million	R106 million	R114.5 million
Equitable Share	R481,57 million	R533,03 million	R578,34 million
Other Revenue not mentioned above	10.00%	10.00%	10.00%

Based on the inputs received add the final draft budget, it became evident that we cannot adhere to the average growth rates as proposed on the 17 November 2009. This was mainly due to:

1. NERSA granting Eskom an increase of 24,5 % on electricity tariffs with effect from 1 April ;
2. Increase in contracted services by 30,2% due to outsourcing of services;
3. Establishment of the Anti-fraud Unit and Compliance Unit within the Office of the City Manager and the Chief Financial Officer, respectively; and,
4. The impact of the interest expense of R28 million on the defined Budget Plan, not provided for in the 2009/10 budget.

6. OVERVIEW OF BUDGET FUNDING

The municipality continues to display a moderate financial profile and a declining (low) liquidity level, which is mainly attributable to:

- * Balanced budgets being funded from current financial year's revenue. Prior year's surpluses have not been used to support the operating budget;
- * The municipality strive to operate within its annual budget, as approved by Council;
- * The municipality maintain a positive cash and investment position.

(a) Overview of Budget Funding

i. Funding of the Operating Budget

The municipality receives its funding from many sources including property rates, services charges and government grants. The table below indicates the sources of funding for the MTREF period.

	2010/11 R'000	2011/12 R'000	2012/13 R'000
Assessment Rates	394,830	417,709	454,166
Services Charges	1,657,194	1,930,106	2,262,537
Fines, Licences and Permits	5,385	6,422	7,463
Grants and Subsidies	735,236	806,659	909,099
Rental of Facilities	18,227	19,980	21,552
Interest Received	79,688	55,924	54,579
Other Income	191,666	202,283	215,596
Seconded Personnel	117,427	142,516	152,626

Public Contribution	19,967	23,161	24,847
Interest on Shareholder Loan	99,485	101,500	101,500
Total Revenue	3,319,105	3,706,260	4,203,965

62.9% of the Operating Budget is funded from assessment rates and services charges (tariffs) for the 2010/11 financial year.

ii. Funding of Capital

In terms of funding the Capital Budget, the municipality funds itself in envious position of undertaking the much needed service delivery programmes from the projected surpluses (internally generated resources), grant funding and long term external funding. The municipality propose to fund its capital budget as follows:

	2010/11 R'000	2011/12 R'000	2012/13 R'000
Total Capital Budget	365,395	716,340	524,925
Funded as follows:			
Grant Funding	199,883	227,306	268,908
External Funding	69,970	102,595	22,035
Internal Funding	60,199	362,733	208,896
Public Contributions	19,968	23,161	24,847
Revenue	11,600	545	239
District Municipality	3,775	0	0

(b) Compliance to Section 18 of the MFMA Act:

Every effort was made in putting this budget together, to comply with legislation as outlined in Section 18 of the Act. As indicated in (a) above both the operating and capital budgets meets the criteria sets out in Act. Furthermore the budget has been set within the context of the Financial Recovery Plan and the Turnaround Strategy as recently approved by Council.

An outline of the municipal overall performance on the battery of tests measuring funding levels as indicated in Supporting Table SA 10 – Funding Measurement is as follows:

- Cash/Cash Equivalents is showing a favourable balance of R253,614 million for the 2010/11 financial year, as compared to the minus R897,788 million budgeted for the 2009/10 period. The favourable position however declines for the two outer MTREF period to R176,400 and R143,569 millions respectively, mainly as a result of the higher capital budget projections for the same period.
- Cash plus Investments less application at year end is indicating an accelerating decline in the measures for the MTREF period, as compared to the periods prior to 2009/10, as a result of the decline in our other current investments that are invested more than ninety days. The decline is mainly related to the accelerated spending on the unspent conditional grants.
- The rates and tariff increases for the 2010/11 financial year is showing a moderate increase of 6.7% compared to the 27.3% increase of the approved budget in 2009/10. The abnormal increase of 27.3% was as a result of the first year of the new Property Rates Act implementation. The overall increase for Service charges revenue is thus within a reasonable range of the national guidelines, having taking into account the serious financial challenges faced by the municipality.

- Repairs and maintenance as a percentage of property, plant and equipment is showing an average investment level of 4.4% over the MTREF period. Given the ageing infrastructure in the city, consideration needs to be given in the future budgets to increase the level of spending on mainly road, storm water and sewer networks to maintain the services levels at an acceptable levels.

(c) Particulars of Monetary Investments:

For the municipality's monetary investment particulars by type and maturity, please see Table SA15 and SA16 respectively.

(d) Proposed Future Revenue Sources:

The municipality has recently held a Revenue Enhancement Lekgotla, with the aim of exploring alternative sources of revenue or measures of improving existing income sources. Some of the key considerations and/or decisions taken at the Lekgotla are detailed below. Although this decision was taken in the previous financial year, the implementation of some only started late in the 2009/10 financial year:

1. Outsourcing the management of rental stock properties;
2. All properties not constituting the core business of Council are to be re-assessed for disposal;
3. A development fund is to be established to initiate future developments that are of an income generating nature;
4. Lease agreements with sports clubs and other social facilities are to be revised in order to adjust rental charged. Where applicable, existing contracts will be negotiated.

(e) Planned use of Bank Overdraft:

The municipality is currently not making use of bank overdraft facilities. Based on the current declining bank and investment balances it is inevitable that the municipality would need a bank overdraft facility, with a facility amount estimated at between R 50 to R 80 million per month.

(f) Existing and Proposed new Borrowings:

Council is currently having minor loans with the Development Bank of South Africa, with an estimated balance of R 12 350 million as at 30 June 2011 (See table SA17 Borrowings). A new loan facility estimated at R 200 million has been secured over the MTREF period, with the first tranche of R 70,3 million expected to be drawn during the 201/11 financial year. (See Table SA17 Borrowings and paragraph 13(c) of the submission).

(g) Budgeted Grants and Transfers:

In recognition of the role that municipalities play in the delivery of services, transfers to local government grew by an average R818,7 million per year over the medium-term. The bulk of the grants received are in respect of the Municipal Infrastructure Grant.

The following grants allocated to the municipality in terms of the 2010 division of Revenue Act have been included in the medium term budget:

	Allocation	Allocation	Allocation
	2010/11	2011/12	2012/13
	R'000	R'000	R'000
<u>EQUITABLE SHARE</u>	494,273	565,491	624,239
<u>Operating Grant</u>			
- Financial Management Grant	1,189	1,250	1,500
- Municipal Systems Improvement Grant	750	790	800
- 2010 World Cup Host City Operating Grant	19,000	0	-
- Municipal Infrastructure Grant	2,845	3,328	3,301
- Provincial Government Housing Subsidy	1,400	0	-
- Provincial Government Health Subsidy	1,259	3,994	4,352
- Provincial Health Subsidy	-	0	0
- Motheo District Municipality	3,000	0	-
	29,443	9,362	9,953
<u>CAPITAL GRANTS</u>			
- Municipal Infrastructure Grant	166,884	200,806	244,907
- Public Transport Infrastructure and Systems Grant	15,000	15,000	15,000
- Electricity Demand Side Management Grant	5,000	6,000	0
- Expanded Public Works Programme Incentive Grant	7,861	-	-
- Integrated National Electrification Grant	13,000	10,000	15,000
- Motheo District Municipality	3,775		
	211,520	231,806	274,907
<u>TOTAL GRANTS ALLOCATION</u>	735,236	806,659	909,099

7. ALLOCATIONS OF GRANTS MADE BY THE MUNICIPALITY

Total grants to be made by the municipality totals R35, 052 million for 2010/11 financial year, with a further transfer of R38,026 and R41,065 millions respectively for two outer years of the MTREF period. The main allocation is be made to Centlec (Pty) Ltd (an electricity utility company of Council) to cover the Free Basic Services portion of electricity of R34,693 million (2010/11) and R37,641 and R40,653 millions respectively for the two outer MTREF periods (see Table SA21).

8. COUNCILLORS AND BOARD MEMBER ALLOWANCES AND EMPLOYEE BENEFITS

Refer to Tables SA22, SA23 and SA24 respectively as per Annexure A.

9. MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

The following tables outline the monthly targets for revenue and expenditure as follows in Annexure A:

- Table SA25 – Consolidated budgeted monthly revenue and expenditure.
- Table SA26 – Consolidated budgeted monthly revenue and expenditure (municipal vote).

- c. Table SA27 – Consolidated budgeted monthly revenue and expenditure (standard classification).
- d. Table SA28 and SA29 – Consolidated budgeted monthly capital expenditure.
- e. Table SA30 – Consolidated budgeted monthly cash flow.

10. CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS

Included in the budget are costs for the two main contracts for services, which will impose financial obligations on the municipality beyond the MTREF period.

(a) Contracting Parties and Period:

1. ABSA Bank Ltd
P O Box 323
Bloemfontein
9300

Nature of Services – Banking and related services

Contract Period – 1 July 2008 to 30 June 2013

(b) Past and Current Costs of Contract

	2005/06 R'000	2006/07 R'000	2007/08 R'000	2008/09 R'000
ABSA Bank	1,513	1,668	1,885	2,073

(c) Projected Future Cost

	2010/10 R'000	2010/11 R'000	2011/12 R'000	2012/13 R'000	Total
ABSA Bank	2,281	2,509	2,760	3,036	10,586

11. CAPITAL EXPENDITURE DETAILS

(a) Details of Capital Expenditure by class and sub-class areas are provided below:

NATIONAL TREASURY CLASSIFICATION	Code	CAPITAL ESTIMATES 2009/10	2010/11	2011/12	2012/13
		R'000	R'000	R'000	R'000
INFRASTRUCTURE		730,031	348,580	499,050	421,460
Roads, Pavements, Bridges & Storm -Water	0300	181,494	100,552	129,413	139,616
Water Reservoirs & Reticulation	0400	37,248	53,660	83,640	92,995
Car Parks, Bus Terminals and Taxi Ranks	0500	281,884	15,000	15,000	15,000
Electricity Reticulation	0600	79,000	49,488	39,481	39,767
Sewerage Purification & Reticulation	0700	137,806	123,241	166,676	110,772
Housing	0800	2,600	8,000	53,645	7,000
Street lighting	0900	4,600	5,000	7,105	10,110
Refuse sites	1000	5,400	1,500	4,050	5,200
Other	1200	0	0	40	1,000
COMMUNITY		48,907	5,000	65,307	52,753
Establishment of Parks & Gardens	1500	0	0	3,317	1,806
Sports fields	1600	40,907	5,000	46,300	26,300
Community Halls	1700	0	0	0	8,000
Libraries	1800	0	0	915	128
Recreational Facilities	1900	8,000	0	13,350	12,138
Other	2200	0	0	1,425	4,381
HERITAGE ASSETS		0	0	400	500
Heritage Assets	2311	0	0	400	500
OTHER ASSETS		52,240	11,815	143,747	45,801
Other motor vehicles	2500	0	1,550	16,306	4,712
Plant & equipment	2600	3,000	170	20,778	5,217
Office equipment	2700	19,240	95	9,784	1,469
Markets	2900	0	3,000	8,700	6,950
Security Measures	3100	8,000	2,500	6,238	8,568
Civic Land and Buildings	3110	22,000	0	68,000	8,850
Other Land and Buildings	3120	0	4,500	6,502	9,155
Other	3200	0	0	7,440	880
SPECIALIZED VEHICLES		10,560		12,335	10,410
Refuse	3500	0		4,500	0
Fire	3600	10,560		7,835	10,066
Buses	3900				350
TOTAL CAPITAL BUDGET		841,738	373,256	720,840	530,924

Most projects under the Infrastructure class and sub-class are for the development and construction until projects are finalized, save for projects that are implemented in phases.

(b) Alignment of projects with IDP.

All capital projects are aligned to the key IDP Strategic Objectives and actions and are summarized as follows for the entire municipality:

CONSOLIDATED			Budget R'000 2009/10	Budget R'000 2010/11	Budget R'000 2011/12	Budget R'000 2012/13
IDP STRATEGIC OBJECTIVES AND ACTION PLANS	STRATEGIC OBJECTIVE	IDP CODE				
Governance and IDP	Common Purpose	101	155,447	30,040	64,940	66,075
Information Technology	Common Purpose	102	14,200	0	8,849	1,169
Human Resource Management	Common Purpose	202	0	0	0	0
Support Services/Fleet	Common Purpose	103	0	0	528	0
Emergency Services	Community Resilience	201	10,560	3,775	9,545	11,326
Parks and Cemeteries	Community Resilience	203	500	10,000	30,612	31,912
Traffic and Security	Community Resilience	204	8,000	0	1,612	347
Social Development	Community Resilience	205	7,500	0	51,085	30,278
Local Economic Development	Economic Development	301	306,484	11,000	115,948	18,525
Market Services	Economic Development	302	0	0	4,700	950
Financial Management	Financial Sustainability	401	5,000	0	5,364	2,400
Roads and Stormwater	Service Excellence	501	74,594	90,552	113,795	118,628
Solid Waste Management	Service Excellence	502	5,400	1,500	11,720	5,780
Water and Sanitation	Service Excellence	503	137,806	123,241	169,088	110,772
Housing	Service Excellence	504	0	0	8,453	0
Water	Service Excellence	505	37,248	53,660	85,520	92,995
Electricity	Service Excellence	506	79,000	49,488	39,081	39,767
TOTAL CAPITAL BUDGET			841,738	373,256	720,740	530,925

(c) Alignment of the budget to Key Strategic Objectives for the parent municipality is as follows:

MANGAUNG						
IDP STRATEGIC OBJECTIVES AND ACTION PLANS	STRATEGIC OBJECTIVE	IDP CODE	CAPITAL ESTIMATES			
			Budget R'000 2009/10	Budget R'000 2010/11	Budget R'000 2011/12	Budget R'000 2012/13
Governance and IDP	Common Purpose	101	155,447	30,040	64,940	66,075
Human Resource Management	Common Purpose	102	14,200	0	8,849	1,169
Support Services/Fleet	Common Purpose	103	0	0	528	0
Emergency Services	Community Resilience	201	10,560	3,775	9,545	11,326
Parks and Cemeteries	Community Resilience	203	500	10,000	30,612	31,912
Traffic and Security	Community Resilience	204	8,000	0	1,612	347
Social Development	Community Resilience	205	7,500	0	51,085	30,278
Local Economic Development	Economic Development	301	306,484	11,000	115,948	18,525
Market Services	Economic Development	302	0	0	4,700	950
Financial Management	Financial Sustainability	401	5,000	0	5,364	2,400

Roads and Stormwater	Service Excellence	501	74,594	90,552	113,795	118,628
Solid Waste Management	Service Excellence	502	5,400	1,500	11,720	5,780
Water and Sanitation	Service Excellence	503	137,806	123,241	169,088	110,772
Housing	Service Excellence	504	0	0	8,453	0
Water	Service Excellence	505	37,248	53,660	85,520	92,995
TOTAL			762,738	323,768	681,759	491,157

(d) Alignment of the budget to Key Strategic Objectives for the municipal entity (Centlec (Pty) Ltd) is as follows:

CENTLEC						
IDP STRATEGIC OBJECTIVES AND ACTION PLANS	STRATEGIC OBJECTIVE	IDP CODE	CAPITAL ESTIMATES			
			Budget R'000 2009/10	Budget R'000 2010/11	Budget R'000 2011/12	Budget R'000 2012/13
Electricity	Service Excellence	506	79,000	49,488	39,081	39,767
TOTAL			79,000	49,488	39,081	39,767

(e) Capital Projects Delayed for 2009/10 Financial Year.

Included in the Car Parks, Bus Terminal and the Taxi rank (NTC) above is an allocation of R 15 million for the Inter Model Public Transport Facility. The project was implemented in the 2009/10 financial year at an estimated cost of R456 million (VAT included) and it is currently at 32.15% stage of completion as at the 3 March 2010.

12. LEGISLATION COMPLIANCE STATUS

Mangaung Local Municipality is one of the few high capacity municipalities in the Province and it is expected to take the lead in ensuring total compliance to legislations amongst the 28 municipalities in the province.

12.1 Municipal Finance Management Act

The Municipal Finance Management Act (no 65 of 2003) is fully implemented and complied with, by the parent municipality as well as its entity Centlec (Pty) Ltd. However, there has been a gradual lapse of concentration in meeting the reporting timelines of some of the requirements of the Act, e.g., Tabling of the Annual Report and the Adjustments Budget.

12.2 Supply Chain Management

The Supply Chain Management Policy is in place and is functioning as expected. One key aspect of the Supply Chain Management Regulations that is not in place in terms of implementation is that of Performance Management of projects. Plans are currently underway to establish a Contract & Performance Unit within the sub-directorate. There is also currently a process underway of reviewing and to strengthen the identified gaps of the Supply Chain Management Policy.

12.3 Property Rates Act

The new Municipal Property Rates Act, No 6 of 2004, was fully implemented on the 1st July 2009.

13 OTHER SUPPORTING DOCUMENTS

See Annexure A

14 ANNUAL BUDGETS OF MUNICIPAL ENTITIES ATTACHED TO THE ANNUAL BUDGET

See attached as Annexure D

MANGAUNG LOCAL MUNICIPALITY

Municipal Manager's Quality Certification

Quality Certificate

I, Municipal Manager of the Mangaung 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 Mangaung Local Municipality

Signature: _____

Date: _____



**BUDGET SPEECH BY THE EXECUTIVE MAYOR, CLR. F. K MORULE,
ON THE OCCASION OF PRESENTATION OF THE 2010/11 BUDGET
AND IDP, 29 JUNE 2010**

Honourable Speaker, Clr. T. Stander

Honourable Deputy Mayor, Clr. M. Siyonzana

Honourable Chief Whip, Clr. S. Sefuthi

Members of the Mayoral Committee

Leaders of the political parties

Fellow Councillors

Municipal Manager

Officials of MLM

Members of Media

Ladies and Gentlemen

The long awaited season and time for the rewriting of the African History has come with speed. While we are excelling as the host of the mega-showpiece, the current Bafana Bafana team has also proved to be the best since the class of 1996. I walk with my head held high because of their performance and achievement of our country and mother continent... Feel It! because It Is Here!

Honourable Speaker, seeing that this is the third day after the celebration of the 55th anniversary of the Freedom Charter adopted in 1955 at Kliptown, allow me to equate this global event with the momentous occasion of the Congress of the people because to me the two gatherings or assemblies have unique similarities that is in size and the fact that both took place in June.

Taking to heart the fact that this event coincides with the Youth Month (June) whose pinnacle was the celebration of the 34th anniversary of 16 June – the epitome of youth struggles, we therefore take this opportunity to salute the youth of South Africa then and now, for their immense contribution in advancing our democratic revolution. As in the wise words of our Former President Thabo Mbeki: “Our country, which today lives in conditions of freedom, must discharge its responsibility to ensure that the inspiring story of what our youth did, serves, for all time, as part of what constitutes our definition of ourselves as a nation”.

My view of this FIFA 2010 AFRICAN World Cup is similar to the manner that Chief Albert Luthuli described the significance and uniqueness of the Congress of the people when he said “...its multi-racial nature and its noble objectives will make it most unique since it will be the first time in the history of our multi-racial nation that its people from all walks of life will meet as EQUALS, irrespective of race, colour, and creed”. Indeed this is a FIFA World Cup hosted by South Africa on behalf of the continent of Africa.

This world cup is reminiscent of what one of the heroes and advocates of African unity, Dr. Kwame Nkrumah when he once said: "We have the blessing of the wealth of our vast resources, the power of our talents and the potentialities of our people. Let us grasp now the opportunities before us and meet the challenge to our survival." The world has yet to see what Africa is capable of in many aspects in future.

This event would not have been possible had it not been for the tireless and self-less sacrifices of the cadres of the National Democratic Revolution such as Kamanda Thapedi, Kenneth Moadira, Cambridge Moloisane, Itumeleng Moholo, Kaizer Sebothelo, Joyce Boom, Papi

Makotoko, Mshengu Zinki Bahumi, Maniekie Motloh, Tebogo Sikisi and any others who laid their lives for the emancipation of our country.

It revives the undying spirits of Comrade Medupe, Dr Matlhape, Caleb Motshabi, Sparks Molatole and Me. Mohlakoane, who laid down their lives in the just course to build a united, non-racist, non-sexist, democratic and prosperous South Africa. We shall always remember and acknowledge these cadres for their invaluable contribution in this regard.

Honourable Speaker, we had no other alternative but to convene this Council at least today for the presentation and adoption of the budget for the new financial year. Otherwise further delays would have hamstrung service delivery and perhaps subject us under the temptation of spending public funds without budget policy providing for such appropriations.

I am therefore honoured and delighted to have been given this opportunity to address this august Council with regard to the presentation of the 2010/11 Budget and Integrated Development Plan (IDP).

Honourable Speaker, to me the past 17 days' soccer extravaganza confirmed the point made by the Former President Thabo Mbeki when he said: "As an African, this is an achievement of which I am proud ... Today it feels good to be an African..." 'Africa, indeed is the theatre of the 2010 FIFA World Cup and South Africa is the stage'. Today marks 18 days since the official kick-off of the 2010 FIFA World Cup, and there are 12 days remaining. Our national team – Bafana Bafana, may be out of the tournament but has restored the pride of the nation by defeating the 2006 FIFA WORLD CUP champions – France, here in Mangaung.

For now, the hope of the Continent is the "Black Stars of Ghana", as they have qualified for the quarterfinals and continue to fly the African flag at

this great tournament. Let us salute the only remaining hope for Africa for out-classing the much fancied and favored stars and stripes of the US to reach this crucial stage. Let us rally even more behind the team for they are now the “Black Stars of Africa”.

While hosting the World Cup has raised expectations we have already begun reaping some of the benefits in the form of economic spin-offs evident especially in our local hospitality industry as well as supporting infrastructure development.

Honourable Speaker, to the best of my knowledge, there is no other city in the country that welcomes Bafana-Bafana in the manner we always do. The welcoming of our national soccer team on Sunday the 20th of June 2010 was no exception but a norm.

As a result our national team has never lost even a single significant game in Bloemfontein – hence it was imperative for us as a host city, to ensure that we have capacity crowd in all our matches. Our buying of tickets has been rewarded significantly. I am convinced that this was a good decision for the country, the province and the Mangaung residents in particular.

We have seen even the least known and supported teams’ match between Switzerland and Honduras enjoy very high attendance. The ululating, the vuvuzelas and the chanting were no less than those from the popular matches. We have been vindicated in our decisions and for this – a big round of applause to Mangaung as the host city and our evergreen supporters who mingled, danced and sang incessantly with our visiting friends from the world over.

Honourable Speaker, I also wish to take this opportunity to congratulate the MLM for successfully hosting six of the eight matches with outmost distinction. Let us give ourselves a pat on the shoulder in this regard.

Most significantly the 2010 FIFA World Cup and Bafana Bafana in particular have made a tremendous impact in uniting our people across racial lines – as we have seen all races constituting the rainbow nation rallying behind our team, dancing and blowing the vuvuzelas.

Honourable Speaker this moment of jubilation epitomizes what the icon of our struggle Former President Nelson Mandela was prepared to die for. Just to refresh this Council when he reiterated during his release in February 1990 what he said during the Revonia Trial: “I have fought against white domination and I have fought against black domination. I have cherished the ideal of a democratic and free society in which all persons live together in harmony and with equal opportunities. It is an ideal which I hope to live for and to achieve. But if needs be, it is an ideal for which I am prepared to die.”

Honourable Councillors, despite the early exit of Bafana-Bafana in this 2010 Soccer extravaganza I don't have any doubt in my mind that this unity will be the best 92nd birthday present for this icon which will be celebrated six days after the final of the 2010 FIFA World Cup.

In the same vein we also wish to take this opportunity to salute the coach and Bafana-Bafana for a job well done. As we have already mentioned earlier, hosting this tournament has further contributed immensely in fast tracking the development of infrastructure in our municipality – especially roads and recreational facilities.

Most importantly, the doubting *thomases* of this world should enquire from the captains of the tourism industry what are the statistics of 2010 FIFA World Cup saying especially around the dates when Bafana Bafana were

here in Bloemfontein. We are hopeful that the influx of tourists will be sustained and continue to grow at a fast pace as a result.

In exactly the same manner that we took advantage of the opportunities brought by 2010 FIFA World Cup that placed Mangaung on the international stage and brought life to our tourism sector, we should do the same with 2012 ANC centenary celebrations that will take place in Bloemfontein, to further catalyze this growth.

Back to the business of the day, as you may be aware, budgets are about choices and some of these choices can lead to irreparable losses. Willingly or not, choices must be made because the size of an envelope is never same. This year we are passing the Budget amid great uncertainties noting, that we are just starting to recover from a global economic recession which is often followed by economic depression.

At the moment even the eurozone is faced with enormous challenges. To cite few examples, whilst Turkey had to be rescued by the International Monetary Fund (IMF), the economies of both Spain and Italy are faced with possible bankruptcy. Also, the recent Greek economic collapse further plunged Europe into crisis of magnitude proportions that have not been experienced before. Inevitably, these global challenges, depending on which direction they take, will have marked impact on our economy.

Reportedly, our economy has shed approximately one million jobs in the formal sector and recovery will not necessarily expand or create the same number of job opportunities. However, we are grateful that our economy is no longer shedding jobs, because according to the words of the President Jacob Zuma “[w]e want to see all adults having access to decent jobs as well as opportunities to generate an income, so that they can afford to look after their families”.

Honourable Speaker, today, the Council is considering a budget whose capital budget is reduced. This reduction stems from the wisdom of the legislative framework which compels us to table credible and realistic budgets.

Even though we may sound like admitting that we have not been budgeting correctly, there is no secrecy and perhaps criminal offence in putting it plain that in the recent years, our municipality was on the verge of collapse. We were subjected to both political and administrative instability, which ultimately led to low staff morale and inescapable decline in service delivery.

I am however fairly satisfied that we are now on course in the restoration of our status as a benchmark municipality in the Free State Province. As you may all bear witness to the fact that we have attained political stability even though we are still grappling with some administrative challenges such as creating a sound financial administration and peaceful settlement of labour disputes.

Hence we endeavour to create harmonious working relationships with all our employees, organized labour formations and all other stakeholders within the MLM.

Honorable Speaker, I am convinced that we will be able to speak like Marcus Garvey when he said: “[t]here is no force like success, and that is why the individual makes all effort to surround himself throughout life with the evidence of it; as of the individual, so should it be of the nation.”

Equally, the success of MLM is absolutely dependent on the political willingness, sound administration and progressive involvement of all

stakeholders, civil society, NGO, business, etc. It is for this reason that during our state of the city address we made last year (2009) we have made an undertaking to be “in unity to Broaden participation for all our residents towards creating a decent work for all South Africans”.

Honourable Speaker, subsequent to the adoption of the Local Government Turnaround Strategy (LGTAS) by the national cabinet in December 2009, that endeavours to turn municipalities around by giving primacy to ‘localized issues’ and doing away with an approach of ‘one-size fits all’, in line with the 2009 ANC led-government slogan of working together we can do more in realizing speedy service delivery.

The MLM had a session (15 March 2010) with the Provincial Coordinating Unit and Intergovernmental Working Group constituted by the national and provincial cooperative governance and traditional affairs departments, the Office of the Premier and sector departments, wherein we presented the details of our Municipal Turnaround Strategy and we are therefore committed to the following five strategic objectives which are to:

- Ensure that municipalities meet the basic service needs of communities;
- Build clean, effective, efficient, responsive and accountable local government;
- Improve the performance and professionalism in municipalities;
- Improve national and provincial policy, oversight and support; and
- Strengthen partnerships between local government, communities and civil society.

Honourable Speaker, the adoption and implementation of Local Government Turnaround Strategy (LGTAS) also takes cognizant of the fact that the Global Economic Depression will inevitably impact negatively on budget allocations.

During our Mayoral road shows we engaged our communities in wide range of issues relating to the improvement and enhancement of service delivery by our municipality. On the 8th September 2009 we sealed an economic development partnership to establish a second economy Business Process Outsourcing & Off-shoring (BPO&O) initiative with Fujitsu Services (Proprietary) Limited.

This partnership is called “Re Hodisa Moruo.” Despite some challenges this Contact Centre still plays a significant role in the improvement of communication and service provision to the community of Mangaung.

Hence from time to time we held several consultative meetings with relevant stakeholders in particular the Councillors and ward committees which compelled us to strengthen the coordination of service delivery inquiries mechanisms in the office the executive mayor.

Regarding the IDP Outreach and Community Consultation Process, we have held consultative meetings in pursuit of ward-based planning and concluded with the IDP and Budget Conference on 26 May 2010 in the City Hall, Bloemfontein.

Honourable Speaker, this was not an accident but conformity to our 2006 local government election manifesto which directed us to put the people at the centre of development and not merely as beneficiaries, but as drivers of transformation. In this regard we can succinctly highlight issues of great significance raised during such interactions:

- Thaba Nchu – prioritization of the water and waterborne sanitation and feasibility of a new compliant landfill site be considered as matter of urgency since the current landfill that use be the source of income for local communities is now defunct;
- Botshabelo – immediate eradication of bucket sanitation and VIP toilets, construction of fully complete roads (instead of the current incomplete roads prevalent in Botshabelo) and formalization of informal settlements; and
- Bloemfontein – speedy formalization of informal settlements, upgrading of roads and consistent refuse removal.

It is against these inputs and views that we are contend that the ward-based budgeting and planning approach is ideal since it gives precedence to allocation of (financial) resources to each ward to identify potential projects that are economic-development orientated.

An allocation of R200 000 will be availed for each ward in the 2010/11 financial year. Although this approach is people-centered, peopled-driven development, projects initiated at ward levels must be considered in the context of the MLM's overall strategy.

In this regard, no funds will be devolved without project plan designed in accordance with the normative guidelines which will be presented by the Office of the Executive Mayor shortly. This emphasis on the consultative culture providing for civil society participation will be used as an authentic tool for such allocations in all wards.

Earlier this year we made a pledge to lead by example with regard to ensuring that our expenditure and use of state resources are governed by the budget passed and adopted by the Council and deviations to be

congruent to all legislative requirements. Last year's audit report was disclaimed on the basis of non-compliance. It is for this reason we are tabling this Budget and IDP with the following policies:

- Unauthorized, Irregular, Fruitless and Wasteful Expenditure Policy;
- Property Rates Policy
- Budget policy and
- Credit Control and Debt Collection Policy.

In pursuit of financial stability and sound financial management and governance, we have also developed the framework for financial recovery plans that are in place for long-term financial recovery plan.

Speaker, in strengthening our administrative capacity, we have taken a conscious decision to devolve certain administrative powers to the regional offices for purposes of accessibility, effective and efficient service delivery. However, the effectiveness and efficiency of this decision is still being carefully dealt with at the Local Labour Forum (LLF).

As we earlier said, the purpose of this decentralization is to ensure that both Botshabelo and Thaba `Nchu are given the latitude to make certain administrative decisions and depart from presenting Bloemfontein as the headquarters of MLM in the same vein with the archaic and bureaucratic redtape of the old Pretoria.

This process should empower Regional offices to be administratively autonomous and be able to respond immediately to all grievances of the communities in their vicinity in line with their delegated powers.

In line with this process, we have adopted a ward-based planning system in rolling out a cleaning campaign project aimed at improving the cleanliness of our municipal area. Thus putting our people at the centre of their development.

It is worth noting that the current huge discrepancies in waste management between towns and townships are not our own creation but inheritance from the past dispensation. Our communities have a right to live in a clean and healthy environment as enshrined in our Constitution.

As you may be aware, we are in the process of improving our waste management systems and it is for this reason that on 5 July 2010 we will be launching the cleaning campaign in Thaba-Nchu.

Fellow Councillors, we further urge residents of Mangaung to organize and form structures that have passion for clean environment and begin to initiate cleaning campaigns.

We have also developed a management plan for the Seven Dams area with a view to promoting conservation and bio-diversity as part of the Environmental Awareness and Green Goal.

In our endeavour to ensure the three CBDs of Bloemfontein, Botshabelo and Thaba Nchu are vibrant and integrated centres for community development, providing key services, visited during day and night, we will fast track the finalization of development projects of these CBDs during this financial year.

In Bloemfontein, the Intermodal transport facility project is at an advanced stage and we hope that it is still on course for completion as scheduled. This will also fit in with the scheduled revitalization of commuter rail

transportation between Bloemfontein and Thaba `Nchu led by the provincial government

Regarding sustainable settlement, we intend to eradicate the housing backlog by 2015 so that Mangaung citizens can live in sustainable human settlements with well designed and quality homes, a range of tenure options and access to goods and services. Our target for 2010/11 financial year is 2400 households. Also, in our endeavour to address the housing backlog we have:

- Allocated finished units at Mangaung hostel to rightful beneficiaries (White City) and have instructed speedy finalization of remaining ones;
- Approved as a Council, the implementation of Brandwag Social Housing Project; and
- In collaboration with the provincial government, we will redevelop old and dilapidated houses in the old townships in line with the Operation Hlasela programme as part of our contribution.

As resolved by Council with regard to our contribution on Operation Hlasela, we will also focus on the total eradication of informal settlements and shacks in our locality. Precedence will be given to the informal settlements that are in compliance with the human habitation requirements.

As you may be aware, about 23% of the area of the Municipality is farmland and 6% of our population lives in the rural parts of Mangaung. Our mandate is to improve the quality of life of people living in rural areas.

We will provide support to 60 peri-urban and rural agricultural farmers within and train at least 100 emerging farmers. We will further facilitate the establishment of the SMMEs and operation in our rural areas.

Our municipality has now been re-determined by the Demarcation Board as a category A municipality. This elevation implies that our municipality will have the powers to strategically plan in a more holistic and integrated manner as it assumes the status of a metropolitan municipality.

Whilst on the one hand we presently are still discharging all powers and functions assigned to a Category B municipality, we have on the other hand already begun to perform some functions assigned to a category A municipality. In addition, we are finalizing the report on the readiness of Mangaung for transition to a metro and the report will be presented in due course to this august House.

Honourable Speaker, as a result of this redetermination and many other economic factors our Municipality is currently experiencing a constant migration of individuals from surrounding farms, towns and neighbouring countries who are seeking greener pastures especially in the Mangaung area.

The consequence of this migration is uncontrolled urban sprawl which in turn impacts negatively on our capacity to render quality services. Nevertheless, the Municipal Infrastructure Grant which has a particular emphasis on the eradication of service delivery backlogs, has enabled us to meet some challenges especially with regard to water, sanitation and eradication of informal settlements through the provision of housing and household services.

This is in line with Mangaung Local Municipality's IDP which outlines the key focal areas for development in the short to medium term. At the risk of repeating ourselves for the purpose of emphasis we will be taking the following commitments forward as developmental agenda as instructed by Council in line with ANC election manifesto:

- Service delivery excellence and sustainability - continuing to provide quality services with effective strategic management of the municipality to drive the strategic intent.
- Stimulating our integrated and sustainable economic development - increased emphasis on development and promotion of growth to grow the revenue base and fighting poverty.
- Improving and sustaining financial, human resource excellence and management excellence.
- Institutional excellence, civic leadership and common purpose - effectiveness in providing services and continuous enhancement of institutional operations; promoting effective intergovernmental relations and mobilizing other resources of government;

Despite the fact that Mangaung Local Municipality is faced with financial constraints and related challenges, we have attempted to bring together the development strategies and priorities of Council in line with available financial resources because I concur with President Jacob Zuma when he says: "We will never rest until all our people have access to clean water, electricity, a house, ...and an efficient and an accessible public transport system.

In line with that, this budget has been compiled in accordance with the National Treasury's requirements of multi-year (three years) budgeting and the Municipal Finance Management Act (MFMA). Our total budget for this financial year (2010/11) is R3. 361, 57 billion which comprised of operating budget of R 2. 988,32 and capital budget of R 373.25 millions.

The projected capital budget has been set at R716,3 and R524,9 millions respectively for the 2011/12 and 2012/13 financial years.

However, Honourable Speaker, for the new financial year it is worth noting that our capital budget has been reduced by R476.30 million from the 2009/10 budgeted amount of R841,7 million. Despite this fact Honourable speaker the municipality is still experiencing an influx of people seeking both employment and educational opportunities in the greater Mangaung areas.

The rapid inward migration, declining household sizes and greater economic and educational activity puts pressure on the existing municipal infrastructure and in the light of these challenges amongst other priorities we have made the following provisions in 2010/11 Capital Budget:

- New Township Establishment R8,0 million
- Inter-modal Public Transport Facility R15,0 million
- North Eastern Waste Water Treatment Works R50,2 million
- Extension to Sterkwater Waste Water Treatment Works R24,9 million
- Extension to Eastern Waste Water Treatment Works R6,5m million
- Upgrading of Sewer System in Freedom Square R37,6 million
- Bulk Water Supply to Mangaung R53,6 million
- Electrification Connection – DME Grant R13,0 million
- Installation of Pre-paid Meters (Indigents) R5,0 million
- Public Electricity Connections R19,9 million

Honourable Speaker, this prioritization is done and must be understood within the context of our 2006 local government Election Manifesto as the ruling party (ANC) and our contribution to the undertaking we have made to invest more than R400 billion in infrastructure to create jobs and fight poverty, building of roads, expansion of rail networks and electricity generating plants.

With regard to the operating budget I am pleased to announce that our budget increases from R2. 964,9 billion in 2009/10 to R2. 988,3 billion in 2010/11 , R3. 394,4 billion and R3. 840,6 billion respectively, for the outer two years of the MTREF period. The growth is mainly attributed to:

- Cost of bulk purchases of water and electricity;
- Employee related costs as a result of the provision for salary increase and the full impact of staggered filling of vacancies in the 2009/10 fiscal year.
- Impact of the increase in contracted services by 56.0%.

Honorable Speaker, at this juncture I would like to draw your attention to the fact that this budget is also providing for the general tariffs and charges to increase at the average of 23%, water tariffs to increase by 15, 0%, electricity tariffs to increase by 28.9% and housing tariffs to increase with 10%. All these increased tariffs will be applicable from the beginning of the new financial year - 1 July 2010. From this time henceforth, free basic services will only be applicable to the indigents.

This application is based on the approach of changing the tariff structure to operate within the set NERSA guidelines. The new tariff structure takes into cognizance the fact that Mangaung is in transition to becoming a metropolitan municipality. These increments must also be understood in line with our vision – “a globally safe and attractive municipality to live, work and invest in”.

Honourable Speaker, coming to youth component, during September 2009 we reaffirmed our twinning agreement with the Belgian City of Ghent and pursuant to the precepts of the twinning agreement, as you may be aware, our youth coordination centers are still operational in all three areas constituting our municipality – Bloemfontein, Botshabelo and Thaba

Nchu. As part of this youth development project the City of Gent allocated 99,900.00 Euros to the youth of Mangaung for the implementation of Multi Annual Programme 2008 – 2012.

We are also working in close cooperation with the business and academic institutions to identify economic development projects. These institutions include: Motheo Further Education and Training College; University of Free State, Small Enterprise Development Agency (SEDA); State Information Technology Agency (SITA) and Vodacom. A task team comprising of representatives from these institutions has just completed a draft business plan on furniture refurbishment initiative. The document is currently in circulation among the stakeholders for discussion purposes.

In closing, we need to look back over the past four years on the promises made through our election manifesto and in retrospect, we can safely say YES we are elated that among other things; we have been successful in significantly reducing backlog on infrastructure development; roads are tarred; some Informal Settlements have been formalized and houses have been built for poor citizens of our municipality. We will resume giving free water and electricity services to our poor citizens and continue assisting with indigent burials

In spite of monumental challenges we find ourselves facing due to both global and local economic melt-down, we are confident that that this Budget will steer us in the right direction.

Honorable Speaker, after successfully delivering Germany as the quarter finalists, I present before this house and the Council the budget and IDP for adoption.

Honourable Speaker, Ladies and Gentlemen, allow me to express words of appreciation and encouragement to the head of the administration and senior management. Special words of thanks to all officials who have put their shoulders behind the wheel. To my family for their unwavering support – a big thank you.

Honourable members together We Can Still Do More.

TABLE OF CONTENTS

	Section Description	Page
1	ANNUAL BUDGET	
	Executive Mayor's Report	2
	Resolutions	2
	Executive Summary	3
	Annual Budget Tables	19
2	SUPPORTING DOCUMENTATION	
	Overview of annual budget process	20
	Overview of alignment of annual budget with Integrated Development Plan	21
	Measurable Performance Objectives and Indicators	24
	Overview of budget-related policies	26
	Overview of budget assumptions	27
	Overview of budget funding	28
	Allocations and grants made by the municipality	32
	Councillor and board member allowances and employee benefits	32
	Monthly Targets for Revenue and Expenditure	32
	Contracts having future budgetary implications	32
	Capital expenditure details	33
	Legislation compliance status	35
	Other supporting documents	36
	Annual budgets of municipal entities attached to the municipalities annual budget	36
	Municipal Manager's quality certification	37

PART 1 – ANNUAL BUDGET

1. EXECUTIVE MAYOR’S REPORT

To be tabled in Council under a separate cover.

2. BUDGET RELATED RESOLUTION

2.1 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 R3 361.57 million, Operating Expenditure of R2 988,32 million and Capital Expenditure Budget of R 373,25 million for the financial year 2010/11, and indicative allocations for the two projected outer years 2011/12 and 2012/13, be approved 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.

2.2 That the financial position, cash flow, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are 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;
- (d) Asset management – Table A9; and
- (e) Basic service delivery measurement – Table A10.

2.3 That the consolidated budget that includes the financial impact of Centlec (Pty) Ltd is approved.

2.4 That Centlec (Pty) Limited budget be noted.

2.5 That in terms of Section 24(2) (c) (i) and (ii) of the Municipal Finance Management Act, 56 of 2003 and sections 74 and 75A of the Local Government: Municipal Systems Act, Act 32 of 2000 as amended, the tariffs for the supply of water, electricity, waste services, sanitation services and property rates as set out in Annexure P1., which were used to prepare the estimates of revenue by source respectively, are approved with effect from 1 July 2010.

2.6 That in terms of Section 24(2) (c) (v) of Municipal Finance Management Act, 56 of 2003, the budget related policies, including any amendments as set out in the Annexure B are approved for the budget year 2010/11.

2.7 That the General Tariffs as set out in Tariffs Booklet be approved for the budget year 2010/11.

3. EXECUTIVE SUMMARY

INTRODUCTION

The 2010/11 medium term budget proposes a total budget of R3 361.57 million, comprising of R373,25 million for Capital and R2 988,32 million for Operating Expenditure respectively.

The 2011/2013 Medium Term Revenue and Expenditure Framework was developed within the framework of the City's development objectives. The development objectives are premised on four key strategic goals being:

- To ensure service excellence within and around Mangaung Local Municipality;
- To stimulate integrated and sustainable economic development;
- To improve and sustain financial, human resource excellence and management excellence;
- To evolve institutional excellence through an ongoing institution and re-enforcing, effective e leadership and effective long-range development planning.

The budget has been prepared in terms of guidelines as contained in the National Treasury's MFMA Circular 48. The budget poses many challenges and competing needs/priorities which had to be addressed and accommodated by limited financial resources, not least the current recessionary economic climate.

BACKGROUND

The purpose of the 2010/11 MTREF budget is to comply with the MFMA (No 56 of 2003) and is a financial plan to enable the municipality to achieve its vision and mission through the IDP/Turnaround Strategy which is informed by our development agenda and community/stakeholder inputs.

The tabling of the draft budget is the start of a journey towards the final budget approval later in June 2010. It serves to initiate many processes both politically and administratively, amongst others, consultations with communities throughout the municipal area.

3.1 PAST AND CURRENT PERFORMANCE, ACHIEVEMENTS AND CHALLENGES

3.1.1 SERVICE DELIVERY

The Mangaung Local Municipality has since its inception on 1994, fast tracked the provision of basic services to the previously disadvantaged areas of Botshabelo, Thaba Nchu and Mangaung. As part of institutional transformation and in an endeavour to build an efficient administration, we are currently in the process of decentralisation of services to the city regions, in order to ensure improved service delivery.

While we are proud of the achievements we have made, we are under no illusion about the importance of the work that still needs to be done. The municipality has however, in the last few years been subjected to both the political and administrative leadership instability, which ultimately led to the declining service delivery levels and a low staff morale. The challenge that faces us all is to consolidated the leadership and for the city to regain/reinstitute its status as a "benchmark" municipality within the province.

3.1.2 SERVICE DELIVERY STANDARDS

The City is experiencing a constant/steady migration of individuals from surrounding farms, and towns, as well as Lesotho, in seeking a better life in the Bloemfontein areas. Through the Municipal Infrastructure Grant, particular emphasis is given to the eradication of service backlogs, especially water and sanitation, eradication of informal settlements through the provision of housing and household services.

The following table below provides a summary of the current backlogs of the municipality together with the estimated timeframes for addressing them:

Basic Services	Existing Backlogs (Households)	Timeframe to address based on current funding levels (years)
Water	16 342	5
Sanitation	48 018	7
Solid Waste	40 000	5
Solid Waste/Regional (Landfill site)	1	5
INFRASTRUCTURAL		
Main Stormwater Canals	82 Km	5
Roads (Mains Arterial & Street Residential)	465 Km	10
Pedestrianisation - Sidewalks	3 632 Km	15

3.1.3 FINANCIAL PERFORMANCE (2008/9)

The 2008/9 financial year was a very challenging year as it strives to meet its service delivery targets, amid the recessionary economic climate and the rising debtors' book. Our weakening balance sheet, assisted by under collection of debtors and rising operating costs, threatens the foundation for sustainable growth that Council should be striving for. The municipality received a disclaimer audit opinion for the second year in a row. In going forward the municipality need to take drastic actions to turn its financial position around toward sustainability and to meet the national 'clean audit' objectives by 2014.

OPERATING BUDGET

In respect of the 2008/09 financial year, expenditure in the amount of R 1,543 million was fully funded from the municipality's revenues as well as grants and subsidies from National and Provincial Government. The resultant over expenditure was R190,8 million, mainly as a result of debt impairment provision of R201 million against the budget of R20 million.

CAPITAL BUDGET

The actual Capital Expenditure was R478,5 million, showing a variance of R213,1 million against a budget of R691,6 million. The bulk of the expenditure of R625 million, was on Infrastructural services, including the major 2010 Soccer World Cup related projects.

3.2 BUDGET SUMMARY

3.2.1 MID-TERM OUTLOOK: 2011/12 – 2012/13

OPERATING BUDGET

The operating budget increases from R2 964,9 million in 2009/10 to R2 988,3 million in 2010/11 , R3 394,4 and R3 840,6 millions respectively, for the outer two years of the MTREF period. The growth is mainly attributed to:

- * Cost of bulk purchases of water and electricity;
- * Employee related costs as a result of the provision for salary increase and the full impact of staggered filling of vacancies in the 2009/10 fiscal year.
- * Impact of the increase in contracted services by 56.0%.

OPERATING BUDGET - HIGHLIGHTS

- Personnel costs grew by 15.98% based on the 2009/10 approved budget of R668, 2 million to R774, 95 million in 2010/11. This expenditure category constitutes 25.9.3% of the operating budget.
- Bulk purchases (water and electricity) grew by 15.98% against the 2009/10 budget to the proposed amount of R986, 92 million. Bulk purchases takes up approximately 33.03% of the operating budget for 2010/11. The increase in the electricity purchases costs (24.5%), is the biggest cost driver, with a direct influence on the cost of water.
- Repairs and maintenance growth is 13.97% on 2009/10 budget to the now proposed amount of R158, 97 million. Repairs and Maintenance takes up approximately 5.32% of the operating budget. Ideally the municipality should be budgeting between 6 – 8% of its operating budget on maintenance.
- Contracted services recorded a growth percentage of 56.09% to R153.5 million for the 2010/11 financial year. The major growth in this services is in respect of Vendors Commission(Electricity) for R20,1 million, Leasing of Vehicles R7 million ,Valuation Expenses R7 million and Audit Fees R6 million.
- Transfer to bad debts reserves has been increased by R32.0 million from the 2009/10 budget allocation to R87.5 million. The increase in the reserve allocation is mainly due to the Grap/IFRIS impairment requirements of the debtors' book, as well as the impact of the current recessionary economic climate.
- Interest on external borrowing has been set at R50,97 million for the 2010/11 financial year, representing a growth rate of 174.02%. The growth of R32,4 million is mainly as a result of Interest – Defined Benefit Plan of R28,2 million (not provided for in the 2009/10 budget.),

Interest of the DBSA Loan of R6,3 million and a reduction Centlec's interest payment to the parent municipality by R2.4 million.

CAPITAL BUDGET

The capital budget has been reduced by R476.30 million from the 2009/10 budgeted amount of R841,7 million to R365,4 million in 2010/11. The projected capital expenditure budget has been set at R716,3 and R524,9 millions respectively for the 2011/12 and 2012/13 financial years.

CAPITAL BUDGET HIGHLIGHTS

The municipality is experiencing an influx of people seeking both employment and educational opportunities in the greater Bloemfontein and Botshabelo areas. The rapid inward migration, declining household sizes and greater economic and educational activity puts pressure on the existing municipal infrastructure.

The following are some of the major capital budget projects, which have been included in the MTREF budget:

PROJECT / ITEM	R'M
4 New Townships Establishment	8,0
Contribution to Airport Link Road	8,0
Inter-Modal Public Transport Facility	15,0
North Eastern Waste Water Treatment Works	50,2
Extension to Sterkwater Waste Water Treatment Works	24,9
Extension to Eastern Waste Water Treatment Works	6,5
Upgrading of Sewer System in Freedom Square	37,5
Bulk Water Supply to Mangaung	53,6
ELECTRICITY	
Electrification Connection – DME Grant	13,0
Installation of Pre-paid Meters (Indigents)	5,0
Electrification Connections DME	5,0
Demand Side Management	5,0
Public Electricity Connections	19,9

1. Assessment Rates

It is recommended:

- (a) That, the following general assessment rates in respect of the Mangaung Local Municipality be determined as follows:
- (i) Comma six three eight six cent (0,6386 cent), multiply by comma two five percent (0.25%) and comma five percent (0.50%) per rand on the rateable value of farm property (exempt from VAT);
 - (ii) Comma six three eight six cent (0,6386 cent) per rand on the rateable value of residential property (exempt from VAT);
 - (iii) One comma five nine six five one cent (1,5965 cent) per rand on the rateable value of government property (exempt from VAT);
 - (iv) Three comma one zero eight one cent (3,1081 cent) per rand on the rateable value of business property (exempt from VAT).
 - (v) Interest shall be paid to Council on rates, which have not been paid within thirty days from the date on which such rates became due, at a rate of 1% higher than the prime rate for the period during which such rates remain unpaid after expiry of the said period of thirty days.

Assessment Rates:

- * The first R 40 000 (Forty thousand Rand only) of the rateable value of residential properties are exempted;
- * That in respect of qualifying senior citizens and disabled persons, the first R200 000 (Two hundred thousand rand only) of the rateable value of their residential properties be exempted from rates;
- * That the rebate on the first R200 000 of the rateable value for residential properties of qualifying senior citizens and disabled persons will only be applicable on properties with a value that does not exceed R2 000 000 (Two million rand only); and,
- * That for the 20010/11 financial year the criteria applicable for child headed families regarding the total monthly income from all sources must not exceed an amount of R 3000-00 per month.

(b) Sanitary Fees:

That the following levies in respect of the Mangaung Local Municipality (excluding residential in Bloemdundria, Ribblesdale, Bloemspruit, Bainsvlei, Farms and Peri Urban areas in Thaba Nchu, but including parsonages and the Langenhovenpark area) be determined:

- (i) Comma three eight two eight cent (0,3828 cent) per rand on the rateable value of the property (VAT excluded) with a minimum of seventy nine rand and ten cent (R 79,10) (VAT excluded) per erf per month

Sanitation – residential properties with a value of R 40 000,00 or less are exempted

- (ii) Levy on churches, church halls and other places of similar nature, qualifying charitable institutions and welfare organizations:

R 71,00 per sanitary point per month (VAT excluded);
R 23,61 per refuse container per month (VAT excluded);

- (iii) Martie du Plessis School, Dr Böhmer School, Lettie Fouche School, and schools of similar nature:
R 35,51 per sanitary point per month (VAT excluded);
R 11,81 per refuse container per month (VAT excluded);
- (iv) that the rates and levies in accordance with (a) and (b), as stated above, become due monthly on the following dates, 17 July 2010, 17 August 2010, 16 September 2010, 17 October 2010, 16 November 2010, 17 December 2010, 17 January 2011, 14 February 2011, 17 March 2011, 16 April 2011, 17 May 2011 and 16 June 2011;

2. General Tariffs

It is recommended:

- (i) That the general tariffs and charges, at an average increase of 23%, as reflected in the **Tariffs Booklet**, be approved for the 2010/11 budget year.

3. Water Tariffs

It is recommended:

- (i) That, the water tariffs for the 2010/11 financial year be increased by 15.0% above the previous year;
- (ii) That, the water tariffs for 2010/11 be applicable from the consumer month of July 2010;
- (iii) That, for the calculation of water accounts the consumer month will be the period between the successive monthly readings irrespective of the period between reading dates and
- (iv) That, in terms of section 145 of the Local Government Ordinance of 1962, (Ordinance No 8 of 1962) the following charges and prices, excluding VAT, in connection with the supply and consumption of water are submitted for approval.

Part A: Erf within Municipal Area

Tariff 1: (a) Erf Used for Residential Purpose and

(b) Sports Club Incorporated in the Council's Sport Club Scheme Water Consumed:

- (i) R 3,32 per kilolitre per month for 0 to 6 kilolitres;
- (ii) R 10,01 per kilolitre per month for 7 up to 30 kilolitres;
- (iii) R 10,40 per kilolitre per month for 31 up to 100 kilolitres;
- (iv) R 11,02 per kilolitre per month for each kilolitre more than 100 kilolitres.

(c) Bulk metered Flats / Townhouses / Duet Houses:

- (i) Total kilolitres used, number of Flats/Townhouses/Duet Houses
- (ii) Apply sliding scale:
 - 0 - 6 kilolitres
 - 7 - 30 kilolitres

31 - 100 kilolitres

101 kilolitres and more

Multiply amount by number of Flats/Townhouses/Duet houses. Tariffs applicable to normal residential dwellings are applicable to the above.

Tariff 2: Unmetered Erf Used for Residential Purposes Only.

Fixed amount: R 19,23 per month

Tariff 3: Unimproved Erf

3.1 Unimproved erf which may be used for residential purposes only:

Minimum charge: R 21,21 per month

3.2 Any other unimproved erf:

Minimum charge: R 2284,84 per month

Tariff 4: Directorates of Council

Water consumed: R 8,26 per month

Tariff 5: Any Other Point where Water is supplied not mentioned in Tariffs 1, 2, 3 and 4 per Water Meter:

5.1 Minimum charge: R 284,84 per month

plus

5.2 Water consumed: R 10,47 per kilolitre per month.

Part B: Erf Out-side Municipal Area

Tariff 6: Erf used for Residential Purposes Only

Water consumed:

(a) R 3,32 per kilolitre per month for 0 to 6 kilolitres;

(b) R 10,01 per kilolitre per month for 7 up to 30 kilolitres plus a surcharge of 35%;

(c) R 10,40 per kilolitre per month for 31 up to 100 kilolitres plus a surcharge of 35%;

(d) R 11,02 per kilolitre per month for each kilolitre more than 100 kilolitres plus a surcharge of 35%;

Tariff 7: Any other point where water is supplied not mentioned in Tariff 6, per water meter (Excluding Special Arrangements)

7.1 Minimum charge: R 284,84 per month, plus a surcharge of 35%

plus

7.2 Water consumed: R 10,17 per kilolitre per month plus a surcharge of 35%

1.6 Electricity Tariffs

The following should be taken as background:

- Eskom announced a 24.8% increase on electricity purchases applicable as from 1 April 2010;
- A tariff application was submitted to NERSA for an electricity tariff increase of 29% (based on NERSA's guidelines) for implementation as from 1 July 2010;

It is recommended:

- (i) That, the electricity tariffs for the 2010/11 financial year be increased with 29% (on average) above the previous year;
- (ii) That, the new electricity tariffs for 2010/11 be applicable from the consumer month of July 2010
- (iii) That, for the calculation of electricity accounts the consumer month will be the period between the successive monthly readings irrespective of the period between reading dates and
- (iv) That, the following charges and prices, excluding VAT, in connection with the supply and consumption of electricity are submitted for approval:

ANNEXURE A: Proposed Tariffs – Residential (Excluding VAT)
ELECTRICITY TARIFFS FOR APPROVAL BY NERSA FOR IMPLEMENTATION: 1 JULY 2010

WITH PROPOSED INCREASE	Current		PROPOSED TARIFFS AS FROM 1 JULY 2010	
	RESIDENTIAL TARIFF GROUP	TARIFF AS FROM JULY 2009	TARIFF AS FROM JULY 2010	% INCREASE
TARIFF I(a): HOMEPower Service Charge – Urban Service Charge - Peri-Urban Units (c/kWh)	R 68.6000 R 102.7540 R 0.5760	TO BE DISCONTINUED - Replaced by Inclining Block Tariffs		
TARIFF I: RESIDENTIAL TARIFF - INCLINING BLOCK TARIFF Energy Block 1 (1 - 50kWh) Energy Block 2 (50 - 350kWh) Energy Block 3 (351 - 600kWh) Energy Block 4 (> 600kWh)	R 0.5530 R 0.5760	R 0.6250 R 0.6650 R 0.7400 R 0.8500	13.02% 15.45%	
TARIFF I(b): HOMEPower (OFF-PEAK) Service Charge – Urban Service Charge - Peri-Urban Units (c/kWh) Peak - High demand Units (c/kWh) Peak - Low demand Units (c/kWh) Off-Peak - High demand Units (c/kWh) Off-Peak - Low demand	R 68.6000 R 102.7540 R 0.8630 R 0.5790 R 0.4480 R 0.4300	TO BE DISCONTINUED - Replaced by Inclining Block Tariffs		
TARIFF IV: HOMEPower BULK (SEE NOTE BELOW) Service Charge – Urban Service Charge - Peri-Urban Units (c/kWh)	R 849.1110 R 849.1110 R 0.5820	R 1,094.5040 R 1,094.5040 R 0.7500	28.90% 28.90% 28.87%	
TARIFF V: PREPAID METERS Units (c/kWh) (H3 - Homelight 3 - full install. Costs) Units (c/kWh) (H2 - Homelight 2 – partly subsidized) Units (c/kWh) (H1 - Homelight 1 - largely subsidized) Units (c/kWh) (BFN CENTLEC URBAN > 500 kWh) Units (c/kWh) (BFN CENTLEC URBAN > 500 kWh) Units (c/kWh) (BFN CENTLEC PERI-URBAN > 500kWh) Units (c/kWh) (BFN CENTLEC PERI-URBAN > 500kWh) Units (c/kWh) (BFN CENTLEC BUSINESS - ALL) Units (c/kWh) (BFN CENTLEC BUSINESS - ALL) Units (c/kWh) (H3 - Homelight 3 - full install. Costs) INDIGENTS Units (c/kWh) (H2 - Homelight 2 – partly subsidized) INDIGENTS Units (c/kWh) (H1 - Homelight 1 - largely subsidized) INDIGENTS	R 0.6440 R 0.7380 R 0.7820 R 68.6000 R 0.5760 R 102.7540 R 0.5760 R 0.0000 R 0.0000 R 0.5530 R 0.6340 R 0.6710	TO BE DISCONTINUED - Replaced by Inclining Block Tariffs		
TARIFF VI HOMEFLEX Basic Charge (Service Levy) Capacity charge (R/Amp/m) Energy - High Demand - Peak (R/kWh) Energy - High Demand - Standard (R/kWh) Energy - High Demand - Off-Peak (R/kWh) Energy - Super peak (R/kWh) Energy - Low Demand - Peak (R/kWh) Energy - Low Demand - Standard (R/kWh) Energy - Low Demand - Off-Peak (R/kWh) Energy - Super peak (R/kWh)	No Super Peak R 32.3210 R 1.6160 R 1.3880 R 0.5620 R 0.4270 R 0.0000 R 0.5840 R 0.4630 R 0.4050 R 0.0000	R 41.6620 R 2.0830 R 1.7900 R 0.7250 R 0.5500 R 0.0000 R 0.7530 R 0.5970 R 0.5220 R 0.0000	28.90% 28.90% 28.96% 29.00% 28.81% 28.94% 28.94% 28.89%	

NOTE: TARIFF IV: HOMEPower BULK – TO BE PHASED OUT – Replaced by TOU Elecflex Tariffs

ANNEXURE B: Proposed Tariffs – Commercial Customers

ELECTRICITY TARIFFS FOR APPROVAL BY NERSA FOR IMPLEMENTATION: 1 JULY 2010

Excluding VAT

PROPOSED TARIFFS AS FROM 1 JULY 2010

WITH PROPOSED INCREASE	CURRENT		
BUSINESS & COMMERCIAL TARIFF GROUP	TARIFF AS FROM JULY 2009	TARIFF AS FROM JULY 2010	% INCREASE
TARIFF II (a) BUSINESS RATE Service Charge – Urban Service Charge - Peri-Urban Units (c/kWh)	R 334.5100 R 334.5100 R 0.7100	SEE NOTE 1: TO BE DISCONTINUED	
TARIFF II: BUSINESS RATE TARIFF - DECLINING BLOCK TARIFF Energy Block 1 (1 - 50kWh) Energy Block 2 (50 - 350kWh) Energy Block 3 (351 - 600kWh) Energy Block 4 (> 600kWh)		R 8.0000 R 0.9500 R 0.9200 R 0.9000	SEE Comparison table in Annexures
TARIFF II(b): BUSINESS RATE (OFF-PEAK) Service Charge – Urban Service Charge - Peri-Urban Units (c/kWh) Peak - High demand Units (c/kWh) Peak - Low demand Units (c/kWh) Off-Peak - High demand Units (c/kWh) Off-Peak - Low demand	R 334.5100 R 334.5100 R 0.9690 R 0.7220 R 0.6400 R 0.6220	SEE NOTE 2: TO BE DISCONTINUED	
TARIFF II (c) DEPARTMENTAL (PUBLIC LIGHT) Units (c/kWh) PUBLIC LIGHT (Streetlights) Units (c/kWh) (Departmental Buildings)	R 0.4790 R 0.5820	R 0.6175 R 0.7500	28.91% 28.87%
TARIFF VI COMMFLEX Basic Charge (Service Levy) Capacity Charge (R/Amp/phase/month) Energy – High Demand – Peak Energy – High Demand – Standard Energy – High Demand – Off-Peak Energy – Low Demand – Peak Energy – Low Demand – Standard Energy – Low Demand – Off-Peak		R 51.5600 R 2.3200 R 1.8700 R 0.8380 R 0.6120 R 0.8000 R 0.6700 R 0.5800	NEW COMMERCIAL TOU TARIFF
NOTE 1: (a): BUSINESS RATE TARIFF II	TARIFF II (a): BUSINESS RATE - TO BE PHASED OUT - Connections smaller than 100Amp/phase - Replaced by Inclining Block Tariff. Connections larger than 100Amp/phase - Replaced by Bulk TOU Elecflex Tariffs		
NOTE 2: TARIFF II (b): BUSINESS RATE (OFF-PEAK)	TARIFF II (b): BUSINESS RATE (OFF-PEAK) - TO BE PHASED OUT - Connections smaller than 100Amp/phase - Replaced by Inclining Block Tariff. Connections larger than 100Amp/phase - Replaced by Bulk Tou Elecflex Tariffs		

Annexure C: Proposed Tariffs – Bulk AMR TOU
ELECTRICITY TARIFFS FOR APPROVAL BY NERSA FOR IMPLEMENTATION: 1 JULY 2010
Excluding VAT

WITH PROPOSED INCREASE	CURRENT	PROPOSED TARIFFS AS FROM 1 JULY 2010	
		TARIFF AS FROM JULY 2010	% INCREASE
BULK TARIFF GROUP	TARIFF AS FROM JULY 2009	TARIFF AS FROM JULY 2010	% INCREASE
TARIFF III (a): TOU - ELEC FLEX 1 - BULK SUPPLY - MV: Direct from Distribution Centre			
Basic Charge (Service Levy)	R 3,584.0600	R 4,323.7560	20.64%
Reactive Energy Charge (c/kWh)	R 0.0000	-	
Access Charge (R/kVA)	R 13.4000	16.0950	20.11%
kVA Demand Charge (R/kVA)	R 44.9620	62.0410	37.99%
Energy - High Demand - Peak (c/kWh)	R 1.2530	1.6260	29.77%
Energy - High Demand - Standard (c/kWh)	R 0.4340	0.5590	28.80%
Energy - High Demand - Off-Peak (c/kWh)	R 0.2990	0.3650	22.07%
Energy - Low Demand - Peak (c/kWh)	R 0.4550	0.5810	27.69%
Energy - Low Demand - Standard (c/kWh)	R 0.3360	0.4690	39.58%
Energy - Low Demand - Off-Peak (c/kWh)	R 0.2790	0.3580	28.32%
TARIFF III (b): TOU - ELEC FLEX 2 - BULK SUPPLY - MV: Feeding from MV Network			
Basic Charge (Service Levy)	R 2,433.9210	R 2,908.5420	19.50%
Reactive Energy Charge (c/kWh)	R 0.0000	-	
Access Charge (R/kVA)	R 14.0700	16.8270	19.59%
kVA Demand Charge (R/kVA)	R 47.1350	64.5920	37.04%
Energy - High Demand - Peak (c/kWh)	R 1.3130	1.6880	28.56%
Energy - High Demand - Standard (c/kWh)	R 0.4560	0.5910	29.61%
Energy - High Demand - Off-Peak (c/kWh)	R 0.3150	0.3820	21.27%
Energy - Low Demand - Peak (c/kWh)	R 0.4780	0.5910	23.64%
Energy - Low Demand - Standard (c/kWh)	R 0.3530	0.4860	37.68%
Energy - Low Demand - Off-Peak (c/kWh)	R 0.2930	0.3680	25.60%
TARIFF III (c): TOU - ELEC FLEX 3 - BULK SUPPLY - LV: Feeding from LV Network			
Basic Charge (Service Levy)	R 1,283.4230	R 1,704.2880	32.79%
Reactive Energy Charge (c/kWh)	R 0.0000	-	
Access Charge (R/kVA)	R 14.4720	17.8940	23.65%
kVA Demand Charge (R/kVA)	R 48.5010	66.9750	38.09%
Energy - High Demand - Peak (c/kWh)	R 1.3480	1.7580	30.42%
Energy - High Demand - Standard (c/kWh)	R 0.4680	0.6390	36.54%
Energy - High Demand - Off-Peak (c/kWh)	R 0.3230	0.4170	29.10%
Energy - Low Demand - Peak (c/kWh)	R 0.4910	0.6240	27.09%
Energy - Low Demand - Standard (c/kWh)	R 0.3620	0.5040	39.23%
Energy - Low Demand - Off-Peak (c/kWh)	R 0.3000	0.3790	26.33%
TARIFF III (e): BULK			
Service Charge LV	R 849.1110	TARIFF III (e): BULK - TO BE DISCONTINUED - REPLACED BY TOU ELEC FLEX TARIFFS	
Service Charge MV	R 1,294.4330		
Units (c/kWh) LV	R 0.4010		
Units (c/kWh) MV	R 0.3760		
kVA Demand Tariff (Low Tension) (R/kVA)	R 95.8500		
kVA Demand Tariff (11kV & 33kV) (R/kVA)	R 89.5400		

ANNEXURE D: TARIFF COMPARISON – RESIDENTIAL

Energy Block 1 (1 - 50kWh)	R 0.7130	28.89%	R 0.9190	28.94%	R 1.1850
Energy Block 2 (50 - 350kWh)	R 0.7420	28.84%	R 0.9560	28.87%	R 1.2320
Energy Block 3 (351 - 600kWh)	R 0.7800	28.85%	R 1.0050	28.86%	R 1.2950
Energy Block 4 (> 600kWh)	R 0.8100	28.89%	R 1.0440	28.93%	R 1.3460

	2009/2010	2010/2011		2011/2012		2012/2013	
	Homelight	Residential		Residential		Residential	
	CURRENT TARIFF	Inclining Block Tariff	Difference	Inclining Block Tariff	Difference	Inclining Block Tariff	Difference
UNITS	R ----- c	R ----- c	%	R ----- c	%	R ----- c	%
0	R 68.60	R -		R -		R -	
50	R 97.40	R 35.65	-63.40%	R 45.95	28.89%	R 59.25	28.94%
100	R 126.20	R 72.75	-42.35%	R 93.75	28.87%	R 120.85	28.91%
150	R 155.00	R 109.85	-29.13%	R 141.55	28.86%	R 182.45	28.89%
200	R 183.80	R 146.95	-20.05%	R 189.35	28.85%	R 244.05	28.89%
250	R 212.60	R 184.05	-13.43%	R 237.15	28.85%	R 305.65	28.88%
300	R 241.40	R 221.15	-8.39%	R 284.95	28.85%	R 367.25	28.88%
350	R 270.20	R 258.25	-4.42%	R 332.75	28.85%	R 428.85	28.88%
400	R 299.00	R 297.25	-0.59%	R 383.00	28.85%	R 493.60	28.88%
500	R 356.60	R 375.25	5.23%	R 483.50	28.85%	R 623.10	28.87%
600	R 414.20	R 453.25	9.43%	R 584.00	28.85%	R 752.60	28.87%
700	R 471.80	R 534.25	13.24%	R 688.40	28.85%	R 887.20	28.88%
800	R 529.40	R 615.25	16.22%	R 792.80	28.86%	R 1,021.80	28.88%
900	R 587.00	R 696.25	18.61%	R 897.20	28.86%	R 1,156.40	28.89%
1,000	R 644.60	R 777.25	20.58%	R 1,001.60	28.86%	R 1,291.00	28.89%
1,100	R 702.20	R 858.25	22.22%	R 1,106.00	28.87%	R 1,425.60	28.90%
1,200	R 759.80	R 939.25	23.62%	R 1,210.40	28.87%	R 1,560.20	28.90%
1,300	R 817.40	R 1,020.25	24.82%	R 1,314.80	28.87%	R 1,694.80	28.90%
1,400	R 875.00	R 1,101.25	25.86%	R 1,419.20	28.87%	R 1,829.40	28.90%
1,500	R 932.60	R 1,182.25	26.77%	R 1,523.60	28.87%	R 1,964.00	28.91%
1,600	R 990.20	R 1,263.25	27.58%	R 1,628.00	28.87%	R 2,098.60	28.91%
1,700	R 1,047.80	R 1,344.25	28.29%	R 1,732.40	28.87%	R 2,233.20	28.91%
1,800	R 1,105.40	R 1,425.25	28.94%	R 1,836.80	28.88%	R 2,367.80	28.91%
1,900	R 1,163.00	R 1,506.25	29.51%	R 1,941.20	28.88%	R 2,502.40	28.91%
2,000	R 1,220.60	R 1,587.25	30.04%	R 2,045.60	28.88%	R 2,637.00	28.91%
2,500	R 1,508.60	R 1,992.25	32.06%	R 2,567.60	28.88%	R 3,310.00	28.91%
3,000	R 1,796.60	R 2,397.25	33.43%	R 3,089.60	28.88%	R 3,983.00	28.92%
3,500	R 2,084.60	R 2,802.25	34.43%	R 3,611.60	28.88%	R 4,656.00	28.92%
4,000	R 2,372.60	R 3,207.25	35.18%	R 4,133.60	28.88%	R 5,329.00	28.92%
4,500	R 2,660.60	R 3,612.25	35.77%	R 4,655.60	28.88%	R 6,002.00	28.92%
5,000	R 2,948.60	R 4,017.25	36.24%	R 5,177.60	28.88%	R 6,675.00	28.92%
5,500	R 3,236.60	R 4,422.25	36.63%	R 5,699.60	28.88%	R 7,348.00	28.92%
6,000	R 3,524.60	R 4,827.25	36.96%	R 6,221.60	28.88%	R 8,021.00	28.92%
6,500	R 3,812.60	R 5,232.25	37.24%	R 6,743.60	28.89%	R 8,694.00	28.92%
7,000	R 4,100.60	R 5,637.25	37.47%	R 7,265.60	28.89%	R 9,367.00	28.92%
7,500	R 4,388.60	R 6,042.25	37.68%	R 7,787.60	28.89%	R 10,040.00	28.92%

Annexure E: Tariff Comparison – Commercial

TARIFF COMPARISON: COMMERCIAL DECLINING BLOCK

Service Charge	R 334.5100					
	R 0.7100					
c/kWh	R 0.7100					
Energy Block 1 (1 - 50kWh)		Proposed Tariffs for 2010/2011		Percentage Increase	Proposed Tariffs for 2011/2012	Percentage Increase
Energy Block 2 (50 - 350kWh)		R 9.5000		28.95%	R 12.2500	28.90%
Energy Block 3 (351 - 600kWh)		R 0.9400		28.72%	R 1.2100	28.90%
Energy Block 4 (> 600kWh)		R 0.9250		28.65%	R 1.1900	28.90%
		R 0.9100		29.01%	R 1.1740	28.90%

UNITS	2009/2010		2010/2011			2011/2012		
	Business rate		Business rate			Business rate		
	CURRENT TARIFF	Inclining Block Tariff	Average c/kWh	Difference	Inclining Block Tariff	Average c/kWh	Difference	
	R ----- c	R ----- c	R ----- c		%	R ----- c		R ----- c
0	R 334.51	R 0.00	R 0.0000		R 0.00	R 0.0000		
50	R 370.01	R 475.00	R 7.4002	28.37%	R 612.50	R 12.2500	28.95%	
100	R 405.51	R 522.00	R 4.0551	28.73%	R 673.00	R 6.7300	28.93%	
150	R 441.01	R 569.00	R 2.9401	29.02%	R 733.50	R 4.8900	28.91%	
200	R 476.51	R 616.00	R 2.3826	29.27%	R 794.00	R 3.9700	28.90%	
250	R 512.01	R 663.00	R 2.0480	29.49%	R 854.50	R 3.4180	28.88%	
300	R 547.51	R 710.00	R 1.8250	29.68%	R 915.00	R 3.0500	28.87%	
350	R 583.01	R 757.00	R 1.6657	29.84%	R 975.50	R 2.7871	28.86%	
400	R 618.51	R 803.25	R 1.5463	29.87%	R 1,035.00	R 2.5875	28.85%	
450	R 654.01	R 849.50	R 1.4534	29.89%	R 1,094.50	R 2.4322	28.84%	
500	R 689.51	R 895.75	R 1.3790	29.91%	R 1,154.00	R 2.3080	28.83%	
550	R 725.01	R 942.00	R 1.3182	29.93%	R 1,213.50	R 2.2064	28.82%	
600	R 760.51	R 988.25	R 1.2675	29.95%	R 1,273.00	R 2.1217	28.81%	
650	R 796.01	R 1,033.75	R 1.2246	29.87%	R 1,331.70	R 2.0488	28.82%	
700	R 831.51	R 1,079.25	R 1.1879	29.79%	R 1,390.40	R 1.9863	28.83%	
750	R 867.01	R 1,124.75	R 1.1560	29.73%	R 1,449.10	R 1.9321	28.84%	
800	R 902.51	R 1,170.25	R 1.1281	29.67%	R 1,507.80	R 1.8848	28.84%	
850	R 938.01	R 1,215.75	R 1.1035	29.61%	R 1,566.50	R 1.8429	28.85%	
900	R 973.51	R 1,261.25	R 1.0817	29.56%	R 1,625.20	R 1.8058	28.86%	
950	R 1,009.01	R 1,306.75	R 1.0621	29.51%	R 1,683.90	R 1.7725	28.86%	
1,000	R 1,044.51	R 1,352.25	R 1.0445	29.46%	R 1,742.60	R 1.7426	28.87%	
1,100	R 1,115.51	R 1,443.25	R 1.0141	29.38%	R 1,860.00	R 1.6909	28.88%	
1,200	R 1,186.51	R 1,534.25	R 0.9888	29.31%	R 1,977.40	R 1.6478	28.88%	
1,300	R 1,257.51	R 1,625.25	R 0.9673	29.24%	R 2,094.80	R 1.6114	28.89%	
1,400	R 1,328.51	R 1,716.25	R 0.9489	29.19%	R 2,212.20	R 1.5801	28.90%	
1,500	R 1,399.51	R 1,807.25	R 0.9330	29.13%	R 2,329.60	R 1.5531	28.90%	
1,600	R 1,470.51	R 1,898.25	R 0.9191	29.09%	R 2,447.00	R 1.5294	28.91%	
1,700	R 1,541.51	R 1,989.25	R 0.9068	29.05%	R 2,564.40	R 1.5085	28.91%	
1,800	R 1,612.51	R 2,080.25	R 0.8958	29.01%	R 2,681.80	R 1.4899	28.92%	
1,900	R 1,683.51	R 2,171.25	R 0.8861	28.97%	R 2,799.20	R 1.4733	28.92%	
2,000	R 1,754.51	R 2,262.25	R 0.8773	28.94%	R 2,916.60	R 1.4583	28.92%	
2,500	R 2,109.51	R 2,717.25	R 0.8438	28.81%	R 3,503.60	R 1.4014	28.94%	
3,000	R 2,464.51	R 3,172.25	R 0.8215	28.72%	R 4,090.60	R 1.3635	28.95%	
3,500	R 2,819.51	R 3,627.25	R 0.8056	28.65%	R 4,677.60	R 1.3365	28.96%	
4,000	R 3,174.51	R 4,082.25	R 0.7936	28.59%	R 5,264.60	R 1.3162	28.96%	

4,500	R 3,529.51	R 4,537.25	R 0.7843	28.55%	R 5,851.60	R 1.3004	28.97%
5,000	R 3,884.51	R 4,992.25	R 0.7769	28.52%	R 6,438.60	R 1.2877	28.97%
5,500	R 4,239.51	R 5,447.25	R 0.7708	28.49%	R 7,025.60	R 1.2774	28.98%
6,000	R 4,594.51	R 5,902.25	R 0.7658	28.46%	R 7,612.60	R 1.2688	28.98%
6,500	R 4,949.51	R 6,357.25	R 0.7615	28.44%	R 8,199.60	R 1.2615	28.98%
7,000	R 5,304.51	R 6,812.25	R 0.7578	28.42%	R 8,786.60	R 1.2552	28.98%
7,500	R 5,659.51	R 7,267.25	R 0.7546	28.41%	R 9,373.60	R 1.2498	28.98%
8,000	R 6,014.51	R 7,722.25	R 0.7518	28.39%	R 9,960.60	R 1.2451	28.99%
8,500	R 6,369.51	R 8,177.25	R 0.7494	28.38%	R 10,547.60	R 1.2409	28.99%
9,000	R 6,724.51	R 8,632.25	R 0.7472	28.37%	R 11,134.60	R 1.2372	28.99%
9,500	R 7,079.51	R 9,087.25	R 0.7452	28.36%	R 11,721.60	R 1.2339	28.99%
10,000	R 7,434.51	R 9,542.25	R 0.7435	28.35%	R 12,308.60	R 1.2309	28.99%

1.7 Explanation on the Changes of the Tariff Structure

This application is based on the approach of changing the tariff structure to operate within the set NERSA guidelines as well as the proposed restructuring of the EDI in the forming of REDS. By changing the MLM/CENTLEC tariff structure one must also bare in mind that Mangaung was identified as one of the future Metros and that the structure must also make provision for these changes. It is also a priority to comply with National Government's vision (*Government Gazette No R 842 dated 8 August 2008* – see **ANNEXURE I** attached) for the implementation of TOU tariffs to all customer categories using more than 500kWh/month. The following tariff structural changes are thus submitted for approval:

Tariff Structure Changes:

- a. **Bulk:** *It is a single point of supply to an individual customer and/or premise, where the electricity is then distributed to separate sub-customers (and sub-metered by the bulk customer) and the resale of electricity is done in accordance with Mangaung Local Municipality's By-laws relating to electricity supply. **This tariff will be phased out and replaced by TOU Elecflex tariffs.***
- b. **Business rate:** *It is a single point of supply to an individual commercial customer and/or premise and can be re-distributed to separate sub-customers (and sub-metered by individual sub-meters) and the resale of electricity is done in accordance with Mangaung Local Municipality's By-laws relating to electricity supply. **The intention is that this tariff will be phased out on 30 June 2010 and replaced with a declining block tariff (DBT) as from 1 July 2010. When the technology allows, this tariff will then be replaced with a TOU (Commflex) tariff (Government Gazette No R 842 dated 8 August 2008).***
- c. **Businessrate Off-peak:** *It is a single point of supply to an individual commercial customer and/or premise and can be re-distributed to separate sub-customers (and sub-metered by individual sub-meters) and the resale of electricity is done in accordance with Mangaung Local Municipality's By-laws relating to electricity supply. **The intention is that this tariff will be phased out on 30 June 2010 and replaced with a declining block tariff (DBT) as from 1 July 2010. When the technology allows, this tariff will then be replaced with a TOU (Commflex) tariff (Government Gazette No R 842 dated 8 August 2008).***
- d. **CENTLEC Tariff:** ***This is a new tariff** and it is based on a single point of supply to an individual CENTLEC building, substation or premise for the exclusive use for CENTLEC alone. It will be based on a single rate c/kWh tariff. The same tariff will also be used for the billing of street lights and traffic light consumptions.*
- e. **Departmental:** *It is a single point of supply to an individual Municipal building and/or premise. Due to the fact that CENTLEC is a Ring-Fenced entity, **the Departmental Tariff shall be discontinued on 30 June 2010.** Mangaung Local Municipality's buildings and/or premises will be measured and billed according to the appropriate DBT or TOU tariff. CENTLEC premises will be measured and billed under a separate **CENTLEC Tariff** as from 1 July 2010. Street light and Traffic light consumption will be billed under the*

CENTLEC Tariff.

- f. **Elecflex 1:** It is a TOU tariff for MV Bulk Supply customers feeding directly from CENTLEC'S Distribution Centres.
- g. **Elecflex 2:** It is a TOU tariff for MV Bulk Supply customers feeding directly from CENTLEC'S MV Substations on the MV Network.
- h. **Elecflex 3:** It is a TOU tariff for LV Bulk Supply customers feeding directly from CENTLEC'S LV Networks with a load of more than 100Ampere per phase (three phase connection).
The tariff for all Elecflex (1, 2 & 3) tariffs will consist out of the following components:
- **A Basic Charge (Service Levy – R/month)** based on the point of supply on the network – either:
 1. directly from the CENTLEC Distribution Centre,
 2. or from a CENTLEC substation on the MV network,
 3. or from CENTLEC's LV network.
 - **A Reactive Energy Charge (c/kvarh)** supplied in excess of 30% (0.96 Pf) of the kWh recorded during the Peak and Standard periods. The excess reactive energy is determined per 30-minute integrating period and accumulated for the month and will only be applicable during the High-Demand season.
 - **Access Demand Charge (R/kVA)** (See definition for Access Demand Charge).
 - **Maximum Demand Charge (R/kVA)** (See definition for Maximum Demand Charge).
 - **Active Energy Charge (c/kWh)** It is a seasonally and Time-Of-Use differentiated Active Energy Charge based on three TOU periods, namely Peak, Standard and Off-Peak periods and dependable on the point of supply on the network - either:
 1. directly from the CENTLEC Distribution Centre,
 2. or from a CENTLEC substation on the MV network,
 3. or from CENTLEC's LV network.
- i. **Commflex 1:** It is a new TOU tariff for Commercial LV (Business rate) customers with a maximum of 100Ampere per phase three phase connections feeding directly from CENTLEC'S LV Networks.
The tariff for all Commflex customers will consist out of the following components:
- **A Basic Charge (Service Levy – R/month).**
 - **A Capacity Charge (R/Ampere/month)** based on the Ampere rating as supplied as a standard single phase or three-phase connection. In the case of a three-phase connection, the Ampere rating will be determined by the sum of the three phases.
 - **Active Energy Charge (c/kWh)** It is a seasonally and Time-Of-Use differentiated Active Energy Charge based on three TOU periods, namely Peak, Standard and Off-Peak periods.
- j. **Homeflex 1:** It is a TOU tariff for MV Bulk Supply customers feeding directly from CENTLEC'S LV Networks.
The tariff for all Homeflex customers will consist out of the following components:
- **A Basic Charge (Service Levy – R/month).**
 - **A Capacity Charge (R/Ampere/month)** based on the Ampere rating as supplied as a standard single phase or three-phase connection. In the case of a three-phase connection, the Ampere rating will be determined by the sum of the three phases.
- Active Energy Charge (c/kWh)** It is a seasonally and Time-Of-Use differentiated Active Energy Charge based on three TOU periods, namely Peak, Standard and Off-Peak periods.
- k. **Homelight 1:** Residential prepaid tariff for electrification projects where the electrical connection was largely (or fully) being subsidized. **This tariff will be phased out on 30 June 2010 and replaced by the IBT tariff.**
- l. **Homelight 2:** Residential prepaid tariff for customers where the electrical connection was partly being subsidized. **This tariff will be phased out on 30 June 2010 and replaced by the IBT tariff.**
- m. **Homelight 3:** Residential prepaid tariff for customers where the electrical connection was

paid in full. **This tariff will be phased out on 30 June 2010 and replaced by the IBT tariff.**

- n. **Homepower:** Residential connection where a conventional meter was installed and a monthly bill generated. **This tariff will be phased out on 30 June 2010 and replaced by the IBT tariff.**
- o. **Homepower Bulk:** Residential connection for bulk domestic customers (like townhouses) with a connection larger than 150Ampere/phase. These connections are still **in a process to be phased out** and converted to fully AMR TOU connections.
- p. **Homepower Off-peak:** Residential connection where a conventional meter is installed and a monthly bill generated. The tariff was based on two time-of-use periods namely peak and off-peak. Only 25 customers applied and were converted to this tariff. **This tariff will be phased out on 30 June 2010** and replaced by the IBT tariff until the availability of technology to convert to Homeflex.
- q. **Prepaid – Indigents:** Residential prepaid tariff for indigent customers. **This tariff will be phased out on 30 June 2010** and replaced by the IBT tariff.
- r. **Public Lights (Streetlights/Traffic lights): (See New CENTLEC Tariff).**

1.8 Housing Rental Tariffs

It is recommended that the rental tariffs on all housing schemes be increased with 10% from 1 July 2010.

ANNUAL BUDGET TABLES – CONSOLIDATED MUNICIPALITY

Table FS	Mangaung - Contact Information
Table A1	Consolidated Budget Summary
Table A2	Consolidated Budget Financial Performance (revenue and expenditure by standard classification)
Table A3	Consolidated Budgeted Financial Performance (revenue and expenditure by municipal vote)
Table A4	Consolidated Budgeted Financial Performance (revenue and expenditure)
Table A5	Consolidated Budgeted Capital Expenditure by vote, standard classification and funding
Table A6	Consolidated Budgeted Financial Position
Table A7	Consolidated Budgeted Cash Flows
Table A8	Consolidated Cash backed reserves/accumulated surplus reconciliation
Table A9	Consolidated Asset Management
Table A10	Consolidated Basic service delivery measurement
Chart A1	Revenue by Municipal Vote classification
Chart A2a	Expenditure by Municipal Vote
Chart A2 (b)	Expenditure by Municipal Vote - Trend
Chart A3	Revenue by Standard Classification
Chart A4	Expenditure by Classification
Chart A5 (a)	Revenue by Source – Major
Chart A5 (b)	Revenue by Source – Major - Source Trend
Chart A6	Revenue by Source – Minor
Chart A7	Expenditure by Type – Major Expenditure by Type – Minor
Chart A9	Capital Expenditure by Municipal Vote – Major
Chart A10	Capital Expenditure by Municipal Vote - Minor
Chart A11	Capital Expenditure by Standard Classification
Chart A12	Capital Expenditure by Municipal Vote – Major Trend Capital Expenditure per Programme per Vote 2010/11 Capital expenditure per Programme per Vote 2010/13 (3 year total)
Chart A13	Capital Funding by Source

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 responsibilities set out in section 53 of the Municipal Financial Management Act. Compilation of the Municipality's annual budget commenced with the establishment of the Budget Committee, composed of executive political representatives. The Committee's terms of reference include the following:

- To provide guidance on budget principles;
- To consider draft budget operational and capital parameters;
- To review directorates' budget inputs via budget hearings after tabling of the draft budget; and
- To review and advice on the outcome of MTREF

Following consideration of budget proposals from directorates, the Executive Management Team deliberated on the draft MTREF budget for endorsement in April 2010.

The 2010/11 to 2012/13 Draft MTB was tabled at a Council meeting held in April 2010. Subsequent to the tabling, the draft IDP, budget and proposed tariffs were published for stakeholders and public comment during May 2010.

Advertisements were placed in local newspapers, the Municipality's website and in the regional offices, Thaba Nchu, Botshabelo and Mangaung. As required by legislation, the draft MTREF budget was submitted to the Provincial and National Treasury for comments.

The progress and evaluation of the status of service delivery, summary of community and stakeholder views on the IDP, MTREF budget and the linkage of the budget to the IDP and support from other stakeholders were presented to the IDP and Budget Conference on the 26 May 2010.

The IDP and Budget time schedule as well as public participation for the 2010/11 budget cycle as approved by Council on 25 November 2009 in terms of Section 21 (1) (b) of the Municipal Finance Management Act is outlined below.

DELIVERABLE AND PROCESS MANAGEMENT	DATES
Development of IDP and Budget Process Plan	Aug 2009
Draft Process Plan sent to IDP and Budget Steering Committee	21 Oct 2009
Tabling of the IDP and Budget Process Plan to Council	25 Nov 2009
Advertisement of IDP and Budget Process Plan	26 Nov 2009
Committees and consultation forums for the budget process	9 Feb 2010
Briefing session with Budget Committee	
One day self assessment dialogue with Executive Management Team, Mayoral Committee and Councillors	
IDP Steering Committee to review emerging issues/changes and to prioritize IDP and budget items	3 March 2010
EMT to submit budget inputs on capital projects	31 Jan 2010
Refine municipal key performance area strategies, objectives and targets so as to influence the budget	19 Feb 2010

Initiate Public Participation process in line with Medium Term Revenue and Expenditure Framework	1 Mar 2010
Mayoral Committee Lekgotla confirm IDP, SDBIP and Budget priorities	12 Mar 2010
Review tariffs and budget policies	12 Mar 2010
Set and agree on IDP priority programme, projects and services	16 Mar 2010
Draft Medium Term Revenue and Expenditure Framework budget	16 Mar 2010
One and multi-year scorecard revised and presented to MAYCO	16 Mar 2010
Institutional plan refined to deliver on the municipal strategy	18 Mar 2010
Directorates identifying programmes and projects with external stakeholders	23 Mar 2010
Integration of sector plans and institutional programmes	23 Mar 2010
Horizontal and vertical alignment with District, Province and other stakeholders	23 Mar 2010
Present service plans and integration into the IDP document to Mayoral Committee	23 Mar 2010
Tabling of the Draft IDP including proposed revisions and MTREF Budget and related resolutions	30 April 2010
Submission of draft IDP and MTREF Budget to MECs Treasury and Cooperative Governance, Traditional and Human Settlements, and National	30 April 2010
Public participation process including hearings on Draft IDP and Budget	20 - 21 May 2010
IDP and Budget Conference	26 May 2010
Council considers submissions, representations and recommendations from hearings. Executive Mayor respond to submissions during consultation and table amendments for Council consideration	3 June 2010
Council meeting to approve MTREF budget by resolution, setting taxes and tariffs, approving changes to IDP and budget related policies, approving measurable performance objectives for revenue by source and expenditure by vote before start of budget year	3 June 2010
Publication of approved IDP and budget on the website and in local newspapers	5 Jun 2010

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

The Mangaung Local Municipality's IDP outlined the key focal area for development in the short to medium term. These are the commitments that Council will take forward as developmental agenda and requires dedicated resources for implementation. By and large the Mayoral Committee played a significant role in shaping these priorities and it was necessary to linked them to the national, provincial, district and sector departments' priorities and plans.

Council has set the following Mayoral Priorities:

- Service delivery excellence and sustainability - continuing to provide quality services with effective strategic management of the municipality to drive the strategic intent.
- Stimulating our integrated and sustainable economic development - increased emphasis on development and promotion of growth to grow the revenue base and fighting poverty.
- Improving and sustaining financial, human resource excellence and management excellence - continuing to be financially sustainable as a municipality and promoting human resource and management excellence.
- Institutional excellence, civic leadership and common purpose - effectiveness in providing services and continuous enhancement of institutional operations; promoting effective intergovernmental relations and mobilising other resources of government;

The 2010/11 budget continues to address the following IDP interventions:

- Access to infrastructural services (water and sanitation, roads and stormwater, electricity, refuse removal)
- Formalization of informal settlements
- Housing
- Community and social development
- Intermodal transport
- Credit and debt collection
- Indigent management
- Implementation of Financial Recovery Plan
- Meter reading services
- Local economic development
- Compliance in implementing the budget in line with the IDP
- Public participation and governance
- 2010 FIFA Soccer World Cup
- Operation Hlasela
- Anti-fraud and corruption

The Mangaung Local Municipality faced with financial constraints and related challenges have attempted to bring together the development strategy and priorities of Council in line with financial resources.

IDP Development Focus Operating Expenditure	Current Year 2009/10			2010/11 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
Governance and IDP	164,921	239,216	233,236	230,870	240,140	257,468
Information Technology	90,521	90,521	88,258	27,457	29,721	31,439
Human Resource Management	14,313	14,313	13,955	52,805	59,777	65,305
Support Services/Fleet	17,738	17,738	17,295	19,199	15,312	16,790
Miscellaneous Services	274,807	274,807	267,937	328,416	352,808	382,584
Emergency Services	46,936	46,936	45,762	43,893	48,099	52,811
Health	-	-	-	15,063	13,291	14,298
Parks and Cemeteries	57,528	57,528	56,090	66,362	73,649	78,711
Traffic and Security	78,004	78,004	76,054	79,707	89,965	96,139
Social Development	37,535	37,535	36,597	44,474	50,840	54,709
Economic Development	54,769	54,769	53,400	68,343	72,565	77,350
Economic Development	12,750	12,750	12,431	13,814	15,188	16,335
Financial Sustainability	64,795	64,795	63,175	93,151	100,102	109,382
Roads and Stormwater	135,177	135,177	131,798	139,350	150,913	160,926
Solid Waste Management	75,829	75,829	73,934	85,477	94,937	103,539

Water and Sanitation	103,531	103,531	100,942	117,094	137,032	145,520
Housing	28,555	28,555	27,841	28,749	33,036	35,655
Water	316,419	316,419	308,508	344,812	373,732	406,810
Electricity	1,045,194	1,045,194	1,019,064	1,189,288	1,443,327	1,734,835
Total	2,619,323	2,693,617	2,626,277	2,988,324	3,394,433	3,840,608

IDP Development Focus Revenue	Current Year 2009/10			2010/11 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
Governance and IDP	65,498	65,498	65,498	43,538	27,609	30,025
Information Technology	2,115	2,115	2,115	-	-	-
Human Resource Management	2,950	2,950	2,950	1,473	1,573	1,679
Support Services/Fleet	237	237	237	0	0	0
Miscellaneous Services	962,434	962,434	962,434	542,824	599,546	661,048
Emergency Services	464	464	464	563	619	681
Health	-	-	-	6,802	2,670	2,936
Parks and Cemeteries	4,821	4,821	4,821	6,078	6,670	7,316
Traffic and Security	17,664	17,664	17,664	10,004	11,504	13,051
Social Development	2,924	2,924	2,924	3,410	3,637	3,884
Economic Development	14,707	14,707	14,707	16,217	17,596	19,050
Economic Development	15,150	15,150	15,150	16,802	18,204	19,654
Financial Sustainability	54,198	354,194	354,194	586,946	629,067	682,717
Roads and Stormwater	2,024	2,024	2,024	1,062	1,123	1,185
Solid Waste Management	2,667	2,667	2,667	5,789	6,368	7,005
Water and Sanitation	237,424	237,424	237,424	297,717	327,058	357,660
Housing	15,314	15,314	15,314	16,962	17,118	18,569
Water	422,243	422,243	422,243	473,737	525,766	581,487
Electricity	1,142,089	1,142,089	1,142,089	1,289,181	1,510,134	1,796,018
Total Revenue (excluding capital transfers and contributions)	2,964,924	3,264,919	3,264,919	3,319,105	3,706,260	4,203,966

IDP Development Focus Capital Expenditure	Current Year 2009/10			2010/11 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
Governance and IDP	155,447	155,447	139,902	30,040	64,940	66,075
Information Technology	14,200	14,200	12,780	-	8,849	1,169
Human Resource Management	-	-	-	-	-	-
Support Services/Fleet	-	-	-	-	528	-
Miscellaneous Services	-	-	-	-	-	-
Emergency Services	10,560	10,560	9,504	3,775	9,545	11,326
Parks and Cemeteries	500	500	450	10,000	30,612	31,912
Traffic and Security	8,000	8,000	7,200	-	1,613	347
Social Development	7,500	7,500	6,750	-	51,085	30,278
Economic Development	306,484	306,484	275,835	11,000	115,948	18,525
Economic Development	-	-	-	-	4,700	950
Financial Sustainability	5,000	5,000	4,500	-	5,364	2,400
Roads and Stormwater	74,594	161,177	145,059	90,552	113,795	118,628
Solid Waste Management	5,400	5,400	4,860	1,500	11,720	5,780
Water and Sanitation	137,806	137,806	124,025	123,241	169,088	110,772
Housing	-	-	-	-	8,453	-
Water	37,248	37,248	33,523	53,660	85,520	92,995
Electricity	79,000	79,000	71,100	49,488	39,081	39,767
	841,738	928,321	835,489	373,256	720,840	530,925

3. MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

3.1 Key Financial Ratios / Indicators

The benchmark reflected in the table below as based on actual results in the 2008/2009 financial year and the outlook for the MTREF:

Description of Financial Indicator	Basis of Calculation	2006/2007	2007/2008	2008/2009	Current Year 2009/10			Medium Term Revenue & Expenditure Framework		
		Audited Outcome			Original Budget	Adjust Budget	Full Year Forecast	2010/2011	2011/2012	2012/2013
<u>Borrowing Management</u>										
Borrowing to Asset Ration	Total Long-Term Borrowing / Total Assets	0.5%	0.4%	2.5%	0.7%	1.1%	1.1%	2.5%	3.7%	5.4%
<u>Safety of Capital</u>										
Credit Rating			A	A	A	A	A	A	A+	A+
Capital Charges to Operating Expenditure	Interest & principal Paid/Operating	0.2%	0.3%	0.9%	1.3%	0.8%	0.3%	1.75%	1.8%	1.7%
Borrowed funding of 'own' capital	Borrowing/Capital expenditure excl. grants & contributions	0.0%	0.0%	47.3%	12.1%	0.0%	0.0%	49.4%	22.0%	9.5%
Debt to Equity	Loans, Creditors, Overdraft & Tax	19.4%	19.2%	22.4%	21.5%	35.4%	35.4%	35.4%	35.2%	37.3%

	Provision/Funds and Reserves									
Gearing	Long Term Borrowing/Funds & Reserves	1.0%	0.8%	5.6%	1.5%	6.5%	6.5%	16.4%	26.1%	40.9%
Liquidity										
Current Ration	Current assets/current liabilities	1.4	1.2	0.9	0.7	1.0	1.0	0.9	0.9	0.8
Current Ration adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	1.4	1.2	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)
Liquidity Ratio	Monetary Assets/Current Liabilities	0.3	0.4	0.2	0.1	0.3	0.3	0.2	0.2	0.2
Revenue Management										
Annual Debtors Collection Rate (Payment Level %)	Last 12 months receipts/ Last 12 months billing		156.5%	166.9%	101.9%	102.1%	100.4%	87.8%	94.5%	91.8%
Outstanding Debtors to Revenue	Total outstanding Debtors of Annual Revenue	28.0%	24.3%	24.5%	18.4%	15.5%	15.5%	13.5%	11.9%	10.4%
Longstanding Debtors Recovered	Debtors > 12 months Recovered / Total Debtors > 12 months old									
Creditors Management										
Creditors System efficiency	% of Creditors Paid within Terms (within MFMA' 65 (e))	95.0%	95.0%	95.0%	97.5%	97.5%	97.5%	99.0%	99.0%	99.0%
Funding of Provisions										
Provisions not funded - %	Unfunded Provisions./Total Provisions	0.0%	0.0%	0.0%	100.0%	100. %	100.0%	100.0%	100.0%	100.0%
Other Indicators										
Electricity Distribution Losses (2)	% Volume (units purchased and generated less units sold)/units purchased and generated	8.3%	9.4%	9.1%	16.0%	16.0%	16.0%	15.0%	14.0%	13.5%
Water Distribution Losses (2)	% Volume (units purchased and own source less units sold) total units purchased and own source				27.9%	27.9%	27.9%	28.0%	28.0%	28.0%
Employee costs	Employee Costs (Total Revenue – capital revenue)	28.6%	24.0%	27.9%	24.9%	24.3%	23.7%	25.1%	25.8%	24.8%
Remuneration	Total remuneration (Total Revenue – capital revenue)	29.5%	28.4%	28.9%	25.7%	25.2%	22.8%	25.9%	26.6%	25.5%
Repairs & Maintenance	R&M (Total Revenue excluding capital revenue)	0.0%	0.0%	6.8%	5.2%	5.1%	5.0%	5.6%	5.4%	0.0%
Finance charges & Depreciation	FC*D (Total Revenue-Capital revenue)	9.1%	7.6%	10.4%	8.7%	8.5%	8.3%	7.6%	7.3%	6.2%
i. Debt coverage	(Total Operating –	26.7	28.5	22.5	28.8	28.8	28.8	33.7	65.7	74.7

	Operating Grants) Debt service payments due within financial year)									
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	41.8%	40.2%	34.6%	25.8%	22.2%	22.2%	19.5%	16.9%	14.4%
iii. Cost Coverage	(Available cash + Investments)/ monthly fixed operational expenditure	1.0	1.6	0.9	(4.5)	(2.5)	(2.1)	1.2	0.7	0.5

4. OVERVIEW OF BUDGET-RELATED POLICIES

4.1 Budget Policies

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

- Supply Chain Management Policy
- Banking and Investment Policy
- Credit Control Policy
- Debt Collection Policy
- Land Disposal Policy
- Indigent Policy
- Tariffs Policy

The abovementioned policies are available on the Mangaung Local Municipality's website (www.mangaung.co.za)

4.2 New and Amendments to Policies

The following new draft policies are being tabled in Council with this draft budget:

- Unauthorised, Irregular, Fruitless and Wasteful Expenditure Policy;
- Budget Policy;
- Property Rates Policy;
- Credit Control and Debt Collection Policy

The objectives of the proposed policies can be briefly described as follows:

(a) Unauthorised, Irregular, Fruitless and Wasteful Expenditure

The objective of this policy document is to clearly define the responsibilities of the Mangaung Local Municipality in terms of the Municipal Finance Management Act with respect to Unauthorised, Irregular, Fruitless and Wasteful expenditure. This policy document addresses the following areas:

- The definition of Unauthorised, Irregular, Fruitless and Wasteful expenditure in terms of the Municipal Finance Management Act.
- The roles and responsibilities of the Accounting Officer, management and other officials of the municipality with respect to the prevention, identification, reporting, recovery, write off or approval and disclosure in the annual financial statements of Unauthorised, Irregular, Fruitless and Wasteful expenditure.

(b) Budget

The objectives of budgeting and this policy are:

- to assist the planning of the Municipality's operations for a budget year;
- to coordinate the activities of the various organisational components of the Municipality;
- to control the planned activities;
- to provide high-level strategic objectives for both councillors and the community; and
- to shift the focus from inputs towards outputs and outcomes.

(c) Property Rates Policy

The objectives of this policy are to ensure that-

- All ratepayers within a specific category are treated equally and reasonably;
- Rates are levied in accordance with the market value of the property;
- The rate will be based on the value of all rateable property and the amount required by Council to expenditure of rates related services reflected in the operational budget, taking into account any surpluses generated from Council services and the amounts required to finance exemptions, reductions and rebates that the municipality may approve from time to time;
- To optimally safeguard the income base of the municipality by only approving exemptions, reductions and rebates that is reasonable and affordable.

(d) Credit Control and Debt Collection

Objective of the policy is to ensure that:

This policy has been compiled as required in terms of Section 96 and 97 of the Local Government: Municipal Systems Act 32 of 2000, and is designed to provide for credit control and debt collection procedures and mechanisms. It also aims to ensure that the Municipality's approach to debt recovery is sensitive, transparent and is equitably applied throughout the Municipality's geographic area.

5. OVERVIEW OF BUDGET ASSUMPTIONS

5.1 Key Parameters

The following provisional indicative growth rates and parameters were issued to directorates on the 17 November 2009 for compiling their operating budgets and tariffs.

Expenditure	PARAMETER		
	2010/2011	2011/2012	2012/2013
Average CPI	7.50%	6.50%	6.20%
Salary Agreement	1.50%	2%	N/A
Salary Increase	9.00%	8.50%	8.00%
General Expenditure	8%	7.50%	7.00%
Repairs and Maintenance	8%	7.50%	7.00%
Bulk Purchases			

Water	10%	9.50%	9.00%
Electricity	20%	15%	12.00%
Contracted Services	8%	7.50%	7.00%
Bad Debt Provision	R69,5 Million	R85 million	R97 million
All Other Expenditure	7.5%	7.00%	7.00%

	PARAMETER		
	2010/2011	2011/2012	2012/2013
Revenue			
Capital Grants and Subsidies	R445,88 million	R468,10 million	R510 million
Tariff Increases			
General	23.00%	10.00%	10.00%
Water	15.00%	10.00%	9.50%
Electricity	19.00%	15%	12.50%
Rates	13.00%	10.00%	9.50%
Sanitation	13.00%	10.00%	9.50%
Trade Refuse Removal	13.00%	10.00%	9.50%
Interest on Shareholder Loan	R99 million	R106 million	R114.5 million
Equitable Share	R481,57 million	R533,03 million	R578,34 million
Other Revenue not mentioned above	10.00%	10.00%	10.00%

Based on the inputs received add the final draft budget, it became evident that we cannot adhere to the average growth rates as proposed on the 17 November 2009. This was mainly due to:

1. NERSA granting Eskom an increase of 24,5 % on electricity tariffs with effect from 1 April ;
2. Increase in contracted services by 30,2% due to outsourcing of services;
3. Establishment of the Anti-fraud Unit and Compliance Unit within the Office of the City Manager and the Chief Financial Officer, respectively; and,
4. The impact of the interest expense of R28 million on the defined Budget Plan, not provided for in the 2009/10 budget.

6. OVERVIEW OF BUDGET FUNDING

The municipality continues to display a moderate financial profile and a declining (low) liquidity level, which is mainly attributable to:

- * Balanced budgets being funded from current financial year's revenue. Prior year's surpluses have not been used to support the operating budget;
- * The municipality strive to operate within its annual budget, as approved by Council;
- * The municipality maintain a positive cash and investment position.

(a) Overview of Budget Funding

- i. Funding of the Operating Budget

The municipality receives its funding from many sources including property rates, services charges and government grants. The table below indicates the sources of funding for the MTREF period.

	2010/11 R'000	2011/12 R'000	2012/13 R'000
Assessment Rates	394,830	417,709	454,166
Services Charges	1,657,194	1,930,106	2,262,537
Fines, Licences and Permits	5,385	6,422	7,463
Grants and Subsidies	735,236	806,659	909,099
Rental of Facilities	18,227	19,980	21,552
Interest Received	79,688	55,924	54,579
Other Income	191,666	202,283	215,596
Seconded Personnel	117,427	142,516	152,626
Public Contribution	19,967	23,161	24,847
Interest on Shareholder Loan	99,485	101,500	101,500
Total Revenue	3,319,105	3,706,260	4,203,965

62.9% of the Operating Budget is funded from assessment rates and services charges (tariffs) for the 2010/11 financial year.

ii. Funding of Capital

In terms of funding the Capital Budget, the municipality funds itself in envious position of undertaking the much needed service delivery programmes from the projected surpluses (internally generated resources), grant funding and long term external funding. The municipality propose to fund its capital budget as follows:

	2010/11 R'000	2011/12 R'000	2012/13 R'000
Total Capital Budget	373,256	716,340	524,925
Funded as follows:			
Grant Funding	207,745	227,306	268,908
External Funding	69,970	102,595	22,035
Internal Funding	60,199	362,733	208,896
Public Contributions	19,968	23,161	24,847
Revenue	11,600	545	239
District Municipality	3,775	0	0

(b) Compliance to Section 18 of the MFMA Act:

Every effort was made in putting this budget together, to comply with legislation as outlined in Section 18 of the Act. As indicated in (a) above both the operating and capital budgets meets the criteria sets out in Act. Furthermore the budget has been set within the context of the Financial Recovery Plan and the Turnaround Strategy as recently approved by Council.

An outline of the municipal overall performance on the battery of tests measuring funding levels as indicated in Supporting Table SA 10 – Funding Measurement is as follows:

- Cash/Cash Equivalents is showing a favourable balance of R253,614 million for the 2010/11 financial year, as compared to the minus R897,788 million budgeted for the 2009/10 period. The favourable position however declines for the two outer MTREF period to R176,400 and R143,569 millions respectively, mainly as a result of the higher capital budget projections for the same period.
- Cash plus Investments less application at year end is indicating an accelerating decline in the measures for the MTREF period, as compared to the periods prior to 2009/10, as a result of the decline in our other current investments that are invested more than ninety days. The decline is mainly related to the accelerated spending on the unspent conditional grants.
- The rates and tariff increases for the 2010/11 financial year is showing a moderate increase of 6.7% compared to the 27.3% increase of the approved budget in 2009/10. The abnormal increase of 27.3% was as a result of the first year of the new Property Rates Act implementation. The overall increase for Service charges revenue is thus within a reasonable range of the national guidelines, having taking into account the serious financial challenges faced by the municipality.
- Repairs and maintenance as a percentage of property, plant and equipment is showing an average investment level of 4.4% over the MTREF period. Given the ageing infrastructure in the city, consideration needs to be given in the future budgets to increase the level of spending on mainly road, storm water and sewer networks to maintain the services levels at an acceptable levels.

(c) Particulars of Monetary Investments:

For the municipality's monetary investment particulars by type and maturity, please see Table SA15 and SA16 respectively.

(d) Proposed Future Revenue Sources:

The municipality has recently held a Revenue Enhancement Lekgotla, with the aim of exploring alternative sources of revenue or measures of improving existing income sources. Some of the key considerations and/or decisions taken at the Lekgotla are detailed below. Although this decision was taken in the previous financial year, the implementation of some only started late in the 2009/10 financial year:

1. Outsourcing the management of rental stock properties;
2. All properties not constituting the core business of Council are to be re-assessed for disposal;
3. A development fund is to be established to initiate future developments that are of an income generating nature;
4. Lease agreements with sports clubs and other social facilities are to be revised in order to adjust rental charged. Where applicable, existing contracts will be negotiated.

(e) Planned use of Bank Overdraft:

The municipality is currently not making use of bank overdraft facilities. Based on the current declining bank and investment balances it is inevitable that the municipality would need a bank overdraft facility, with a facility amount estimated at between R 50 to R 80 million per month.

(f) Existing and Proposed new Borrowings:

Council is currently having minor loans with the Development Bank of South Africa, with an estimated balance of R 12 350 million as at 30 June 2011 (See table SA17 Borrowings). A new loan facility estimated at R 200 million has been secured over the MTREF period, with the first tranche of R 70,3 million expected to be drawn during the 2011/12 financial year. (See Table SA17 Borrowings and paragraph 13(c) of the submission).

(g) Budgeted Grants and Transfers:

In recognition of the role that municipalities play in the delivery of services, transfers to local government grew by an average R818,7 million per year over the medium-term. The bulk of the grants received are in respect of the Municipal Infrastructure Grant.

The following grants allocated to the municipality in terms of the 2010 division of Revenue Act have been included in the medium term budget:

	Allocation	Allocation	Allocation
	2010/11	2011/12	2012/13
	R'000	R'000	R'000
<u>EQUITABLE SHARE</u>	494,273	565,491	624,239
<u>Operating Grant</u>			
- Financial Management Grant	1,189	1,250	1,500
- Municipal Systems Improvement Grant	750	790	800
- 2010 World Cup Host City Operating Grant	19,000	0	-
- Municipal Infrastructure Grant	2,845	3,328	3,301
- Provincial Government Housing Subsidy	1,400	0	-
- Provincial Government Health Subsidy	1,259	3,994	4,352
- Provincial Health Subsidy	-	0	0
- Motheo District Municipality	3,000	0	-
	29,443	9,362	9,953
<u>CAPITAL GRANTS</u>			
- Municipal Infrastructure Grant	166,884	200,806	244,907
- Public Transport Infrastructure and Systems Grant	15,000	15,000	15,000
- Electricity Demand Side Management Grant	5,000	6,000	0
- Expanded Public Works Programme Incentive Grant	7,861	-	-
- Integrated National Electrification Grant	13,000	10,000	15,000
- Motheo District Municipality	3,775		
	211,520	231,806	274,907
<u>TOTAL GRANTS ALLOCATION</u>	735,236	806,659	909,099

7. ALLOCATIONS OF GRANTS MADE BY THE MUNICIPALITY

Total grants to be made by the municipality totals R35, 052 million for 2010/11 financial year, with a further transfer of R38,026 and R41,065 millions respectively for two outer years of the MTREF period. The main allocation is be made to Centlec (Pty) Ltd (an electricity utility company of Council) to cover the Free Basic Services portion of electricity of R34,693 million (2010/11) and R37,641 and R40,653 millions respectively for the two outer MTREF periods (see Table SA21).

8. COUNCILLORS AND BOARD MEMBER ALLOWANCES AND EMPLOYEE BENEFITS

Refer to Tables SA22, SA23 and SA24 respectively as per Annexure A.

9. MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

The following tables outline the monthly targets for revenue and expenditure as follows in Annexure A:

- a. Table SA25 – Consolidated budgeted monthly revenue and expenditure.
- b. Table SA26 – Consolidated budgeted monthly revenue and expenditure (municipal vote).
- c. Table SA27 – Consolidated budgeted monthly revenue and expenditure (standard classification).
- d. Table SA28 and SA29 – Consolidated budgeted monthly capital expenditure.
- e. Table SA30 – Consolidated budgeted monthly cash flow.

10. CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS

Included in the budget are costs for the two main contracts for services, which will impose financial obligations on the municipality beyond the MTREF period.

(a) Contracting Parties and Period:

1. ABSA Bank Ltd
P O Box 323
Bloemfontein
9300

Nature of Services – Banking and related services
Contract Period – 1 July 2008 to 30 June 2013

(b) Past and Current Costs of Contract

	2005/06 R'000	2006/07 R'000	2007/08 R'000	2008/09 R'000
ABSA Bank	1,513	1,668	1,885	2,073

(c) Projected Future Cost

	2010/10 R'000	2010/11 R'000	2011/12 R'000	2012/13 R'000	Total
ABSA Bank	2,281	2,509	2,760	3,036	10,586

11. CAPITAL EXPENDITURE DETAILS

(a) Details of Capital Expenditure by class and sub-class areas are provided below:

NATIONAL TREASURY CLASSIFICATION	Code	CAPITAL ESTIMATES			
		2009/10	2010/11	2011/12	2012/13
		R'000	R'000	R'000	R'000
INFRASTRUCTURE		730,031	348,580	499,050	421,460
Roads, Pavements, Bridges & Storm -Water	0300	181,494	100,552	129,413	139,616
Water Reservoirs & Reticulation	0400	37,248	53,660	83,640	92,995
Car Parks, Bus Terminals and Taxi Ranks	0500	281,884	15,000	15,000	15,000
Electricity Reticulation	0600	79,000	49,488	39,481	39,767
Sewerage Purification & Reticulation	0700	137,806	123,241	166,676	110,772
Housing	0800	2,600	8,000	53,645	7,000
Street lighting	0900	4,600	5,000	7,105	10,110
Refuse sites	1000	5,400	1,500	4,050	5,200
Other	1200	0	0	40	1,000
COMMUNITY		48,907	5,000	65,307	52,753
Establishment of Parks & Gardens	1500	0	0	3,317	1,806
Sports fields	1600	40,907	5,000	46,300	26,300
Community Halls	1700	0	0	0	8,000
Libraries	1800	0	0	915	128
Recreational Facilities	1900	8,000	0	13,350	12,138
Other	2200	0	0	1,425	4,381
HERITAGE ASSETS		0	0	400	500
Heritage Assets	2311	0	0	400	500
OTHER ASSETS		52,240	11,815	143,747	45,801
Other motor vehicles	2500	0	1,550	16,306	4,712
Plant & equipment	2600	3,000	170	20,778	5,217
Office equipment	2700	19,240	95	9,784	1,469
Markets	2900	0	3,000	8,700	6,950
Security Measures	3100	8,000	2,500	6,238	8,568
Civic Land and Buildings	3110	22,000	0	68,000	8,850
Other Land and Buildings	3120	0	4,500	6,502	9,155
Other	3200	0	0	7,440	880
SPECIALIZED VEHICLES		10,560		12,335	10,410
Refuse	3500	0		4,500	0
Fire	3600	10,560		7,835	10,066
Buses	3900				350
TOTAL CAPITAL BUDGET		841,738	373,256	720,840	530,924

Most projects under the Infrastructure class and sub-class are for the development and construction until projects are finalized, save for projects that are implemented in phases.

(b) Alignment of projects with IDP.

All capital projects are aligned to the key IDP Strategic Objectives and actions and are summarized as follows for the entire municipality:

CONSOLIDATED			Budget R'000 2009/10	Budget R'000 2010/11	Budget R'000 2011/12	Budget R'000 2012/13
IDP STRATEGIC OBJECTIVES AND ACTION PLANS	STRATEGIC OBJECTIVE	IDP CODE				
Governance and IDP	Common Purpose	101	155,447	30,040	64,940	66,075
Information Technology	Common Purpose	102	14,200	0	8,849	1,169
Human Resource Management	Common Purpose	202	0	0	0	0
Support Services/Fleet	Common Purpose	103	0	0	528	0
Emergency Services	Community Resilience	201	10,560	3,775	9,545	11,326
Parks and Cemeteries	Community Resilience	203	500	10,000	30,612	31,912
Traffic and Security	Community Resilience	204	8,000	0	1,612	347
Social Development	Community Resilience	205	7,500	0	51,085	30,278
Local Economic Development	Economic Development	301	306,484	11,000	115,948	18,525
Market Services	Economic Development	302	0	0	4,700	950
Financial Management	Financial Sustainability	401	5,000	0	5,364	2,400
Roads and Stormwater	Service Excellence	501	74,594	90,552	113,795	118,628
Solid Waste Management	Service Excellence	502	5,400	1,500	11,720	5,780
Water and Sanitation	Service Excellence	503	137,806	123,241	169,088	110,772
Housing	Service Excellence	504	0	0	8,453	0
Water	Service Excellence	505	37,248	53,660	85,520	92,995
Electricity	Service Excellence	506	79,000	49,488	39,081	39,767
TOTAL CAPITAL BUDGET			841,738	373,256	720,740	530,925

(c) Alignment of the budget to Key Strategic Objectives for the parent municipality is as follows:

MANGAUNG						
IDP STRATEGIC OBJECTIVES AND ACTION PLANS	STRATEGIC OBJECTIVE	IDP CODE	CAPITAL ESTIMATES			
			Budget R'000 2009/10	Budget R'000 2010/11	Budget R'000 2011/12	Budget R'000 2012/13
Governance and IDP	Common Purpose	101	155,447	30,040	64,940	66,075
Human Resource Management	Common Purpose	102	14,200	0	8,849	1,169
Support Services/Fleet	Common Purpose	103	0	0	528	0
Emergency Services	Community Resilience	201	10,560	3,775	9,545	11,326
Parks and Cemeteries	Community Resilience	203	500	10,000	30,612	31,912
Traffic and Security	Community Resilience	204	8,000	0	1,612	347
Social Development	Community Resilience	205	7,500	0	51,085	30,278
Local Economic Development	Economic Development	301	306,484	11,000	115,948	18,525
Market Services	Economic Development	302	0	0	4,700	950
Financial Management	Financial Sustainability	401	5,000	0	5,364	2,400
Roads and Stormwater	Service Excellence	501	74,594	90,552	113,795	118,628

Solid Waste Management	Service Excellence	502	5,400	1,500	11,720	5,780
Water and Sanitation	Service Excellence	503	137,806	123,241	169,088	110,772
Housing	Service Excellence	504	0	0	8,453	0
Water	Service Excellence	505	37,248	53,660	85,520	92,995
TOTAL			762,738	323,768	681,759	491,157

(d) Alignment of the budget to Key Strategic Objectives for the municipal entity (Centlec (Pty) Ltd) is as follows:

CENTLEC						
IDP STRATEGIC OBJECTIVES AND ACTION PLANS	STRATEGIC OBJECTIVE	IDP CODE	CAPITAL ESTIMATES			
			Budget R'000 2009/10	Budget R'000 2010/11	Budget R'000 2011/12	Budget R'000 2012/13
Electricity	Service Excellence	506	79,000	49,488	39,081	39,767
TOTAL			79,000	49,488	39,081	39,767

(e) Capital Projects Delayed for 2009/10 Financial Year.

Included in the Car Parks, Bus Terminal and the Taxi rank (NTC) above is an allocation of R 15 million for the Inter Model Public Transport Facility. The project was implemented in the 2009/10 financial year at an estimated cost of R456 million (VAT included) and it is currently at 32.15% stage of completion as at the 3 March 2010.

12. LEGISLATION COMPLIANCE STATUS

Mangaung Local Municipality is one of the few high capacity municipalities in the Province and it is expected to take the lead in ensuring total compliance to legislations amongst the 28 municipalities in the province.

12.1 Municipal Finance Management Act

The Municipal Finance Management Act (no 65 of 2003) is fully implemented and complied with, by the parent municipality as well as its entity Centlec (Pty) Ltd. However, there has been a gradual lapse of concentration in meeting the reporting timelines of some of the requirements of the Act, e.g., Tabling of the Annual Report and the Adjustments Budget.

12.2 Supply Chain Management

The Supply Chain Management Policy is in place and is functioning as expected. One key aspect of the Supply Chain Management Regulations that is not in place in terms of implementation is that of Performance Management of projects. Plans are currently underway to establish a Contract & Performance Unit within the sub-directorate. There is also currently a process underway of reviewing and to strengthen the identified gaps of the Supply Chain Management Policy.

12.3 Property Rates Act

The new Municipal Property Rates Act, No 6 of 2004, was fully implemented on the 1st July 2009.

13 OTHER SUPPORTING DOCUMENTS

See Annexure A

14 ANNUAL BUDGETS OF MUNICIPAL ENTITIES ATTACHED TO THE ANNUAL BUDGET

See attached as Annexure D

MANGAUNG LOCAL MUNICIPALITY

Municipal Manager's Quality Certification

Quality Certificate

I, Municipal Manager of the Mangaung 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 Mangaung Local Municipality

Signature: _____

Date: _____

SUPPORTING DOCUMENTS

1. Supporting Table SA1 - Supporting detail to 'Budgeted Financial Performance'
2. Supporting Table SA2 - Consolidated Matrix Financial Performance Budget
3. Supporting Table SA3 - Supporting detail to 'Budgeted Financial Position'
4. Supporting Table SA4 - Reconciliation of IDP strategic objectives and budget (revenue)
5. Supporting Table SA5 - Reconciliation of IDP strategic objectives and budget (operating expenditure)
6. Supporting Table SA6 - Reconciliation of IDP strategic objectives and budget (capital expenditure)
7. Supporting Table SA8 - Performance indicators and benchmarks
8. Supporting Table SA9 - Social, economic and demographic statistics and assumptions
9. Supporting Table SA10 - Funding measurement
10. Supporting Table SA11 - Property rates summary
11. Supporting Table SA12 - Property rates by category (current year)
12. Supporting Table SA13 - Property rates by category (budget year)
13. Supporting Table SA14 - Household bills
14. Supporting Table SA15 - Investments particulars per type
15. Supporting Table SA16 - Investment particulars by maturity
16. Supporting Table SA17 - Borrowing
17. Supporting Table SA18 - Transfers and Grants receipts
18. Supporting Table SA19 - Expenditure on Transfer and Grant Programme
19. Supporting Table SA20 - Reconciliation of Transfers, Grants Receipts and unspent funds
20. Supporting Table SA21 - Transfers and Grants made by the municipality
21. Supporting Table SA22 - Summary Councillor and Staff Benefits
22. Supporting Table SA23 - Salaries, allowances & benefits (political office bearers / Councillors /senior management)
23. Supporting Table SA24 - Summary of personnel numbers
24. Supporting Table SA25 - Consolidated budgeted monthly revenue and expenditure
25. Supporting Table SA26 - Consolidated budgeted monthly revenue and expenditure (municipal vote)
26. Supporting Table SA27 - Consolidated budgeted monthly revenue and expenditure (standard classification)
27. Supporting Table SA28 - Consolidated budgeted monthly capital expenditure (municipal vote)
28. Supporting Table SA29 - Consolidated budgeted monthly capital expenditure (standard classification)
29. Supporting Table SA30 - Consolidated budgeted monthly cash flow
30. Supporting Table SA31 - Aggregated Entity budget
31. Supporting Table SA34(a) - Consolidated Capital Expenditure by Asset class
32. Supporting Table SA34(b) - Consolidated Capital Expenditure on existing assets by asset class
33. Supporting Table SA34(c) - Consolidated repairs and maintenance by asset class
34. Supporting Table SA35 - Consolidated future financial implications of the capital budget
35. Supporting Table SA36 - Consolidated detailed Capital Budget
36. Supporting Table SA37 - Consolidated projects delayed from previous years

MANGAUNG LOCAL MUNICIPALITY

FINANCIAL MANAGEMENT POLICY

**UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE
POLICY**

Contents

1. Declaration of Intent
2. Objective
3. Terminology and Definitions
4. Scope of Application
5. Governing Prescripts
6. Guiding Principles
7. Procedures
 - 7.1 Reporting Requirements
 - 7.2 Accounting Treatment and Disclosure
8. Management Reporting
9. Policy Implementation and Review

1. DECLARATION OF INTENT

At its broadest level, the Municipal Finance Management Act endeavours “to secure sound and sustainable management of the fiscal and financial affairs of municipalities and municipal entities by establishing norms and standards and other requirements.”

In particular, Chapter 8 of the MFMA places the onus on each employee within the Municipality to take responsibility for the effective, efficient, economical and transparent use of financial and other resources within that employee’s area of responsibility. More specifically, the employee must take effective and appropriate steps to prevent, within that employee’s area of responsibility, any unauthorised, irregular, fruitless and wasteful expenditure and any under-collection of revenue due.

2. OBJECTIVE

The objective of this policy document is to clearly define the responsibilities of the Mangaung Local Municipality in terms of the Municipal Finance Management Act with respect to Unauthorised, Irregular, Fruitless and Wasteful expenditure to ensure compliance and proper internal control over expenditure and to prevent unnecessary expenditure and depletion of the budget. This policy document addresses the following areas:

- The definition of Unauthorised, Irregular, Fruitless and Wasteful expenditure in terms of the Municipal Finance Management Act.
- The roles and responsibilities of the Accounting Officer, management and other officials of the municipality with respect to the prevention, identification, reporting, recovery, write off or approval and disclosure in the annual financial statements of Unauthorised, Irregular, Fruitless and Wasteful expenditure.

3. TERMINOLOGY AND DEFINITIONS

In this Policy, unless the context indicates otherwise, a word or expression to which a meaning has been assigned has the same meaning, and -

“**Allocation**”, in relation to a municipality, means—

- (a) A municipality’s share of the local government’s equitable share referred to in [section 214 \(1\) \(a\) of the Constitution](#);
- (b) An allocation of money to a municipality in terms of [section 214 \(1\) \(c\) of the Constitution](#);
- (c) An allocation of money to a municipality in terms of a provincial budget; or
- (d) Any other allocation of money to a municipality by an organ of state, including by another municipality, otherwise than in compliance with a commercial or other business transaction;

“**Fruitless and Wasteful Expenditure**” means expenditure that was made in vain and would have been avoided had reasonable care been exercised;

“**Irregular Expenditure**”, in relation to a municipality or municipal entity, means—

- (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of [section 170](#);

- (b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 ([Act No. 20 of 1998](#)); or
- (d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "**unauthorised expenditure**"

"**Unauthorised Expenditure**", in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with [section 15](#) or [11 \(3\)](#), and includes:

- (a) overspending of the total amount appropriated in the municipality's approved budget;
- (b) overspending of the total amount appropriated for a vote in the approved budget;
- (c) expenditure from a vote unrelated to the department or functional area covered by the vote;
- (d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- (e) spending of an allocation referred to in [paragraph \(b\), \(c\) or \(d\)](#) of the definition of "[allocation](#)" otherwise than in accordance with any conditions of the allocation; or
- (f) a grant by the municipality otherwise than in accordance with this Act;

"**Vote**" means:

- (a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
- (b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

4. SCOPE OF APPLICATION

From a responsibility perspective, this policy is relevant to all employees of the Municipality, whether full-time or part-time. It is, however, specifically applicable to the Council, Accounting Officer, Chief Financial Officer, , Senior Manager's, Officials and all employees whether full-time or part-time. In particular, the duly appointed Directorate and responsibility managers have significant roles in:

- *Identifying the identity of the person who is liable for unauthorised, irregular or fruitless and wasteful expenditure.*
- *Deciding on how to recover unauthorised, irregular or fruitless and wasteful expenditure from the person liable for that expenditure.*
- *Determining the amount of unauthorised, irregular or fruitless and wasteful expenditure to be recovered, written off or provided for.*

5. GOVERNING PRESCRIPTS

This Policy has been formulated in terms of the Municipal Finance Management Act, 2003 (Act 56 of 2003).

Legal framework

This policy will be implemented within the legal framework of the relevant national legislation outlined hereunder.

- *Treasury regulations GNR.225 of 15 March 2005: Amendment of Treasury Regulations in terms of Section 76*
- *The Municipal Finance Management Act, 2003 (Act 56 of 2003). Sections 32, 62, 78, 95, 102, 105, 125, 171, 172 and 173.*

6. GUIDING PRINCIPLES

This policy supports the following principles:

- To secure the sound and sustainable management of the financial affairs of municipalities and other institutions in the local sphere of government;
- To establish treasury norms and standards for the local sphere of government;
- Ensuring transparency, accountability and appropriate lines of responsibility in the fiscal and financial affairs of municipalities and municipal entities;
- The management of the municipality's revenues, expenditures, assets and liabilities and the handling of their financial dealings.

Section 32(2) and Section 32(3)-(7) of the MFMA identifies the following responsibilities with respect to a municipality and Accounting Officer:

- A municipality must recover unauthorised, irregular or fruitless and wasteful expenditure from the person liable for that expenditure unless the expenditure:
 - in the case of unauthorised expenditure, is:
 - authorised in an adjustments budget; or
 - certified by the municipal council, after investigation by a council committee, as irrecoverable and written off by the council; and
 - in the case of irregular or fruitless and wasteful expenditure, is, after investigation by a council committee, certified by the council as irrecoverable and written off by the council.
- If the accounting officer becomes aware that the council, the mayor or the executive committee of the municipality, as the case may be, has taken a decision which, if implemented, is likely to result in unauthorised, irregular or fruitless and wasteful expenditure, the accounting officer is not liable for any ensuing unauthorised, irregular or fruitless and wasteful expenditure provided that the accounting officer has informed the council, the mayor or the executive committee, in writing, that the expenditure is likely to be unauthorised, irregular or fruitless and wasteful expenditure.
- The accounting officer must promptly inform the mayor, the MEC for local government in the province and the Auditor-General, in writing, of:

- any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality;
- whether any person is responsible or under investigation for such unauthorised, irregular or fruitless and wasteful expenditure; and
- the steps that have been taken:
 - to recover or rectify such expenditure; and
 - to prevent a recurrence of such expenditure.
- The writing off in terms of [subsection \(2\)](#) of any unauthorised, irregular or fruitless and wasteful expenditure as irrecoverable, is no excuse in criminal or disciplinary proceedings against a person charged with the commission of an offence or a breach of this Act relating to such unauthorised, irregular or fruitless and wasteful expenditure.
- The accounting officer must report to the South African Police Service all cases of alleged:
 - Irregular expenditure that constitute a criminal offence; and
 - theft and fraud that occurred in the municipality.
 - The council of a municipality must take all reasonable steps to ensure that all cases referred to in [subsection \(6\)](#) are reported to the South African Police Service if:
 - the charge is against the accounting officer; or
 - the accounting officer fails to comply with that subsection.

In terms of Section 62(1)(a)-(e) of the MFMA, the Accounting Officer is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure:

- That the resources of the municipality are used effectively, efficiently and economically;
- That full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards;
- That the municipality has and maintains effective, efficient and transparent systems:
 - of financial and risk management and internal control; and
 - of internal audit operating in accordance with any prescribed norms and standards;
- That unauthorised, irregular or fruitless and wasteful expenditure and other losses are prevented;
- That disciplinary or, when appropriate, criminal proceedings are instituted against any official of the municipality who has allegedly committed an act of financial misconduct or an offence in terms of Chapter 15 of the MFMA.

In terms of Section 78(a)-(c) of the MFMA, the senior management of a municipality and each official of a municipality exercising financial management responsibilities must take all reasonable steps within their respective areas of responsibility to ensure:

- That the system of financial management and internal control established for the municipality is carried out diligently;
- That the financial and other resources of the municipality are utilised effectively, efficiently, economically and transparently;

- That any unauthorised, irregular or fruitless and wasteful expenditure and any other losses are prevented.

In terms of the reporting responsibilities of the Accounting Officer, Section 125(2)(d) and (e) of the MFMA, the notes to the annual financial statements of a municipality or municipal entity must disclose the following information:

- Particulars of:
 - Any material losses and any material irregular or fruitless and wasteful expenditures, including in the case of a municipality, any material unauthorised expenditure, that occurred during the financial year, and whether these are recoverable;
 - Any criminal or disciplinary steps taken as a result of such losses or such unauthorised, irregular or fruitless and wasteful expenditures; and
 - Any material losses recovered or written off;
- Particulars of non-compliance with this Act; and
- Any other matters that may be prescribed.

7. PROCEDURES

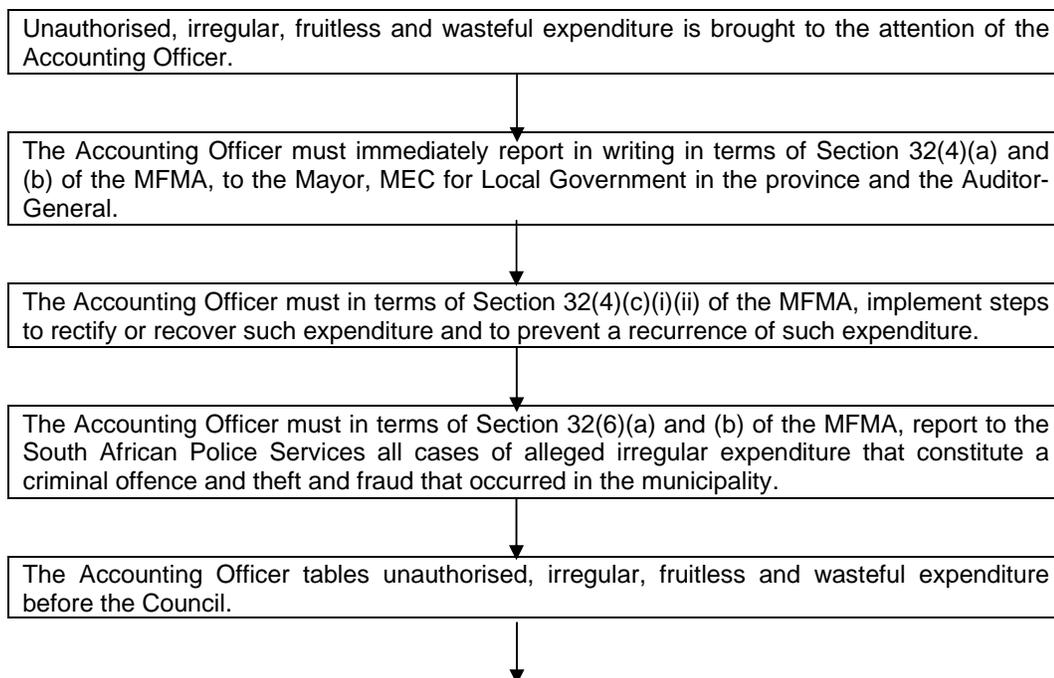
Identification of unauthorised-, irregular- and fruitless and wasteful expenditure

Steps should be taken to identify possible unauthorised-, irregular- and fruitless and wasteful expenditure that should include the immediate reporting of such expenditure for investigation, as well as the disclosure of such expenditure in the financial statements.

The person identifying such expenditure should report it as soon as possible to their senior official who will ensure that the expenditure is reported in line with the following reporting requirements:

7.1. REPORTING REQUIREMENTS

The following diagram provides guidance as to the reporting requirements regarding unauthorised, irregular, fruitless and wasteful expenditure:



Council has the following responsibilities in terms of Section 32(2)(a)(i)(ii) of the MFMA:

- 1) Authorise the expenditure in the adjustment budget.
- 2) Certify after investigation by a Council Committee that the expenditure is irrecoverable and approve the write off by the Council.
- 3) Recommend the recovery of the expenditure from the responsible person.

If unauthorised, irregular, fruitless and wasteful expenditure is not condoned the Accounting Officer must:

1. Take appropriate disciplinary steps as required in Section 62 (e) of the MFMA.
2. Recover the amount

Unauthorised, irregular, fruitless and wasteful expenditure must be reported in the annual report (as a note to the annual financial statements) in terms of Section 125(2)(d)(i)-(iii) of the MFMA.

7.2 ACCOUNTING TREATMENT AND DISCLOSURE

Accounting policies:

Revenue Recognition:

If the amounts recovered as a result of unauthorised, irregular, fruitless and wasteful expenditure are material a revenue recognition accounting policy will be required in the annual financial statements.

The accounting policy for revenue recognition should include the following:

Revenue from non-exchange transactions:

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures including those set out in the Municipal Finance Management Act (Act no.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain."

Mandatory accounting policy notes required in the Annual Financial Statements:

The inclusion of the following accounting policy notes is mandatory. The accounting policy notes should read as follows:

UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and The Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

UNAUTHORISED, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Referenced to the applicable number in the notes to the Annual Financial Statements):

The reconciliations of unauthorised expenditure as well as fruitless and wasteful expenditure disallowed, together with the explanatory information set out in the note to the annual financial statements are in terms of Section 125(2)(d) of the Municipal Finance Management Act.

Notes to the Annual Financial Statements:

Other Debtors:

If unauthorised, irregular, fruitless and wasteful expenditure has been incurred during the financial year and such expenditure is recoverable from an individual, this should be disclosed in the “other debtors” note to the annual financial statements. The disclosure as other debtors should be based on an assessment of the recoverability of the expenditure from the individual and should only be disclosed if there is virtual certainty that such expenditure will in fact be recovered. See example below:

OTHER DEBTORS	20X8	20X7
Unauthorised expenditure	-	-
Fruitless and wasteful expenditure	-	-
Irregular expenditure	-	-
Total Other Income	-	-

If an amount is to be recovered from an individual and the recovery thereof is not virtually certain, a debtor will not be raised but rather a contingent asset. See example below:

CONTINGENT ASSET
Subsequent to the disciplinary hearing in respect of the fruitless and wasteful expenditure referred to in Note XXX, civil proceedings have commenced against the employee concerned to recover an amount of RXXX. According to Council’s legal advisors, it is probable that the proceedings will result in the recovery of the full amount but this recovery is not virtually certain.

Unauthorised, Irregular, Fruitless and Wasteful Expenditure Policy

Effective date: Date approved

Review date: Annually

Other Income:

If unauthorised, irregular, fruitless and wasteful expenditure has been recovered during the financial year such income should be disclosed in the “other income” note to the annual financial statements. See example below:

OTHER INCOME	20X8	20X7
Sale of Housing	-	-
Recovery of unauthorised, irregular, fruitless and wasteful expenditure	-	-
Total Other Income	-	-

Unauthorised, fruitless and wasteful expenditure disallowed:

Unauthorised Expenditure	20X8	20X7
Reconciliation of unauthorised expenditure:		
Opening Balance	-	-
Unauthorised expenditure current year	-	-
Approved by Council or condoned	-	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	-	-

Incident	Disciplinary steps/criminal proceedings
Unbudgeted expenditure	Disciplinary hearing held on 7 July 20X6.

Fruitless and Wasteful Expenditure	20X8	20X7
Reconciliation of fruitless and wasteful expenditure:		
Opening Balance	-	-
Fruitless and wasteful expenditure current year	-	-
Condoned or written off by Council	-	-
To be recovered – contingent asset	-	-
Fruitless and wasteful expenditure awaiting condonement	-	-

Incident	Disciplinary steps/criminal proceedings
Breach of occupational safety rules	Disciplinary hearing on 6 October 20X3.

Unauthorised, Irregular, Fruitless and Wasteful Expenditure Policy

Effective date: Date approved

Review date: Annually

Irregular Expenditure	20X8	20X7
Reconciliation of irregular expenditure:		
Opening Balance	-	-
Fruitless and wasteful expenditure current year	-	-
Condoned or written off by Council	-	-
Transfer to receivables for recovery – not condoned	-	-
Irregular expenditure awaiting condonement	-	-

Incident	Disciplinary steps/criminal proceedings
Theft of fuel	Employee absconded - SAPS case number 34/2005.

8. MANAGEMENT REPORTING

- 8.1 Management information concerning the status of the disciplinary steps and or criminal proceedings instituted with respect to all unauthorised, irregular, fruitless and wasteful expenditure incurred by the Municipality shall be provided to the Chief Financial Officer on a monthly basis. The information should preferably include the date of the incident, a description of the incident and the subsequent steps taken.
- 8.2 Any approval granted to write off debt owed to the Municipality, shall be provided to the Chief Financial Officer on a monthly basis. This will be in the form of a Council decision.

9. POLICY IMPLEMENTATION AND REVIEW

- (a) This policy is effective from date of approval.
- (b) This policy shall be reviewed annually.

ANNEXURE B

NEW POLICIES

1. Unauthorised, Irregular, Fruitless and Wasteful Expenditure Policy;
2. Budget Policy;
3. Property Rates Policy
4. Credit Control and Debt Collection Policy.

MANGAUNG LOCAL MUNICIPALITY**BUDGET POLICY****CONTENTS:**

PART 1. DECLARATION OF INTENT	2
PART 2. TERMINOLOGY AND DEFINITIONS.....	2
PART 3. OBJECTIVE	4
PART 4. APPROVAL OF THE BUDGET.....	4
PART 5. THE TWO PARTS OF THE BUDGET	4
5.1 The Operating Budget	4
5.2 The Capital Budget	5
PART 6. BUDGETING PRINCIPLES TO BE FOLLOWED	5
PART 7. RESPONSIBILITIES OF THE CHIEF FINANCIAL OFFICER	8
PART 8. ANNEXURE: LEGAL REQUIREMENTS.....	11
8.1 Section 15 Appropriation of funds for expenditure	11
8.2 Section 16 Annual budgets.....	11
8.3 Section 17 Contents of annual budgets and supporting documents	11
8.4 Section 18 Funding of expenditures	12
8.5 Section 19 Capital projects	12
8.6 Section 20 Matters to be prescribed	13
8.7 Section 21 Budget preparation process	13
8.8 Section 22 Publication of annual budgets	14
8.9 Section 23 Consultations on tabled budgets	14
8.10 Section 24 Approval of annual budgets	15
8.11 Section 25 Failure to approve budget before start of budget year	15
8.12 Section 26 Consequences of failure to approve budget before start of budget year	15
8.13 Section 27 Non-compliance with provisions of this chapter	15
8.14 Section 28 Municipal adjustments budgets	15
8.15 Section 29 Unforeseen and unavoidable expenditure.....	16
8.16 Section 30 Unspent funds.....	17
8.17 Section 31 Shifting of funds between multi-year appropriations	17
8.18 Section 32 Unauthorised, irregular or fruitless and wasteful expenditure	17
8.19 Section 33 Contracts having future budgetary implications	17
8.20 Section 42 Price increases of bulk resources for provision of municipal services	18
8.21 Section 43 Applicability of tax and tariff capping on municipalities	19
8.22 Section 53 Budget processes and related matters.....	19
8.23 Section 68 Budget preparation	20
8.24 Section 69 Budget implementation	20
8.25 Section 70 Impending shortfalls, overspending and overdrafts.....	21
8.26 Section 71 Monthly budget statements	21
8.27 Section 54 Budgetary control and early identification of financial problems	22
8.28 Section 55 Report to provincial executive if conditions for provincial intervention exist	22
8.29 Section 72 Mid-year budget and performance assessment	23
8.30 Section 75 Information to be placed on websites of municipalities	23
8.31 Section 80 Establishment (of municipal budget and treasury office).....	24
8.32 Section 81 Role of chief financial officer.....	24
8.33 Section 83 Competency levels of professional financial officials	24
9. Policy Implementation and Review.....	24

PART 1. DECLARATION OF INTENT

At its broadest level, the Municipal Finance Management Act endeavours “to secure sound and sustainable management of the fiscal and financial affairs of municipalities and municipal entities by establishing norms and standards and other requirements.”

In particular, Chapter 4 of the MFMA places the onus on the Council, Executive Mayor and senior officials to ensure that the annual budget process is effective, efficient, economical and transparent.

PART 2. TERMINOLOGY AND DEFINITIONS

In this Policy, unless the context indicates otherwise, a word or expression to which a meaning has been assigned has the same meaning, and -

“accounting officer”—

- (a) in relation to a municipality, means the municipal official referred to in [section 60](#); or
- (b) in relation to a municipal entity, means the official of the entity referred to in [section 93](#),

and includes a person acting as the accounting officer;

“approved budget” means an annual budget—

- (a) approved by a municipal council; or
- (b) approved by a provincial or the national executive following an intervention in terms of [section 139](#) of [the Constitution](#), and includes such an annual budget as revised by an adjustments budget in terms of [section 28](#);

“budget-related policy” means a policy of a municipality affecting or affected by the annual budget of the municipality, including—

- (a) the tariffs policy which the municipality must adopt in terms of [section 74](#) of the Municipal Systems Act;
- (b) the rates policy which the municipality must adopt in terms of legislation regulating municipal property rates; or
- (c) the credit control and debt collection policy which the municipality must adopt in terms of [section 96](#) of the Municipal Systems Act;

“**budget year**” means the financial year for which an annual budget is to be approved in terms of [section 16 \(1\)](#);

“**chief financial officer**” means a person designated in terms of [section 80 \(2\) \(a\)](#);

“**mayor**”, in relation to—

- (a) a municipality with an executive mayor, means the councillor elected as the executive mayor of the municipality in terms of [section 55](#) of the Municipal Structures Act; or
- (b) a municipality with an executive committee, means the councillor elected as the mayor of the municipality in terms of [section 48](#) of that Act;

“**municipal council**” or “**council**” means the council of a municipality referred to in [section 18](#) of the Municipal Structures Act;

“**overspending**”—

- (a) in relation to the budget of a municipality, means causing the operational or capital expenditure incurred by the municipality during a financial year to exceed the total amount appropriated in that year’s budget for its operational or capital expenditure, as the case may be;
- (b) in relation to a vote, means causing expenditure under the vote to exceed the amount appropriated for that vote; or
- (c) in relation to expenditure under [section 26](#), means causing expenditure under that section to exceed the limits allowed in subsection (5) of that section;

“**senior managers**” –

managers who are responsible for managing the respective votes of the municipality and to whom powers and duties for this purpose have been delegated in terms of [section 79](#); and any other senior officials designated by the accounting officer.

“**vote**” means—

- (a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
- (b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

PART 3. OBJECTIVE

To set out the budgeting principles which the municipality will follow in preparing each annual budget, as well as the responsibilities of the chief financial officer in compiling such budget.

PART 4. APPROVAL OF THE BUDGET

The approval of the budget is one of the more important tasks undertaken by a municipality. This is because the budget will:

- Demonstrate the Council's vision – The budget should reflect the policies and objectives of the Council by the allocation of budgeted expenditure to the various departments and service units within the municipality. Municipalities also have to prepare an Integrated Development Plan (IDP), which should reflect the needs of the community. The budget should therefore cater for the priorities listed in the IDP.
- Show how much it costs to run the affairs of the municipality and the associated income required. The budget will specify the total rates and service charges which the community will be required to pay their municipality; and
- Mobilise the organization – By approving the budget, the Council will be authorizing the heads of department to incur the expenditure included therein.

PART 5. THE TWO PARTS OF THE BUDGET

5.1 The Operating Budget

The operating budget specifies the planned operating expenditure and income and is a comprehensive and detailed statement showing the amounts the Council intends to spend on current activities and the sources from which this expenditure is to be financed. The operating budget can be regarded as the keystone of the planned financial arrangements and operations of a municipality and it shows the amounts to be contributed by the ratepayers and members of the community.

Operating expenditure can be defined, as the purchase of goods and services for which there will be a short-term benefit and incurred in the normal course of business. Short-term is defined as less than one year. For example, the payment of salaries results in a short-term benefit as salaried employees are paid monthly for one month's work. Examples of operating expenses are salaries, wages, repairs and maintenance, telephones and materials.

Operating income is the amount received for services rendered for a short-term period usually less than one year, and similarly received for services provided in the normal course of business. For example rates are levied on ratepayers by their municipality for services that will be rendered for one year. Examples of operating income are rates, investment interest, service charges and fines.

5.2 The Capital Budget

The capital budget is a plan disclosing proposed capital projects to be commenced, continued and completed and the means by which they will be financed. The capital budget specifies the expenditure on long-term purchases and investments such as land and buildings, motor vehicles, equipment and office furniture that are planned to be purchased.

The most appropriate way to determine whether expenditure is of a capital nature is to assess the period that the item purchased or constructed by the municipality can be used. If this period is greater than one year, the expenditure can be considered capital.

PART 6. BUDGETING PRINCIPLES TO BE FOLLOWED

Except in so far as capital projects represent a contractual commitment to the municipality extending over more than one financial year, the annual capital budget shall be prepared from a zero base.

The capital budget component of the annual or adjustments budget shall only be approved by the council if it has been properly balanced, that is, if the sources of finance which are realistically envisaged to fund the budget equal the proposed capital expenses.

Before approving the capital budget component of the annual or adjustments budget, the council shall consider the impact on the present and future operating budgets of the municipality in relation to finance charges to be incurred on external loans, depreciation of fixed assets, maintenance of fixed assets, and any other ordinary operational expenses associated with any item on such capital budget. In addition, the council shall consider the likely impact of such operation expenses – net of any revenues expected to be generated by such item – on future property rates and service tariffs.

The council shall establish an asset financing reserve for the purpose of financing capital projects and the acquisition of capital assets. Such reserve shall be established from the following sources of revenue:

- unappropriated cash-backed surpluses to the extent that such surpluses are not required for operational purposes;
- interest on the investments of the asset financing reserve, appropriated in terms of the banking and investments policy;
- further amounts appropriated as contributions in each annual or adjustments budget; and
- nett gains on the sale of fixed assets in terms of the fixed asset management and accounting policy.

Each annual and adjustments budget shall reflect realistic excess, however nominal, of current revenues over expenses.

Any unappropriated surplus from previous financial years, even if fully cash-backed, shall not be used to balance any annual or adjustments budget, but shall be appropriated, as far as it is not required to finance the payment of operating creditors or for other operational purposes, to the municipality's asset financing reserve.

An impending operating deficit shall be made good in an adjustments budget, but if an operating deficit arises at the end of a financial year, notwithstanding the precautionary measures adopted by the council, such deficit shall immediately be made good in the annual or adjustments budget for the ensuing financial year, and shall not be offset against any unappropriated surplus carried forward from preceding financial years.

The municipality shall establish and maintain a provision for accrued leave entitlements equal to 100% of the accrued leave entitlement of officials as at 30 June of each financial year, and shall budget appropriately for contributions to such provision in each annual and adjustments budget.

The municipality shall establish and maintain a provision for bad debts in accordance with its rates and tariffs policies, and shall budget appropriately for contributions to such provision in each annual and adjustments budget.

The municipality shall establish and maintain a provision for the obsolescence and deterioration of stock in accordance with its stores management policy, and shall budget appropriately for contributions to such provision in each annual and adjustments budget.

All expenses, including depreciation expenses, shall be cash-funded. The cash received in respect of depreciation expenses on fixed assets financed from external borrowings shall be transferred to the investments created to redeem such borrowings.

Finance charges payable by the municipality shall be apportioned between directorates or votes on the basis of the proportion at the last balance sheet date of the carrying value of the fixed assets belonging to such department or vote to the aggregate carrying value of all fixed assets in the municipality. However, where it is the council's policy to raise external loans only for the financing of fixed assets in specified council services, finance charges shall be charged to or apportioned only between the directorates or votes relating to such services.

Depreciation and finance charges together shall not exceed 20% of the aggregate expenses budgeted for in the operating budget component of each annual or adjustments budget.

The allocation of interest earned on the municipality's investments shall be budgeted for in terms of the banking and investment policy.

The municipality shall adequately provide in each annual and adjustments budget for the maintenance of its fixed assets in accordance with its fixed asset management and accounting policy. At least 5% of the operating budget component of each annual and adjustments budget shall be set aside for such maintenance.

In the preparation of the draft operating budget component of the annual budget, the allowable budgetary increment shall relate to the total amount provided for each budget vote, and the head of the department, service or function concerned shall have the right to allocate the total budgeted amount to the line-items within such vote, except in so far as the line-item provisions relate to matters determined by the chief financial officer in terms of the municipality's approved policies and contractual and statutory commitments (for example, depreciation charges, finance charges, insurance costs, contribution to the COID, skills development levies payable).

Notwithstanding the preceding principle, the budget for salaries, allowances and salaries-related benefits shall be separately prepared, and shall not exceed 30% of the aggregate operating budget component of the annual or adjustments budget. For purposes of applying this principle, the remuneration of political office bearers and other councillors shall be excluded from this limit.

The head of the department, service or function to which each budget vote relates shall justify the allocation of the aggregate budget for such vote to the various line-items within the vote to the portfolio committee responsible for the department, service or function concerned. In motivating the allocations made to and within the vote, the head of department, service or function concerned shall provide the relevant portfolio committee with appropriate quarterly performance indicators and service delivery targets pertaining to the budget. Such indicators and targets shall be prepared with the approval of the municipal manager and the mayor.

In preparing its revenue budget, the municipality shall strive to maintain the aggregate revenues from property rates at not less than 25% of the aggregate revenues budgeted for.

When considering the draft annual budget, the council shall consider the impact, which the proposed increases in rates and service tariffs will have on the monthly municipal accounts of households in the municipal area. The impact of such increases shall be assessed on the basis of a fair sample of randomly selected accounts. Because households have no mechanism for passing on such increases to other parties, but must fully absorb the increases concerned, the council shall ensure that the average additional impact of such increases is not more than the relevant increase in the consumer price index.

PART 7. RESPONSIBILITIES:

7.1 ACCOUNTING OFFICER - SECTION 100: Budget implementation

The accounting officer of a municipal entity is responsible for implementing the entity's budget, including taking effective and appropriate steps to ensure that—

- (a) the spending of funds is in accordance with the budget;
- (b) revenue and expenditure are properly monitored; and
- (c) spending is reduced as necessary when revenue is anticipated to be less than projected in the budget.

7.2 CHIEF FINANCIAL OFFICER - SECTION 81: Role of the CFO

- (1) The chief financial officer of a municipality—
 - (e) must perform such budgeting, accounting, analysis, financial reporting, cash management, debt management, supply chain management, financial management, review and other duties as may in terms of [section 79](#) be delegated by the accounting officer to the chief financial officer.
- (2) The chief financial officer of a municipality is accountable to the accounting officer for the performance of the duties referred to in [subsection \(1\)](#).

The chief financial officer shall be responsible for preparing the draft annual capital and operating budgets (including the budget components required for the ensuing financial years), any required adjustments budgets, the projections of revenues and expenses for the service delivery and budget implementation plan (including the alignment of such projections with the cash management programme prepared in terms of the banking and investments policy), and shall be accountable to the municipal manager in regard to the performance of these functions.

The municipal manager shall ensure that all heads of directorates provide the inputs required by the chief financial officer into these budget processes.

The chief financial officer shall draft the budget timetable for the ensuing financial year for the mayor's approval, and shall indicate in such timetable the target dates for the draft revision of the annual budget and the preparation of the annual budget for the ensuing financial year, which target dates shall follow the prescriptions of the Municipal Finance Management Act, and target dates for the submission of all the budget-related documentation to the mayor, finance committee, executive committee and council.

Except where the chief financial officer, with the consent of the mayor and municipal manager, decides otherwise, the sequence in which each annual budget and adjustments budget shall be prepared, shall be: first, the capital component, and second, the operating component. The operating component shall duly reflect the impact of the capital component on:

- depreciation charges
- repairs and maintenance expenses
- interest payable on external borrowings
- other operating expenses.

In preparing the operating budget, the chief financial officer shall determine the number and type of votes to be used and the line-items to be shown under each vote, provided that in so doing the chief financial officer shall properly and adequately reflect the organisational structure of the municipality, and further in so doing shall comply – in so far as the organisational structure permits – also with the prescribed budget format of National Treasury.

The chief financial officer shall determine the depreciation expenses to be charged to each vote, the apportionment of interest payable to the appropriate votes, the estimates of withdrawals from

(claims) and contributions to (premiums) the self-insurance reserve, and the contributions to the provisions for bad debts, accrued leave entitlements and obsolescence of stocks.

The chief financial officer shall further, with the approval of the mayor and the municipal manager, determine the recommended contribution to the asset financing reserve and any special contributions to the self-insurance reserve.

The chief financial officer shall also, again with the approval of the mayor and the municipal manager, and having regard to the municipality's current financial performance, determine the recommended aggregate growth factor(s) according to which the budgets for the various votes shall be drafted.

The chief financial officer shall compile monthly budget reports, with recommendations, comparing actual results with budgeted projections, and the heads of directorates shall timeously and adequately furnish the chief financial officer with all explanations required for deviations from the budget. The chief financial officer shall submit these monthly reports to the mayor, finance committee and executive committee, and all other prescribed parties, in accordance with the prescriptions of the Municipal Finance Management Act.

The chief financial officer shall provide technical and administrative support to the mayor in the preparation and approval of the annual and adjustment budgets, as well as in the consultative processes, which must precede the approval of such budgets.

The chief financial officer shall ensure that the annual and adjustments budgets comply with the requirements of the National Treasury reflect the budget priorities determined by the mayor, are aligned with the IDP, and comply with all budget-related policies, and shall make recommendations to the mayor on the revision of the IDP and the budget-related policies where these are indicated.

The chief financial officer shall make recommendations on the financing of the draft capital budget for the ensuing and future financial years, indicating the impact of viable alternative financing scenarios on future expenses, and specifically commenting on the relative financial merits of internal and external financing options.

The chief financial officer shall determine the basis for allocating overhead expenses not directly chargeable to votes. The expenses associated with the democratic process shall be allocated to a separate vote, and shall not be charged out as an overhead.

The chief financial officer shall ensure that the cost of indigency relief is separately reflected in the appropriate votes.

The chief financial officer shall ensure that the allocations from other organs of state are properly reflected in the annual and adjustments budget, and that the estimated expenses against such allocations (other than the equitable share) are appropriately recorded.

PART 8. ANNEXURE: LEGAL REQUIREMENTS

The following sections detailed below provide a brief explanation of the legal requirements as contained in the Municipal Finance Management Act No 56 of 2003.

8.1 Section 15 Appropriation of funds for expenditure

Expenses may only be incurred in terms of the approved annual budget (or adjustments budget) and within the limits of the amounts appropriated for each budget vote.

8.2 Section 16 Annual budgets

The Council of the municipality must approve the annual budget before the start of the financial year to which it relates.

The Mayor must table the annual budget at least ninety days before the start of such financial year.

The capital budget may extend over three years, provided that it is separated into annual appropriations for that period.

8.3 Section 17 Contents of annual budgets and supporting documents

The budget must be in the prescribed format, and must be divided into a capital and an operating budget.

The budget must reflect the realistically expected revenues by major source for the budget year concerned.

The expenses reflected in the budget must be divided into votes.

The budget must also contain the foregoing information for the two financial years following the financial year to which the budget relates, as well as the actual revenues and expenses for the year before the current year, and the estimated revenues and expenses for the current year.

The budget must be accompanied by all the following documents:

- draft resolutions approving the budget and levying property rates, other taxes and tariffs for the financial year concerned;
- draft resolutions (where applicable) amending the IDP and the budget-related policies;
- measurable performance objectives for each budget vote, taking into account the municipality's IDP;
- the projected cash flows for the financial year by revenue sources and expenditure votes;
- any proposed amendments to the IDP;
- any proposed amendments to the budget-related policies;
- the cost to the municipality of the salaries, allowances and other benefits of its political office bearers and other councillors, the municipal manager, the chief financial officer, and other senior managers;
- particulars of any proposed allocations or grants to other municipalities, municipal entities, external mechanisms assisting the municipality in service delivery, other organs of state, and organisations such as NGOs, welfare institutions and so on;
- particulars of the municipality's investments; and
- various information in regard to municipal entities under the shared or sole control of the municipality.

8.4 Section 18 Funding of expenditures

The budget may be financed only from:

- realistically expected revenues, based on current and previous collection levels;
- cash-backed funds available from previous surpluses where such funds are not required for other purposes; and
- borrowed funds in respect of the capital budget only.

8.5 Section 19 Capital projects

A municipality may spend money on a capital project only if the money for the project (including the cost of any required feasibility studies) has been appropriated in the capital budget.

The Council must also approve the total cost of the project.

The envisaged sources of funding for the capital budget must be properly considered, and the Council must be satisfied that this funding is available and has not been committed for other purposes.

Before approving a capital project, the Council must consider the projected cost of the project over all the ensuing financial years until the project becomes operational, as well as the future operational costs and any revenues that may arise in respect of such project, including the likely future impact on property rates and service tariffs.

8.6 Section 20 Matters to be prescribed

The Minister of Finance must prescribe the form of the annual budget, and may further prescribe a variety of other matters, including the inflation projections, which the municipality must use in compiling its budget.

The Minister may also prescribe uniform norms and standards in regard to the setting of tariffs where a municipality entity or other external mechanisms is used to perform a municipal service; and may also take appropriate steps to ensure that a municipality does not, in exceeding its fiscal powers, materially and unreasonably prejudice national economic policies (particularly on inflation, administered pricing and equity), economic activities across municipal boundaries, and the national mobility of goods, services, capital or labour.

8.7 Section 21 Budget preparation process

The Mayor of the municipality must:

- Co-ordinate the processes for preparing the annual budget, and for reviewing the municipality's IDP and budget-related policies to ensure that the budget, the IDP, and the policies are mutually consistent and credible.
- At least ten months before the start of the ensuing financial year, table in the Council the time schedule with key deadlines for the preparation, tabling and approval of the following year's annual budget, the review of the IDP and budget-related policies, and the consultative processes required in the approval of the budget.

-
- When preparing the annual budget, take into account the municipality's IDP, the national budget, provincial budget, the National Government's fiscal and macro-economic policies, and the annual Division of Revenue Act.
 - Take all reasonable steps to ensure that the municipality revises its IDP in line with realistic revenue and expenditure projections for future years.
 - Consult the district municipality (if it is a local municipality) and all other local municipalities in the district, and all other local municipalities in the district if it is a district municipality.
 - Consult the National Treasury when requested, the Provincial Treasury, and such other provincial and national organs of state as may be prescribed.
 - Provide, on request, any budget-related information to the National Treasury, other national and provincial organs of state, and any other municipality affected by the budget.

8.8 Section 22 Publication of annual budgets

Immediately after the annual budget has been tabled, the Municipal Manager must make this budget and other budget-related documentation public, and must invite the local community to submit representations in regard to such budget.

The Municipal Manager must also immediately submit the tabled budget in both printed and electronic formats to the National Treasury, the Provincial Treasury, and in either format to prescribed national and provincial organs of state and other municipalities affected by the budget.

8.9 Section 23 Consultations on tabled budgets

After the budget has been tabled, the Council of the municipality must consider the views of the local community, the National Treasury, the Provincial Treasury, and any provincial or national organs of state or municipalities, which have made submissions on the budget.

After considering these views, the Council must give the Mayor the opportunity to respond to the submissions received, and – if necessary – revise the budget and table the relevant amendments for consideration by the Council.

The National Treasury may issue guidelines on the manner in which the Council must process the annual budget, including guidelines on the formation of a committee of the Council to consider the budget and hold public hearings. Such guidelines shall be binding only if they are adopted by the Council.

8.10 Section 24 Approval of annual budgets

The Council must consider approval of the budget at least thirty days before the start of the financial year to which such budget relates.

The budget must be approved before the start of such financial year, and the resolutions and performance objectives referred to in Section 17 must simultaneously be adopted.

8.11 Section 25 Failure to approve budget before start of budget year

This Section sets out the process, which must be followed if the budget is not approved in the normal course of events. Briefly the Council must reconsider and vote on the budget, or an amended version of the budget, every seven days until a budget is approved. The Mayor must immediately inform the MEC for Local Government if the budget is not adopted by the start of the budget year, and may request a provincial intervention.

8.12 Section 26 Consequences of failure to approve budget before start of budget year

The provincial executive must intervene in any municipality, which has not approved its annual budget by the start of the relevant financial year. Such intervention must entail the taking of any appropriate steps to ensure a budget is approved, including dissolving the Council and appointing an administrator until a new Council can be elected, and approving a temporary budget until such new Council can adopt a permanent budget for the municipality. The Section also imposes restrictions on what may be spent in terms of such temporary budget.

8.13 Section 27 Non-compliance with provisions of this chapter

This Section sets out the duties of the Mayor to report any impending non-compliance and the general consequences of non-compliance with the requirements of the various foregoing prescriptions.

8.14 Section 28 Municipal adjustments budgets

A municipality may revise its annual budget by means of an adjustments budget.

However, a municipality must promptly adjust its budgeted revenues and expenses if a material under-collection of revenues arises or is apparent.

A municipality may appropriate additional revenues, which have become available but only to revise or accelerate spending programmes already budgeted for.

A municipality may in such adjustments budget, and within the prescribed framework, authorise unforeseen and unavoidable expenses on the recommendation of the Mayor.

A municipality may authorise the utilisation of projected savings on any vote towards spending under another vote.

Municipalities may also authorise the spending of funds unspent at the end of the previous financial year, where such under-spending could not reasonably have been foreseen at the time the annual budget was approved by the Council.

Only the Mayor of the municipality may table an adjustments budget. Such budget may be tabled whenever necessary, but limitations on the timing and frequency of such tabling may be prescribed.

An adjustments budget must contain all of the following:

- an explanation of how the adjustments affect the approved annual budget;
- appropriate motivations for material adjustments; and
- an explanation of the impact of any increased spending on the current and future annual budgets.

Municipal taxes and tariffs may not be increased during a financial year except if required in terms of a financial recovery plan.

8.15 Section 29 Unforeseen and unavoidable expenditure

In regard to unforeseen and unavoidable expenses, the following apply:

- the Mayor may authorise such expenses in an emergency or other exceptional circumstances;

-
- the municipality may not exceed a prescribed percentage of the approved annual budget in respect of such unforeseen and unavoidable expenses;
 - these expenses must be reported by the Mayor to the next Council meeting;
 - the expenses must be appropriated in an adjustments budget; and
 - the adjustments budget must be passed within sixty days after the expenses were incurred.

8.16 Section 30 Unspent funds

The appropriation of funds in an annual or adjustments budget will lapse to the extent that they are unspent by the end of the relevant budget year, but except for the expenses referred to above in Section 16.

8.17 Section 31 Shifting of funds between multi-year appropriations

If the funds for a capital project have been appropriated for more than one financial year (see Section 16) these expenses may exceed the appropriation for any one financial year, provided:

- the increase is not more than 20% of that financial year's allocation;
- the increase is funded in the next financial year's appropriations;
- the Municipal Manager certifies that actual revenues are expected to exceed budgeted revenues, and that enough funds will be available to finance such increased appropriation without incurring further borrowing beyond the annual budget limit;
- the Mayor gives prior written approval for such increased appropriation; and
- all the above documentation is provided to the Auditor-General.

8.18 Section 32 Unauthorised, irregular or fruitless and wasteful expenditure

Unauthorised expenses may be authorised in an adjustments budget (section 32 (2) (a) of the MFMA).

8.19 Section 33 Contracts having future budgetary implications

Contracts extending beyond one financial year may be entered into by a municipality, but if such contract extends beyond the three years covered in the annual budget, the municipality may enter into such contract only if:

-
- The Municipal Manager, at least sixty days before the Council meeting at which the contract is to be approved, has made the contract public, with an information statement summarising the municipality's obligations, and inviting the local community and other interested parties to submit comments or make representations.
 - The Municipal Manager solicits the views and recommendations of the National Treasury and Provincial Treasury in respect to such contract, as well as those of the National Department of Provincial and Local Government, and any national department concerned with water, sanitation or electricity, if the contract relates to any of these services.
 - The Council has taken into account the projected financial obligations in regard to such contract, the impact on tariffs, and the views and comments received from all the foregoing parties.
 - The Council adopts a resolution determining that the municipality will secure a significant capital investment or derive a significant financial or economic benefit from the contract, and approves the entire contract exactly as it is to be executed.

A contract for purposes of this Section shall exclude any contract relating to the incurring of long-term debt by the municipality, employment contracts, contracts for categories of goods as may be prescribed, or contracts where the value of the contract is less than a prescribed value or a prescribed percentage of the annual budget.

8.20 Section 42 Price increases of bulk resources for provision of municipal services

National and provincial organs of state which supply water, electricity or any other bulk resources to municipalities or municipal entities for the provision of municipal services may increase the price of such resources only after doing all the following:

- The proposed increase must be submitted to the organ's executive authority and (where legislation so requires) to any regulatory agency for approval.
- At least forty days prior to the above submission the National Treasury and organised local government must be invited to submit written comments on the proposed increase.
- The executive authority, after taking into account the comments received, must table the price increase in Parliament or the provincial legislature, as the case may be, with a full motivation and certain other prescribed explanatory documentation.

Unless the Minister of Finance otherwise directs, a price increase must be tabled on or before 15 March to take effect from 1 July of the same year. If it is tabled after 15 March it may only take effect from 1 July of the following year.

8.21 Section 43 Applicability of tax and tariff capping on municipalities

If a national or provincial organ of state is legislatively empowered to determine the upper limits of any municipal tax or tariff, such determination takes effect on the date specified in the determination, but provided that, unless the Minister of Finance otherwise directs:

- A determination promulgated on or before 15 March shall not take effect before 1 July of the same year.
- A determination promulgated after 15 March shall not take effect before 1 July of the following year.
- A determination shall not be allowed to impair a municipality's ability to meet any annual or periodic escalations in the payments it must make in respect of any contract legally entered into by a municipality.

8.22 Section 53 Budget processes and related matters

The Mayor of the municipality must:

- Provide general political guidance over the annual budget process and the priorities that guide the preparation of each budget.
- Co-ordinate the annual revision of the IDP, as well as the preparation of the annual budget, and determine how the IDP is to be taken into account or is to be revised for purposes of such budget.
- Take all reasonable steps to ensure that the Council approves the annual budget before the start of the financial year to which it relates, and that the municipality's service delivery and budget implementation plan is approved within twenty-eight days after the approval of the budget.

-
- Ensure that the annual performance agreements for the Municipal Manager and the senior managers of the municipality are linked to measurable performance objectives, which are approved with the budget, and the service delivery and budget implementation plan.

The Mayor must promptly report to the Council and the MEC for Local Government any delay in tabling the annual budget, approving the service delivery and budget implementation plan or signing the annual performance agreements.

The Mayor must further ensure that the service delivery targets and quarterly performance indicators, and the monthly projections of revenues and expenses in the service delivery and budget implementation plan, are made public not later than fourteen days after these matters have been approved; and that the performance agreements of the Municipal Manager and other senior officials are similarly made public not later than fourteen days after their approval.

8.23 Section 68 Budget preparation

The Municipal Manager must assist the Mayor in performing the assigned budgetary functions and must provide the Mayor with administrative support, operational resources and the information necessary to perform these functions.

8.24 Section 69 Budget implementation

The Municipal Manager is responsible for implementing the budget, and must take reasonable steps to ensure that:

- funds are spent in accordance with the budget;
- expenses are reduced if expected revenues are less than projected; and
- revenues and expenses are properly monitored.

The Municipal Manager must prepare any adjustments budget when such budget is necessary and submit it to the Mayor for consideration and tabling in Council.

The Municipal Manager must submit a draft service delivery and budget implementation plan to the Mayor fourteen days after the annual budget has been approved, and must also within the same period submit drafts of the annual performance agreements to the Mayor.

8.25 Section 70 Impending shortfalls, overspending and overdrafts

The Municipal Manager must report in writing to the Council any impending shortfalls in the annual revenue budget, as well as any impending overspending, together with the steps taken to prevent or rectify these problems.

8.26 Section 71 Monthly budget statements

The Municipal Manager must, not later than ten working days after the end of each calendar month, submit to the Mayor and Provincial Treasury a report in the prescribed format on the state of the municipality's budget for such calendar month, as well as on the state of the budget cumulatively for the financial year to date.

This report must reflect the following:

- actual revenues per source, compared with budgeted revenues;
- actual expenses per vote, compared with budgeted expenses;
- actual capital expenditure per vote, compared with budgeted expenses;
- actual borrowings, compared with the borrowings envisaged to fund the capital budget;
- the amount of allocations received, compared with the budgeted amount;
- actual expenses against allocations, but excluding expenses in respect of the equitable share;
- explanations of any material variances between the actual revenues and expenses as indicated above and the projected revenues by source and expenses by vote as set out in the service delivery and budget implementation plan;
- the remedial or corrective steps to be taken to ensure that the relevant projections remain within the approved or revised budget; and
- projections of the revenues and expenses for the remainder of the financial year, together with an indication of how and where the original projections have been revised.

The report to the National Treasury must be both in electronic format and in a signed written document.

8.27 Section 54 Budgetary control and early identification of financial problems

On receipt of the report from the Municipal Manager, the Mayor must:

- consider the report;
- check whether the budget has been implemented in accordance with the service delivery and budget implementation plan;
- issue appropriate instructions to the Municipal Manager to ensure that the budget is implemented in accordance with this plan, and that the spending of funds and the collection of revenues proceed in accordance with the approved budget;
- identify any financial problems facing the municipality, as well as any emerging or impending financial problems; and
- submit to the Council within thirty days of the end of each quarter a report on the implementation of the budget and the financial state of affairs of the municipality.

If the municipality faces any serious financial problems, the Mayor must:

- promptly respond to and initiate the remedial or corrective steps proposed by the Municipal Manager, and
- alert the MEC for Local Government and the Council of the municipality to the problems concerned.

The Mayor may revise the details of the service delivery and budget implementation plan, but any revisions to the service delivery targets and quarterly performance indicators must be approved by the Council, and be supported by an adjustments budget. Any changes made to the projections of revenues and expenses as set out in the plan must promptly be made public.

8.28 Section 55 Report to provincial executive if conditions for provincial intervention exist

If the Council has not approved its annual budget by the first day of the financial year to which it relates, or if the municipality encounters serious financial problems, the Mayor must immediately report this matter to the MEC for Local Government and may recommend a provincial intervention.

8.29 Section 72 Mid-year budget and performance assessment

The Municipal Manager must assess the budgetary performance of the municipality for the first half of the financial year, taking into account all the monthly budget reports for the first six months, the service delivery performance of the municipality as against the service delivery targets and performance indicators which were set in the service delivery and budget implementation plan, and the past financial year's annual report and the progress made in resolving problems identified in such report.

The Municipal Manager must then submit a report on such assessment to the Mayor, the National Treasury and the Provincial Treasury.

The Municipal Manager may in such report make recommendations for adjusting the annual budget and for revising the projections of revenues and expenses set out in the service delivery and budget implementation plan.

In terms of Section 54(1)(f) the Mayor must promptly submit this assessment report to the Council of the municipality.

Section 73 Reports on failure to adopt or implement budget-related and other policies

The Municipal Manager must inform the Provincial Treasury, in writing, of any failure by the Council to adopt or implement any budget-related policy or a supply chain management policy, and of any non-compliance by an office bearer or political structure with such policy.

8.30 Section 75 Information to be placed on websites of municipalities

The Municipal Manager must place on the municipality's official website (inter alia) the following:

- the annual and adjustments budgets and all budget-related documents;
- all budget-related policies;
- the annual report;
- all performance agreements;
- all service delivery agreements;
- all long-term borrowing contracts;

-
- all quarterly reports submitted to the Council on the implementation of the budget and the financial state of affairs of the municipality.

8.31 Section 80 Establishment (of municipal budget and treasury office)

Every municipality must have a budget and treasury office comprising a Chief Financial Officer supported by appointed officials and contracted staff.

8.32 Section 81 Role of chief financial officer

The Chief Financial Officer is administratively in charge of the budget and treasury office and must, inter alia,

- assist the Municipal Manager in preparing and implementing the budget;
- perform such budgeting, financial reporting and financial management and review duties as are delegated by the Municipal Manager;
- account to the Municipal Manager for the performance of all the foregoing responsibilities.

8.33 Section 83 Competency levels of professional financial officials

The Municipal Manager, senior managers, the Chief Financial Officer and the other financial officials in a municipality must all meet prescribed financial management competency levels.

9. Policy Implementation and Review

- This policy is effective from date of approval.
- This policy shall be reviewed annually.

10. SUMMARISED TIMETABLE

FINAL DATE	ACTION BY MUNICIPALITY
31 August	Table in council timetable for preparation of coming year's annual budget
20 January	-
25 January	Assess current year's budget performance
31 January	Table assessment report in council
(Between 31 January and 31 March)	Table municipality's adjustments budget for current year and changes to service delivery targets and KPIs
(Between 31 January and 31 March)	Make public (adjustments budget and) revisions to service delivery and budget implementation plan for current year
31 March	Table municipality's draft budget for coming year
Immediately after 31 March	Make public draft budget for coming year and invite submissions from community, provincial treasury and others
Before 31 May	Respond to submissions and revise draft budget for coming year
31 May	Consider approval of budget for coming year and attendant resolutions
30 June	Budget for coming year and attendant resolutions must be approved by 30 June. Approved budget of entity must be tabled.
Early June to early July: immediately after budget approved	Submit budget to national treasury and provincial treasury
Early June to early July: immediately after approval dates	Place on website annual budgets and all budget-related documents
Mid June to mid July: 14 days after budget approved	Finalise draft service delivery and budget implementation plan and draft performance agreements

FINAL DATE	ACTION BY MUNICIPALITY
Late June to late July: 28 days after budget approved	Approve service delivery and budget implementation plan
Late June to late July: 28 days after budget approved	Conclude performance agreements
Mid July to mid August: 14 days after service delivery and budget implementation plan approved	Make public projections of revenues and expenses for each month of coming year, service delivery targets for each quarter, and performance agreements

11. DETAILED BUDGET TIMETABLE

Section of Municipal Finance Management Act No. 56 of 2003	Date by which action must be completed	Action required	Responsible party
21(1)(b)	31 August	Mayor must at least 10 months before start of budget year table in council time schedule outlining key deadlines for <ul style="list-style-type: none"> - preparation, tabling and approval of annual budget - annual review of IDP - annual review of budget-related policies - tabling and adoption of any amendments to IDP and budget-related policies - any consultative processes forming part of foregoing 	Mayor
72(1), (2) and (3)	25 January	Accounting officer of municipality must assess budgetary and financial performance of municipality for first six months of financial year, make recommendations on whether adjustments budget necessary, and recommend revised projections for revenues and expenses. This assessment must be submitted to the mayor, national treasury and the provincial treasury.	Accounting officer
54(1)(f)	31 January	Mayor must submit accounting officer's report to council.	Mayor

Section of Municipal Finance Management Act No. 56 of 2003	Date by which action must be completed	Action required	Responsible party
54(1) and (2)	(Between 31 January and 31 March)	If municipality faces "serious financial problems" mayor must "promptly" respond to and initiate remedial steps proposed by accounting officer, including steps to reduce expenses and tabling of adjustments budget. Mayor must also consider revisions to service delivery and budget implementation plan.	Mayor
54(3)	(Between 31 January and 31 March)	Mayor must ensure that revisions to service delivery and budget implementation plan are "promptly" made public.	Mayor
16(2)	31 March	Mayor must table (draft) annual budget of municipality at council meeting at least 90 days before start of budget year.	Mayor
22(a) and 22(b)	Immediately after 31 March or earlier date if annual budget tabled before 31 March	Immediately after (draft) annual budget tabled in council, accounting officer must (1) make public budget and documents referred to in Section 17(3), and invite local community to submit representations in connexion with budget, and (2) submit annual budget in both printed and electronic formats to provincial treasury, and in either format to prescribed national and provincial organs of state and to other municipalities affected by the budget.	Accounting officer
23(2)	Before 31 May	Council must give mayor opportunity (1) to respond to submissions received on (draft) annual budget and attendant documentation and (2) to revise budget, if necessary, and table amendments for consideration by council.	Mayor and council
24(1) and (2)	31 May	Council must consider approval of annual budget, together with resolutions imposing rates and levies, setting tariffs, approving measurable performance objectives for revenue from each source and for each vote, approving any changes to IDP, and approving any changes to budget-related policies.	Council
24(3)	(Immediate after approval date)	Accounting officer must submit approved annual budget to national treasury and provincial treasury.	Accounting officer
25(1) and (2)	Within 7 days of date of council meeting which failed to approve annual budget	If council fails to approve annual budget at meeting scheduled in terms of Section 24, must reconsider budget within 7 days of date of such meeting. If necessary, process must be repeated until budget approved by 30 June.	Council
69(3)(a) and (b)	14 days after approval of annual budget (mid June)	Accounting officer must submit to mayor draft service delivery and budget implementation plan, and drafts of annual performance agreements for municipal manager and all senior managers.	Accounting officer

Section of Municipal Finance Management Act No. 56 of 2003	Date by which action must be completed	Action required	Responsible party
	to mid July)		
53(1)(c)(ii)	Within 28 days after date annual budget approved (late June to late July)	Service delivery and budget implementation plan must be approved by mayor, including projections of revenues and expenses for each month, and service delivery targets and performance indicators for each quarter.	Mayor
53(1)(c)(iii)(aa) & (bb)	Within 28 days after date annual budget approved (late June to late July)	Mayor must take all reasonable steps to ensure that annual performance agreements for municipal managers and all senior managers are linked to measurable performance objectives approved with the budget and to the service delivery and budget implementation plan, and are concluded in accordance with Section 57(2) of the Municipal Systems Act.	Mayor
16(1)	30 June	Annual budget must be approved by council	Council
53(3)(a) and (b)	14 days after approval of service delivery and budget implementation plan (mid July to mid August, depending on date plan approved)	Projections of revenues and expenses for each month and service delivery targets for each quarter and performance agreements of municipal manager and senior manager must be made public, and copies of performance agreements must be submitted to council and MEC for local government.	Mayor

**MANGAUNG
LOCAL MUNICIPALITY**

**PROPERTY RATES POLICY
(FINAL)**

18 MAY 2009

(FOR IMPLEMENTATION ON 1 JULY 2009)

INDEX

1.	Objective.....	2
2.	Legislative Context.....	2
3.	Definitions.....	3
4.	Policy Principles.....	6
5.	Scope of the Policy.....	7
6.	Application of Policy.....	7
7.	Categories of Property.....	7
8.	Categories of owners.....	8
9.	Properties used for multiple purposes.....	9
10.	Differential Rating.....	9
11.	Exemptions and Impermissible Rates.....	9
12.	Reductions.....	11
13.	Rebates.....	12
14.	Payment of Rates.....	15
15.	Phasing in of rates.....	16
16.	Frequency of valuation.....	16
17.	Community participation.....	16
18.	Register of properties.....	17
19.	By-laws to give effect to the rates policy.....	17
20.	Regular review process.....	17
21.	Enforcement / Implementation.....	17

MANGAUNG LOCAL MUNICIPALITY
PROPERTY RATES POLICY

1. OBJECTIVES

The objectives of this policy are to ensure that-

- a. All ratepayers within a specific category are treated equally and reasonably;
- b. Rates are levied in accordance with the market value of the property;
- c. The rate will be based on the value of all rateable property and the amount required by Council to expenditure of rates related services reflected in the operational budget, taking into account any surpluses generated from Council services and the amounts required to finance exemptions, reductions and rebates that the municipality may approve from time to time;
- d. To optimally safeguard the income base of the municipality by only approving exemptions, reductions and rebates that is reasonable and affordable.

2. LEGISLATIVE CONTEXT

- 2.1 This policy is mandated by Section 3 of the Local Government: Municipal Property Rates Act, 2004 (No. 6 of 2004), which specifically provides that a municipality must adopt a Rates Policy.
- 2.2 In terms of Section 229 of the Constitution of the Republic of South Africa, 1996 (No.108 of 1996), a municipality may impose rates on property.
- 2.3 In terms of the Local Government: Municipal Property Rates Act, 2004 (No. 6 of 2004) a municipality in accordance with-
 - a. Section 2(1), may levy a rate on property in its area; and
 - b. Section 2(3), must exercise its power to levy a rate on property subject to-
 - i Section 229 and any other applicable provisions of the Constitution;
 - ii the provisions of the Property Rates Act and any regulations promulgated in terms thereof; and
 - iii the rates policy.
- 2.4 In terms of Section 4 (1) (c) of the Local Government: Municipal Systems Act, 2000 (No. 32 of 2000), the municipality has the right to finance the affairs of the municipality by imposing, *inter alia*, rates on property.
- 2.5 In terms of Section 62(1)(f)(ii) of the Local Government: Municipal Finance Management Act, 2003 (No. 56 of 2003) the Municipal Manager must ensure that the municipality has and implements a rates policy.

2.6 This policy must be read together with, and is subject to the stipulations of the Local Government: Municipal Property Rates Act, 2004 (No. 6 of 2004) and any regulations promulgated in terms thereof from time to time.

3. DEFINITIONS

3.1 “**Act**” means the Local Government: Municipal Property Rates Act, 2004 (Act No. 6 of 2004);

3.2 “**Agent**”, in relation to the owner of a property, means a person appointed by the owner of the property-

- (a) to receive rental or other payments in respect of the property on behalf of the owner; or
- (b) to make payments in respect of the property on behalf of the owner;

3.3 “**Agricultural purpose**” in relation to the use of a property, includes the use (of a property for the purpose of eco-tourism or for the trading in or hunting of game);

3.4 “**Annually**” means once every financial year;

3.5 “**Category**”

- (a) in relation to property, means a category of properties determined in terms of Section 7; &
- (b) in relation to owners of properties, means a category of owners determined in terms of Section 8.

3.6 “**Child-headed household**” means a household where the main caregiver of the said household is younger than 21 years of age. Child-headed household means a household headed by a child as defined in the section 28(3) of the Constitution.

3.7 “**Definitions, words and expressions**” as used in the Act are applicable to this policy document where ever it is used;

3.8 “**Exclusion**” in relation to a municipality's rating power, means a restriction of that power as provided for in section 17 of the Act.

3.9 “**Exemption**” - in relation to the payment of a rate, means an exemption granted by a municipality in terms of section 15 of the Act.

3.10 “**Municipality**” means the **Mangaung Local Municipality**;

3.11 “**Privately owned towns serviced by the owner**” means single properties, situated in an area not ordinarily being serviced by the municipality, divided through sub division or township establishment into (ten or more) full title stands and/ or sectional units and where all rates related services inclusive of installation and maintenance of streets, roads, sidewalks, lighting, storm water drainage facilities, parks and recreational facilities are installed at the full cost of the developer and maintained and rendered by the residents of such estate.

- 3.12 **“Public service infrastructure”** means publicly controlled infrastructure of the following kinds:
- (a) national, provincial or other public roads on which goods, services or labour move across a municipal boundary;
 - (b) water or sewer pipes, ducts or other conduits, dams, water supply reservoirs, water treatment plants or water pumps forming part of a water or sewer scheme serving the public;
 - (c) power stations, power substations or power lines forming part of an electricity scheme serving the public;
 - (d) gas or liquid fuel plants or refineries or pipelines for gas or liquid fuels, forming part of a scheme for transporting such fuels;
 - (e) railway lines forming part of a national railway system;
 - (f) communication towers, masts, exchanges or lines forming part of a communications system serving the public;
 - (g) runways or aprons at national or provincial airports;
 - (h) breakwaters, sea walls, channels, basins, quay walls, jetties, roads, railway or infrastructure used for the provision of water, lights, power, sewerage or similar services of ports, or navigational aids comprising lighthouses, radio navigational aids, buoys, beacons or any other device or system used to assist the safe and efficient navigation of vessels;
 - (i) any other publicly controlled infrastructure as may be prescribed; or
 - (j) a right registered against immovable property in connection with infrastructure mentioned in paragraphs (a) to (i).
- 3.13 **“Market value”** in relation to a property, means the value of the property determined in accordance with section 46 of the Act.
- 3.14 **“Multiple purposes”**, in relation to a property, means the use of a property for more than one purpose.
- 3.15 **“Newly rateable property”** means any rateable property on which property rates were not levied before the end of the financial year preceding the date on which this Act took effect, excluding –
- (a) a property which was incorrectly omitted from a valuation roll and for that reason was not rated before that date; and
 - (b) a property identified by the Minister by notice in the *Gazette* where the phasing in of a rate is not justified.
- 3.16 **“Occupier”**, in relation to a property, means a person in actual occupation of a property, whether or not that person has a right to occupy the property.
- 3.17 **“Owner”** –
- (a) in relation to a property referred to in paragraph (a) of the definition of **“property”**, means a person in whose name ownership of the property is registered;

- (b) in relation to a right referred to in paragraph (b) of the definition of ‘**property**’, means a person in whose name the right is registered;
- (c) in relation to a land tenure right referred to in paragraph (c) of the definition of ‘**property**’, means a person in whose name the right is registered or to whom it was granted in terms of legislation; or
- (d) in relation to public service infrastructure referred to in paragraph (d) of the definition of ‘**property**’ means the organ of state which owns or controls that public service infrastructure as envisaged in the definition of ‘**publicly controlled**’,

provided that a person mentioned below may for the purposes of this Act be regarded by a municipality as the owner of a property in the following cases:

- (i) A trustee, in the case of a property in a trust excluding state trust land;
- (ii) An executor or administrator, in the case of a property in a deceased estate;
- (iii) A trustee or liquidator, in the case of a property in an insolvent estate or in liquidation;
- (iv) A judicial manager, in the case of a property in the estate of a person under judicial management;
- (v) A curator, in the case of a property in the estate of a person under curatorship;
- (vi) A person in whose name a usufruct or other personal servitude is registered, in the case of a property that is subject to a usufruct or other personal servitude;
- (vii) A lessee, in the case of a property that is registered in the name of a municipality and is leased by it; or
- (viii) A buyer in the case of a property that was sold by a municipality and of which possession was given to the buyer pending registration of ownership in the name of the buyer.

3.18 “**Person**” includes an organ of state

3.19 “**Property**” – means

- (a) Immovable property registered in the name of a person, including, in the case of a sectional title scheme, a sectional title unit registered in the name of a person;
- (b) a right registered against immovable property in the name of a person, excluding a mortgage bond registered against the property;
- (c) a land tenure right registered in the name of a person or granted in terms of legislation; or
- (d) public service infrastructure;

3.20 “**Rebate**” in relation to a rate payable on property, means a discount granted in terms of section 15 on the amount of the rate payable on the property;

3.21 “**Reduction**”, in relation to a rate payable on a property, means the lowering in terms of section 15 of the amount for which the property was valued and the rating at that lower amount.

3.22 “**Residential property**” means improved property that:-

- (a) is used predominantly (60% or more) for residential purposes including any adjoining property registered in the name of the same owner and used together with such residential property as if it were one property. Any such grouping shall be regarded as one residential property for rate rebate or valuation reduction purposes.
- (b) Is a unit registered in terms of the Sectional Title Act and used predominantly for residential purposes.
- (c) Is owned by a share-block company and used solely for residential purposes.
- (d) Is a residence used for residential purposes situated on property used for or related to educational purposes.
- (e) Retirement schemes and life right schemes used predominantly (60% or more) for residential purposes.

And specifically exclude hostels, old age homes, guest houses and vacant land irrespective of its zoning or intended use.

3.23 **“Vacant land”** means any land on which no immovable improvements have been erected.

4 POLICY PRINCIPLES

- 4.1 Rates are levied in accordance with the Act as an amount in the rand based on the market value of all rateable property contained in the municipality’s valuation roll and supplementary valuation roll.
- 4.2. As allowed for in the Act, the municipality has chosen to differentiate between various categories of property and categories of owners of property as contemplated in clause 7 and 8 of this policy. Some categories of property and categories of owners are granted relief from rates as contemplated in clause 11 to 13 of this policy. The municipality however does not grant relief in respect of payments for rates to any category of owners or properties, or to owners of properties on an individual basis.
- 4.3 There will be no phasing in of rates based on the new valuation roll, except as prescribed by legislation and in accordance with clause 15 of this policy.
- 4.4 In accordance with section 3(3) of the Act the rates policy for the municipality is based on the following principles:
 - (a) Equity
The municipality will treat all ratepayers with similar properties the same.
 - (b) Affordability
The ability of a person to pay rates will be taken into account by the municipality. In dealing with the poor ratepayers the municipality will provide relief measures through exemptions, reductions, rebates and cross subsidy from the equitable share allocation.
 - (c) Sustainability
Rating of property will be implemented in a way that:-

- i It supports sustainable local government by providing a stable and buoyant revenue source within the discretionary control of the municipality;
- ii Supports local social economic development; and
- iii. Secures the economic sustainability of every category of ratepayer.

(d) Cost efficiency

Rates will be based on the value of rateable property and will be used to fund community and subsidise services after taking into account surpluses generated on trading (water, electricity) and economic (refuse removal, sewerage disposal) services and the amounts required to finance exemptions, rebates, reductions and phasing-in of rates as approved by the municipality from time to time.

5. SCOPE OF THE POLICY

- 5.1 This policy document guides the annual setting (or revision) of property rates tariffs. It does not necessarily make specific property rates tariff proposals. Details pertaining to the applications of the various property rates tariffs are annually published in the Provincial Gazette and the municipality's schedule of tariffs, which must be read in conjunction with this policy.

6. APPLICATION OF THE POLICY

- 6.1 In imposing the rate in the rand for each annual operating budget component, the municipality shall grant exemptions, rebates and reductions to the categories of properties and categories of owners as allowed for in this policy document.

7. CATEGORIES OF PROPERTY

- 7.1 Different rates may be levied in respect of the following categories of rateable properties and such rates will be determined on an annual basis during the compilation of the annual budget:-

- 7.1.1 Residential properties, including small holdings;
- 7.1.2 Business properties;
- 7.1.3 Agricultural properties;
- 7.1.4 State owned properties;
- 7.1.5 Municipal properties;
- 7.1.6 Public service infrastructure referred to in the Act;
- 7.1.7 Properties on which national monuments are proclaimed;

7.1.8 Properties owned by Public Benefit Societies;

7.1.9 Properties used for multiple purposes;

7.1.10 Privately developed estates.

7.1.11 Vacant Stands.

7.2 In determining the category of a property referred to in 7.1 the municipality shall take into consideration the dominant use of the property, regardless the formal zoning of the property. All relevant information, including circumstantial evidence, may be taken into consideration in an attempt to determine for what purpose the property is being used. A physical inspection may be done to acquire the necessary information.

7.3 Properties used for multiple purposes shall be categorised and rated as provided for in section 9 of the Act and as more fully described in clause 9 of this policy.

8. CATEGORIES OF OWNERS

8.1 For the purpose of granting exemptions, reductions and rebates in terms of clause 11, 12 and 13 respectively the following categories of owners of properties are determined:-

- (a) Those owners who qualify and who are registered as indigent in terms of the adopted indigent policy of the municipality;
- (b) Those owners who do not qualify as indigent in terms of the adopted indigent policy of the municipality but whose total monthly income is less than the amount annually determined by the municipality in its budget;
- (c) Owners of property situated within an area affected by-
 - i. a disaster within the meaning of the Disaster Management Act, 2002 (Act No. 57 of 2002); or
 - ii. serious adverse social or economic conditions.
- (d) Owners of residential properties with a market value below the amount as determined annually by the municipality in its budget;
- (e) Owners of properties situated in “privately owned towns” as referred to in clause 13.1 (b);
- (f) Owners of agricultural properties as referred to in clause 13.1 (c); and
- (g) Child headed families where any child of the owner or child who is a blood relative of the owner of the property, is responsible for the care of siblings or parents of the household.

9. PROPERTIES USED FOR MULTIPLE PURPOSES

- 9.1 Rates on properties used for multiple purposes will be levied in accordance with the “dominant use of the property”.

10. DIFFERENTIAL RATING

- 10.1 Criteria for differential rating on different categories of properties will be according to:-

- (a) The nature of the property including its sensitivity to rating e.g. agricultural properties used for agricultural purposes.
- (b) The promotion of local, social and economic development of the municipality.

- 10.2 Differential rating among the various property categories will be done by way of setting a different cent amount in the rand for each property category; and

- 10.3 by way of reductions and rebates as provided for in this policy document.

11. EXEMPTIONS AND IMPERMISSIBLE RATES

(a) Municipal properties

Municipal properties are exempted from paying rates as it will increase the rates burden or service charges to property owners or consumers. However, where municipal properties are leased, the lessee will be responsible for the payment of determined assessment rates in accordance with the lease agreement.

(b) Residential properties

All residential properties with a market value of less than the amount as annually determined by the municipality are exempted from paying rates. **For the 2009/2010 financial year the maximum reduction is determined as R40 000.** The impermissible rates of R15 000 contemplated in terms of section 17(1) (h) of the Property Rates Act is included in the amount referred to above as annually determined by the municipality. The remaining R25 000 is an important part of the council's indigent policy and is aimed primarily at alleviating poverty.

(c) Public Service Infrastructure

Is exempted from paying rates as allowed for in the Act as they provide essential services to the community.

(d) Right registered against a property

Any right registered against a property as defined in clause 3.19(b) of this policy is exempted from paying rates.

- 11.2 Exemptions in clause 11.1 will automatically apply and no application is thus required.

11.3 Impermissible Rates: In terms of section 17(1) of the Property Rates Act the municipality may, inter alia, not levy a rate:-

- (a) On those parts of a special nature reserve, national park or nature reserve within the meaning of the National Environmental Management: Protected Areas Act, 2003 (Act No. 57 of 2003) or of a national botanical garden within the meaning of the National Environmental Management: Biodiversity Act, 2004, which are not developed or used for commercial, business, or residential agricultural purposes.
- (b) On mineral rights within the meaning of paragraph (b) of the definition of "property" in section 1 of the Act.
- (c) On a property belonging to a land reform beneficiary or his or her heirs, provided that this exclusion lapses ten years from the date on which such beneficiary's title was registered in the office of the Registrar of Deeds.
- (d) On a property registered in the name of and used primarily as a place of public worship by a religious community, including an official residence registered in the name of that community which is occupied by an office-bearer of that community who officiates at services at that place of worship.

11.4 Public Benefit Organisations (PBO's)

Taking into account the effects of rates on PBOs performing a specific public benefit activity and registered in terms of the Income Tax Act, 1962 (No 58 of 1962) for tax reduction because of those activities, Public Benefit Organizations may apply for the exemption of property rates. Public Benefit Organizations may include, inter alia:-

i Health care institutions

Properties used exclusively as a hospital, clinic and mental hospital, including workshops used by the inmates, laundry or cafeteria facilities, provided that any profits from the use of the property are used entirely for the benefit of the institution and/or to charitable purposes within the municipality.

ii Welfare institutions

Properties used exclusively as an orphanage, non-profit retirement villages, old age homes or benevolent/charitable institutions, including workshops used by the inmates, laundry or cafeteria facilities, provided that any profits from the use of the property are used entirely for the benefit of the institution and/or to charitable purposes within the municipality.

iii Charitable institutions

Property belonging to not-for-gain institutions or organisations that perform charitable work.

iv Cultural institutions

Properties declared in terms of the Cultural Institutions Act, Act 29 of 1969 or the Cultural Institutions Act, Act 66 of 1989.

- v Museums, libraries, art galleries and botanical gardens
Registered in the name of private persons, open to the public and not operated for gain.
 - vi Youth development organisations
Property owned and/or used by organisations for the provision of youth leadership or development programmes.
 - vii Animal welfare
Property owned or used by institutions/organisations whose exclusive aim is to protect birds, reptiles and animals on a not-for-gain basis.
- 11.5 All possible benefiting organisations in clause 11.4 must apply annually for exemptions. All applications must be addressed in writing to the municipality by 31 August for the financial year in respect of which the rate is levied. If the exemption applied for is granted the exemption will apply for the full financial year.
- 11.6 Public benefit organisations must attach a SARS tax exemption certificate issued by the South African Revenue Services (SARS) as contemplated in Part 1 of the Ninth Schedule of the Income Tax Act, 1962 (No 58 of 1962) to all applications.
- 11.7 The municipality retains the right to refuse the exemption if the details supplied in the application form were incomplete, incorrect or false.
- 11.8 The extent of the exemptions implemented in terms of clauses 11.1 to 11.4 must annually be determined by the municipality and included in the annual budget.

12. REDUCTIONS

- 12.1 Reductions as contemplated in section 15 of the Act will be considered on an *ad-hoc* basis in the event of the following:-
- 12.1.1 Partial or total destruction of a property.
 - 12.1.2 Disasters as defined in the Disaster Management Act, 2002 (Act 57 of 2002).
- 12.2 The following conditions shall be applicable in respect of clause 12.1:-
- 12.2.1 The owner referred to in clause 12.1.1 shall apply in writing for a reduction and the onus will rest on such applicant to prove to the satisfaction of the municipality that his property has been totally or partially destroyed. He/ she will also have to indicate to what extent the property can still be used and the impact on the value of the property.
 - 12.2.2 Property owners will only qualify for a rebate if affected by a disaster as referred to in the Disaster Management Act, 2002 (Act No. 57 of 2002).

12.2.3 A maximum reduction to be determined on an annual basis shall be allowed in respect of both causes 12.1.1 and 12.1.2. For the 2009/2010 financial year the maximum reduction is determined as 80%.

12.2.4 An ad-hoc reduction will not be given for a period in excess of 6 months, unless the municipality gives further extension on application.

12.2.5 If rates were paid in advance prior to granting of a reduction the municipality will give credit to such an owner as from the date of reduction until the date of lapse of the reduction or the end of the period for which payment was made whichever occurs first.

13. REBATES

13.1. Categories of property

(a) Business, commercial and industrial properties

- i. The municipality may grant rebates to rateable enterprises that promote local, social and economic development in its area of jurisdiction. The following criteria will apply:-
 - a. job creation in the municipal area;
 - b. social upliftment of the local community; and
 - c. creation of infrastructure for the benefit of the community.
- ii. A maximum rebate as annually determined by the municipality will be granted on approval, subject to:-
 - a. a business plan issued by the directors of the company indicating how the local, social and economic development objectives of the municipality are going to be met;
 - b. a continuation plan issued by the directors and certified by auditors of the company stating that the objectives have been met in the first year after establishment and how the company plan to continue to meet the objectives; and
 - c. an assessment by the municipal manager or his/her nominee indicating that the company qualifies.
- iii. All applications must be addressed in writing to the municipality by 31 August for the financial year in respect of which the rate is levied. If the rebate applied for is granted the rebate will apply for the full financial year.

(b) Privately owned towns serviced by the owner

The municipality grants an additional rebate, to be determined on an annual basis, which applies to privately owned towns serviced by the owner qualifying as defined in clause 3.11 of this policy. All applications must be addressed in writing to the municipality by 31 August for the financial year in respect of which the rate is levied. If the rebate applied for is granted the rebate will apply for the full financial year. For the 2009/2010 financial year the rebate is determined as 20%.

(c) Agricultural property rebate

- i. When considering the criteria to be applied in respect of any exemptions, rebates and reductions on any properties used for agricultural purposes the municipality must take into account:-
 - a. the extent of rates related services rendered by the municipality in respect of such properties.
 - b. the contribution of agriculture to the local economy.
 - c. the extent to which agriculture assists in meeting the service delivery and developmental objectives of the municipality; and
 - d. the contribution of agriculture to the social and economic welfare of farm workers.
- ii. In terms of section 84 of the Act the Minister for Provincial and Local Government, and in concurrence with the Minister of Finance as required through section 19 of the Act, may determine that a rate levied by the Council on a category of non residential property may not exceed the ratio to the rate on residential property. In the absence of any such promulgation the municipality will apply the standard ratio for agricultural properties as 1:0.25 (75% rebate on the tariff for residential properties). For the 2009/2010 financial year the minister has promulgated a ratio of 1:0.25.
- iii. An additional rebate (based on the total property value) of maximum 10% will be granted by the municipality in respect of the following:-
 - a. 2,5% for the provision of accommodation in a permanent structure to farm workers and their dependants.
 - b. 2,5% if these residential properties are provided with potable water.
 - c. 2,5% if the farmer for the farm workers electrifies these residential properties.
 - d. 2,5% for the provision of land for burial to own farm workers or for educational or recreational purposes to own farm workers as well as people from surrounding farms.
- iv. The granting of additional rebates is subject to the following:-
 - a. All applications must be addressed in writing to the municipality by 31 August 2009 indicating how service delivery and development obligations of the municipality and contribution to the social and economic welfare of farm workers were met. This application will be required as a once off requirement. Any new applications for the 2010/2011 financial year and onwards must be addressed in writing to the municipality by 31 August for the financial year in respect of which the rate is levied. If the rebate applied for is granted the rebate will apply for the full financial year and such application again regarded as a once off requirement.
 - b. Council reserves the right to send officials or its agents to premises/households receiving relief on annual basis for the purpose of conducting an on-site audit of the details supplied. The onus also rests on recipients to immediately notify Council of any changes in their original application.

- c. The municipality retains the right to refuse the exemption if the details supplied in the application form were incomplete, incorrect or false.
- v. No other rebates will be granted to properties that qualify for the agricultural rebate. For the avoidance of doubt, properties that qualify for the agricultural rebate will not be entitled to the residential rate exemption as set out in clause 11.1(b) of this policy.

(d) Bloemdundria

- i. Council may grant a rebate to rateable properties situated in Bloemdundria
- ii. In determining the annual rebate the municipality shall take into consideration all relevant and applicable circumstances.

13.2 Categories of owners

(a) Indigent owners

The residential properties that qualify for relief / exemption under this policy will benefit in the following ways:

- Free Sanitation for properties with a municipal value up to R100 000;
- Exemption from Property Rates and Taxes, for properties with a municipal value up to R100 000.

Exemption will only apply on one property owned and resides by the indigent person.

(b) Child headed families

- i. Families headed by children will qualify for relief / exemption under this policy will benefit in the following ways:
 - Free Sanitation for properties with a municipal value up to R100 000;
 - Exemption from Property Rates and Taxes, for properties with a municipal value up to R100 000.

To following criteria will also be applicable:

- a. occupy the property as his/her normal residence;
 - b. not be older than 18 years of age;
 - c. still be a scholar or jobless; and
 - d. be in receipt of a total monthly income from all sources not exceeding an amount to be determined annually by the Municipality. For the 2009/2010 financial year this amount is determined as R3 000 per month.
- ii. The family head must apply on a prescribed application form for registration as a child headed household and must be assisted by the municipality with completion of the

application form. If qualifying, this rebate will automatically apply and no further application is thus required.

(c) Retired and Disabled Persons Rate Rebate

Note: The municipality currently does not have any database regarding the possible number of beneficiaries. The municipality will therefore embark on a process during the 2009/2010 financial year to register possible beneficiaries for implementation from 1 July 2010. This rebate will therefore only be implemented in the 2010/2011 financial year.

- i. Retired and Disabled Persons, not registered as indigents, qualify for special rebates according to monthly household income. To qualify for the rebate a property owner must:-
 - a. occupy the property as his/her normal residence;
 - b. be at least 60 years of age or in receipt of a disability pension from the Department of Welfare and Population Development;
 - c. be in receipt of a total monthly income from all sources as annually determined by the municipality (including income of spouses of owner);
 - d. not be the owner of more than one property; and
 - e. provided that where the owner is unable to occupy the property due to no fault of his/her own, the spouse or minor children may satisfy the occupancy requirement.
- ii. Property owners must apply on a prescribed application form for a rebate as determined by the municipality. Applications must be accompanied by-
 - a. a certified copy of the identity document or any other proof of the owners age which is acceptable to the municipality;
 - b. sufficient proof of income of the owner and his/her spouse;
 - c. an affidavit from the owner;
 - d. if the owner is a disabled person proof of a disability pension payable by the state must be supplied; and
 - e. if the owner has retired at an earlier stage for medical reasons proof thereof must be submitted.
- iii. All applications must be addressed in writing to the municipality by 31 October for the financial year in respect of which the rate is levied. If the rebate applied for is granted the rebate will apply for the full financial year. *This rebate will however only be implemented in the 2010/2011 financial year.*
- iv. The municipality retains the right to refuse the exemption if the details supplied in the application form were incomplete, incorrect or false.

13.3 Properties with a market value below a prescribed valuation level of a value to be determined annually by the Municipality may, instead of a rate being determined on the market value, be rated a uniform fixed amount per property.

13.4 The extent of the rebates granted in terms of clauses 13.1 and 13.2 must annually be determined by the municipality and included in the annual budget.

14 PAYMENT OF RATES

- 14.1 Payments will be dealt with in accordance with the provisions of the municipality's Credit Control, Debt Collection and Indigent policies.
- 14.2 Interest shall be paid to Council on rates which have not been paid within 30 days from the date on which such rates become due at a rate of 1% higher than the prime rate for the period during which such rates remain unpaid after the expiry of the said period of 30 days. Compounded interest will be levied.
- 14.3 The municipality will furnish each person liable for the payment of rates with a written account, which will specify:-
- (i) the amount due for rates payable,
 - (ii) the date on or before which the amount is payable,
 - (iii) how the amount was calculated,
 - (iv) the market value of the property, and
 - (v) rebates, exemptions, reductions or phasing-in, if applicable.
- 14.4 A person liable for payment of rates remains liable for such payment, whether or not such person has received a written account from the municipality. If the person concerned has not received a written account, he/she must make the necessary enquiries with the municipality.
- 14.5 In the case of joint ownership the municipality shall consistently, in order to minimise costs and unnecessary administration, recover rates from one of the joint owners only provided that it takes place with the consent of the owners concerned.

15 PHASING IN OF RATES

- 15.1 The rates to be levied on newly rateable property shall be phased in as explicitly provided for in section 21 of the Act.
- 15.2 The phasing-in discount on the properties referred to in section 21 shall be as follows:
- First year: 75% of the relevant rate;
 - Second year: 50% of the relevant rate; and
 - Third year: 25% of the relevant rate.

16 FREQUENCY OF VALUATION

- 16.1 The municipality shall prepare a new valuation roll at least every 4 (four) years.
- 16.2 In accordance with the Act the municipality, under exceptional circumstances, may request the MEC for Local Government and Housing in the province to extend the validity of the valuation roll to 5 (five) years.
- 16.3 Supplementary valuations may be done on a continual basis but at least on an annual basis.

17. COMMUNITY PARTICIPATION

17.1 Before the Municipality adopts the Rates Policy, the Municipal Manager will follow the process of community participation envisaged in chapter 4 of the Municipal Systems Act.

18. REGISTER OF PROPERTIES

18.1 The Municipality will compile and maintain a register in respect of all properties situated within the jurisdiction of the Municipality. The register will be divided into Part A and Part B.

18.2 Part A of the register will consist of the current valuation roll of the Municipality and will include all supplementary valuations done from time to time.

18.3 Part B of the register will specify which properties on the valuation roll or any supplementary valuation roll are subject to :-

- i Exemption from rates in terms of section 15 of the Property Rates Act,
- ii Rebate or reduction in terms of section 15,
- iii Phasing-in of rates in terms of section 21, and

18.4 The register will be open for inspection by the public at the following pay points during office hours and on the website of the Municipality.

- Bram Fischer Pay Point, 5 De Villiers Street;
- Heidedal Pay Point, Da Vinci Crescent, Heidedal;
- Regional Office Pay Point, Rocklands;
- Central Park Pay Point, Central Park Shopping Centre,Fontein Street, Bloemfontein;
- Civic Centre Pay Point, Civic Centre, Stasie Street, Thaba Nchu, and
- Reahola Pay Point, Reahola Centre, Botshabelo.

18.5 The Municipality will update Part A of the register on a continuous basis by way of a supplementary valuation process.

18.6 The Municipality will update Part B on an annual basis as part of the implementation of the municipality's annual budget.

19. BY-LAWS TO GIVE EFFECT TO THE RATES POLICY

19.1 The Municipality will adopt by-laws to give effect to the implementation of the Rates Policy and such by-laws may differentiate between different categories of properties and different categories of owners liable for the payment of rates.

20. REGULAR REVIEW PROCESS

20.1 The rates policy will be reviewed on an annual basis.

21 ENFORCEMENT / IMPLEMENTATION

21.1 This policy has been approved by the Municipality in terms of Council resolutiondated and takes effect on the effective date of the first valuation roll on 1 July 2009.



CREDIT CONTROL AND DEBT COLLECTION

PUBLIC POLICY

MANGAUNG LOCAL MUNICIPALITY	
SUBJECT: CREDIT CONTROL AND DEBT COLLECTION	POLICY NO: 1(PP) /2010
DIRECTORATE: FINANCE	COUNCIL ITEM:
SUB-DIRECTORATE: REVENUE MANAGEMENT	DATE APPROVED:
GENERAL MANAGER REVENUE MANAGEMENT	EFFECTIVE DATE:

INDEX

Page

1. Declaration of intent
2. Objective
3. Terminology and definitions
4. Scope of applications
5. Governing prescripts
6. Guiding principles
7. Procedures
8. Roles and responsibilities
9. Management reporting
10. Review of policy
11. Implementation and repeal

1. DECLARATION OF INTENT

At its broadest level, the Municipal Finance Management Act endeavours “to secure sound and sustainable management of the fiscal and financial affairs of municipalities and municipal entities by establishing norms and standards and other requirements.”

As an outflow from this principle, it is therefore imperative that a municipality must collect all money that is due and payable to it, subject to the stipulations of governing legislation.

2. OBJECTIVE

This policy has been compiled as required in terms of Section 96 and 97 of the Local Government: Municipal Systems Act 32 of 2000, and is designed to provide for credit control and debt collection procedures and mechanisms. It also aims to ensure that the Municipality’s approach to debt recovery is sensitive, transparent and is equitably applied throughout the Municipality’s geographic area.

The primary objective of sound municipal debtors management, or credit control, is to ensure that all monies owed to the Municipality are collected in a reasonable period and all debtors owing money to the municipality are treated in a fair and equitable manner.

This policy is a mechanism designed to assist the municipality in collecting outstanding debts from the consumers and improve the municipality’s cash flow.

This will include steps to:

- (a) focus on all outstanding debt as raised on the debtor’s account;
- (b) provide for a common credit control and debt collection policy;

(c) promote a culture of good payment habits amongst debtors and instil a sense of responsibility towards the payment of accounts and reducing municipal debt;

(d) subject to the principles provided for in this Policy, use innovative, cost effective, efficient and appropriate methods to collect as much of the debt in the shortest possible time without any interference in the process.

(e) effectively and efficiently deal with defaulters in accordance with the terms and conditions of the policy.

3. TERMINOLOGY AND DEFINITIONS

In this Policy, unless the context indicates otherwise, a word or expression to which a meaning has been assigned has the same meaning, and -

“Act” means the Local Government: Municipal Systems Act (Act No 32 of 2000) as amended from time to time;

“arrangement” means a written agreement entered into between the Municipality and the debtor where specific repayment conditions are agreed to or any other acknowledgement of debt;

“arrears” means those rates and service charges that have not been paid by the due date and for which no arrangement has been made;

"consolidated account" means a monthly account reflecting municipal service fees, charges, surcharges on fees, property rates and other municipal taxes, levies and duties.

“credit control” means functions and measures relating to the collection of monies owed by ratepayers and the users of municipal services;

“household income of housing debtor” means the total gross income of both the debtor and the debtor’s spouse or partner and a percentage of the gross income of any other occupants of the property, where applicable;

“indigent amount” means the applicable indigent subsidy as determined by the Municipality from time to time;

“interest” means a charge levied with the same legal priority as service fees and calculated at a rate determined by Municipality from time to time on all arrears monies;

“Municipality” means the Mangaung Local Municipality or any of its delegates;

“non-residential debtors” means all other debtors that are not defined as residential debtors

"occupier" means any person who occupies any premises or part thereof, without regard to the title under which he or she occupies;

"owner" means:

- (a) the person in whom from time to time is vested the legal title to property;
- (b) in case where a person in whom the legal title to property is vested is insolvent or dead, or is under any form of legal disability whatsoever, the person in whom the administration and control of such property is vested as curator, executor, administrator, judicial manager, liquidator or other legal representative;
- (c) in any case where the Municipality or its authorised agent is unable to determine the identity of such person, a person who is entitled to the benefit of the use of such property or a building thereon;
- (d) in the case of property for which a lease agreement of 30 years or longer has been entered into, the lessee thereof;
- (e) any legal person including but not limited to:
 - (i) a company registered in terms of the Companies Act, 1973 (Act 61 of 1973), a trust, a close corporation registered in terms of Close Corporation Act, 1984 (Act 69 of 1984) and a voluntary association
 - (ii) any department of State;
 - (iii) any Council or Board established in terms of any legislation applicable to the Republic of South Africa;

- (iv) any Embassy or other foreign entity.
- (f) in relation to:
 - (i) A piece of land delineated on a sectional plan registered in terms of Sectional Title Act, 1986 (Act No. 95 of 1986), the developer or the body corporate in respect of common property; or
 - (ii) a section as defined in the Sectional Title Act, 1986 (Act No. 95 of 1986), the person in whose name such section is registered under a sectional title deed and includes the lawfully appointed agent of such person; or

“residential debtors” means debtors who resides in residential properties, either as owners or occupiers permitted thereto by the owner.

“sundry debt” means any debt other than rates, housing, metered services, sewerage and refuse removal; and

4. SCOPE OF APPLICATION

This policy applies within the jurisdiction area of the Mangaung Local Municipality.

From a responsibility perspective, this policy is relevant to all employees of the Municipality, whether full-time or part-time. It is, however, specifically applicable to the Chief Financial Officer, the General Manager: Revenue Management and all employees who have a formal, administrative duty to manage and control debts, including the recovery and write-off of debts, owed to the Municipality.

5. GOVERNING PRESCRIPTS

This Policy has been formulated in terms of section 96 (b) of the Local Government: Municipal Systems Act, 2000.

Legal framework

This policy will be implemented within the legal framework of the constitution and relevant national legislation outlined hereunder.

Constitution of the RSA, (Act 108 of 1996)

Section 152, of the Constitution of the RSA, (Act 108 of 1996), sets out the objectives of local government. One of which is for a municipality to ensure that services are provided to communities in a sustainable manner.

The Local Government Municipal Systems Act, 2000 (Act No. 32 of 2000)

Chapter 9 of this Act deals with debt collection and credit control. It requires that a municipality must:

- collect all money that is due and payable to it, subject to this Act and any other applicable legislation; and
- adopt, maintain and implement a credit control and debt collection policy which is consistent with its rates and tariff policies and complies with the provisions of this Act

The Municipal Structures Act, 1998 (Act 117 of 1998)

In Section 84 of this Act it deals with the division of powers between a district municipality and a local municipality and the imposition and collection of taxes and levies by the municipalities.

The Municipal Finance Management Act, 2003 (Act 56 of 2003).

Section 64(2)(a) & (f) requires the Municipality to have and maintain an effective revenue collection system as well as a system of internal controls in respect of debtors and revenue.

6. GUIDING PRINCIPLES

6.1 This policy supports the following principles:

- 6.1.1 Human dignity must be upheld at all times;
- 6.1.2 The policy must be implemented with equity, fairness and consistency;
- 6.1.3 Details related to the debt and the account of the debtor should be correct at all times;
- 6.1.4 Provide accessible mechanisms for those persons to query or verify accounts and metered consumption, and appeal procedures which allow such persons to receive prompt redress for inaccurate accounts;
- 6.1.5 Provide accessible mechanisms for dealing with complaints from such persons, together with prompt replies and corrective action by the municipality;
- 6.1.6 Debt and arrangements to repay debt will be treated holistically, with the general rule that the repayment period should be in sympathy with the instalments and the affordability of the debtor be proved;
- 6.1.7 The implementation of this policy is based on sound business practices;
- 6.1.8 New applications for services will be subject to prescribed credit information and outstanding amounts may be transferred to the new account. All information furnished on the application form may be verified by the Municipality with any or all data information institutions, credit information bureaux and any financial institutions as may be deemed necessary by the Municipality in determining the applicant's credit worthiness. The Municipality reserves its rights to share bad payment behaviour as determined from time to time;
- 6.1.9 Where alternatives are available the Municipality may provide reduced levels of service to manage the debt growth;
- 6.1.10 Debtors may be referred to 3rd party debt collection agencies and debt collection attorneys and may be placed on the National Credit Rating list;
- 6.1.11 If an account is not paid by the due date, thirty days will be allowed from the date of the previous transaction date to elapse before interest may be charged. Interest will be equivalent to a full month from this date for each month, or part thereof, that the account is overdue;

6.1.12 For purposes of an arrangement a debtor may be required to cooperate with any reasonable measures that might be required to reduce their level of use of consumable services to affordable levels;

6.1.13 The terms and conditions as contained in any prescribed form or document utilised in implementing this policy, forms part of this policy and is incorporated therein as specifically stated;

6.2 Consolidated Accounts

6.2.1 The Municipality shall whenever possible, combine any separate accounts of persons who are liable for payment to the municipality, into one consolidated account.

6.2.2 No registrations or additions to the customer database can be processed unless legal documentation acceptable to the Chief Financial Officer has been produced in each instance.

6.2.3 If there is an outstanding debt on the property, this debt must be settled in full, or suitable payment arrangements must be made by the owner of the property, before the new customer is registered. The account will be opened and maintained in the name of the owner.

6.2.4 Customers who fail to register and who illegally consume services will be subjected to such administrative, civil or criminal action as the Municipality deems appropriate.

6.2.5 Where the purpose for or extent to which any municipal service used is changed, the onus and obligation is on the customer/owner to advise the Municipality of such change.

6.3 Responsibility for amounts due

6.3.1 In terms of Section 118 (3) of the Act an amount due for municipal service fees, surcharge on fees, property rates and other municipal taxes, levies and duties is a charge upon the property in connection with which the amount is owing and enjoys preference over any mortgage bond registered against the property.

6.3.2 Accordingly, all such Municipal debts shall be payable by the owner of such property without prejudice to any claim which the Municipality may have against any other person.

6.3.3 The Municipality reserves the right to cancel a contract with the customer in default and register the owner only for services on the property.

- 6.3.4 No new services will be permitted on a property until debts on the property are paid, or suitable arrangements made to pay such debts.
- 6.3.5 Where there are debts on municipal housing property, such property may be sold by public auction to recover such debt.
- 6.3.6 Where the property is owned by more than one person, each such person shall be liable jointly and severally, the one paying the other to be absolved, for all Municipal debts charged on the property.
- 6.3.7 Except for property rates, owners shall be held jointly and severally liable, the one paying the other to be absolved, with their tenants who are registered as customers, for debts on their property.
- 6.3.8 Refuse removal shall form part of the property debt, payable by the owner of the property.
- 6.3.9 Owners will be held liable for arrear rates in accordance with the provisions of Section 28 of the Municipal Property Rates Act, 2004.
- 6.3.10 Should any dispute arise as to the amount owing, the customer shall pay all amounts which are not subject to the dispute.
- 6.3.11 Pre-paid meters shall not be installed until all outstanding debt has been paid in full, and can be blocked in the event of any arrear amount outstanding in respect of the property.
- 6.4 Full and Final Settlements
- 6.4.1 Where the exact amount due and payable has not been paid in full, any lesser amount tendered and receipted, except when duly accepted in terms of delegation of power, shall not be in full and final settlement of such an account.
- 6.4.2 The provision above shall prevail notwithstanding the fact that such lesser payment was tendered and/or receipted in full settlement.
- 6.5 Cash Allocation
- 6.5.1 In accordance with the provisions of section 102 of the Act, the Municipality may:
- (a) Consolidate any separate accounts of persons liable for payments to the municipality;
 - (b) Credit a payment by such a person against ANY account of that person;
- and

- (c) Implement any of the debt collection and credit control measures provided for in this Policy in relation to any arrears on any of the accounts of such a person.
- 6.5.2 Any amounts paid may be appropriated to the oldest debt first where there are separate accounts, subject to 6.5.3.
- 6.5.3 Any amount paid by the customer in excess of an existing debt may be held in credit for the customer in anticipation of future rates and fees for municipal services, and no interest will be payable on that amount. This amount will however be set off against any outstanding arrear amounts of the customer.
- 6.5.4 The Municipality's allocation of payment is not negotiable and the customer may not choose which services to pay.
- 6.6 Accounts of potential service providers
- 6.6.1 When inviting tenders for the provision of services or delivery of goods, potential contractors must declare that all relevant municipal accounts owing by the tenderer or its directors, owners or partners have been paid.
- 6.6.2 The Municipality will at its sole discretion check whether all the Municipal accounts are up to date.
- 6.6.3 No tender will be allocated to a person / contractor if a tax clearance certificate in respect of the property was not issued by the municipality, and attached to the tender documents.
- 6.6.4 Where payments are due to a contractor in respect of goods or services provided to the Municipality, any arrear amount owing to the Municipality may be set off against such payments.
- 6.7 Agreement with employers
- 6.7.1 In terms of the provisions of section 103 of the Act, a Municipality may:
- (a) with the consent of a person liable to the municipality for the payment of rates or other taxes or fees for municipal services, enter into an agreement with that person's employer to deduct from the salary or wages of the person-
 - (i) any outstanding amounts due by that person to the municipality; or

(ii) such regular monthly amounts as may be agreed.

6.7.2 The onus to introduce such arrangements remains with each employer / employee.

6.8 Disconnection of services

Arrears on rates or services or any other consolidated debt, may result in disconnection of services or with- holding use of Municipal facilities.

6.9 Termination or transfer of services

6.9.1 At least 6 days notice is required from the customer upon termination / transfer of an account, to enable the Municipality to take final meter readings and process account adjustments.

6.9.2 Owners are not permitted to terminate water if there are occupants on the property and the account is not in arrears.

6.9.3 Customers are required to update their information details with the Municipality. Failure to respond to the Municipalities request for updated information may result in with-holding of services or prosecution.

6.9.4 The Municipality may exercise its common right where a tenant on a property is in breach of his contract with the Municipality. The tenant shall forfeit his deposit to the owner where the outstanding debt is paid by the owner.

6.10 Unallocated consumption

When electricity and water consumption is recorded on a property during a period for which there is no registered customer against whom a bill can be raised, the relevant charges shall be raised against the registered owner on his consolidated bill.

6.11 Legal action

6.11.1 Legal steps may be taken to collect arrears where:

- (a) disconnection action yielded no satisfactory result;
- (b) disconnection action is not possible due to the nature of the services for which the account has been rendered.

- 6.11.2 The Municipality may, in terms of Section 28 of the Municipal Property Rates Act, recover arrear rates from tenants / managing agents in occupation of the relevant property but only to the extent of the rent payable or amount due by the tenant but not yet paid to the owner of the property. This does not preclude further legal action against the owner.
- 6.11.3 For residential properties occupied by owners, all reasonable steps shall be taken to ensure that the ultimate sanction of judgment and sale-in-execution is avoided or taken as the last resort. The Municipality, however, has total commitment to follow the legal process through to judgment and sale-in-execution should the debtor fail to make use of the alternatives provided for by the Municipality from time to time.
- 6.11.4 Once judgment is obtained the properties will be advertised and sold through public auction, unless appropriate settlement has been made to the satisfaction of the Municipality. The Municipality shall assess annually, the appropriate minimum amount below which it will not attach homes.
- 6.11.5 Metering and connection equipment remain in the ownership of the Municipality at all times and the owner of the property, on which such Municipal Meters and connection equipment is installed, shall be held responsible for all instances of tampering, damage or theft. Accordingly, the owner of the property concerned is liable for any breach of this duty may be prosecuted.

7. PROCEDURES

7.1. GENERAL

7.1.1. Councillor and municipal staff arrears

- 7.1.1.1 Staff arrears will be dealt with in accordance with Schedule 2 of the Systems Act, and in terms of any procedures, method or actions referred to in this Policy. Notwithstanding any other procedure, method or action that may be taken in terms of this Policy, the Municipality shall deduct any outstanding amount from such staff members' salary after this 3 (three) month period.

7.1.1.2 In accordance with Schedule 1, item 12A of the Systems Act, a Councillor of the Municipality may not be more than 3 (three) months in arrears for municipal rates and service charges levied by the Municipality. Notwithstanding any other procedure, method or action that may be taken in terms of this Policy, the Municipality shall deduct any outstanding amount from such Councillor's remuneration after this 3 (three) month period.

7.1.2. Credit control

7.1.2.1 All new applications for the provision of a service are subject to the payment of a deposit based on the payment history for the relevant property with a minimum deposit as decided by the Municipality from time to time, excluding government consumers. Residential properties are required to pay a deposit of 2 times the highest month's bill from the last 12 months ordinary consumption for the relevant property. Business properties are required to pay a deposit of 3 times the highest month's bill from the last 12 months for the relevant property.

7.1.2.2 The deposits are payable when new customers sign-on, when ownership of a property change, when new occupants are placed in possession of a property by the owner or legitimate person and when existing customers move to a new supply address. Failure to pay the deposit shall result in service not being rendered.

7.1.2.3 Where it is found that services are available at a property for which no deposit was paid, the Municipality shall be entitled to terminate all services to the property until such time that the owner or the occupant, authorised thereto by the owner, has paid the required deposit to the Municipality.

7.1.2.4 Application for services for businesses, including but not limited to, trusts, companies, close corporations, partnerships, sole proprietors and government institutions should be approved subject to the provisions of sub item 7.1.2.1 and 7.1.2.5.. The application must include the submission of a resolution delegating authority to the applicant and furnishing, if applicable, the business entity's registration number or Trust Reference Number (T number) with the Master of the High Court. The names, addresses and all

relevant contact particulars of all the business's directors or members or trustees or proprietors or partners must be submitted with the resolution. The relevant application form as approved by the Municipality from time to time forms an integral part of this Policy insofar as the contents of such application form are not in conflict with any of the provisions of this Policy.

- 7.1.2.5 The Municipality shall not provide any services to any persons who are in arrears with municipal accounts except as provided for in policy and as determined by the Municipality from time to time.

7.1.3. Disputes

- 7.1.3.1 In this item "dispute" refers to the instance when a debtor questions the correctness of any account rendered by the Municipality.

- 7.1.3.2 In order for a dispute to be registered with the Municipality, the following procedures must be followed:

By the debtor

- (a) The dispute must be submitted in writing on the form prescribed by the Municipality from time to time or dictated to the official who will record it in writing and have it signed as correct. The document must then immediately be lodged with the relevant authorised official.
- (b) No dispute will be registered if the dispute refers to an account older than three months prior to the date of the launching of the dispute or any disputes launched verbally whether in person or over the telephone.
- (c) The debtor must furnish full personal particulars including all their account numbers held with the Municipality, direct contact telephone numbers, fax numbers, postal and e-mail addresses and any other relevant particulars required by the Municipality.
- (d) The full nature of the dispute must be described in the correspondence referred to above.
- (e) The onus will be on the debtor to ensure that he receives a written acknowledgement of the dispute or proof that it was delivered to the Municipal Manager or the Chief Financial Officer.

By the Municipality

- (a) On receipt of the dispute the following actions are to be taken:
- (b) All disputes received are to be recorded in a register kept for that purpose. The following information should be entered into this register:
 - (i) debtors account number;
 - (ii) debtors name;
 - (iii) debtors address;
 - (iv) full particulars of the dispute;
 - (iv) name of the official to whom the dispute is given to investigate and resolve in accordance with the provisions contained in this Policy;
 - (v) actions that have, or were, taken to resolve the dispute;
 - (vii) signature of the controlling official.
- (c) An authorised controlling official will keep custody of the register and conduct a daily or weekly check or follow-up on all disputes as yet unresolved.
- (d) A written acknowledgement of receipt of the dispute must be provided to the debtor after receiving the dispute.

7.1.3.3 The following provisions apply to the consideration of disputes:

- (a) All disputes must be concluded by the City Manager or his delegate.
- (b) The decision of the City Manager or his delegate is final and will result in the immediate implementation of any debt collection and credit control measures provided for in this Policy after the debtor is provided with the outcome of the appeal.
- (c) The same debt will not again be defined as a dispute in terms of this paragraph and will not be reconsidered as the subject of a dispute.
- (d) Should a debtor not be satisfied with the outcome of the dispute, a debtor may lodge an appeal in terms of section 62 of the Systems Act.

7.1.3.4 The Municipality reserves the right to declare a dispute on any account as may be deemed necessary.

7.1.4. Arrears

7.1.4.1 Any amount that has not been paid on the due date will be considered as amount in arrears. If a debtor fails to either pay the amount in arrears by the due date, or to lodge an appeal/dispute or to conclude an agreement with the municipality for payment the municipality may institute any steps it deems necessary to recover the debt owed.

7.1.4.2 The Municipality may levy the following costs against the account of the debtor:

- (a) All legal costs, including attorney and own client costs, incurred in the recovery of amounts in arrears;
- (b) All costs and administration fees, under the Municipality's tariff provisions, where any payment made to the Municipality is later dishonoured by the bank;
- (c) The standard disconnection fee as determined by the Municipality from time to time, where any service is disconnected.

7.1.4.3 The Municipality may appropriate any payment by a customer in any manner it deems fit including firstly to any costs and administration fees, secondly to legal costs due to the Municipality by the customer, thirdly to any interest due to the Municipality by the customer on any outstanding amount, and thereafter to the outstanding amount.

7.1.4.4 Where the exact amount due and payable to the Municipality has not been paid in full, any lesser amount tendered to and accepted by any Municipality employee, is not deemed to be in full and final settlement.

7.1.5 Allocation of debt

Payment of any undisputed debt, in terms of Section 7.1.3, of the Mangaung Local Municipality's Credit Control and Debt Collection Policy, will firstly be allocated to the oldest debt according to the priorities determined by the CFO from time to time.

7.1.6. Irrecoverable debt

An irrecoverable debt will be handled in terms of the Municipality's Procedure to write off irrecoverable debt .

7.1.7 Clearance Certificates

7.1.7.1 Payment on the assessment must be made in cash or by irrevocable bank guarantee cheque, or an Attorney's cheque.

7.1.7.2 There shall be no refunds on the cancellation of a sale.

7.1.7.3 The clearance certificate will be valid for a period of 60 days from date of issuing.

7.2. PROPERTY RATES AND SERVICES

7.2.1. Property rates

7.2.1.1 The following provisions apply to rates :

- (a) interest shall be charged on all overdue accounts (interest will be charged at prime+1% on all accounts older than 30 days calculated from the last transaction date);
- (b) if the account is not settled or there is no response from the debtor to make acceptable arrangements to repay the debt, summons may be issued and the legal process followed;
- (c) in instances where the rates debt is in respect of Municipal property sold by suspensive sale agreement, the collection thereof will be dealt with in terms of the Deed of Sale, and if applicable, this Policy, or any subsequent applicable written agreement between the Municipality and the debtor;
- (d) at any stage while the debt is outstanding, all reasonable steps shall be taken to ensure that the ultimate sanction of a sale-in-execution is avoided or taken only as a last resort. The Municipality, however, has total commitment to a sale-in-execution, should the debtor fail to make use of the alternatives provided for by the

Municipality from time to time. This is also applicable to all debt referred to in Chapters 2 and 4 of this Policy.

7.2.2. Services

7.2.2.1 The following provisions apply to the payment for services:

- (a) accounts must be paid by the due date as shown on the account;
- (b) interest may be charged on all overdue accounts (interest will be charged at prime+1% on all accounts older than 30 days);
- (c) the debtor must be warned on the monthly account of a possible disconnection if payment is not received by the due date;
- (d) if payment is not received or suitable payment arrangements are not made by the due date, the supply or supplies will be disconnected and or restricted;
- (e) a notice shall be left at the property advising that the supply has been restricted or disconnected and warn that all electric points should be considered live and that all water outlets should be closed. The notice must also advise that the supply will only be reconnected after the amounts specified on the notice, including the reconnection fee, have been paid or an arrangement acceptable to the Municipality has been made;
- (f) the above Notices must also warn of the consequences of unauthorised reconnection;
- (g) all residential consumers whose water supply has been restricted will have access to a restricted water supply by means of a restricted water flow to their property. Where the water supply has been disconnected as a result of, but not limited to, illegal reconnections and tampering, a communal water supply point within a radius of approximately 200 meters from their property will be provided;
- (h) subject to the provisions contained in item (e), debtors may be required to pay all penalties and arrears in full before the supply is restored;
- (i) subject to the Municipality's capacity at the time to restore such service, restricted or disconnected services will be restored within a

- period of not more than three working days after the debtor produces proof of payment of the required amount;
- (j) the onus shall always be on the debtor to request reconnection and to prove that the full amount on the restriction or disconnection notice was paid or that an arrangement was entered into in terms of sub-item (e);
 - (k) despite the provisions of sub-items (a) to (j), should the amount outstanding for the supply of services remain unpaid, full recovery procedures, including appropriate legal actions shall be undertaken in order to collect these monies.

7.2.2.2 The following provisions apply in the event of unauthorised reconnection of, or tampering with, water or electricity supply:

- (a) the unauthorised reconnection of, or tampering with, a service supply is considered a criminal offence which may result in legal action being taken. Where this has occurred the water or electricity supply will be effectively disconnected;
- (b) the full amount of arrears plus any unauthorised consumption, and any applicable tariffs, will be payable prior to reconnection. Should exceptional circumstances exist, adequate payment arrangements may be permitted at the sole discretion of the City Manager or his or her delegate.

7.2.2.3 An authorised representative of, or service provider to the Municipality, shall be given access to any premises in accordance with the provisions of section 101 of the Systems Act.

7.2.2.5 All representatives of the Municipality or the service providers shall have an identification card issued by the Municipality with them when visiting premises.

7.2.3. Other debt

Sundries

7.2.3.1 Interest may be charged on all overdue accounts (interest will be charged at prime+1% on all accounts older than 30 days).

7.2.3.2 In the recovery of sundry debt, the Municipality reserves the right to utilise any legal action at its disposal as well as making use of any third party debt collectors.

Dishonoured Payments: Rates and General Services

7.2.3.3 If a drawer of the cheque, debit order, EFT payment, or the customer who received value from such payment, is an existing debtor of the Municipality, the reversal and penalty fee may be debited to an account of such payer. Such fee shall be deemed to be a tariff charge and shall be recovered from the debtor. The Municipality reserves the right to refuse to accept or to cancel such further payment methods from such person, to place the matter on the National Adverse Credit Listing, or take any steps as contained in this Policy, which may include criminal charges against the offender.

Dishonoured Payments: Sundry Services

7.2.3.4 Once the account is submitted and the debtor fails to honour the cheque, debit order or EFT payment that was dishonoured, and pay the penalty within 14 (fourteen) days of receipt, a final demand is generated and submitted. If there is still no response, then the matter shall be handed over for placement on the National Adverse Credit Listing, or take any steps as contained in this Policy which may include criminal charges against the offender.

7.2.3.5 If a drawer of the cheque, debit order or EFT payment, or the customer who received value from such payment method, is an existing debtor of the Municipality, the reversal and penalty fee may be debited to an account of the drawer or beneficiary. Such fee shall be deemed to be a tariff charge and shall be recovered from the debtor. The Municipality reserves the right to refuse to accept further cheques, debit order or EFT payment from such payer and or beneficiary and may take any steps as contained in this Policy which may include criminal charges against the offender.

Property Management Leases

7.2.3.7 The procedure for the recovery of arrears on leases is that the Municipality would pursue the debt, in accordance with the terms of the specific lease contract, and any policy related thereto, as determined by the Municipality from time to time, until all avenues are exhausted.

7.2.3.8 The Municipality may attach the rental or any other payments due to debtors who are in arrears with their Municipal accounts.

7.2.4. Arrangements

7.2.4.1 Arrangements take the form of a written agreement between the Municipality and a customer for the payment in regular and consecutive monthly instalments of the outstanding balance, costs and interest on it. No arrangements will be entered into for a period longer than the period over which the debt accrued, subject to the minimum payments required in terms of the Minimum Payment Schedule, attached as Annexure "A". Regular minimum payments, based on the calculation of the average amount of the account for the preceding three months, before an appeal and accounting for interest as well as the annual amendments of tariffs of the Municipality, continue to be made by a customer who has lodged an appeal.

7.2.4.2 Any customer may appeal to the Chief Financial Officer or his or her delegate for an extension of time within which to pay any outstanding amount. The appeals are made by way of written representations to the Municipality, accompanied by proof of income and expenditure. In the process of investigating an appeal, the Municipality is entitled to take all steps necessary to determine the customer's financial status. The implementing authority endeavours to investigate and decide any appeal within a reasonable period.

Principles for Residential Debtors

- 7.2.4.3 Current charges must be paid in full.
- 7.2.4.4 The debtor must agree to a monthly payment towards arrears based on his ability to pay or based on his total liquidity if the Municipality so requires.
- 7.2.4.5 All negotiations with the debtor should strive to result in an agreement that is in the interests of both parties and is sustainable.
- 7.2.4.6 Interest may be charged on arrears.
- 7.2.4.7 Interest on arrears in respect of all services and rates may be suspended whilst the debtor adheres to the conditions of the arrangement.
- 7.2.4.8 Debtors who default on three occasions in respect of arrangements made will be denied the privilege of making further arrangements and the full amount becomes payable. Interest will be calculated from the original due date of the debt taking any payments into consideration.
- 7.2.4.9 All services may be restricted or disconnected and legal action may be taken against debtors referred to in sub-item (8).

Arrangement Criteria for Residential Debtors

- 7.2.4.10 In cases where residential debtors wish to make arrangements to liquidate their arrears, the following payment criteria, inter alia, will apply:
- (a) current account; and
 - (b) an agreed payment towards arrears based on the principles contained in this Policy and sub-items (5) and (6) with a minimum payment as per the “Minimum Payment Schedule” in Annexure “A” as adjusted by the Municipality from time to time.
- 7.2.4.11 Each following month the debtor will be required to pay:
- (a) current account; and
 - (b) an instalment as determined in sub-item (12)(b) above.

7.2.4.12 Should the debtor default, the Municipality may cancel the arrangement and follow any steps to recover outstanding debt.

Principles for Non-residential Debtors

7.2.4.13 In cases where non-residential debtors wish to make arrangements to liquidate their arrears, the following criteria, will apply:

- (a) debtors will be required to negotiate a settlement arrangement acceptable to the Municipality;
- (b) all negotiations with debtors should strive to result in an agreement that is in the Municipality's best interest and is sustainable;
- (c) interest will be charged on arrears at an interest rate that shall be determined by Municipality from time to time (currently interest will be charged at prime+1% on all accounts older than 30 days);
- (d) interest on arrears in respect of all services and rates may be suspended whilst the debtor adheres to the conditions of the arrangement, provided that this arrangement is for a period not exceeding 6 (six) months;
- (e) all arrangements should be subject to periodic review;
- (f) the final decision to make these arrangements will rest with the City Manager or his or her delegate.

Arrangement Criteria for Non-residential debtors

7.2.4.14 Debtors who default on three occasions in respect of arrangements made will be denied the privilege of making further arrangements and the full amount becomes payable. Interest will be calculated from the original due date of the debt taking any payments into consideration.

Special Conditions Regarding Arrangements

- 7.2.4.15 No arrangement will have the effect that the Municipality will be forced to give a clearance certificate until all the stipulations of section 118 of the Municipal Systems Act, has been complied with and the amounts payable to obtain a clearance certificate has been paid.
- 7.2.4.16 The conditions contained in the Municipality's arrangement document, as amended from time to time, will be deemed to form part of the arrangement criteria contained in this Policy.
- 7.2.4.17 Should the current account be higher than normal, due to, but not limited to, under-estimations and faulty meters, previous accounts rendered may be taken into consideration, when determining an amount to pay in order to enter into an arrangement.
- 7.2.4.18 Notwithstanding sub item (12)(a) above, the City Manager may determine any lesser amount and that interest, disconnection and reconnection charges, be excluded from the first upfront amount to be paid, when entering into an arrangement.

7.3. HOUSING

7.3.1. General principles

- 7.3.1.1 Interest may be charged on all overdue accounts at an interest rate that shall be determined by Municipality from time to time (currently interest will be charged at prime+1% on all accounts older than 30 days);.
- 7.3.1.2 A debt rescheduling arrangement requires the payment of the current monthly charges plus a mutually agreed amount towards the arrears each month.
- 7.3.1.3 If a debt arrangement is not honoured, the debt collection process or legal action will resume from where it was suspended and not restart at the beginning of the debt management process.

7.3.1.4 The City Manager or his or her delegate may recover the following costs in instances where such costs are incurred by or on behalf of the Municipality:

- (a) cost and administration fees where payments, made to the Municipality by negotiable instruments, are dishonoured by banks when presented for payment;
- (b) legal and administration costs, including attorney and client costs, and tracing fees incurred in the recovery of debts;
- (c) any collection commission.

7.3.1.5 The following minimum payments are required from the debtor prior to stopping the legal process:

Following the service of a summons	at least 50% of the outstanding balance and all legal fees up to the date of payment
Where judgement has been granted	at least 80% of the outstanding balance and all legal fees up to the date of payment
On day of eviction	at least 50% of the outstanding balance and all legal fees up to the date of payment

7.3.2. Collection process: Rental Schemes

7.3.2.1 Rental is payable in advance by the due date.

7.3.2.2 The collection process will be handled and determined in terms of the signed lease agreement.

7.3.3. Collection process: Home-ownership Schemes

7.3.3.1 Instalments and other housing charges are payable by the due date.

7.3.3.2 All defaults will be handled as set out in this policy.

7.4. INDIGENT RELIEF

Indigent relief will be handled in terms of the Municipality's Indigence Policy as approved and amended from time to time.

8. ROLES AND RESPONSIBILITIES

8.1. Duties and function of Municipality

8.1.1 The duties and functions of the municipality are:

- (a) To approve a budget consistent with the needs of communities, ratepayers and residents.
- (b) To impose rates and levies and to determine service charges, fees and penalties to finance the budget.
- (c) To provide for a bad debt provision, in line with the payment record of the community, ratepayers and residents, as reflected in the financial statements of the municipality.
- (d) To approve a reporting framework for credit control and debt collection.
- (e) To consider and approve by-laws to give effect to the Municipality's policy.
- (f) To revise the budget should Municipality's not met targets for credit control and debt collection.
- (g) To take disciplinary and/or legal action against Councillors, officials and agents who do not execute Municipality policies and by-laws, or act improperly in terms of such policies.
- (h) To delegate the required authorities to monitor and execute the credit control and debt collection policy to relevant officials.
- (i) To provide funds for the training of staff.

8.2. Duties and function of the Municipal Manager

8.2.1 The duties and functions of the Municipal Manager are:

- (a) To implement good customer care management systems.
- (b) To implement Municipality's credit control and debt collection policy.
- (c) To install and maintain an appropriate accounting system.
- (d) To bill customers.
- (e) To demand payment on due dates.
- (f) To raise penalties for defaults.
- (g) To appropriate payments received.
- (h) To collect outstanding debt.
- (i) To provide different payment methods.
- (j) To determine credit control and debt collection measures.
- (k) To determine all relevant work procedures for, inter alias, public relations, arrangements, and disconnections of services, summonses, attachments of assets, sales in execution, write-off of debts, sundry debtors and legal processes.
- (l) To instruct attorneys to proceed with the legal process (i.e. attachment and sale in execution of assets, emolument attachment orders etc.).
- (m) To set performance targets for staff.
- (n) To appoint staff to execute Municipality's policy and by-laws in accordance with Municipality's staff policy.
- (o) To delegate certain functions to heads of departments.
- (p) To determine control procedures.
- (q) To monitor contracts with service providers in connection with credit control and debt collection.
- (r) To report to the Municipality.

8.3 Duties and functions of the Community, Ratepayers and Residents

8.3.1 The duties and functions of the community, ratepayers and residents are:

- (a) To fulfil certain responsibilities, as brought about by the privilege and or right to use and enjoy public facilities and municipal services.
- (b) To pay service fees, rates on property and other taxes, levies and duties imposed by the municipality.

- (c) To observe the mechanisms and processes of the municipality in exercising their rights.
- (d) To allow municipal officials access to their property to execute municipal functions at a time that is agreeable by the consumer and municipal officials.
- (e) To comply with the by-laws and other legislation of the municipality.
- (f) To refrain from tampering with municipal services and property.

9. MANAGEMENT REPORTING

9.1 Management information concerning the status of all debtors of the Municipality is under the control of the Chief Financial Officer and available on a monthly basis. This should preferably include a debtors' listing and debtors' age analysis.

9.2 The Chief Financial Officer is delegated the authority to write off debt up to a maximum amount of R3 000 per debtor account.

10. AUTHORITY

Formulation : Policy / By-law Management Team

Authorisation and approval : Council

Ownership and maintenance : Chief Financial Officer

11. IMPLEMENTATION AND REPEAL

- 11.1 This policy will be effective from the first day of the calendar month following the date on which Council has approved the policy.
- 11.2 The existing Debt Collection and Credit Control policies will be repealed from the date of implementation of this policy

MINIMUM REQUIREMENTS FOR ARRANGEMENTS REGARDING PAYMENT OF ARREAR ACCOUNTS

RESIDENTIAL AND NON-RESIDENTIAL PROPERTIES

- It must be noted that only one arrangement may be entered into by a customer per property.
- In cases of incorrect accounts, the arrangement period must not be longer than the number of months the amount escalated.
- No arrangement may be entered into with a tenant without the written consent of the owner.
- An arrangement can only be entered into for the total outstanding amount on the consolidated account.

A. RESIDENTIAL PROPERTIES

1. ENTER INTO AN ARRANGEMENT – (Water and Electricity not disconnected)
 - a) Arrangement must not exceed 24 months.
 - b) Arrangement does not include the current account
 - c) Monthly payment therefore must include the installment as well as the current account
 - d) Pay a minimum of

(i)	10% of capital <u>or</u>
(ii)	2 months accrual

2. ENTER INTO AN ARRANGEMENT – (Water and / or Electricity disconnected)
 - a) Arrangement must not exceed 24 months
 - b) Arrangement does not include the current account
 - c) Monthly payment therefore must include the installment as well as the current account
 - d) Pay a minimum of

(i)	10% of capital <u>or</u>
(ii)	2 months accrual
 - e) Pay the applicable reconnection fee
 - f) May adjust deposit to twice the highest month's normal consumption of the last twelve months

3. ENTER INTO AN ARRANGEMENT – (Electricity disconnected by Centlec)
 - a) Arrangement must not exceed 24 months
 - b) Arrangement does not include the current account
 - c) Monthly payment therefore must include the installment as well as the current account

- d) Pay a minimum of
 - (i) 10 % of capital or
 - (ii) 2 months accrual
- e) Pay the applicable reconnection fee
- f) May adjust deposit to twice the highest month's normal consumption of the last twelve months

4. WATER – DISC REMOVED BY CONSUMER (TAMPERING)

- (a) Pay the applicable reconnection fee as well as any other applicable charges
- (b) Pay full outstanding amount
- (c) Adjust deposit to three times the highest month's normal consumption of the last twelve months.
- (d) No arrangement will be entered into

5. ELECTRICITY RECONNECTED BY CONSUMER (TAMPERING)

- (a) Pay the applicable reconnection fee as well as any other applicable charges
- (b) Pay full outstanding amount
- (c) Adjust deposit to three times the highest month's normal consumption of the last twelve months
- (d) No arrangement will be entered into

6. CONVERSION TO A PRE-PAID METER – IF ELECTRICITY IS DISCONNECTED

- (a) Pay applicable reconnection fee as well as any other applicable charges
- (b) Pay quotation amount for conversion to a pre-paid meter
- (c) In cases of tampering, pay for damage and unmetered consumption
- (d) Pay full outstanding amount
- (e) No arrangement will be entered into

7. CONVERSION TO A PRE-PAID METER – IF ELECTRICITY IS NOT DISCONNECTED

- (i) Pay quotation amount for conversion to a pre-paid meter
- (ii) Pay full outstanding amount
- (iii) No arrangement will be entered into

B. NON-RESIDENTIAL PROPERTIES

1. ENTER INTO AN ARRANGEMENT – (Water and Electricity not disconnected)

- (a) Arrangement must not exceed 12 months
- (b) Arrangement does not include the current account
- (c) Monthly payment therefore must include the installment as well as the current account
- (d) Pay a minimum of
 - (i) 50% of the capital

(ii) 6 months accrual

2. ENTER INTO AN ARRANGEMENT – (Water and / or Electricity disconnected)

- (a) Arrangement must not exceed 12 months
- (b) Arrangement does not include the current account
- (c) Monthly payment therefore must include the installment as well as the current account
- (d) Pay minimum of (i) 50% of the capital
(ii) 6 months accrual
- (e) Pay the applicable reconnection fee
- (f) May adjust deposit to three times highest month's normal consumption of the last twelve months

3. ENTER INTO AN ARRANGEMENT – (Electricity disconnected by Centlec)

- (a) Arrangement must not exceed 12 months
- (b) Arrangement does not include the current account
- (c) Monthly payment therefore must include the installment as well as the current account
- (d) Pay minimum of (i) 50% of the capital
(ii) 6 months accrual
- (e) Pay the applicable reconnection fee
- (f) May adjust the deposit to three times the highest month's normal consumption of the last twelve months

4. WATER – DISC REMOVED BY CONSUMER (TAMPERING)

- (a) Pay the applicable reconnection fee as well as any other applicable charges
- (b) Pay full outstanding amount
- (c) Adjust deposit to four times the highest month's normal consumption of the last twelve months
- (d) No arrangement will be entered into

5. ELECTRICITY RECONNECTED BY CONSUMER (TAMPERING)

- (a) Pay the applicable reconnection fee as well as any other applicable charges
- (b) Pay full outstanding amount
- (c) Adjust deposit to four times the highest month's normal consumption of the last twelve months
- (d) No arrangement will be entered into

6. CONVERSION TO A PRE-PAID METER – IF ELECTRICITY IS DISCONNECTED

- (a) Pay applicable reconnection fee as well as any other applicable charges
- (b) Pay quotation amount for conversion to a pre-paid meter
- (c) In cases of tampering, pay for damage and unmetered consumption
- (d) Pay full outstanding amount
- (e) No arrangement will be entered into

7. CONVERSION TO A PRE-PAID METER – IF ELECTRICITY IS NOT DISCONNECTED

- (a) Pay quotation amount for conversion to a pre-paid meter
- (b) Pay full outstanding amount
- (c) No arrangement will be entered into

ANNEXURE C

MUNICIPAL ENTITY BUDGET

CENTLEC (PTY) LTD

1. Table D1 Municipal Entity – Budget Summation
2. Table D2 Municipal Entity – Budgeted Financial Performance (Revenue and Expenditure)
3. Table D3 Municipal Entity – Capital Budget by Vote & Funding
4. Table D4 Municipal Entity – Budgeted Financial Position
5. Table D5 Municipal Entity – Budgeted Cash Flows
6. Support Table D1 Municipal Entity – Measurable Performance Targets
7. Support Table D2 Municipal Entity – Financial and non-financial indicators
8. Support Table D4 Municipal Entity – Board member allowances and staff benefits
9. Support Table D5 Municipal Entity – Budgeted monthly cash and revenue/expenditure
10. Support Table D7 Municipal Entity – Capital Expenditure by Asset Category
11. Support Table D8 Municipal Entity – Future Financial Implications on the Capital Expenditure Budget
12. Support Table D9 Municipal Entity – Detailed Capital Budget