



BUDGET
2011 / 2012

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1. EXECUTIVE MAYOR'S BUDGET SPEECH

Mr Speaker, councillors, municipal manager, HOD's and guests present this evening.

It is necessary for Council to consider the approval of the budget for the 2011/2012 financial year. The final budget that I present here is largely based on the draft budget approved by the previous council earlier in the year. Public participation processes have taken place and suggestions received have, where possible, been accommodated.

Expenditure for the 2011/2012 operating budget now totals just less than R550 million. It is interesting to note that Midvaal's first operating budget some ten years ago was only R125 million and this huge increase reflects the unbelievable growth in our rates base that has made Midvaal the fastest-growing municipality in Gauteng. The past principles of sound budgeting and good financial management that improved our area and attracted so many new residents and investors are also found in this budget.

It is proposed that employee costs will be R149 million which is 27% of the total budget. This is far below the accepted norm of 30% but is sufficient to allow for an expected 8% increase in salaries as well as the filling of all critical vacancies.

The repairs and maintenance budget increases by 34% to R43,5 million with roads and bulk services making up the majority of this vote. The Midvaal area was severely affected by the heavy rains and floods of the past two years and it is important for Council to sufficiently provide for the repairs to damaged infrastructure. We are of course fortunate that this Council actively maintained and upgraded infrastructure, such as roads, for many years and so our residents have far less potholes to dodge than in most parts of Gauteng. I am however concerned by the current state of gravel roads following the storms and the proposed R5,8 million towards these roads should alleviate some of the problems. The remainder of the operational budget provides for the continuation of the high levels of service delivery that Midvaalers are accustomed to.

I am pleased to announce that Midvaal's cash-flow position is improving with every month that passes. The strategy of stringent debt collection together with the careful management of expenditure is paying off. There is a sound footing from which this new Council can begin to operate, but I must warn that difficult economic times are set to continue in the coming months. It is therefore imperative that Midvaal should continue with a no-nonsense approach when it comes to efficiency and waste reduction.

Council will note that we are proposing a Capital Budget of more than R41,5 million. This is a reduction of R5,5million from the draft budget. New information indicates that some existing vehicles will be able to operate for a few more years before they need to be replaced and therefore much of that expenditure has been deferred.

Large infrastructure and community projects contained in both the capital and operational budgets for the coming year include:

- 1) Completion of phase 2 of the Sicelo Multi Purpose Hall at R1,5 million
- 2) Upgrading of the Galloway Street Transfer Station at R1,84 million for both phases
- 3) Payment of the second amount for the purchase of the Walkerville Landfill Site R1,7 million
- 4) The construction of the Vaal Marina Fire Station R6,5 million
- 5) The second phase of the Meyerton Taxi Rank upgrade R500 000
- 6) Expansion and upgrading of the Meyerton Waste Water Treatment Works R10 million
- 7) Gravel to tar projects totalling R5,8 million

- 8) The upgrading of the electricity supply to Sicelo R2,6 million
- 9) We are proposing to place phase 3 of the CBD upgrade on hold and to use R3million to focus on a similar upgrading of the Walkerville business node.
- 10) We have set aside R200 000,00 for the connection of the remaining high-mast lights in Lakeside
- 11) Councillor Malia will remember that I once spoke to him about a formal trading area along Bell Road and the first phase of this project is allowed for in the operational budget.
- 12) More than R2 million will be spent on rebuilding sections of Jan Neethling Straat in Riversdal and attention will also be given to Pump Road in Boltonwold as both of these are important access routes that were severely damaged by the heavy rains.
- 13) Libraries will continue to enjoy a high focus in Midvaal as we propose an allocation of R1million towards the upgrade of the main library here in Meyerton. Councillors will see that we are also planning to lodge business plans to MIG for the construction of a library in Lakeside for the 2012/2013 financial year. I am also pleased to announce that Midvaal has concluded an agreement with the community organisation Henley-at-Heart, which will see the establishment of a heritage centre at the library.
- 14) Infrastructure allocations towards the housing projects for Sicelo Ext5 and Mamello are not reflected in these budgets as costs will be carried by the Provincial Government, however I have instructed the administration to prepare an urgent item on these two housing projects so that Council can receive full information at its next meeting.

The funding of the budget was particularly difficult to calculate as a result of the new valuation roll which will come into effect on 1 July 2011. Different properties will experience different rates increases as a result of the new valuation roll, however the average increases for households are:

Assessment rates:	7%
Basic Water:	6.7%
Basic Sewerage:	5%
Additional Sewerage:	6.3%
Refuse Removal:	10% (Due to increasing fuel costs)

It is clear from the above tariffs that Midvaal is working hard to keep increases as low as possible while still ensuring a high level of service.

Water consumption will increase by about 13% in line with the Rand Water increases and electricity consumption will once again increase by between 20% and 30% depending on how much is consumed. These increases reflect the actual change in tariffs that the municipality has to pay to Eskom.

Mr Speaker, I would like to thank the Municipal Manager and his team, especially those from the Finance Department, who assisted in finalising this budget within the short period available. I would encourage councillors to view budgets and IDP's as living documents that can be amended as legislation allows and each councillor should use this budget as a basis for the public participation process that will unfold over the coming months.

Mr Speaker I hereby present the budget and all other agenda items to the Council for consideration so that we can continue on our path of fulfilling the DA's mandate of delivering quality services to all.

2. BUDGET RESOLUTIONS

- 2.1 Council resolves that the annual budget of the municipality for the financial year 2011/12; indicative for the two projected outer years 2012/13 and 2013/14 be approved and the multi-year and single year capital appropriations be approved, in accordance with Section 24 of the Municipal Finance Management Act, 56 of 2003, as set-out in the Annual budget tables.
- 2.2 Council resolves that tariffs and charges reflected in **Annexure D** are approved for the budget year 2011/12.
- 2.3 Council resolves that the measurable performance objectives for revenue from each source are approved for the budget year 2011/12.
- 2.4 Council resolves that the measurable performance objectives for each vote are approved for the budget year 2011/12.
- 2.5 Council resolves that the amended policies for credit control, debt collection and indigents, assessment rates, assets etc are approved and available on the municipal website, various libraries and finance offices for the budget year 2011/12. **Annexure C.**

3. EXECUTIVE SUMMARY

The three year budget has been compiled in terms of Generally Recognised Accounting Practices (*GRAP*), *MFMA No.56 of 2003*. The budget has also been compiled on a three year basis, which is a requirement of National Treasury. The budget process for the compilation of the three-year budget commenced in August 2010. The municipality were faced with various challenges during the compilation of the budget and reviewing the IDP such as the formulation of measurable objectives for the different functions, the financial implications of the organisational structure, capital costs, rising input costs to deliver services and increasing maintenance costs.

According to National Treasury MFMA Circular No. 28 of 2005:-

- The draft budget documentation must be tabled to council not later than 31 March (90 days before the start of the budget year).

BUDGET – 2011/2012

A three (3) year capital budget has been prepared and built on the IDP document and was tabled in Council in January 2011. The Budget steering committee meetings were held on 30 November as well as on 6 December 2010 and again in May 2011. Budget workshops were held on 24 and 26 January 2011 with all the political structures. Discussions and deliberations took place ensuring good governance. External factors, past and current performance, service delivery standards, fiscal strategy, financial position, constraints and ongoing viability and sustainability was discussed.

Public meetings were held during February to April 2011. Inputs were received from the public and was incorporated in the final budget where possible.

It must be noted that the new valuation roll was received and new tariffs are included in the final budget. The valuation roll was open for inspection for the period 9 February 2011 to 13 April 2011.

CAPITAL BUDGET

The capital amount required for 2011/2012 amounts to R41 533 000.

EXECUTIVE SUMMARY

On the capital budget, the Council need to utilize ± R8.429 million from its own funds. The Council made provision on the 2011/2012 capital budget for external loans to the amount of R2.4 million to fund the purchasing of vehicles required for basic service delivery. The amount to be received from grants is R30.6 million. Many of the capital projects required by the Executive Managers were reduced due to a lack of funds and the increasing maintenance costs.

OPERATING BUDGET

Expenditure

It is each Council's responsibility to ensure that its budget complies with the following three criteria, i.e.:

- * **Sustainability**, to ensure that the municipality has sufficient revenue and adequate corporate and financial stability to fund and deliver on its budget.
- * **Credibility**, to ensure that the municipality, with its ability and capacity to spend, deliver in terms of its budget.
- * **Governance**, that the Municipality has appropriate capacity and stability to ensure the long term sustainability of service delivery.

The operating expenditure budget for 2011/2012 amounts to R549 042 673 as compared to the previous revised budget of R488 875 004 in the 2010/2011 financial year. This represents an increase of 12.3%.

To keep the budget within the income of the council, many requests of the Executive Directors could not be budgeted for, because the council cannot allow tariff increases to be too high. Council revised it's tariffs to be in line with surrounding municipalities.

The main sections of the expenditure in the operating budget are the following: -

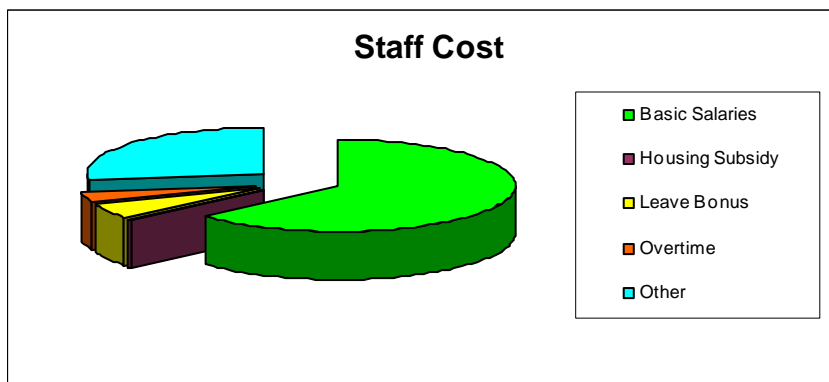
Salaries

This section increased from R130 949 044 for the 2010/2011 financial year's revised budget to an amount of R142 187 730 for the 2011/2012 financial year (excluding councilors), which includes a general, salary increase of 7% to all staff members, the overall increase over salaries is 8.6%, which is due to the fact that some vacancies had to be filled in order to sustain service delivery. The total salary package of the Council amounts to 27% of the total expenditure.

EXECUTIVE SUMMARY

SALARIES: 2011/2012

Description	Budget 2011/12	Revised 2010/11	-Decr/Incr
Basic Salaries	89,920,827	82,114,800	7,806,027
Housing Subsidy	1,017,600	808,140	209,460
Leave Bonus	7,214,334	5,741,234	1,473,100
Overtime	5,196,600	5,653,600	-457,000
Other	38,838,369	36,631,270	2,207,099
Total	142,187,730	130,949,044	11,238,686



General Expenses

Increased from R243 729 322 to an amount of R274 802 261. This represents an increase of 12.75% and includes expenditure with regard to: -

DESCRIPTION	FROM	TO	%
Bulk purchases Electricity	R 84 800 000	R 107 450 080	26.7%
Bulk purchases Water	R 51 485 148	R 58 126 732	12.9%
TOTAL	R136 285 148	R165 576 812	21.5%

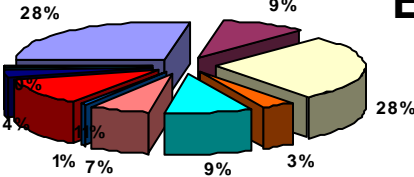
The Council has no control over the abovementioned expenditure, the increase amounting to R29 291 664 or 21.5%. These two (2) elements represent 60.2% of the General Expenses.

The growth in the expenditure is high and tariffs cannot be increased with the same percentage.

COMPARITIVE INCOME AND EXPENDITURE 2010/11 TO 2011/12

Description	Budget 2011/12	Revised 2010/11	-Decr/Incr	% - Decr/Incr
Employee/Councillors Related Costs	148,897,794	137,220,132	11,677,662	8.51
General Expenditure	45,295,613	44,246,184	1,049,429	2.37
Bulk Purchases	165,576,812	136,285,148	29,291,664	21.49
Expenditure - Financial Services	16,212,154	16,933,695	-721,541	(4.26)
Contracted Services	48,128,310	46,264,295	1,864,015	4.03
Repairs and Maintenance	43,533,400	32,586,734	10,946,666	33.59
Departmental Charges	4,335,537	3,802,066	533,472	14.03
Depreciation	59,815,033	55,742,998	4,072,035	7.31
Contributions to Provisions	19,120,000	17,365,000	1,755,000	10.11
Less: Amounts Charge Out	-1,871,981	-1,571,249	-300,732	19.14
Total: Expenditure	549,042,673	488,875,004	60,167,670	12.31
Assessment Rates	121,500,000	107,010,000	14,490,000	13.54
Electricity	134,469,754	109,429,203	25,040,551	22.88
Water	92,060,372	81,839,536	10,220,836	12.49
Refuse Removal	18,064,022	16,116,900	1,947,122	12.08
Sewerage	21,456,950	19,759,668	1,697,282	8.59
Tariff Charges	47,324,726	39,726,200	7,598,526	19.13
Government Grants and Subsidies	87,054,633	220,378,584	-133,323,951	(60.50)
Fines	11,020,000	11,018,000	2,000	0.02
Other Income	13,161,900	20,332,600	-7,170,700	(35.27)
Total: Operating Income Generated	546,112,357	625,610,691	-79,498,334	(12.71)
Income Foregone	25,000,000	22,000,000	3,000,000	13.64
Grand Total: Operating Income	521,112,357	603,610,691	-82,498,334	(13.67)
Minus: Offset in Dep.& Grants	27,939,052	-114,732,787	142,671,839	(124.35)
Closing Unappropriated Surplus/ (Deficit)	8,735	2,900	5,835	201.19

Expenditure 11/12

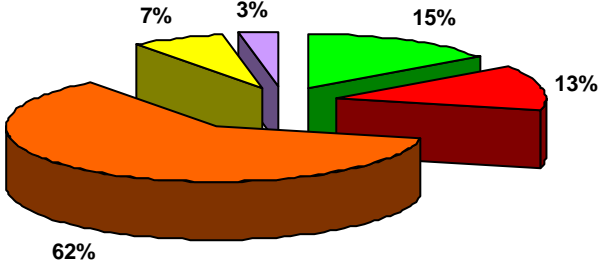


- Employee/Councillors Related Costs
- Bulk Purchases
- Contracted Services
- Departmental Charges
- Contributions to Provisions
- General Expenditure
- Expenditure - Financial Services
- Repairs and Maintenance
- Depreciation
- Less: Amounts Charge Out

Expenditure per department

Department	Amount
Management support services	83,558,101
Social Services	72,944,676
Engineering Services	335,409,254
Protection Services	40,444,177
Development & Planning	16,546,465
	548,902,673

Expenditure per department

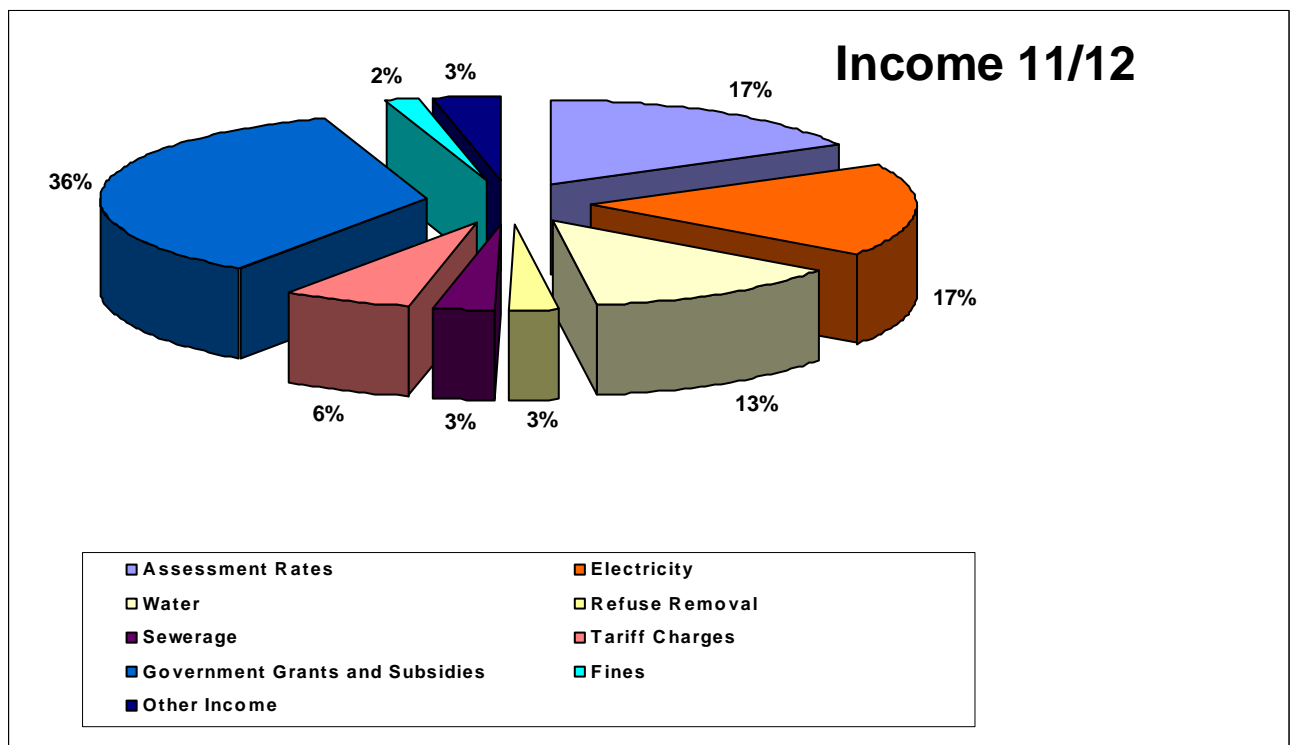


- Management support services
- Social Services
- Engineering Services
- Protection Services
- Development & Planning

Income

The operating income for 2011/2012 is budgeted at R521 112 357 thus leaving a surplus on the operating account of R8 735. Provision has been made to supply all households serviced by the Council with 6kl of water free of charge. The Income Budget has been compiled and based on a 100% income principle, although provision for bad debts has been provided for in the Operating Expenditure Budget for 2011/2012.

To cover the expenditure of the operating budget all the tariffs of the Council were investigated and where necessary increased. The increase in user levy charges amounted from R334 155 307 to R387 551 098 for 2011/2012 financial year. This constitutes an increase of 15.3%.



Examples of different accounts in the Midvaal Local Municipal area are as follow:

Golfpark

	2010/2011	2011/2012	% INCREASE
ASSESMENT RATES	360.38	418.74	16.20
BASIC WATER	30.00	32.00	6.67
WATER CONSUMPTION	279.94	316.34	13.00
BASIC ELECT	56.80	68.02	19.75
ELECT CONSUMPTION	743.50	958.16	22.23
BASIC SEWERAGE	59.00	62.00	5.08
ADD SEWERAGE	56.40	60.00	6.38
REFUSE	82.00	90.00	9.76
	1 668.02	2 005.26	17.35
VAT 14%	156.20	222.11	17.69
TOTAL PER MONTH	1 824.22	2 227.38	17.41

Sicelo

	2010/2011	2011/2012	% INCREASE
ASSESMENT RATES	0.00	0.00	0.00
BASIC WATER	30.00	32.00	6.67
WATER CONSUMPTION 10 kl	53.84	60.84	13.00
BASIC ELECT	56.80	68.02	19.75
ELECT CONSUMPTION 498 U			
BASIC SEWERAGE	59.00	62.00	5.08
ADD SEWERAGE	56.40	60.00	6.38
REFUSE	82.00	90.00	9.76
	338.04	372.86	10.31
VAT 14%	47.33	52.20	10.32
TOTAL PER MONTH	385.37	425.06	10.30

Meyerton Small Farms

	2010/2011	2011/2012	% INCREASE
ASSESMENT RATES	87.19	96.97	11.22
BASIC WATER	30.00	32.00	6.67
WATER CONSUMPTION 10 KI	53.84	60.84	13.00
BASIC ELECT	56.80	68.02	19.75
ELECT CONSUMP PRE PAID			
REFUSE	82.00	90.00	6.10
	309.83	347.83	12.22
VAT 14%	31.17	35.12	12.68
TOTAL PER MONTH	341.00	382.95	12.30

ALIGNMENT WITH AND ACHIEVEMENT OF NATIONAL, PROVINCIAL AND DISTRICT PRIORITIES

Following from the Situational Analysis and concluding SWOT Analysis as dealt with in this chapter, issues and concerns raised by the Midvaal community during the community consultation process, and the IDP IGR Lekgotla on the Sedibeng Region Priorities up to 2011, the Priority IDP Challenges and Key Issues for the Midvaal Area can be stated as follows:

- Economic Development.
- Ensure Sustainable Development Strategies.
- Improve provision for information.
- Skills Development.
- LED support and implementation.
- Integrated Land Use Management System.
- Implementation and monitor of a Performance Management System. (PMS).
- Environmental Management.
- Optimise tourism potential.
- Rural Development
- Poverty alleviation, particularly in rural areas.
- Service backlogs (water, sanitation, electricity, roads, stormwater, solid waste, cleansing) needs to be addressed.
- Upgrading and maintenance of roads and stormwater, electricity, water, sewer and purification networks.
- Improve access and linkages between towns, informal and rural settlements.
- Public transportation should be improved. Bus and taxi ranks must be upgraded and the railway line should be better utilised. Public facilities should be provided at bus stops, taxi ranks and stations.
- Improve solid waste management.
- Broaden Revenue Base.
- Ensure high level of payment for Services.
- Indigent provision.
- Access to land, housing and security of tenure.
- Access to social services and community centres.
- Building of new and upgrading of existing sport and recreation facilities.
- Improvement education facilities on all levels.
- Implementation of the HIV/AIDS plan.
- Crime prevention (Safety and Security).
- Construction of new and upgrading of existing educational facilities on all levels

The R59 pose a great potential in terms of development / job opportunities / and Local Economic Development, however the lack of engineering services limit development at this point in time, however the Midvaal Local Municipality has embarked on the formulation of a Development Strategic for the R59 Corridor in order to facilitate development alongside this corridor in a coordinated manner to ensure access to services.

4. ANNUAL BUDGET TABLES

INCLUDE TABLE A1 TO A10

5. **OVERVIEW OF ANNUAL BUDGET PROCESS**

Political oversight of the budget process

This section provides an overview of the Budget process and the 2011/2012 – 2013/2014 Multi-Year Operating and Capital Budgets and the linkage with the IDP.

The 2011/2012 – 2013/2014 Multi-Year Budget was assessed by the different departments with the intention to move towards a realistic activity based budget for the Municipality and to ensure that the budget is focusing on service delivery.

Departments were requested to clearly demonstrate how their budget addresses the following:

- Municipal priorities
- Alignment with the IDP
- Community Needs (Ward-based)
- Visible Delivery
- Political (MMC & Portfolio) Involvement

The key to strengthening the link between priorities and spending plans lies in enhancing political oversight of the budget process. Section 53(1)(a) of the MFMA states that the mayor of a municipality must provide political guidance over the budget process and priorities that must guide the preparation of the budget.

Political oversight of the budget process is essential to ensure that the political executive is responsible for policy and prioritisation.

Priorities are linked to departmental spending plans and the delivery of quality services.

As was the case with the 2010/2011 financial planning process, the Mayoral Committee had a significant role to play in the financial planning process. Strengthening the link between governments' priorities and spending plans is not an end in itself, but the goal should be enhanced service delivery aimed at improving the quality of life for all the people within the municipality boundaries.

Budgeting is primarily about the priorities and choices that the Municipality has to make in deciding how to meet the agreed set of policy objectives through better service delivery.

Political oversight of the budget process allows Government and in particular the Municipality to manage the tension between competing policy priorities and fiscal realities.

The key to strengthening the linkage between priorities and departmental plans lies in enhancing political oversight of the IDP and Budget process.

Schedule of key deadlines relating to the budget process

TIME SCHEDULE OF KEY DEADLINES: FY 2011 / 2012	
Month	Municipality <u>MIDVAAL LOCAL MUNICIPALITY</u>
	Mayor and Council Administration Budget Year <u>2011 / 2012</u>
July	<p>Mayor begins planning for next three-year budget in accordance with co-ordination role of budget process</p> <p style="text-align: center;">MFMA s 53</p> <p>Accounting officers and senior officials of municipality begin planning for next three-year budget</p> <p style="text-align: center;">MFMA s 68, 77</p> <p>Accounting officers and senior officials of municipality review options and contracts for service delivery</p> <p style="text-align: center;">MSA s 76-81</p> <p>Planning includes review of the previous years budget process and completion of the Budget Evaluation Checklist</p>
August	<p>Mayor tables in Council a time schedule outlining key deadlines for: preparing, tabling and approving the budget; reviewing the IDP (as per s 34 of MSA) and budget related policies and consultation processes at least 10 months before the start of the budget year.</p> <p style="text-align: center;">MFMA s 21,22, 23; MSA s 34, Ch 4 as amended</p> <p>Mayor establishes committees and consultation forums for the budget process</p>
September	<p>Council through the IDP review process determines strategic objectives for service delivery and development for next three-year budgets including review of provincial and national government sector and strategic plans</p> <p>Budget offices of municipality determine revenue projections and proposed rate and service charges and drafts initial allocations to functions and departments for the next financial year after taking into account strategic objectives</p> <p>Engages with Provincial and National sector departments on sector specific programmes for alignment with municipalities plans (schools, libraries, clinics, water, electricity, roads, etc)</p>
October	<p>Accounting officer does initial review of national policies and budget plans and potential price increases of bulk resources with function and department officials</p> <p style="text-align: center;">MFMA s 35, 36, 42; MTBPS</p>
November	<p>Accounting officer reviews and drafts initial changes to IDP</p> <p style="text-align: center;">MSA s 34</p>
January	<p>Accounting officer reviews proposed national and provincial allocations to municipality for incorporation into the draft budget for tabling. (Proposed national and provincial allocations for three years must be available by 20 January 2011)</p> <p style="text-align: center;">MFMA s 36</p>

<p>January</p>	<p>Accounting officer finalises and submits to Mayor proposed budgets and plans for next three-year budgets taking into account the recent mid-year review and any corrective measures proposed as part of the oversight report for the previous years audited financial statements and annual report</p> <p>Accounting officer to notify relevant municipalities of projected allocations for next three budget years 120 days prior to start of budget year MFMA s 37(2)</p>
<p>January</p>	<p>Accounting officer publishes tabled budget, plans, and proposed revisions to IDP, invites local community comment and submits to NT, PT and others as prescribed MFMA s 22 & 37; MSA Ch 4 as amended</p> <p>The Accounting officer will review any changes in prices for bulk resources MFMA s 42</p> <p>Mayor tables municipality draft budget, resolutions, plans, and proposed revisions to IDP at least 90 days before start of budget year MFMA s 16, 22, 23, 87; MSA s 34</p>
<p>April</p>	<p>Consultation with national and provincial treasuries and finalise sector plans for water, sanitation, electricity etc MFMA s 21</p> <p>Accounting officer assists the Mayor in revising budget documentation in accordance with consultative processes and taking into account the results from the third quarterly review of the current year</p>
<p>May</p>	<p>Public hearings on the budget, and council debate. Council considers views of the local community, NT, PT, other provincial and national organs of state and municipalities. Mayor to be provided with an opportunity to respond to submissions during consultation and table amendments for council consideration. Council to consider approval of budget and plans at least 30 days before start of budget year. MFMA s 23, 24; MSA Ch 4 as amended</p> <p>Accounting officer assists the Mayor in preparing the final budget documentation for consideration for approval at least 30 days before the start of the budget year taking into account consultative processes and any other new information of a material nature</p> <p>Council must approve annual 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 MFMA s 16, 24, 26, 53</p>
<p>June</p>	<p>Accounting officer submits to the mayor no later than 14 days after approval of the budget a draft of the SDBIP and annual performance agreements required by s 57(1)(b) of the MSA. MFMA s 69; MSA s 57</p> <p>Mayor must approve SDBIP within 28 days after approval of the budget and ensure that annual performance contracts are concluded in accordance with s 57(2) of the MSA. Mayor to ensure that the annual performance agreements are linked to the measurable performance objectives approved with the budget and SDBIP. The mayor submits the approved SDBIP and performance agreements to council, MEC for local government and makes public within 14 days after approval. MFMA s 53; MSA s 38-45, 57(2)</p> <p>Accounting officers of municipality and entities publishes adopted budget and plans MFMA s 75, 87</p>

	Council must finalise a system of delegations. MFMA s 59, 79, 82; MSA s 59-65
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The tabling of the draft budget in Council on 27 January 2011 were followed by publication of the budget documentation and various community consultation and community consultative meetings. Ward committees, residents, community organisations and other stakeholder formations will be invited to make representations and submissions on the draft budget.

Activity and Purpose	Participants
Special Council Meeting	Executive mayor tables budget (pre-community consultation) to Council
Draft Budget	Made available on the municipality's website, municipal offices and notice placed in all major newspapers informing members of the public about the draft budget and inviting written submissions/representations.
Budget discussions	Ward committees/Stakeholders.
Community consultation	To present and discuss the draft budget proposals and receive inputs/ submissions
Closing of Submissions	Submissions to close on 8 May 2010.
Special Council Meeting	Executive Mayor delivers budget speech and submits final budget to Council for consideration and approval.

Process used to integrate the review of the IDP & preparation of the budget.

The pre-community consultation budget will be published and various community consultation and community consultative meetings will be held to obtain representations and submissions. In terms of Section 16 read with Section 17 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) and in conjunction with the MFMA, ward committees, residents, community organizations and other stakeholder formations, will be invited to participate in the Council's budget process.

The pre-community consultation budget will be made available on the municipality's website, and hardcopies, will be made available on municipal notice boards and the various libraries.

Process for consultations with each group of stakeholders and outcomes.

Notices will be published in the major local newspapers, such as the Vaal Ster, Meyerton Ster, Sowetan and Beeld inviting the public to participate in the budget process. Notices will also be put in libraries and different pay points.

Process to record and integrate inputs from the community

After consideration of all budget submissions the Executive Mayor must be given the opportunity to respond, if necessary revise the budget and table amendments for consideration. To ensure that all community inputs are recorded and integrated, throughout the consultation period, a system were initiated to ensure that:

1. All written submissions were required to be directed to the CFO, who would maintain a record of lodgments and direct submissions to the appropriate department for comment and recommendation.
2. All verbal questions at community consultation meetings would be recorded, together with the answer provided at the meeting or referred by the CFO or representative to the appropriate department for comment and recommendation.
3. Where possible, the submissions and presentations received during the community consultation process and additional information regarding revenue and expenditure will be addressed before tabling of the final budget.

Statistics relevant to the process (submissions, attendance at forums etc.)

Statistics will be kept during the consultation process. The process of consultation will without a doubt add to the building of a working community in the ongoing struggle to develop and create a prosperous community.

The common areas observed by both politicians and officials and the issues catered for in the reviewed budget will be noted in the final documentation.

On completion of all community consultation proceedings the Chief Financial Officer will prepare a report for the Executive Mayor, summarising the representations received and indicating what action, if any, has been taken as a consequence of the representations.

All documents in the appropriate format (electronic and printed) will be provided to Provincial Treasury and National Treasury in accordance with the MFMA, and their views and inputs sought.

After the Budget is approved by Council, the Executive Mayor and/or senior officials will inform the community of the outcome thereof by means of publicity in the local newspapers and on the Council's website.

Key stakeholders involved in consultations

Rand Water

In terms of the MFMA, Rand Water has to provide the proposed tariff to National Treasury and SALGA to afford both institutions a period of 40 days for their consideration of the proposed tariff increase.

Rand Water informed its municipal customers in December 2010 that the bulk potable tariff will increase by 12.9% from 1 July 2011, which is within the National Treasury guidelines and will be acceptable to the municipalities.

Eskom

In accordance with MFMA (section 42) Eskom submitted a proposed a bulk electricity price amendment to SALGA. The increase in tariffs amounted to 28% from 1 July 2011.

Provincial Treasury

Provincial Treasury will analyse and evaluate the draft budget and give their inputs to the Mayoral Committee. Comments received from them will be included if necessary.

National Treasury

A copy of the draft budget will be submitted to National Treasury for any comments which will be included in the final budget.

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

This section provides a good understanding of what is contained in the IDP and how that guides the allocations in the budget. The budget documentation provides a good high-level overview of the IDP and reference is being made to the detailed IDP documentation. The following information obtained from the IDP is included in the budget document for ease of reference:

Vision

The Midvaal Municipal area, as the southern growth point of Gauteng, will be the renowned centre for residential settlement, tourism, agriculture, business, industry and commerce. We strive to enhance and sustain the quality of life in our urban and rural areas.

Mission

The vision is under-pinned by the following principles:

Sustainable growth and development, a special focus on rural areas
Quality, affordable services
Financial and fiscal discipline
Transformation and integration
Accountable and transparent local government
Recognition of the diversity of our communities
Respect for the fundamental rights of every person
Equity
Focus on economical growth and asset management
Safe and secure living environments
Maintenance of open spaces and natural assets

The Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), requires adoption of a single, inclusive and strategic plan for the development of the municipality, as well as conducting an annual review. The MFMA requires any proposed amendments, as a consequence of the annual review, to be included within the medium term budget.

The IDP and the budgets are annually discussed with the community and the community leaders are invited to fully participate right through the process. The IDP is reviewed on an annual basis and is tabled on the council's meetings annually.

The key elements of the IDP review include the further elaboration of the followings:

Midvaal's key priorities are: -

- Economic development;
- Ensure sustainable development strategies;
- Improve provision of information;
- Skills development;
- LED support and implementation;

- Integrated Land Use Management System;
- Re- alignment of the Urban Edge;
- Implementation and monitor of a Performance Management System;
- Environmental Management;
- Optimise tourism potential;
- Rural development;
- Poverty Alleviation, particularly in rural areas;
- Service backlogs;
- Upgrading and maintenance of roads and storm water, electricity, water, sewer and purification networks;
- Improve access and linkages between towns, informal and rural settlements;
- Public transportation should be improved;
- Improve solid waste management;
- Broaden revenue base;
- Ensure high level of payment for services;
- Indigent provision;
- Access to social services and community centres;
- Building of new and upgrading of existing sport and recreation facilities;
- Improvement of education facilities o all levels;
- Implementation of the HIV/AIDS plan;
- Crime prevention;
- Water and electricity loss management;
- Extension of Engineering Services to unserved areas, and
- Upgrading and extension of bulk Engineering Services in support and in line with new developments.

The Midvaal IDP was prepared in terms of the provisions of chapter 4 of the Municipal Systems Act, (Act NO. 32 of 2000) and Municipal Financial Management Act (MFMA, 2003).

During the formulation of the IDP, the formulation process was prescribed in the Department of Provincial and Local Government's 'IDP Guide Pack' and an extensive public participation process will be followed.

All the councillors and most of the officials were involved in the formulation process. Thus the performance of the councillors will be measured against the achievements made through the IDP.

7. MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

Refer to Table SA7.

Drinking water quality and waste water management

The name of the Water Services Authority is Midvaal Local Municipality. Approximately 90% of the piped water is supplied by Rand Water to the Midvaal water network. The remaining 10% is bought directly from Department of Water Affairs and is abstracted from the Vaal Dam. The purification of the latter is done by a private contractor, Vaal Marina Construction.

Waste water is currently treated at three waste water treatment works namely the Meyerton Works, which is the largest, as well as Vaal Marina and Ohenimuri Works. The Meyerton works is operated by Midvaal personnel, Vaal Marina works by a private contractor namely Vaal Marina Construction and Ohenimuri is operated by a contractor, Gelert.

As far as the Blue Drop score is concerned Midvaal was awarded a score of 76,25% for Meyerton/ Rand Water and 46,88% for Vaal Marina. The Microbial and Chemical drinking water quality portion of the score was 99,99% for both works which indicates excellent drinking quality.

As far as the Green Drop score is concerned, the official results for 2010 is not out yet. The Meyerton works is however operating over its capacity, which will mean that not more than an average score can be expected.

Midvaal is currently starting to develop a Water Safety Plan. Although the draft will be developed in house, inputs from Consultants will be invited when required.

In summary the main problems experienced with sewer treatment relates to the fact that the Meyerton Works is running over capacity. Plans are however under way to expand the works. A lot of the equipment is also very old and need a lot of attention and funds. For the last year or two, suitably qualified personnel were not available to operate the Meyerton works. Fortunately new appointments were done in January which should minimise the problem.

Some of the problems relating to the Blue and Green Drop scores relate to proper documentation, plans and maintenance issues which can be addressed without spending too large amounts.

The preliminary cost for upgrading the Meyerton Waste water care works is in the region of R175 million. This is quite a large amount to be absorbed in the Midvaal budget, seeing that the MIG allocation is around R20 million per year. It is however hoped that DWA will make a contribution. The project will have to be phased in over a few years.

8. OVERVIEW OF BUDGET-RELATED POLICIES

Proper budgets are prepared in accordance with approved policies. A budget-related policy is a municipal policy affecting or affected by the annual budget of the municipality. These policies are necessary for effective financial management and the achievement of priorities and strategic goals of the community. The budget-related policies are reviewed annually during the budget preparation process.

- 8.1 Tariff Policy
- 8.2 Credit Control Policy
- 8.3 Credit Control & Debt Collection By-Laws
- 8.4 Indigent Policy
- 8.5 Supply Chain Management Policy
- 8.6 Investment Policy
- 8.7 Rates Policy
- 8.8 Fixed Asset Management Policy
- 8.9 Borrowing Policy
- 8.10 Budget - Funding, Reserve and Virement Policy

The above-mentioned approved policies are attached to the budget documentation as Annexure C.

9. OVERVIEW OF BUDGET ASSUMPTIONS

Budget assumptions are determined in advance of the budget process to allow budgets to be constructed to support the achievement of the longer-term financial and strategic targets.

The municipal fiscal environment is influenced by a variety of macro-economic control measures. National Treasury provides guidelines in terms of the inflation, whilst the National Electricity Regulator of South Africa (NERSA) regulates electricity tariff increases and DWAF regulates water tariff increases. Various government departments also affect municipal service delivery through the level of grants and subsidies.

The following principles and guidelines directly informed the compilation of the budget:

- The priorities and targets in relation to the key strategic focus areas as determined in the IDP.
- The level of property rates and tariff increases to take into account the need to address maintenance and infrastructural backlogs, including expansion of services.
- An assessment of the relative capacity to implement the budget.
- The need to enhance the municipality's revenue base.

The budget is therefore underpinned by the following assumptions:

FINANCIAL TARGETS

	2009/10	2010/11	2011/12
Income	%	%	%
Rates and Taxes	8.31	9.00	8.25
Basic Water	4.59	3.75	4.00
Basic Sewerage	2.18	6.50	7.00
Additional Sewerage	2.97	7.39	7.50
Refuse	4.40	5.30	6.80
Refuse special	7.00	6.00	9.76
Basic Electricity	8.58	15.60	11.50
Water Sales	16.00	15.10	15.00
Electricity Sales	28.00	22.00	25.00
Prepaid Electricity	28.00	22.00	25.00
TOTAL	15.20	14.18	11.68
Expenditure			
Total Expenditure Increase allowed (excluding repairs and maintenance)	6.00	6.00	6.00
Salary Increase	13.00	8.00	8.51
Increase in repairs and maintenance	6.00	6.00	33.59
Increase in bulk purchase of power costs	19.90	25.00	21.49

The municipality must include financially viable infrastructure projects in their framework to lure investors to their demographic space. This will increase both the economic growth and the municipalities own funds. It should therefore be crucial to consider the impact on the budget regarding repairs and maintenance.

Electricity price increases have a huge impact on the 2011/2012 budget. Bulk purchases will increase with \pm 26.7%. Water price increases followed with a 12.9% increase for the 2011/2012 financial year.

The salary expenditure forms a large part of the budget. The increase will be 8% which was adopted by SALGA the previous financial year. This amounts to R148 897 794 out of a total expenditure budget of R569 042 673 – 27 %

The impact of inflation also needs to be kept in mind.

10. OVERVIEW OF BUDGET FUNDING

Fiscal Overview

Financial Performance

The municipality's financial performance and position appears to be sound for the following reasons:

Budgets are balanced, being funded from the current financial year's revenues. The municipality operates within its annual budget, as approved by Council.

The municipality maintains a positive investments position.

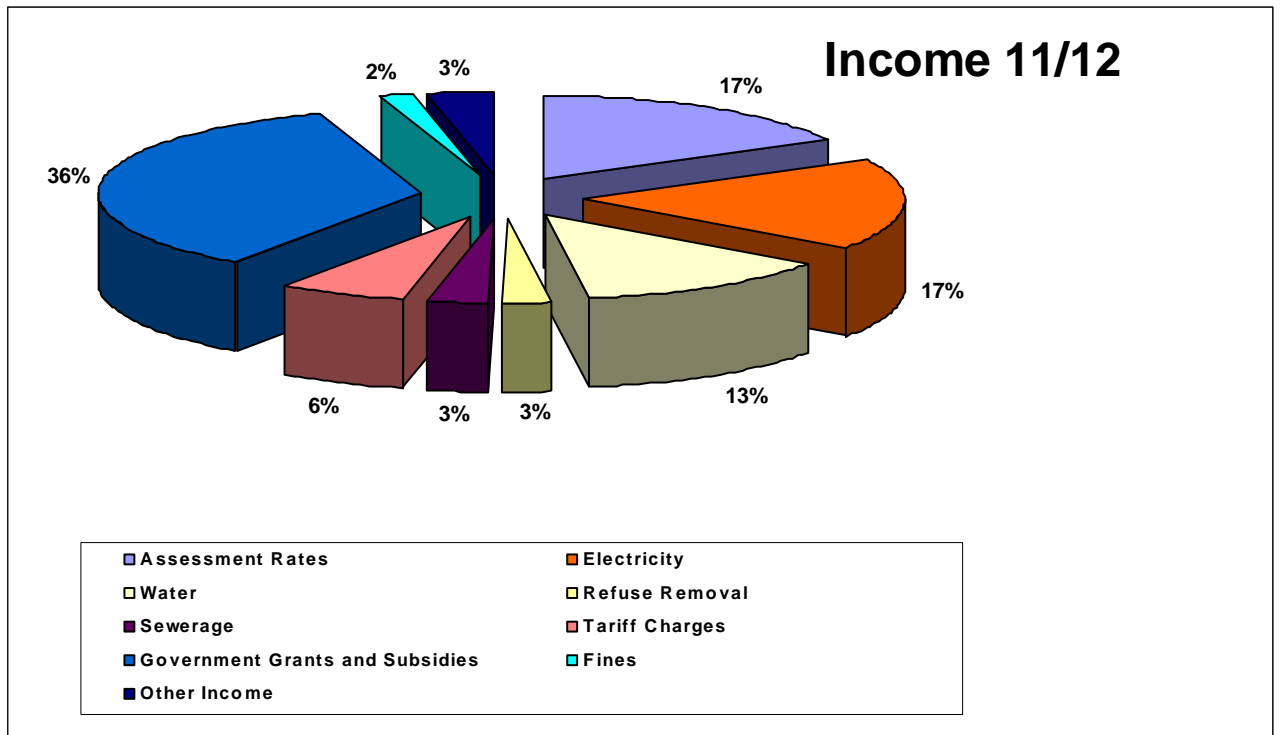
Consistently high revenue collection rates being achieved.

Midvaal Local reviewed all tariffs and also took into account tariffs of neighboring Councils. Rates and taxes remains the main source of revenue for the Council.

Income

The operating income for 2011/2012 is estimated at R511 112 352 thus leaving a surplus on the operating account of R8 735. Provision has been made to supply all households serviced by the Council with 6kl of water free of charge. The Income Budget has been compiled and based on a 100% income principle, although provision for bad debts has been provided for in the Operating Expenditure Budget for 2011/2012.

To cover the expenditure of the operating budget all the tariffs of the Council were investigated and where necessary increased. The increase in income from R462 452 780 budgeted for the 2010/2011 period to R521 112 357 budgeted for the 2011/2012 financial year is 12.8%.

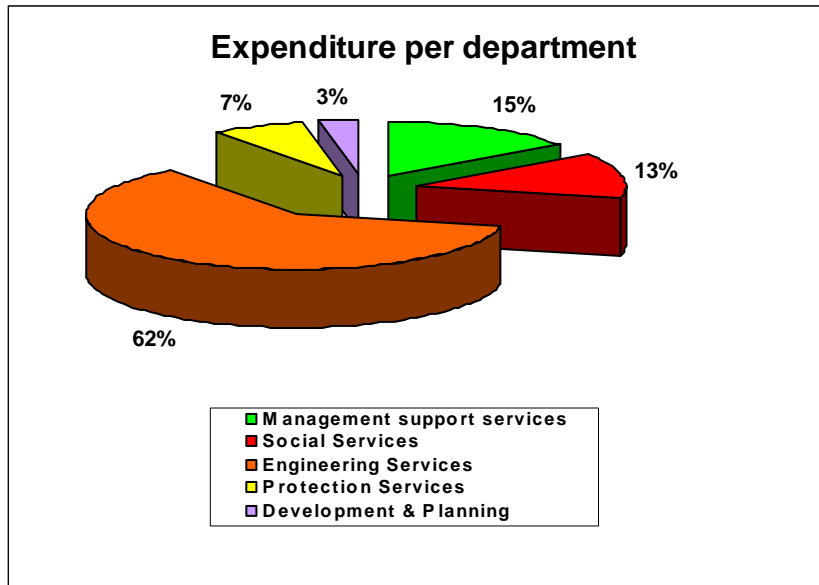


Expenditure

The operating expenditure budget for 2011/2012 amounts to R549 042 673 as compared to the previous revised budget of R488 875 004 in the 2010/2011 financial year. This represents an increase of 12.3%.

To keep the budget within the income of the council, many requests of the Executive Directors could not be budgeted for, because the council cannot allow tariff increases to be too high. Council revised its tariffs to be in line with surrounding municipalities.

The main sections of the expenditure in the operating budget are the following: -



Expenditure per department

Department	Amount
Management support services	83,558,101
Social Services	72,944,676
Engineering Services	335,409,254
Protection Services	40,444,177
Development & Planning	16,546,465
	548,902,673

The growth in the expenditure budget is mainly attributed to:

- Increased spending to addressing maintenance backlogs in infrastructure
- Increased spending on employee related costs
- Increased spending attributable to bulk purchasing costs for electricity and water and
- Increased servicing cost relating to borrowing.

Ongoing issues requiring monitoring and evaluation

The municipality is closely monitoring certain issues that could have a significant financial impact on future budgets. If one or more of them require substantial resources beyond what is included in the mid-term budget, the municipality will have to adjust its spending plans to maintain its financial position. Many of the items listed below could have major and permanent impacts on the operating budget, and would therefore require permanent

increases in revenue, or commensurate reductions other services. Consequently, they should carefully monitored and evaluated:

- Maintenance backlogs in respect of Council's assets – adequacy of budgetary provisions;
- Maintenance of current collection rates
- Effectiveness of debt collection

Budget summary

The aim of the Budget Summary is to provide a concise overview of the proposed budget from all of the major financial perspectives (operating expenditure, capital expenditure, financial position and cash flow as well MFMA funding compliance). The table provides a snapshot view of the amounts to be approved by Council within the context of operating performance, resources utilised for capital expenditure, financial position, cash and funding compliance.

Taking the aforementioned budget strategy, assumptions and principles into consideration the 2011/2012 to 2013/2014 budget was arrived at as follows:

Refer to Schedule A1 Table A1: Budget Summary

11. MUNICIPAL MANAGER'S CERTIFICATION

QUALITY CERTIFICATE

I, ASA DE KLERK, Municipal Manager of MIDVAAL 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.

ASA DE KLERK

MUNICIPAL MANAGER OF MIDVAAL LOCAL MUNICIPALITY – GT 422

Signature

Date

16. ANNUAL BUDGET AND SERVICE DELIVERY IMPLEMENTATION PLANS (SDBIP)

In terms of Section 53(1)(c)(ii) of the Municipal Finance Management Act (MFMA), the mayor must take all reasonable steps to ensure that the municipality's service delivery and budget implementation plan (SDBIP) is approved by the Mayor within 28 days after the approval of the budget.

The Mayor must also ensure that the revenue and expenditure projections for each month and the service delivery targets and performance indicators for each quarter, as set out in the SDBIP, are made public no later than 14 days after the approval of the SDBIP.

Midvaal Local Municipality's SDBIP for the 2011/12 financial year will therefore be approved by the Mayor 28 days after the approval of the 2011/12 Annual Budget.

19. LEGISLATION COMPLIANCE STATUS

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 complying with all aspects of the implementation priorities as per National Treasury implementation and monitoring checklist. The checklist is updated quarterly and submitted to National Treasury.

MFMA returns

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