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## 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 421,7 million, Operating Expenditure of R3 134,3 million and Capital Expenditure Budget of R 771,5 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 noted.

**2.4** 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.

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

**2.6** 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 905,8 million, comprising of R771,5 million for Capital and R3 134,3, 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 May/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:

<b>Basic Services</b>	<b>Existing Backlogs (Households)</b>	<b>Timeframe to address based on current funding levels (years)</b>
Water	16 342	5
Sanitation	48 018	7
Solid Waste	40 000	5
Solid Waste/Regional (Landfill site)	1	5
<b>INFRASTRUCTURAL</b>		
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 R3 421,7 million (R3,4 milliard) in 2010/11 and R4 104,7 million (R4.1 milliard) respectively. 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 49.9%.

#### CAPITAL BUDGET

Over the next financial years, capital spending is projected to reduce slightly by R70,2 million from the 2009/10 budgeted amount to R771,5 million in 2010/11. Further reductions/declines are projected by R34,41 million in 2010/11 and then decline further by R91,7 million in 2012/13.

#### OPERATING BUDGET

- Personnel Costs grew by 23.37% based on the 2009/10 approved budget of R668,2 million to R824,36 million in 2010/11. This expenditure category constitutes 26.3% of the operating budget.
- Bulk purchases (water and electricity) grew by 30.22% against the 2009/10 budget to the proposed amount of R1 108,13 million. Bulk purchases takes up approximately 35.35% of the operating budget for 2010/11.
- Repairs and Maintenance growth is 6.77% on 2009/10 budget against the proposed amount of R148,9 million. Repairs and Maintenance takes up approximately 4.75% 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 49.9% to R147,37 million for the 2010/11 financial year. The major growth in this services is in respect of:

✓ Audit Fees	R 6 million
✓ Commission Vendors	R20,1 million
✓ Contractors Fees	R 8,9 million
✓ Debt Collection Services	R 4 million
✓ Security Services	R 3,4 million
✓ Valuation Expenses	R 7 million
✓ Meter Reading Services	R 3,6 million
✓ Consultant Fees	(R 8 million)
	<u>R45,0 million</u>

#### 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:

<b>PROJECT / ITEM</b>	<b>R'M</b>
Hoffman Square	32,0
Pedestrianisation of Maitland Street	10,0
Pedestrianisation of President Brand Street	10,0
9 New Townships Establishment	26,3
Acquisition of Land – Bloemfontein Phase I	15,0
Acquisition of Land – Grassland Phase 4	15,0
Rehabilitation of Roads	
- Haldon Road	6,0
- Rudolph Greyling Road	4,0
- Wilcocks Road	5,0
- Andries Pretorius Street	4,5
- Eeufees Road	2,5
- Dan Pienaar Drive	4,5
- Church Street	5,0
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
<b>ELECTRICITY</b>	
Electrification Connection – DME Grant	13,0
Installation of Pre-paid Meters (Indigents)	10,0
Botshabelo – New Distribution Centre	4,0
Clover Sub-station and Networks	23,8
Vista Park Sub-station and Networks	22,6
Botshabelo 132 kV Eskom Connections and substation	10,5

## 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 zero three seven four cent (0,0374 cent) per rand on the rateable value of farm property (exempt from VAT);
  - (ii) Comma six two one six cent (0,6216 cent) per rand on the rateable value of residential property (exempt from VAT);
  - (iii) One five five four one cent (1,5541 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 of the rateable value of residential properties are exempted

- (b) Sanitary Fees:

That the following levies in respect of the Mangaung Local Municipality (excluding residential in Bloemindustria, 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 (0,3727 cent) per rand on the rateable value of the property (VAT excluded) with a minimum of seventy seven rand only (R 77,00) (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 69,13 per sanitary point per month (VAT excluded);
  - R 22,98 per refuse container per month (VAT excluded);
- (iii) Martie du Plessis School, Dr Böhmer School, Lettie Fouche School, and schools of similar nature:
  - R 34,56 per sanitary point per month (VAT excluded);
  - R 11,50 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 10%, 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**

It is recommended:

(i) That, the electricity tariffs for the 2010/11 financial year be increased with 29% 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:

**Tariff I (a): Home Power**

**a) Service Levy**

Urban Tariff - R 88.50

Peri Urban Tariff - R 132.55

**b) Units (c/kWh)**

Urban Tariff - R 0,743

Peri Urban Tariff - R 0.743

**Tariff I (b): Home Power (Off-Peak)**

- a) **Service Levy**
  - Urban Tariff - R 88.50
  - Peri Urban Tariff - R 132.55
- b) **Units (c/kWh) Peak (07:00 – 12:00) Mondays to Fridays (all year round) and Peak (18:00 – 21:00) Mondays to Fridays (only winter – 1 April to 30 September)**
  - High Demand Season - R 1.113
  - Low Demand Season - R 0.749
- c) **Units (c/kWh) Off-Peak**
  - High Demand Season - R 0.578
  - Low Demand Season - R 0.555

**Tariff II (a): Business Rate**

- a) **Service Levy**
  - Urban Tariff - R 431.52
  - Peri Urban Tariff - R 431.52
- b) **Units (c/kWh)**
  - Urban Tariff - R 0,916
  - Peri Urban Tariff - R 0,916

**Tariff II (b): Business Rate (Off-Peak)**

- a) **Service Levy**
  - Urban Tariff - R 431.52
  - Peri Urban Tariff - R 431.52
- b) **Units (c/kWh) Peak (07:00 – 12:00) Mondays to Fridays (all year round) and Peak (18:00 – 21:00) Mondays to Fridays (only winter – 1 April to 30 September)**
  - High Demand Season - R 1.250
  - Low Demand Season - R 0,931
- c) **Units (c/kWh) Off-Peak (All time periods except Peak Periods)**
  - High Demand Season -R 0,826
  - Low Demand Season - R 0,802

**Tariff II (c): Departmental**

- a) **Units (c/kWh) Public Light (streetlights)**
  - Urban Tariff - R 0,618
- b) **Units (c/kWh) (Department Buildings)**
  - Urban Tariff - R 0,751

**Tariff III (a): Bulk Supply**

- a) **Service Levy LV**
  - Urban Tariff - R 1,095.35
  - Peri Urban Tariff - R 1,095.35
- b) **Service Levy MV**
  - Urban Tariff – R 1 669.82
  - Peri Urban Tariff – R 1 669.82
- c) **Units (c/kWh)**

- |           |  |            |
|-----------|--|------------|
|           | Urban Tariff   | - R 0,517  |
|           | Peri Urban Tariff  | - R 0,485  |
| <b>d)</b> | <b>kVA Demand Tariff (Low Tension) (R/kVA) – Only Peak Periods</b>     |            |
|           | Urban Tariff   | - R 123.65 |
|           | Peri Urban Tariff  | - R 123.65 |
| <b>e)</b> | <b>kVA Demand Tariff (11 kVA and &lt;) (R/kVA) – only Peak Periods</b> |            |
|           | Urban Tariff   | - R 115.51 |
|           | Peri Urban Tariff  | - R 115.51 |

**Tariff IV: Home Power Bulk**

- |           |                      |              |
|-----------|----------------------|--------------|
| <b>a)</b> | <b>Service Levy</b>  |              |
|           | Urban Tariff         | - R 1,095.35 |
|           | Peri Urban Tariff    | - R 1,095.35 |
| <b>b)</b> | <b>Units (c/kWh)</b> |              |
|           | Urban Tariff         | - R 0,751    |
|           | Peri Urban Tariff    | - R 0,751    |

**Tariff V: Prepaid Meters**

- |           |  |            |
|-----------|--|------------|
| <b>a)</b> | <b>Units (c/kWh) (H3 – Home-light – Full install. Costs)</b>       |            |
|           | Urban Tariff   | - R 0,831  |
|           | Peri Urban Tariff  | - R 0,831  |
| <b>b)</b> | <b>Units (c/kWh) (H2 – Home-light – Partly Subsidised)</b>         |            |
|           | Urban Tariff   | - R 0,952  |
|           | Peri Urban Tariff  | - R 0,952  |
| <b>c)</b> | <b>Units (c/kWh) (H1 – Home-light – Largely Subsidised. Costs)</b> |            |
|           | Urban Tariff   | - R 1,090  |
|           | Peri Urban Tariff  | - R 1,090  |
| <b>d)</b> | <b>Units (c/kWh) (B1 – Business-light – Full install. Costs)</b>   |            |
|           | Day Charge   | - R 14.190 |
|           | Urban Tariff   | - R 0,915  |
|           | Peri Urban Tariff  | - R 0,915  |

**Tariff VI: TOU - ELECFLEX 1 – Bulk Supply – MV – Direct from DC**

- |    |                                 |              |
|----|---------------------------------|--------------|
| a) | Basic Charge (Service Levy)     | -R 4,623.440 |
| b) | Access Charge (R/kVA)           | -R 17.290    |
| c) | kVA Demand Charge               | -R 58.000    |
| d) | Energy – High Demand –Peak      | -R 1.616     |
| e) | Energy – High Demand – Standard | -R 0.560     |
| f) | Energy – High Demand – Off-peak | -R 0.386     |
| g) | Energy – Low Demand – Peak      | -R 0.587     |
| h) | Energy – Low Demand – Standard  | -R 0.433     |
| i) | Energy – Low Demand – Off-peak  | -R 0.360     |

**Tariff VII: TOU – ELECFLEX 2 – Bulk Supply – MV: Feeding from MV Network**

- |    |                                 |              |
|----|---------------------------------|--------------|
| a) | Basic Charge (Service Levy)     | -R 3,139.760 |
| b) | Access Charge (R/kVA)           | -R 18.150    |
| c) | kVA Demand Charge               | -R 60.800    |
| d) | Energy – High Demand –Peak      | -R 1.694     |
| e) | Energy – High Demand – Standard | -R 0.588     |
| f) | Energy – High Demand – Off-peak | -R 0.406     |
| g) | Energy – Low Demand – Peak      | -R 0.617     |

h) Energy – Low Demand – Standard	-R	0.455
i) Energy – Low Demand – Off-peak	-R	0.378

**Tariff VIII: TOU – ELECFLX – Bulk Supply – LV: Feeding from LV Network**

a) Basic Charge (Service Levy)	-R	1,655.620
b) Access Charge (R/kVA)	-R	18.670
c) kVA Demand Charge	-R	62.570
d) Energy – High Demand –Peak	-R	1.739
e) Energy – High Demand – Standard	-R	0.604
f) Energy – High Demand – Off-peak	-R	0.417
g) Energy – Low Demand – Peak	-R	0.633
h) Energy – Low Demand – Standard	-R	0.467
i) Energy – Low Demand – Off-peak	-R	0.387

**Tariff IX: TOU – COMMFLEX \_ Business Supply – LV; Feeding from LF Network:**

a) Basic Charge (Service Levy)	-R	60.620
b) Capacity Charge (R/AMP/phase/month)	-R	2.670
c) Energy – High Demand –Peak	-R	1.839
d) Energy – High Demand – Standard	-R	0.744
e) Energy – High Demand – Off-peak	-R	0.612
f) Energy – Low Demand – Peak	-R	0.793
g) Energy – Low Demand – Standard	-R	0.617
h) Energy – Low Demand – Off-peak	-R	0.584

**Tariff X: TOU – HOMEFLX – Domestic Supply – LV: Feeding from LV Network:**

a) Basic Charge (Service Levy)	-R	41.694
b) Capacity Charge (R/AMP/month)	-R	2.085
c) Energy – High Demand –Peak	-R	1.790
d) Energy – High Demand – Standard	-R	0.725
e) Energy – High Demand – Off-peak	-R	0.551
f) Energy – Low Demand – Peak	-R	0.753
g) Energy – Low Demand – Standard	-R	0.597
h) Energy – Low Demand – Off-peak	-R	0.523

**Tariff XI: Inclining Block Tariff – Domestic Supply – LV: Feeding from LV Network**

a) Energy – Block 1 (1 – 50 kWh)	-R	0.584
b) Energy – Block 2 (51 – 350 kWh)	-R	0.608
c) Energy – Block 3 (351 – 600 kWh)	-R	0.765
d) Energy – Block 4 (> 600 kWh)	-R	0.785

**1.7 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 – PARENT MUNICIPALITY**

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<b>Chart A12</b>	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)
<b>Chart A13</b>	Capital Funding by Source



## PART 2 – SUPPORTING DOCUMENTATION

### 1. OVERVIEW OF ANNUAL BUDGET PROCESS

#### Planning process used to prepare the annual budget

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 reconstitution of a 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 March 2010. Amidst global financial volatility and other unforeseen budget impacts the MTREF budget was subsequently updated and presented to the Mayoral Committee for consideration in March 2010. Upon tabling of the draft budget in Council in April 2010, the final consideration of the draft budget and related policies prior the approval will be considered by the Budget Committee during May 2010.

#### Process used to integrate the review of the IDP and preparation of the Budget

The figure below illustrates how the IDP strategic focus areas have been unpacked into strategic responses, objectives and programmes for budgeting and operational implementation. This diagram explains how municipal strategy is cascaded towards the lower levels of the organisation by means of a variant of the Balanced Scorecard methodology, and how it influences and shapes the operating and capital budgets of the different directorates and departments within the Municipality. It shows how the Municipality's visionary framework is unpacked into objectives, Key Performance Indicators (KPIs) and targets for implementation. These are then broken up into Service Delivery and Budget Implementation Plans (SDBIPs) that reflect the detailed projects, which are then allocated a budget amount. This concept also includes the Municipality's performance management system, as the KPIs that are contained in the SDBIPs are monitored and reported on quarterly.

#### Schedule of Key Deadlines relating to budget process

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 will be presented to the IDP and Budget Conference in May/April 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.

IDP PHASES	DELIVERABLE AND PROCESS MANAGEMENT	OUTPUT	APPROVED DATES	REVISED DATES
<b>PREPARATION PHASE</b>	Development of IDP and Budget Process Plan	Approved IDP and budget process plan	Aug 2009	Aug 2009
	Draft Process Plan sent to IDP and Budget Steering Committee		21 Oct 2009	21 Oct 2009
	Tabling of the IDP and Budget Process Plan to Council		25 Nov 2009	25 Nov 2009
	Advertisement of IDP and Budget Process Plan		26 Nov 2009	26 Nov 2009
<b>ANALYSIS PHASE</b>	Committees and consultation forums for the budget process	Determine and assess the current level of development and what are the emerging challenges, opportunities and priority issues	9 Dec 2009	9 Feb 2010
	Briefing session with Budget Committee		17 Dec 2009	
	One day self assessment dialogue with Executive Management Team, Mayoral Committee and Councillors		14 Jan 2010	
<b>STRATEGIES PHASE</b>	IDP Steering Committee to review emerging issues/changes and to prioritize IDP and budget items	Develop and/or refine objective for priority issues	27 Jan 2010	3 March 2010
	EMT to submit budget inputs on capital projects	Determine programmes to achieve strategic intent	21 Dec 2009	31 Jan 2010
	Refine municipal key performance area strategies, objectives and targets so as to influence the budget	Develop organisational scorecard	4 Feb 2010	19 Feb 2010
	Initiate Public Participation process in line with Medium Term Revenue and Expenditure Framework		8 Feb 2010	1 Mar 2010
	Mayoral Committee Lekgotla confirm IDP, SDBIP and Budget priorities		19 Feb 2010	12 Mar 2010
	Review tariffs and budget policies		26 Feb 2010	12 Mar 2010
<b>PROJECT PHASE</b>	Set and agree on IDP priority programme, projects and services	Identify projects and set output, target	25 Feb 2010	16 Mar 2010
	Draft Medium Term Revenue and Expenditure Framework budget	Develop draft budget	26 Feb 2010	16 Mar 2010
	One and multi-year scorecard revised and presented to MAYCO		16 Mar 2010	16 Mar 2010
<b>INTEGRATION PHASE</b>	Institutional plan refined to deliver on the municipal strategy	Integrate and align with sector plans	18 Mar 2010	18 Mar 2010
	Directorates identifying programmes and projects with external stakeholders	Incorporate programmes and projects into IDP	23 Mar 2010	23 Mar 2010
	Integration of sector plans and institutional programmes		23 Mar 2010	23 Mar 2010
	Horizontal and vertical alignment with District, Province and other stakeholders		23 Mar 2010	23 Mar 2010
	Present service plans and integration into the IDP document to Mayoral Committee		23 Mar 2010	23 Mar 2010



<b>APPROVAL PHASE</b>	Tabling of the Draft IDP including proposed revisions and MTREF Budget and related resolutions	Approved IDP, budget and SDBIP	25 Mar 2010	8 April 2010
	Submission of draft IDP and MTREF Budget to MECs Treasury and Cooperative Governance, Traditional and Human Settlements, and National		26 Mar 2010	12 April 2010
	Public participation process including hearings on Draft IDP and Budget		30 Mar to 9 Apr 2010	15 April - 30 April 2010
	IDP and Budget Lekgotla		14 Apr 2010	4 May 2010
	Council considers submissions, representations and recommendations from hearings. Executive Mayor respond to submissions during consultation and table amendments for Council consideration		22 Apr 2010	13 May 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		27 May 2010	27 May 2010
	Publication of approved IDP and budget on the website and in local newspapers		2 Jun 2010	2 Jun 2010

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

### 2.1 Vision and development objectives

The review of the IDP remains consistent with the Mangaung strategic approach and commonly owned vision of where we are going as an important locality in the heart of South Africa. Our vision for Mangaung remains:

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**By 2030 Mangaung is recognised as “a globally safe and attractive municipality to live, work and invest.**

---

To make this vision a reality the Municipality has set the following mission statement:

---

**To improve social and economic livelihoods through public participation, effective and efficient integrated governance systems and programs.**

---

### 2.2 Development objectives

Listed below are the development priorities which have arisen from the engagement between the elected leaders and municipal administration. After formulation of the strategic framework, four overarching strategic goals have been agreed upon and will be achieved in the next three years. These are as follows:

- 
- 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,

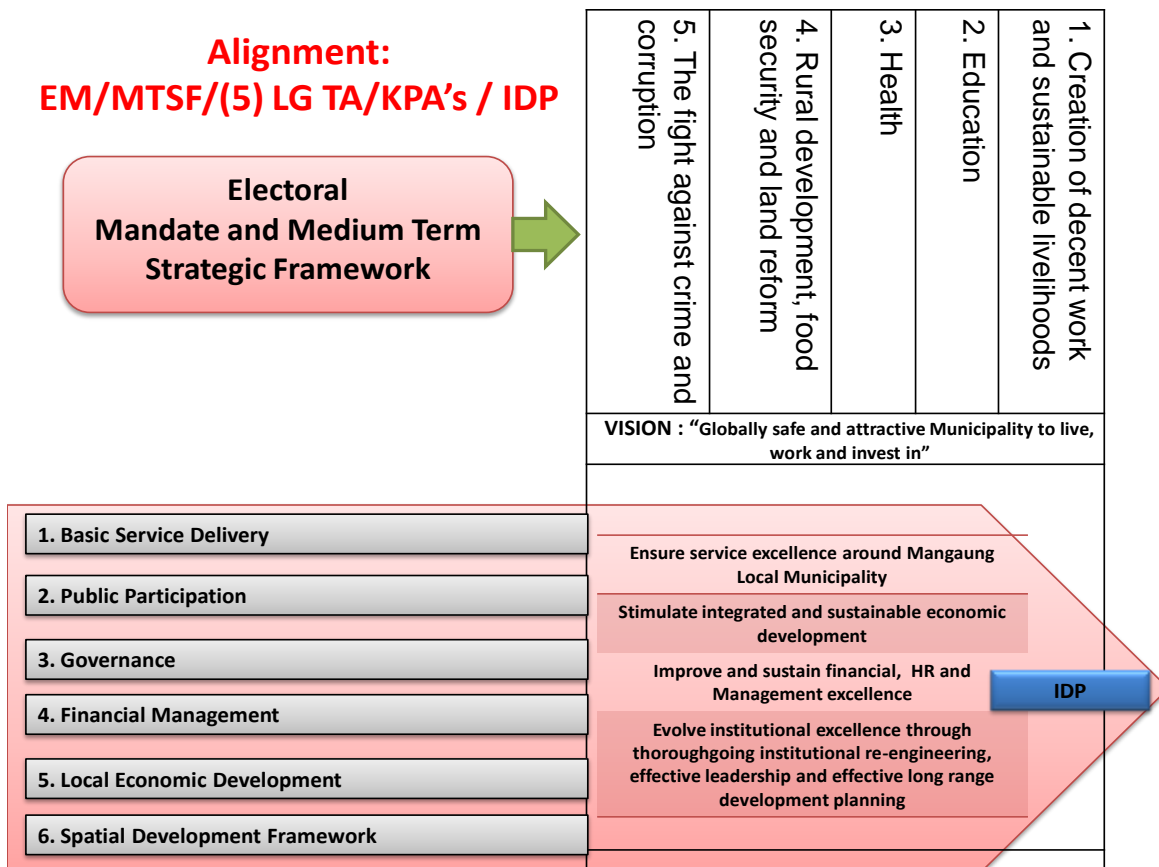
- To evolve institutional excellence through a thoroughgoing institutional re-engineering, effective leadership and effective long range development planning.

A set of core values have been determined by the Municipality to act as a beacon to guide the collective efforts of both the elected and administrative leadership in their quest to realize the set vision and development objectives set to improve the lives of all the citizen residing in the municipal area. These are:

**Ambition, Competency, Integrity, Responsibility, Accuracy, Respect, Dedication, Loyalty, Credibility, Honesty, Innovativeness, Teamwork, Excellence and Accountability**

### 2.3 Alignment to provincial and district development plans

Municipal, provincial and national strategies and budgets need to be aligned and rationalised to support integration, co-ordination, planning and implementation across spheres of government with regard to intergovernmental priorities. Municipalities are also expected, as a local sphere of government to demonstrate their budgetary and programmes support to the fulfilment of the National Government’s electoral mandate, as well as the Medium Term Strategic Framework and Turnaround Strategy. Mangaung Local Municipality’s commitment to the national agenda can be demonstrated by the matrix as detailed below:



The table below highlights key areas of alignment between Mangaung Local Municipality, district and Provincial counterparts. Annex 1 summarises the goals and indicators for the Province and for Motheo District and are funded through their existing sources of income.

Mangaung	District	PGDS
To ensure service excellence within and around Mangaung Local Municipality	Water and sanitation	Economic growth, development and employment
To ensure service excellence within and around Mangaung Local Municipality	Public transport, roads and storm-water	Social and human development
To stimulate integrated and sustainable economic development,	Economic development	Economic growth, development and employment
To ensure service excellence within and around Mangaung Local Municipality	Clean and healthy environment	Efficient governance and administration
To ensure service excellence within and around Mangaung Local Municipality	Special programmes: HIV/AIDS, youths, gender, disability and heritage	Social and human development
To ensure service excellence within and around Mangaung Local Municipality	Protection and disaster management	Justice, Crime Prevention and Security
To ensure service excellence within and around Mangaung Local Municipality	Sports, arts, culture and recreation	Social and human development
To ensure service excellence within and around Mangaung Local Municipality	Housing and electricity	Social and human development

The outcome of most programmes that the directorates would implement would contribute towards the economic growth and job creation, social upliftment of the poor within the Municipality, safety and security as well as well managed administration in the spirit of cooperative governance and ensuring sustainability of services.

## 2.4 Strategy

Our strategy has 4 critical components that together constitute our wheel of success. The first three - Stimulating our **integrated and sustainable economic development**, sustaining **financial, human resource excellence and management excellence** and **service excellence** constitute the spokes of a virtuous wheel. At the hub of the wheel is institutional excellence (including **common purpose and civic leadership** - the necessary starting point.

The two principles that underlie this are:

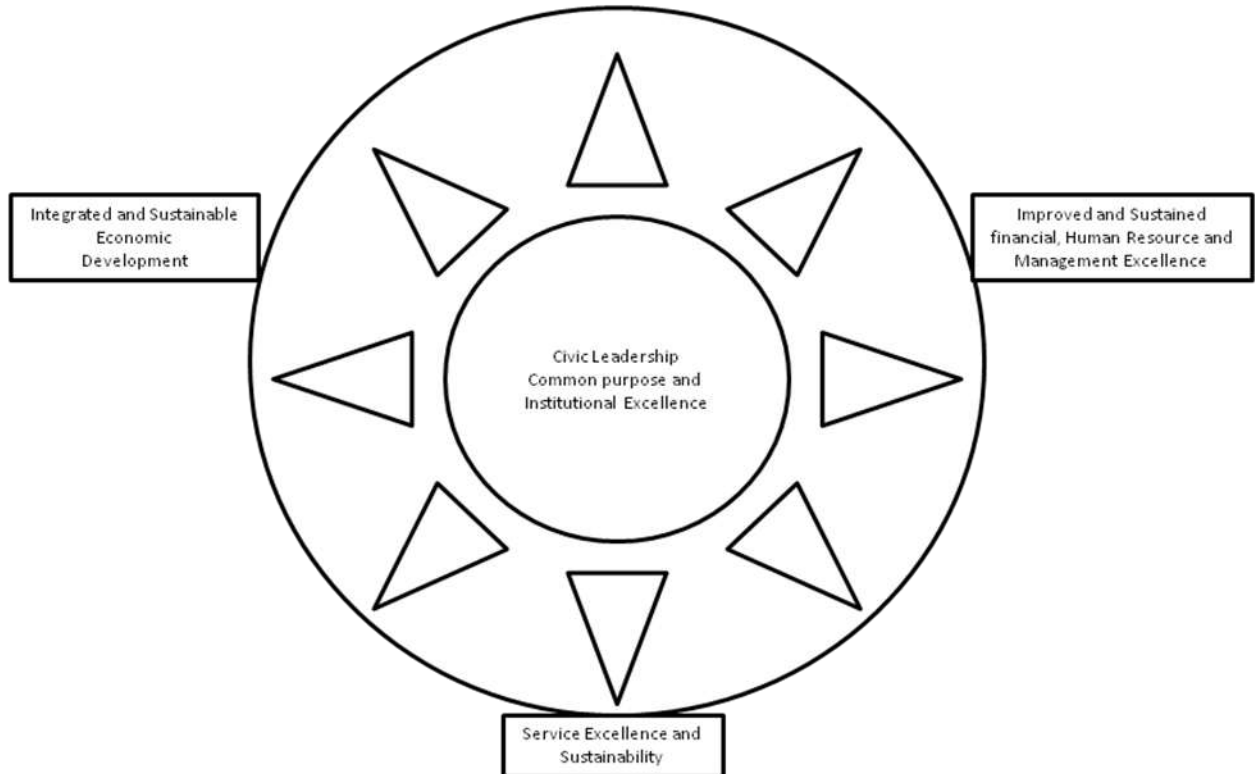
### **Poverty eradication and the promotion of sustainable livelihoods.**

Thus we take a multidimensional view of poverty, reflecting the need to increase the five types of people's assets (financial, human, physical, natural and social) and reduce their vulnerabilities. We address poverty under economic growth (increasing growth but also having a widespread livelihoods programme), HIV, promoting community resilience, improving education etc. Therefore we do not have poverty as a programme per se, but we recognise it at the highest level of our performance, in our macro scorecard (see 3.5).

## The promotion of sustainable development.

During this IDP Review sustainable development has been one of the lenses we have used to look at the programmes, and concern for economic, environmental, social and institutional sustainability has been factored into our refining of the programmes.

### 2.5 Our strategic wheel with our 4 thrusts



#### **Spoke 1: Mangaung on the Move – Stimulating our integrated and sustainable economic development prospects**

The first spoke of the wheel is stimulating integrated and sustainable economic development. The benefits of higher growth are obvious, particularly if this growth is broadly spread across the population. People have more money including more capacity to pay for their own service and housing needs. The municipality has more money from increased rates to expand and improve services and so on.

The Municipality can and will play a critical role in creating the right conditions for sustained growth. At the same time we recognise that growth and come largely from the decisions and actions of business people and other economic role-players.

#### **Spoke 2: Improving and sustaining financial, human resource excellence and management excellence**

The second spoke of our wheel is improving and sustaining financial, human resource excellence and management excellence. We know from research and our own practical knowledge that there are massive service delivery backlogs that afflict a larger percentage of the community of Mangaung. Addressing the mentioned service delivery backlog require

significant monetary investment to be derived from a sound and sustainable financial base. Management and human resource excellence are critical in ensuring the effective use of the finite resources in the possession of the municipality. Groundbreaking innovations in service delivery and management capabilities to unlock resources through forging of strategic partnerships cannot be overemphasised.

### **Spoke 3: Benchmark Municipality - service delivery excellence and sustainability**

The third spoke of our wheel of success is service delivery excellence and sustainability. The more we are able to ensure the delivery of the right services to Mangaung, the more our economic potential is enhanced, the more attractive we are to potential investors and the more effective we are in tackling poverty and other social ills. The more efficiently we deliver these services, the more resources we have available to expand and improve our level of service and so on. These also need to be financially, socially and environmentally sustainable.

### **The Hub: Institutional excellence, civic leadership and common purpose**

At the hub of our wheel of success are institutional excellence, civic leadership and common purpose. Research indicates that successful municipalities are characterised by high levels of institutional excellence and forged common purpose amongst the major stakeholders. This inevitably flows from the level of civic leadership provided by the Council as the elected representatives of the area. The adage “united we stand, divided we fall”, is very relevant to local government.

## **2.6 Budget Linkage with the IDP**

In terms of linkages, alignment of the budget to the goals and actions plans of the IDP is as follows:

- (a) Revenue:  
See Table SA4 (Annexure A)
- (b) Operating Expenditure  
See Table SA5 (Annexure A)
- (c) Capital Expenditure  
See Table SA6 (Annexure A)

### 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
<b><u>Borrowing Management</u></b>										
Borrowing to Asset Ratio	Total Long-Term Borrowing / Total Assets	0.5%	0.4%	2.5%	0.7%	1.1%	1.1%	2.5%	3.7%	5.4%
<b><u>Safety of Capital</u></b>										
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%	0.4%	-1.0%	-0.9%	-0.8%
Borrowed funding of 'own' capital	Borrowing/Capital expenditure excl. grants & contributions	0.0%	0.0%	47.3%	12.1%	0.0%	0.0%	72.7%	27.0%	44.5%
Debt to Equity	Loans, Creditors, Overdraft & Tax Provision/Funds and Reserves	19.4%	19.2%	22.4%	21.5%	35.4%	35.4%	35.4%	35.2%	37.3%
Gearing	Long Term Borrowing/Funds & Reserves	1.0%	0.8%	5.6%	1.5%	6.5%	6.5%	16.4%	26.1%	40.9%
<b><u>Liquidity</u></b>										
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	0.9	0.7	1.0	1.0	0.9	0.9	0.8
Liquidity Ratio	Monetary Assets/Current Liabilities	0.3	0.4	0.2	0.1	0.3	0.3	0.2	0.2	0.2
<b><u>Revenue Management</u></b>										
Annual Debtors Collection Rate (Payment Level %)	Last 12 months receipts/ Last 12 months billing		156.5%	128.5%	152.7%	152.2%	152.2%	93.6%	94.5%	95.0%
Outstanding Debtors to Revenue	Total outstanding Debtors of Annual Revenue	28.0%	24.3%	20.1%	18.4%	15.7%	15.7%	13.1%	10.7% 9.1%	
Longstanding Debtors Recovered	Debtors > 12 months Recovered / Total Debtors > 12 months old									
<b><u>Creditors Management</u></b>										
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%
<b><u>Funding of Provisions</u></b>										
Provisions not funded - %	Unfunded Provisions./Total Provisions	0.0%	0.0%	0.0%	100.0%	100. %	100.0%	100.0%	100.0%	100.0%

<b>Other Indicators</b>										
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%	23.2%	24.9%	24.9%	24.3%	25.9%	23.4%	21.8%
Remuneration	Total remuneration (Total Revenue – capital revenue)	29.5%	28.4%	24.0%	25.7%	25.7%	23.3%	26.6%	24.1%	22.5%
Repairs & Maintenance	R&M (Total Revenue excluding capital revenue)	0.0%	0.0%	5.6%	5.2%	5.2%	5.1%	5.3%	4.7%	0.0%
Finance charges & Depreciation	FC*D (Total Revenue-Capital revenue)	9.1%	7.6%	8.4%	8.7%	8.7%	8.0%	6.2%	5.1%	4.4%
i. Debt coverage	(Total Operating – Operating Grants) Debt service payments due within financial year)	26.7	28.5	28.5	33.0	33.0	33.0	294.8	887.1	1034.5
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	41.8%	40.2%	35.6%	25.8%	22.3%	22.3%	18.6%	14.2%	11.8%
iii. Cost Coverage	(Available cash + Investments)/ monthly fixed operational expenditure	1.0	1.6	0.8	0.6	0.9	0.9	(0.0)	0.3	1.1

#### **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](http://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;
- Tariff 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) Tariff Policy**

The objective of the tariff policy is to ensure that:

- (a) the tariffs of the municipality conform to acceptable policy principles;
- (b) the Municipal services are financially sustainable;
- (c) there is certainty in the Council, the administration of the municipality and the community of how the Council will determine and implement tariffs; and
- (d) the tariffs of the municipality comply with the applicable legal prescripts.

### **(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.

<b>Expenditure</b>	<b>PARAMETER</b>		
	<b>2010/2011</b>	<b>2011/2012</b>	<b>2012/2013</b>
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%
<b>Bulk Purchases</b>			
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%

<b>Revenue</b>	<b>PARAMETER</b>		
	<b>2010/2011</b>	<b>2011/2012</b>	<b>2012/2013</b>
Capital Grants and Subsidies	R445,88 million	R468,10 million	R510 million
<b>Tariff Increases</b>			
General	10.00%	10.00%	10.00%
Water	12.00%	10.00%	9.50%
Electricity	20%	15%	12.50%
Rates	12.00%	10.00%	9.50%
Sanitation	12.00%	10.00%	9.50%
Trade Refuse Removal	12.00%	10.00%	9.50%
Interest on Shareholder Loan	R98 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 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 strives to operate within its annual budget, as approved by Council;
- \* The municipality maintains 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	385,918	417,709	454,166
Services Charges	1,768,198	2,379,351	2,871,899
Fines, Licences and Permits	1,350	1,480	1,622
Grants and Subsidies	228,590	251,134	293,208
Rental of Facilities	17,828	19,491	21,010
Interest Received	79,688	55,924	54,579
Other Income	844,204	881,632	957,830
Interest on Shareholder Loan	95,896	98,000	98,000
<b>Total Revenue</b>	<b>3,421,672</b>	<b>4,104,721</b>	<b>4,752,313</b>

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 proposes to fund its capital budget as follows:

	2010/11 R'000	2011/12 R'000	2012/13 R'000
<b>Total Capital Budget</b>	<b>771,552</b>	<b>737,092</b>	<b>645,422</b>
Funded as follows:			
Grant Funding	194,884	216,101	252,907
External Funding	70,280	75,123	116,450
Internal Funding	346,713	223,206	87,019
Public Contributions	21,968	26,503	24,847
Revenue	137,707	196,159	164,199
	<b>771,552</b>	<b>737,092</b>	<b>645,422</b>

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

Every effort was made in putting this draft budget together, to comply with legislation as outlined in Section 18 of the Act. An outline of the municipal overall performance on the battery of tests measuring funding levels is given on Supporting Table SA 10 – Funding Measurement.

The measurement on Cash/Cash Equivalents and Cash plus Investments less application at year end is indicating an accelerating decline in the two measures for the MTREF period, as compared to the periods prior to 2009/10. The rates and tariff increases for the 2010/11 financial year is showing a moderate increase of 13,1% compared to the 30,4% increase of the approved budget in 2009/10. The abnormal increase of 30,4% was as a result of the first year of the new Property Rates Act implementation.

**(c) Particular of Monetary Investments:**

For the municipality's monetary investment particulars by type and maturity, 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 decision taken at the Lekgotla for further investigation entail. 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 the 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 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:

	<b>Allocation</b>	<b>Allocation</b>	<b>Allocation</b>
	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
<b><u>EQUITABLE SHARE</u></b>	<b>494,273</b>	<b>565,491</b>	<b>624,239</b>
<b><u>Operating Grant</u></b>			
- 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	-	-
- Municipal Infrastructure Grant	2,992	3,175	3,370
- Provincial Government Housing Subsidy	1,,400	-	-
- Provincial Government Health Subsidy	1,259	1,354	1,448
- Provincial Health Subsidy	-	2,640	2,904
- Motheo District Municipality	2,400	-	-
	<b>28,990</b>	<b>9,209</b>	<b>10,022</b>
<b><u>CAPITAL GRANTS</u></b>			
- Municipal Infrastructure Grant	169,729	254,134	248,208
- Public Transport Infrastructure and Systems Grant	15,000	15,000	15,000
- Electricity Demand Side Management Grant	5,000	5,000	5,000
- Expanded Public Works Programme Incentive Grant	7,861	-	-
- Integrated National Electrification Grant	13,000	10,000	15,000
	<b>210,590</b>	<b>235,134</b>	<b>278,208</b>
<b><u>TOTAL GRANTS ALLOCATION</u></b>	<b>733,853</b>	<b>809,834</b>	<b>912,469</b>

## 7. ALLOCATIONS OR GRANTS MADE BY THE MUNICIPALITY

A transfer is 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 million 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 provided below:

NATIONAL TREASURY CLASSIFICATION	Code	CAPITAL ESTIMATES 2009/10	2010/11	2011/12	2012/13
		R'000	R'000	R'000	R'000
<b>INFRASTRUCTURE</b>		<b>730,031</b>	<b>598,066</b>	<b>622,685</b>	<b>612,049</b>
Roads, Pavements, Bridges & Storm Water	0300	181,494	131,523	126,947	98,493
Water Reservoirs & Reticulation	0400	37,248	65,260	88,560	204,990
Car Parks, Bus Terminals and Taxi Ranks	0500	281,884	15,000	15,000	15,000
Electricity Reticulation	0600	79,000	177,492	238,371	203,818
Sewerage Purification & Reticulation	0700	137,806	145,801	138,696	78,632
Housing	0800	2,600	53,645	7,000	0
Street Lighting	0900	4,600	5,105	7,110	10,116
Refuse sites	1000	5,400	3,200	0	0
Other	1200	0	1,040	1,000	1,000
<b>COMMUNITY</b>		<b>48,907</b>	<b>35,157</b>	<b>62,602</b>	<b>17,775</b>
Establishment of Parks & Gardens	1500	0	2,568	2,356	400
Sportsfields	1600	40,907	26,300	35,700	5,000
Community Halls	1700	0	0	8,000	0
Libraries	1800	0	915	128	0
Recreational Facilities	1900	8,000	3,950	12,288	9,580
Other	2200	0	1,425	4,131	2,795
<b>HERITAGE ASSETS</b>		<b>0</b>	<b>1,200</b>	<b>500</b>	<b>0</b>
Heritage Assets	2311	0	1,200	500	0
<b>OTHER ASSETS</b>		<b>52,240</b>	<b>129,820</b>	<b>39,530</b>	<b>15,599</b>
Other motor vehicles	2500	0	13,754	6,464	0
Plant & equipment	2600	3,000	10,842	11,163	3,749
Office equipment	2700	19,240	9,784	290	50
Markets	2900	0	7,700	0	0
Security Measures	3100	8,000	6,238	8,068	5,100
Civic Land and Buildings	3110	22,000	67,900	6,850	1,100
Other Land and Buildings	3120	0	6,302	6,555	4,900
Other	3200	0	7,300	140	700
<b>SPECIALIZED VEHICLES</b>		<b>10,560</b>	<b>7,310</b>	<b>11,775</b>	<b>0</b>
Refuse	3500	0	4,500	0	0
Fire	3600	10,560	2,810	11,775	0
<b>TOTAL CAPITAL BUDGET</b>		<b>841,738</b>	<b>771,552</b>	<b>737,092</b>	<b>645,422</b>

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	68,440	65,765	22,050
Information Technology	Common Purpose	102	14,200	8,849	0	0
Human Resource Management	Common Purpose	202	0	0	0	0
Support Services/Fleet	Common Purpose	103	0	528	0	0
Emergency Services	Community Resilience	201	10,560	4,070	12,791	200
Parks and Cemeteries	Community Resilience	203	500	23,474	24,800	13,325
Traffic and Security	Community Resilience	204	8,000	1,613	347	149
Social Development	Community Resilience	205	7,500	27,585	44,328	13,500
Local Economic Development	Economic Development	301	306,484	115,748	12,525	2,800
Market Services	Economic Development	302	0	4,700	0	0
Financial Management	Financial Sustainability	401	5,000	5,014	350	400
Roads and Stormwater	Service Excellence	501	74,594	99,765	110,558	105,559
Solid Waste Management	Service Excellence	502	5,400	10,870	0	0
Water and Sanitation	Service Excellence	503	137,806	148,213	138,696	78,632
Housing	Service Excellence	504	0	8,453	0	0
Water	Service Excellence	505	37,248	67,140	88,560	204,990
Electricity	Service Excellence	506	79,000	177,092	238,371	203,818
<b>TOTAL CAPITAL BUDGET</b>			<b>841,738</b>	<b>771,552</b>	<b>737,092</b>	<b>645,422</b>

(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	<b>68,440</b>	65,765	22,050
Human Resource Management	Common Purpose	102	14,200	<b>8,849</b>	0	0
Support Services/Fleet	Common Purpose	103	0	<b>528</b>	0	0
Emergency Services	Community Resilience	201	10,560	<b>4,070</b>	12,791	200
Parks and Cemeteries	Community Resilience	203	500	<b>23,474</b>	24,800	13,325
Traffic and Security	Community Resilience	204	8,000	<b>1,613</b>	347	149
Social Development	Community Resilience	205	7,500	<b>27,585</b>	44,328	13,500
Local Economic Development	Economic Development	301	306,484	<b>115,748</b>	12,525	2,800
Market Services	Economic Development	302	0	<b>4,700</b>	0	0
Financial Management	Financial Sustainability	401	5,000	<b>5,014</b>	350	400

Roads and Stormwater	Service Excellence	501	74,594	<b>99,765</b>	110,558	105,559
Solid Waste Management	Service Excellence	502	5,400	<b>10,870</b>	0	0
Water and Sanitation	Service Excellence	503	137,806	<b>148,213</b>	138,696	78,632
Housing	Service Excellence	504	0	<b>8,453</b>	0	0
Water	Service Excellence	505	37,248	<b>67,140</b>	88,560	204,990
Electricity	Service Excellence	506	0	<b>0</b>	0	0
<b>TOTAL</b>			<b>762,738</b>	<b>594,460</b>	<b>498,721</b>	<b>441,604</b>

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

<b>CENTLEC</b>						
<b>IDP STRATEGIC OBJECTIVES AND ACTION PLANS</b>	<b>STRATEGIC OBJECTIVE</b>	<b>IDP CODE</b>	<b>CAPITAL ESTIMATES</b>			
			<b>Budget R'000 2009/10</b>	<b>Budget R'000 2010/11</b>	<b>Budget R'000 2011/12</b>	<b>Budget R'000 2012/13</b>
Electricity	Service Excellence	506	79,000	<b>177,092</b>	238,371	203,818
<b>TOTAL</b>			<b>79,000</b>	<b>177,092</b>	<b>238,371</b>	<b>203,818</b>

(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 Adjustment Budget.

### **12.2 Supply Chain Management**

The Supply Chain Management Policy is in place and is function 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 the 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 1<sup>st</sup> 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 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 made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the Municipality.

**Print Name:** \_\_\_\_\_

**Municipal Manager of Mangaung Local Municipality**

**Signature:** \_\_\_\_\_

**Date:** \_\_\_\_\_