



**2010/2011 Medium Term Revenue and
Expenditure Framework (MTREF)**

Final Draft Budget Document

June 2010

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2. Mayoral Budget Speech

*(The Mayor's Budget Speech will be delivered in Council on **10 June 2010** after the completion of the community consultation process, and to coincide with the tabling of the budget for consideration and approval.*

The purpose of the speech will be to provide a high-level summary of the budget that draws on the executive summary and highlights key deliverables during the next three years. The speech will address certain fundamental issues, including the eradication of service delivery backlogs, commencement of new programmes and projects.)

3. Final Draft Budget Related Resolutions

1. Council takes cognisance of the final draft annual budget of the municipality for the financial year 2010/2011 and indicative for the two projected outer years 2011/2012 and 2012/2013 as set-out in the following schedules after the public had been invited to comment and therefore resubmitted to Council for approval:
 - 1.1. Operating revenue by source reflected in schedule 1 and 2;
 - 1.2. Operating expenditure by vote reflected in schedule 1 and 2;
 - 1.3. The multi-year capital appropriations by vote and associated funding reflected in schedules 3 of the 2010/2011 MTREF

2. Council consider the property rates to be imposed for the budget year 2010/2011

3. Council consider the following tariffs and charges reflected to be implemented for the budget year 2010/2011
 - 3.1 Electricity
 - 3.2 Water
 - 3.3 Sewerage
 - 3.4 Cleansing - Refuse removal
 - 3.5 Sundry tariffs

4. Council notes that the SDBIP submission and approval of the SDBIP will be dealt with in accordance with sections 69(3)(a) and 53(1)(c)(ii) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

4. Executive Summary

The 2010/2011 budget preparation and IDP review process were conducted mainly in line with the legislative and regulatory frameworks prescribed by the Municipal Finance Management Act (MFMA), Municipal Systems Act (MSA) and National Treasury Guidelines. The format and contents of this budget document are in accordance with the guidelines contained in *MFMA Circular 51*.

The draft budget was tabled in Council on 31 March 2010 after which an extensive **community consultation** and public participation process was conducted from 13 April 2010 to 30 May 2010. The programme that was followed with the various public meetings held included all the towns and driven by the Mayor.

The **strategic alignment** between national, provincial and district service delivery priorities was also a critical factor during the IDP review and budget preparation process. Alignment between the Free State Growth and Development Strategy (PGDS), 2007-2014 and the Xhariep District Municipality were important considerations and inputs during the process.

Free State PGDS (2007-2014) Priority Areas for Intervention	Xhariep District Municipality Integrated Goals
<ul style="list-style-type: none">▪ Economic Growth, Development and Employment▪ Justice and Crime Prevention▪ Social and Human Development▪ Efficient Governance and Administration	<ul style="list-style-type: none">▪ Effective, sustainable accountable governance▪ High level financial performance and management▪ Efficient and effective service delivery▪ Promotion of public participation and awareness▪ Strategic economic and social role playing in the District

The Key Performance Areas of the Letsemeng Municipality, in line with provincial and district priorities and goals are:

- Governance and Administration
- Economic and Development
- Social and Human Development
- Safety and Security

The following are the main benefits offered to registered indigents for which a threshold of a monthly household income of R2 020.00 has been set :

- Free electricity of 50kWh per household
- 6 kiloliters of free basic water
- subsidy of R45 000.00 on property value per annum for assessment rates
- Free sanitation
- Free refuse removal

A summary of the operating and capital budget proposals over the medium-term, in terms of the attached budget schedules, is provided in the table below.

	Medium Term Revenue and Expenditure Framework		
	2010/2011	2011/2012	2012/2013
	R'000	R'000	R'000
Operating revenue	80 554	90 390	100 052
Operating expenditure	80 554	90 390	100 052
Capital expenditure	19 494	21 210	24 142

It should be noted that the ***Service Delivery and Budget Implementation Plan*** (SDBIP) will be submitted to the Executive Mayor 14 days after the approval of the budget in accordance with section 69(3)(a) of the MFMA. The approval of the SDBIP by the Executive Mayor will be done as per the provisions of section 53(1)(c)(ii) of the MFMA, that is 28 days after the approval of the budget.

4.1 Key assumptions

- Inflation is budgeted at 5.7 % in terms of National Treasury circular No. 51
- 13% water loss
- 10% electricity loss
- 40% non payment rate
- 7.7% increase on Councillors allowance
- Impairment and bad debt provision at R20 million
- In terms of the Salary Agreement provision is made for a 7.7% increase to cover the general increase.

5. Budget Schedules

Attached is the new Budget for 2010/2011 formats as prescribed by National Treasury.

6. Budget Process Overview

MFMA, Chapter 4, as well as Circular **51** provide guidance on the steps in the annual budget process. Critical to the development of a credible budget are: the manner in which the strategic planning process is integrated; the input of policy directions; and consultation with the community and other stakeholders, as summarised below:

- Political oversight and management of the budget process
 - Time schedule relating to the budget process
 - Process used to integrate the review of the IDP and preparation of the budget
 - Process for tabling of budget and community consultations
-
- **Political oversight of the budget process**

The Council and Senior Management convened various planning sessions from December 2008 to discuss political and strategic priorities that would inform the IDP review and Budget preparation processes.

Informal meetings were also convened to discuss issues pertinent to the budget and to solicit views from councillors on such matters.

The Acting Municipal Manager and Senior Managers provided inputs into the process at various management meetings.

Various public participation meetings with residents and ward committees on the annual revisions to IDP were held during the period October 2009 to November 2009.

7. Budget Related Policies: Overview and Amendments

The following policies relating to the budget will be adopted by Council :

- Fixed Asset Policy
- Banking and Investment Policy
- Budget Policy
- Credit Control Policy
- Indigent Policy
- Rates Policy
- Debt Collection Policy

All policies were reviewed by both Management and Council.

8. Fiscal Overview and Source of Funding (Tariffs)

Revenue Trends

	Medium Term Revenue and Expenditure Framework					
	2010/2011		2011/2012		2012/2013	
	R'000	%	R'000	%	R'000	%
Own revenue	39 917	49.55	43 447	48.07	48 964	48.94
Government grants	40 637	50.45	46 943	51.93	51 088	51.06
Total revenue	80 554	100	90 390	100	100 052	100

Revenue from own source represents **49.55%** of total revenue in 2010/2011, decreasing slightly to **48.07%** in 2011/2012. This indicates that the municipality relies more on government grants than on its own sources for revenue.

Trends in major sources of own revenue

	Medium Term Revenue and Expenditure Framework					
	2010/2011		2011/2012		2012/2013	
	R'000	%	R'000	%	R'000	%
Property rates	4 642	5.76	4 930	5.45	5 221	5.22
Electricity	12 803	15.89	15 620	17.28	19 057	19.05
Water	6 407	7.95	6 805	7.56	7 214	7.21
Sanitation	5 799	7.20	6 159	6.81	6 522	6.52
Refuse removal	5 613	6.97	5 961	6.59	6 313	6.31
Interest	1 279	1.59	1 359	1.50	1 439	1.44
Other	44 011	54.64	49 556	54.81	54 286	54.25
	80 554	100	90 390	100	100 052	100

- The municipality is more reliant on grants and subsidies than own revenue.
- Property rates income at an average of **5.48%**. Electricity revenue contributes on average **17.41%** of own revenue of the medium term period.

Tariff Overview

The municipality has succeeded in most of the services to maintain tariff increases within the growth limits set by National Treasury . The tariff for property rates however were increased by 12.5% because of the implementation of the new valuation roll in July 2009 and tariffs were set too low for 2009/2010 financial year. The average tariff increases are reflected in the table below.

Service	% tariff increase
Property rates	12.5
Electricity	18
Water ¹	10
Sanitation	8.65
Refuse removal	8.65

Attached is the complete Tariff List for 2010/2011

9. Disclosure on Implementation of MFMA

This section provides disclosure regarding progress in implementing various related legislation including the MFMA and how this affects the budget and budget process.

MFMA Implementation and Monitoring Checklist

The municipality is generally complying for the majority of the implementation priorities as per the National Treasury implementation and monitoring checklist. This checklist is updated quarterly and submitted to National Treasury.

Below is a summary of progress against the plan.

No.	Implementation priority as per NT template	Progress
1	Preparing an implementation plan	50%
2	Allocating appropriate responsibilities under the MFMA to Accounting Officer	70%
3	Establishing a top (senior) management team	50%
4	Implementing appropriate controls over municipal bank accounts and cash management	100%
5	Meeting of financial commitments	100%
6	Reporting revenue and expenditure	100%
7	Supply chain management	80%
8	Implementing reforms in relation to municipal entities and long-term contracts	100%
9	Completing financial statements and advising National Treasury	100%
10	Completing and tabling annual report	75%
11	Complying with provisions for tender committees, boards of municipal entities and in relation to forbidden activities	80%
12	Complying with provisions for internal audit and audit committees	100%
13	Complying with provisions for budgets	80%
14	Information to be placed on website	50%

MFMA returns

All MFMA and DORA returns are submitted by the municipality as required monthly, quarterly and annually.

Name of return	Submitted to
MONTHLY	
Financial Management Grant	NT/PT
Age Analysis Debtors (AD) and Creditors (AC), Cash Flow, Operating Statement Actuals (OSB)	NT/PT
Section 71 Budget Statements	PT/NT
Supply Chain Management	NT/PT
MIG returns	NT/PT
Equitable Share	NT/PT
Conditional Grants returns	NT/PT
Debt returns	PT
QUARTERLY	
MFMA Implementation and monitoring checklist	NT/PT
Municipal entities	NT/PT
Public Private Partnerships	NT/PT
Long-term contracts	NT/PT
Borrowing	NT/PT
ANNUALLY	
Budget tables return	NT/PT
Operating Statement Budget (OSB)	NT/PT

Audit units and audit committees

The internal audit function of the municipality is fully functional as of February 2010.

The municipality has an audit committee in place comprising of independent members as required by section 166 of the MFMA. The Audit Committee is shared by the municipalities in the district. The quarterly meetings are held at the different municipalities.

Tabling of section 71 reports

Section 71 reports are submitted to the mayor and also forwarded to provincial treasury on a monthly basis. Further the reports are forward to the Municipal Manager and Councillors of Finance.

Delegations

All delegations are in place and council approved the generic financial delegations.

Performance agreements

The new performance agreements for 2010/2011 will be finalised after the SDBIP has been approved.

Risk management

The municipality have an updated risk management strategy and plan in place.

Implementation of SCM

The new supply chain management policy of the municipality, in line with the MFMA and national treasury prescripts, was adopted by council in October 2007.

All bid committees as required by the SCM regulations are in place and the bid adjudication is chaired by the chief financial officer and operates within delegated powers.

Effectiveness of steering committees

The steering committee is an ad-hoc committee established during the planning and execution of the "operation clean audit 2014". The committee usually comprise of officials of the municipality, KPMG and consultants on site.