

# George Municipality

## Budget 2010/11 to 2012/13

Medium Term Revenue and  
Expenditure Framework

**31 May 2010**



## **Table of Contents**

Table of Contents.....	2
Glossary.....	3
Section 1 - Mayoral Budget Speech.....	5
Section 2 - Budget Related Resolutions.....	6
Section 3 - Budget Overview.....	7
Annexure 1 - National Treasury Budget & Reporting Regulations.....	13
Annexure 2 - Rates and tariffs 2010/11.....	52
Annexure 3 - Measurable Performance Objectives .....	53
Annexure 4 - Disclosure on implementation of the MFMA & other applicable legislation .....	80
Annexure 5 - Budget 2010/11 to 2012/13; Supporting Information .....	90
Annexure 6 - Summary of Key Issues MFMA Circular No 51.....	102
Annexure 7 - Budget Related Policies.....	105
Annexure 8 - Moody's credit rating report for George Municipality .....	106
Annexure 9 - Municipality Detailed Capital Plan .....	107
Annexure 10 - LGMTEC 3 Report .....	108
Annexure 11 - Mid Year Assessment Report from NT.....	109
Annexure 12 - Service Delivery and Budget Implementation Plan.....	110

## Glossary

<p><b>Adjustments Budget</b> – Prescribed in section 28 of the MFMA. The formal means by which a municipality may revise its annual budget during the year.</p>
<p><b>Allocations</b> – Money received from Provincial or National Government or other municipalities.</p>
<p><b>Budget</b> – The financial plan of the Municipality.</p>
<p><b>Budget Related Policy</b> – Policy of a municipality affecting or affected by the budget, such as the tariffs policy, rates policy and credit control and debt collection policy.</p>
<p><b>Capital Expenditure</b> - Spending on assets such as land, buildings and machinery. Any capital expenditure must be reflected as an asset on the Municipality's balance sheet.</p>
<p><b>Cash flow statement</b> – A statement showing when actual cash will be received and spent by the Municipality. Cash payments do not always coincide with budgeted expenditure timings. For example, when an invoice is received by the Municipality it scores as expenditure in the month it is received, even though it may not be paid in the same period.</p>
<p><b>DORA</b> – Division of Revenue Act. Annual piece of legislation that shows the amount of allocations from national to local government.</p>
<p><b>Equitable Share</b> – A general grant paid to municipalities. It is predominantly targeted to help with free basic services.</p>
<p><b>Fruitless and wasteful expenditure</b> – Expenditure that was made in vain and would have been avoided had reasonable care been exercised.</p>
<p><b>GFS</b> – Government Finance Statistics. An internationally recognised classification system that facilitates like for like comparison between municipalities.</p>
<p><b>GRAP</b> – Generally Recognised Accounting Practice. The new standard for municipal accounting.</p>
<p><b>IDP</b> – Integrated Development Plan. The main strategic planning document of the Municipality</p>

<p><b>KPI's</b> – Key Performance Indicators. Measures of service output and/or outcome.</p>
<p><b>MFMA</b> – The Municipal Finance Management Act – no 53 of 2003. The principle piece of legislation relating to municipal financial management.</p>
<p><b>MTREF</b> – Medium Term Revenue and Expenditure Framework. A medium term financial plan, usually 3 years, based on a fixed first year and indicative further two years budget allocations. Also includes details of the previous and current years' financial position.</p>
<p><b>Operating Expenditure</b> – Spending on the day to day expenses of the Municipality such as salaries and wages.</p>
<p><b>Rates</b> – Local Government taxation based on an assessed value of a property. To determine the rates payable, the assessed rateable value is multiplied by the rate in the rand.</p>
<p><b>SDBIP</b> – Service Delivery and Budget Implementation Plan. A detailed plan comprising quarterly performance targets and monthly budget estimates.</p>
<p><b>Strategic Objectives</b> – The main priorities of the Municipality as set out in the IDP. Budgeted spending must contribute towards the achievement of the strategic objectives.</p>
<p><b>Unauthorised expenditure</b> – Generally, spending without, or in excess of, an approved budget.</p>
<p><b>Virement</b> – A transfer of budget.</p>
<p><b>Virement Policy</b> - The policy that sets out the rules for budget transfers. Virements are normally allowed within a vote. Transfers between votes must be agreed by Council through an Adjustments Budget.</p>
<p><b>Vote</b> – One of the main segments into which a budget is divided, usually at directorate / department level.</p>

## **Section 1 - Mayoral Budget Speech**

The budget speech is included as a separate document.

**M. Draghoender**  
**Executive Mayor**

## Section 2 - Budget Related Resolutions

George Municipality

MTREF 2010/11 – 2012/13

- (a) that the following policies be approved:
  - (i) Customer care, credit control and debt collection;
  - (ii) Indigent policy;
  - (iii) Tariff policy;
  - (iv) Property rates policy.
  
- (b) that the draft annual budget of the municipality for the financial year 2010/11; and indicative for the two projected outer years 2011/12 and 2012/13 be approved as set-out:
  - (i) Capital expenditure by project; (annexure "B" to the agenda)
  - (ii) Capital funding by source. (annexure "B" to the agenda)
  - (iii) Operating revenue by source; (annexure "C" to the agenda)
  - (iv) Operating expenditure by vote; (annexure "C" to the agenda)
  
- (c) that property rates as reflected in the report be imposed for the budget year 2010/11;
  
- (d) that tariffs and services charges be reflected in the formal tariff list and approved for the budget year 2010/11;
  
- (e) that the measurable performance objectives for revenue from each source be approved for the budget year 2010/11;
  
- (f) that the measurable performance objectives for each vote reflected be approved for the budget year 2010/11;
  
- (g) that a process to ensure the availability of capital funding, both internal and external funding, prior to the commencement of any new capital project, be introduced;
  
- (h) that the draft annual budget of the municipality for the financial year 2010/11; and indicative for the two projected outer years 2011/12 and 2012/13 as outlined in the formal documentation to be submitted to National Treasury be approved as set-out.

## **Section 3 – Budget Overview**

### **Introduction**

This section provides an overview of the George Municipality's 2010/11 to 2012/13 Budget and Medium Term Revenue and Expenditure Framework. It includes an assessment of how the budget links with the national and provincial government contexts along with a review of the fiscal position of George Municipality.

### **The National, Provincial and District Context**

The Municipality's budget must be seen within the context of the policies and financial priorities of national, provincial and district government. In essence, the spheres of Government are partners in meeting the service delivery challenges faced in George. George alone cannot meet these challenges. It requires support from the

other spheres of Government through the direct allocation of resources as well as the achievement of their own policies. A perfect example of this is the drought relief grant received from National Treasury.

*The National Context*

South Africa has achieved considerable success in achieving macroeconomic stability; however, the economy is still plagued with high levels of unemployment and poverty.

According to Circular No 51, the following headline forecasts underpin the national 2010 Budget:

<b>Fiscal Year</b>	<b>2008/09 Actual</b>	<b>2009/10 Estimate</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>
Headline CPI Inflation	9.9%	6.7%	5.7%	6.2%	5.9%

The following table shows the allocations to local government in the MTEF period;

**Local government allocations 2010/11 – 2012/13**

<b>R million</b>	<b>Medium Term Estimates</b>		
	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>
<b>National Grants</b>	<b>176 532</b>	<b>132 008</b>	<b>135 448</b>
Equitable share	58 296	66 591	73 701
Infrastructure (MIG)	23 345	28 077	34 139
Electrification Programme	2 000	5 000	3 858
Financial Management (FMG)	1 000	1 250	1 250
Municipal Systems Improvement	750	790	800
Electricity Demand Side Management Grant	6 000	8 000	
Expanded Public Works Programme	2 141		
Incentive Grant			
Municipal Drought Relief Grant	75 000		



Regional Bulk Infrastructure Grant	8 000	22 300	21 700
<b>Provincial Grants</b>	<b>48 376</b>	<b>48 889</b>	<b>45 693</b>
Integrated Housing & Human Settlement & Development Grant	40 449	46 858	44 794
Library Services	1 046	1 100	
Mobility Strategies	6 000		
Community Development Worker Operational Support Grant	100	104	108
Integrated Transport Planning	396	827	791
Maintenance of Proclaimed Roads	325		
Cleanest Town Competition	60		
<b>Total Allocations</b>	<b>224 908</b>	<b>180 897</b>	<b>181 141</b>

In addition to the transfers, the Provincial Treasury also publishes the distribution of Provincial payments by the location of provincial payment agencies operating in the Province.

### **National Treasury Budget Circulars**

Each year, National Treasury issues a circular to municipalities advising them of the budget parameters within which municipalities should work when preparing their budgets. Circular No 51 was issued in February 2010 and an Annexure to the circular is attached to this document as Annexure 6.

The growth parameters apply to tariff increases for property rates, user and other charges raised by municipalities and municipal entities, to ensure that all spheres of government support the national macro economic policies, unless it can be shown that external factors impact otherwise.

National Treasury has also set out the requirements for funding the budget and producing a credible budget.

### **Funding the Budget**

Section 18(1) of the MFMA states that an annual budget may only be funded from:

- ☛ Realistically anticipated revenues to be collected;
- ☛ Cash backed accumulated funds from previous years' surpluses not committed for other purposes; and
- ☛ Borrowed funds, but only for the capital budget referred to in section 17.

Achievement of this requirement in totality effectively means that a Council has 'balanced' its budget by ensuring that budgeted outflows will be offset by a combination of planned inflows.

Under old budget formats a 'balanced' income generated approach was a key objective and this assisted in ensuring that outflows were matched by inflows, provided revenue collections were realistic. However, GRAP compliant budgets necessitate that budget 'balancing' be much more comprehensive.

New budgeting and accounting formats demand that the budgeted Statement of Financial Performance (Income Statement), the Budgeted Statement of Financial Position (Balance Sheet) and the Budgeted Statement of Cash Flows must be considered simultaneously to ensure effective financial management and sustainability.

### **A Credible Budget**

Amongst other things, a credible budget is a budget that:

- ☛ Funds only activities consistent with the revised IDP and vice versa ensuring the IDP is realistically achievable given the financial constraints of the municipality;
- ☛ Is achievable in terms of agreed service delivery and performance targets;
- ☛ Contains revenue and expenditure projections that are consistent with current and past performance and supported by documented evidence of future assumptions;
- ☛ Does not jeopardise the financial viability of the municipality (ensures that the financial position is maintained within generally accepted prudential limits and that obligations can be met in the short, medium and long term); and
- ☛ Provides managers with appropriate levels of delegation sufficient to meet their financial management responsibilities.

A budget sets out certain service delivery levels and associated financial implications. Therefore the community should realistically expect to receive these promised service delivery levels and understand the associated financial implications. Major under spending due to under collection of revenue or poor planning is a clear example of a budget that is not credible and unrealistic.

Furthermore, budgets tabled for consultation at least 90 days prior to the start of the budget year should already be credible and fairly close to the final approved budget.

### **Fiscal Overview of George Municipality**

During the LGMTEC 3 visit an overview of the municipality was

*" George Municipality is a high capacity category B municipality located within Eden District. The Municipality has 20 municipal areas and a geographic spread of 1 068 km2 strategically located halfway between two major metros, City of Cape Town and Nelson Mandela linked by major road networks. The major economic sectors in George during 2008 included Finance, Insurance and Business Services (24.4%), Wholesale and retail trade and catering & accommodation (19.1%) and Manufacturing (13.8%). A growing sector is Construction with a 7.7 per cent growth between 1998 and 2008."* The full assessment report is attached to this report as Annexure 10.

The financial challenges facing George are considerable, particularly in terms of the infrastructure needs of the town. Meeting these challenges has to be balanced with keeping rates and tariffs affordable. This is a difficult balancing act and the Municipality will need to embark on a long-term financial strategy linked to the George IDP that will explore all options for meeting these financial challenges.

The 2008/09 financial statements were prepared under the new GRAP standards. The Municipality has received a qualified audit opinion with emphasis of matter highlighting other matters. With that in mind the municipality has embarked on strategies for a clean audit report for 2009/10 financial year and those strategies are being implemented.

As required by section 71 of the MFMA, the Municipality has strengthened its in year monitoring processes to include monthly meetings with finance portfolio councillor, municipal manager, senior managers and the budget office and regular monthly reporting to the Mayor. Quarterly monitoring of performance indicators also takes place. This regular monitoring allows for interventions and corrective action to be taken should it prove necessary.

### **Budget 2009/10 – Mid Year Review and adjustment budget**

As required by Section 72 of the MFMA, the Municipality undertook a mid-year budget and performance assessment in January 2010.

An analysis by National Treasury during the Mid year assessment visit in January 2010 was that:

*"The Municipality has been facing several technical and financial challenges over the past year. The major challenge at present is the ongoing drought in George. It is estimated to be the most severe drought in 150-200 years, which has left the Municipality's main source of water, the Garden Route Dam, at approximately 21 per cent of full capacity. This is a great concern for the Municipality which estimates that the present water will only last until June 2010 if no substantial rains relieve the problem. The City embarked on a major water saving*

*campaign, which has resulted in a 30% reduction in water usage.”* The full assessment report is attached to this report as Annexure 11.

The review’s outcome was the requirement to produce an adjustment budget to provide for revised projections of capital and operating expenditure and operating income. As stipulated in the Government Gazette No 32141 for municipal budget and reporting regulations that there should be only one adjustment budget in a financial year and that should be after the mid-year budget and performance assessment of the municipality has been tabled to council and taken into consideration.

The municipality’s adjustment budget was tabled to council in February 2010. The municipality approved an adjustment budget in December 2009 for the emergency effluent re-use project, due to severe drought experienced by George.

The following table shows the original and adjustment budget for 2009/10.

<b>R’000</b>	<b>Original Budget 2009/10</b>	<b>MYR Adjusted Budget 2009/10</b>	<b>Difference</b>
Capital	R249 080	R280 472	R31 392
Operating Income	R798 115	R932 701	R134 586
Operating Expenditure	R798 041	R932 607	R134 566

The 2009/10 adjustment budget was taken into account in the preparation of the 2010/11 MTREF. In particular, the capital budget must be set at a level that is realistic in terms of the capacity to deliver.

### **Budget 2010/11**

The budget process in George followed the requirements of the MFMA.

A Table of key deadlines was prepared for tabling in Council by the Mayor prior to the end of August 2009.

A Budget Committee was established to examine, review and prioritise budget proposals from departments.

The Draft budget was tabled on 31 March 2010.

The final budget has to be approved by Council by the end of May 2010.

The Municipality’s budget is again prepared on a 3 year basis. This takes into account the national and provincial 3 year allocations to the Municipality. It is necessary to plan and budget on a 3 year basis to take account of resource constraints and also capacity

constraints on service delivery. The MFMA requires municipalities to prepare 3 year budgets to ensure more thorough financial planning and provide for seamless service delivery.

Over the 3 year period, the Municipality is planning to spend R417m on capital investment for the infrastructure needs of the town. In 2010/11 the capital budget is R146.9m.

Operating expenditure in 2010/11 is budgeted at R904m.

The MFMA requires municipalities to set out measurable performance objectives when tabling their budgets. These “key deliverables” link the financial inputs of the budget to service delivery on the ground. See Annexure 3 attached to this report.

As a further enhancement to this, quarterly service targets and monthly financial targets are contained in the Service Delivery and Budget Implementation Plan (SDBIP). This must be approved by the Mayor within 28 days after the approval of the final budget and forms the basis for the Municipality’s in year monitoring. George has prepared and is using an SDBIP in 2009/10 and will enhance the process through further verification of the veracity of the performance data in 2010/11. See Annexure 12 for the draft SDBIP.

## **Annexure 1 – National Treasury Budget and Reporting Regulations**

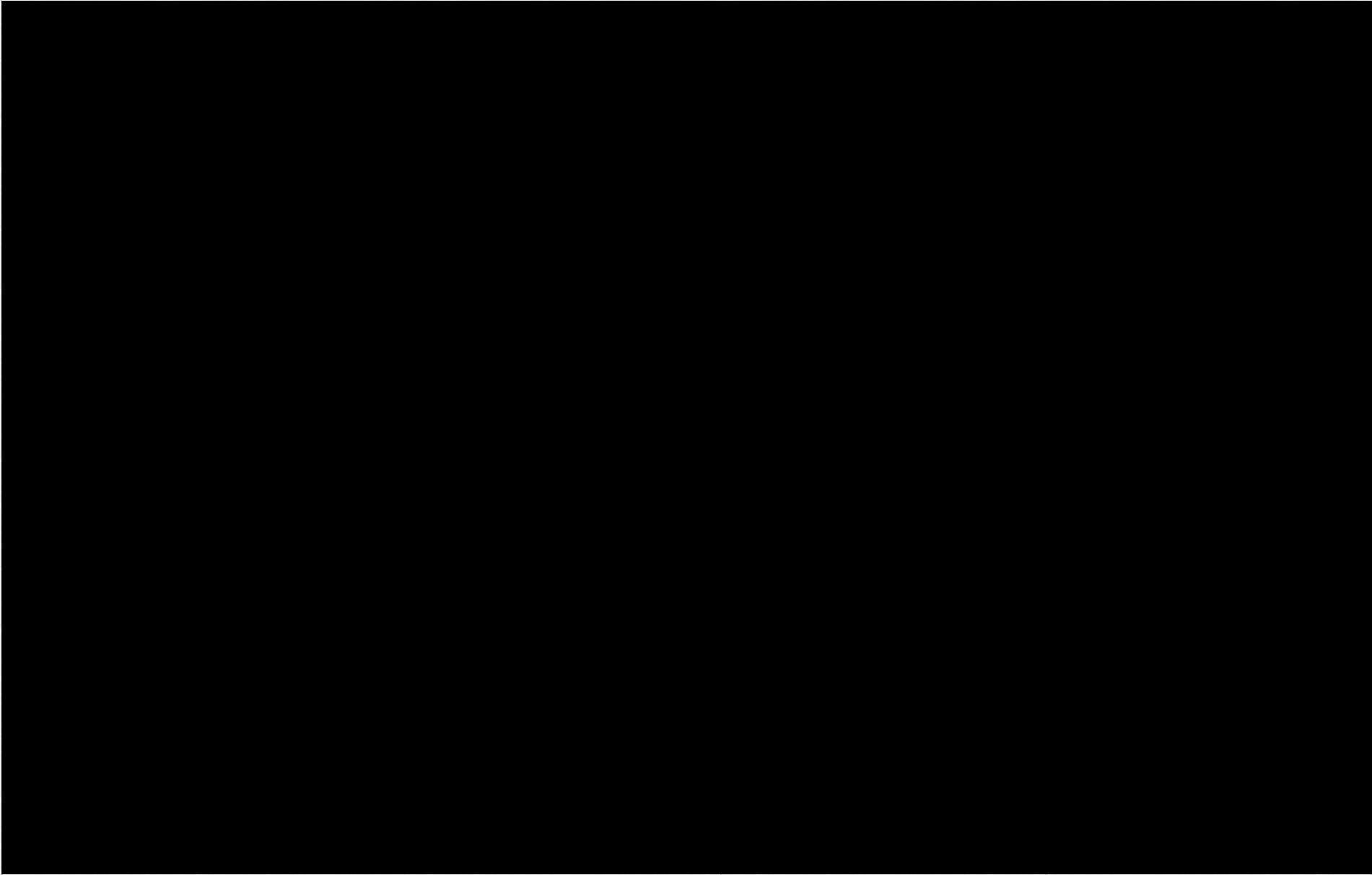
The Municipal Budget and Reporting Regulations are designed to achieve a range of objectives, including improving the local government sphere's ability to deliver basic services by facilitating improved financial sustainability and better medium term planning and policy choices on service delivery.

### **Phasing in of formats and tables**

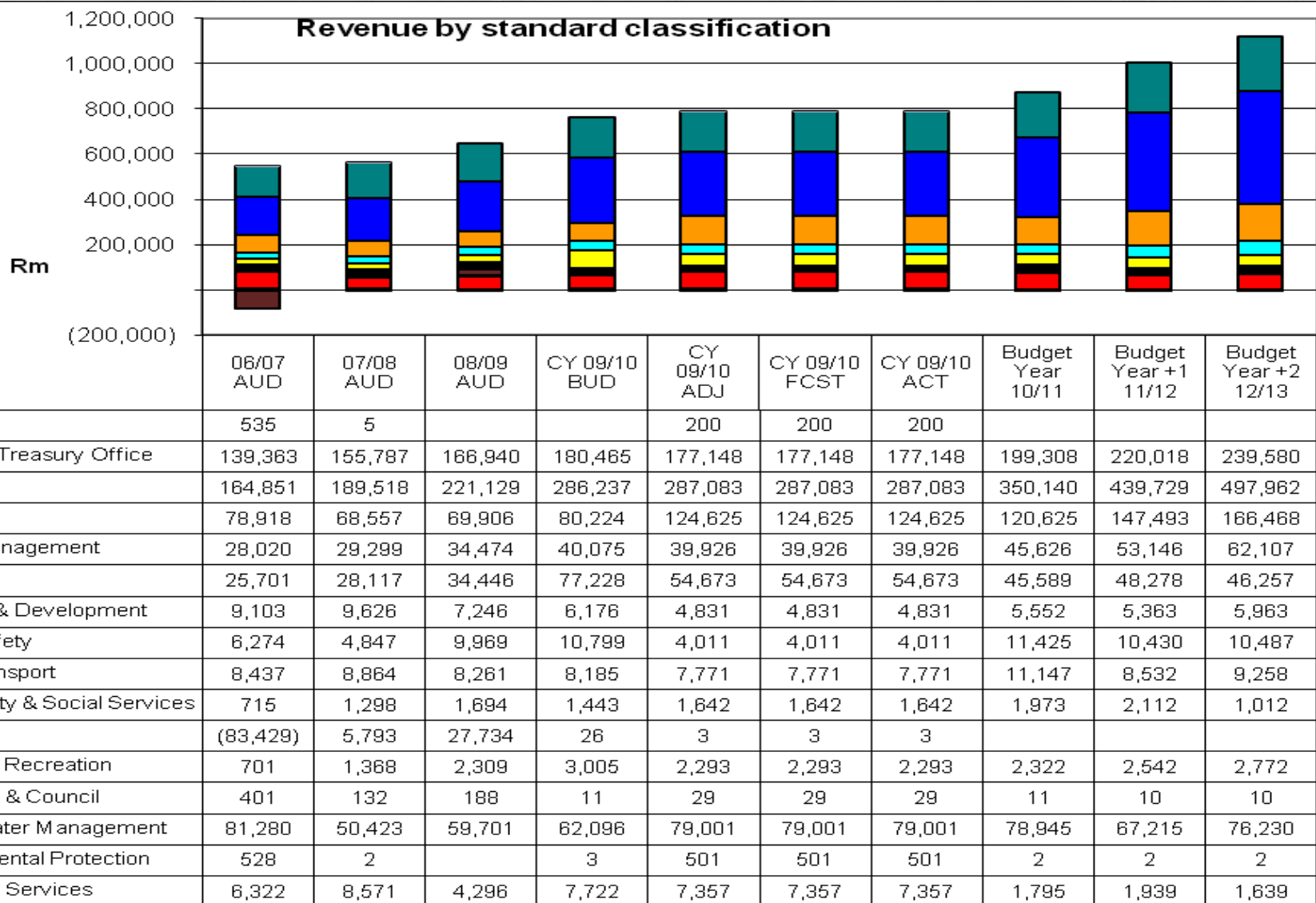
National Treasury recognises that it will take time to achieve full compliance with both the letter and spirit of the new formats and tables for municipal budgets, adjustments budgets and in-year reports. It is acknowledged that there are practical difficulties in obtaining or aligning information with the new tables.

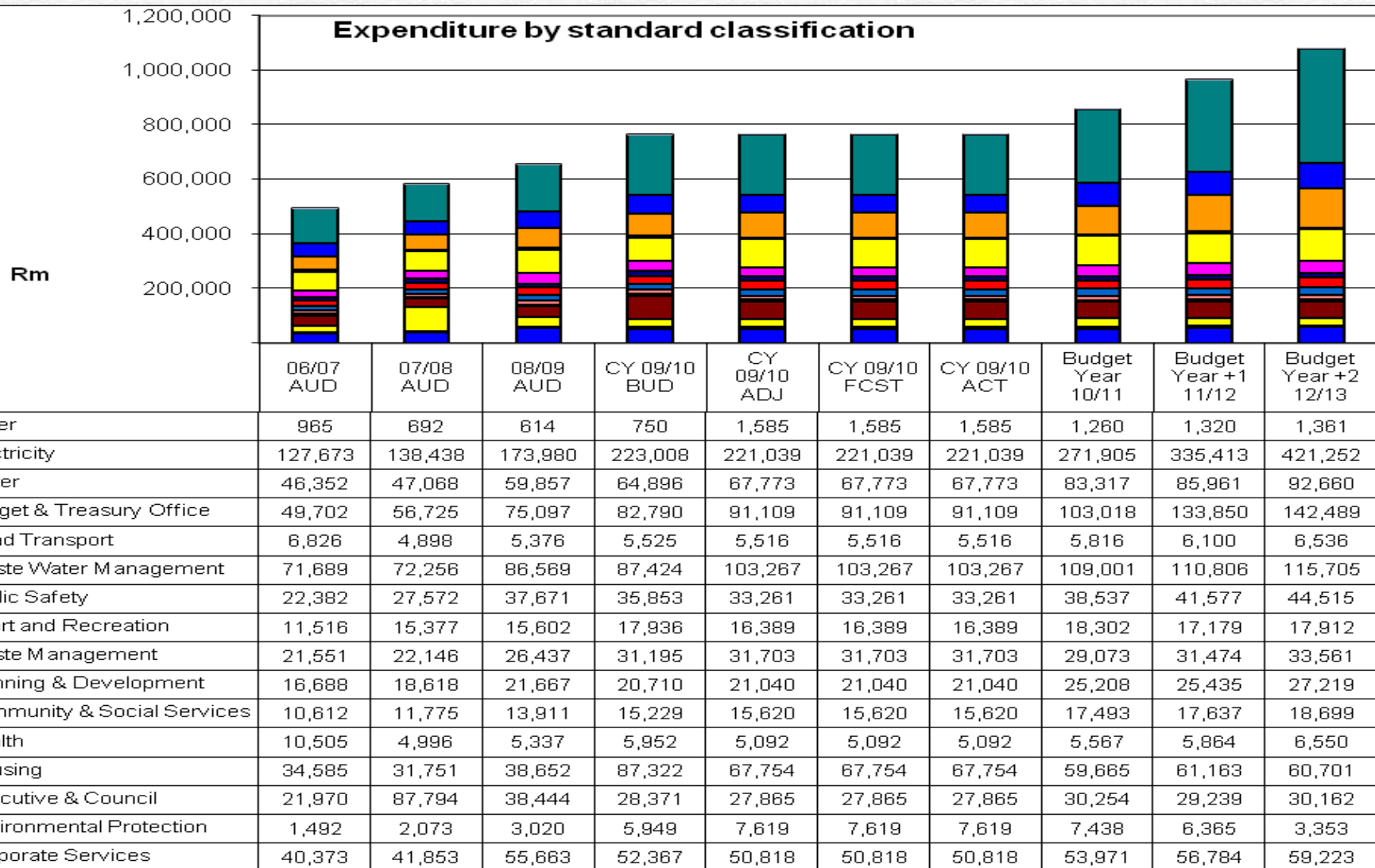
George Municipality complies with all the tables and supporting tables as required, but there are some supporting tables that are not completed due to information that was not received from departments when this report was compiled.

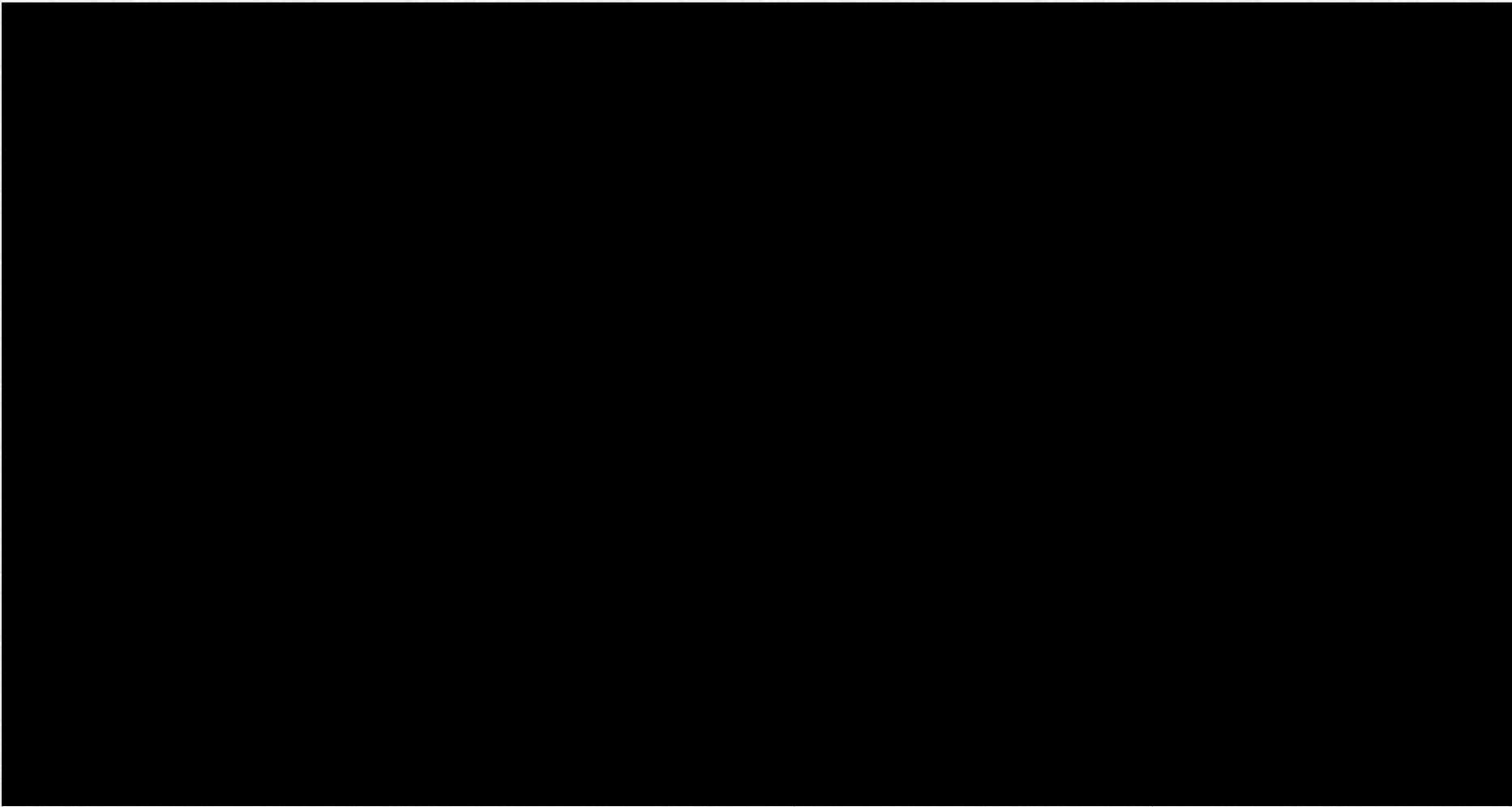
**Budget Tables, Supporting Tables and Charts**



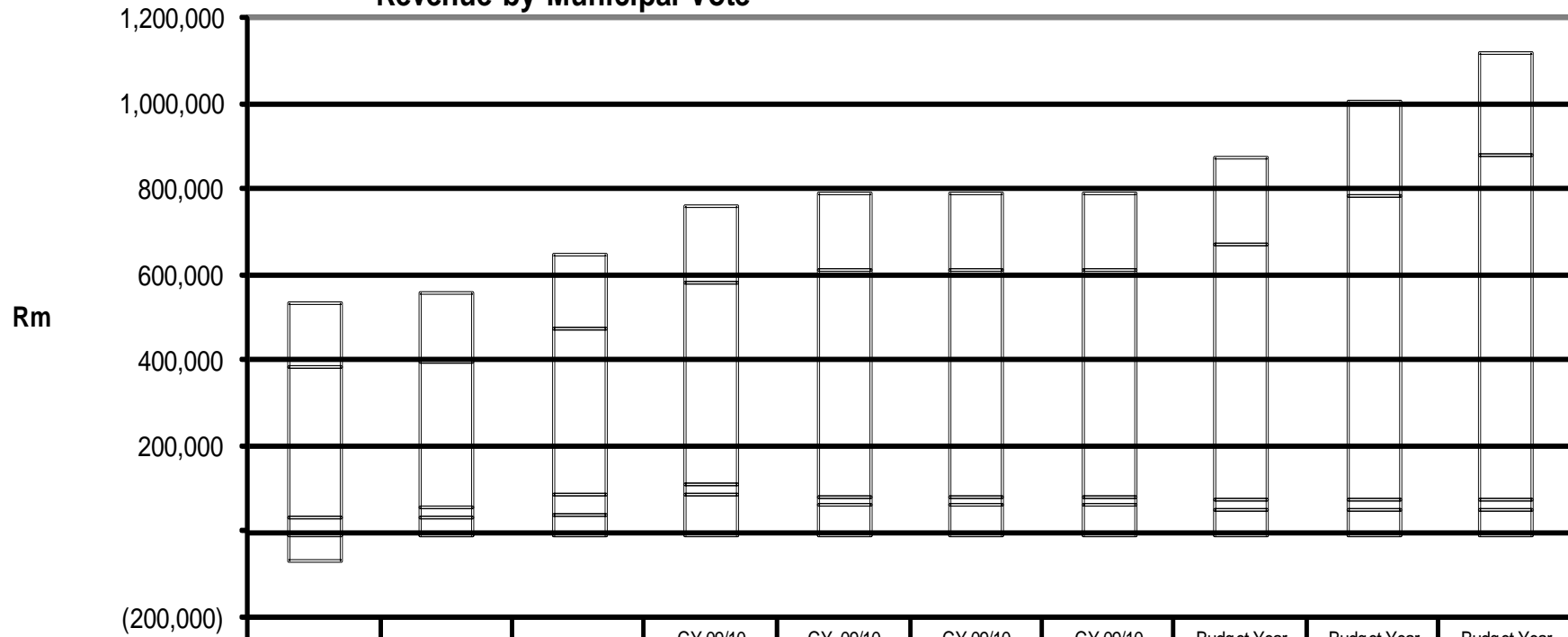




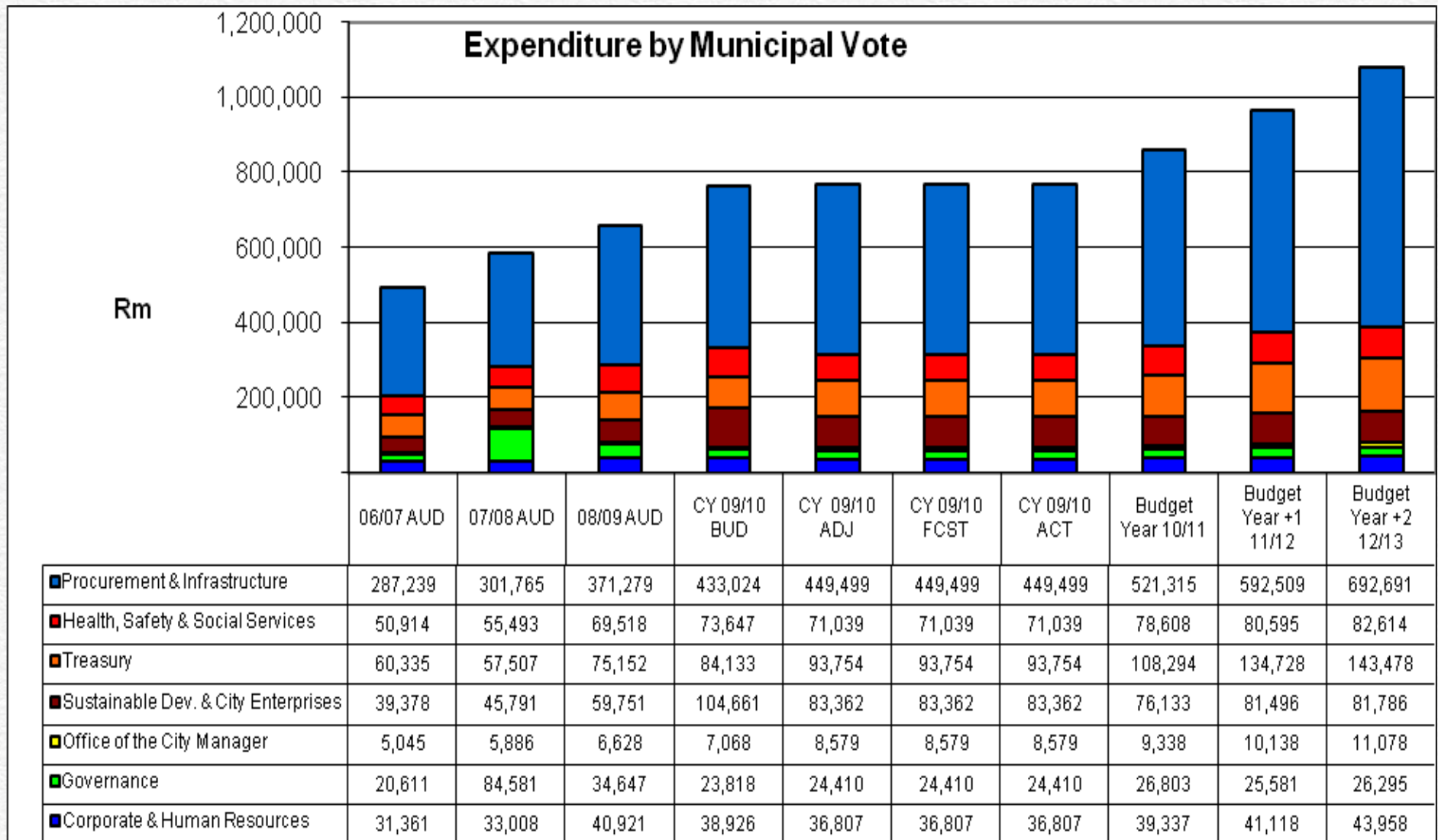


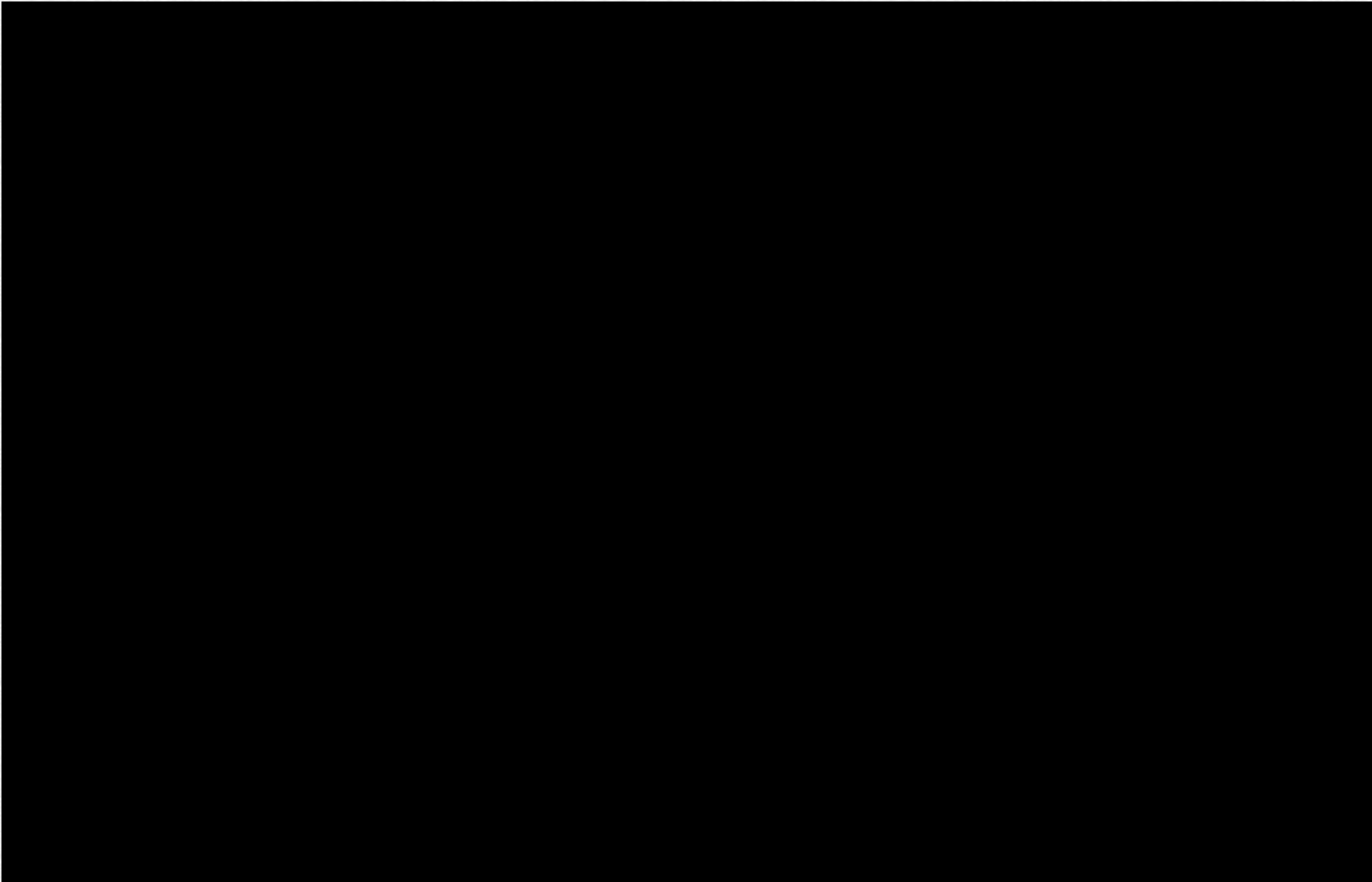


**Revenue by Municipal Vote**

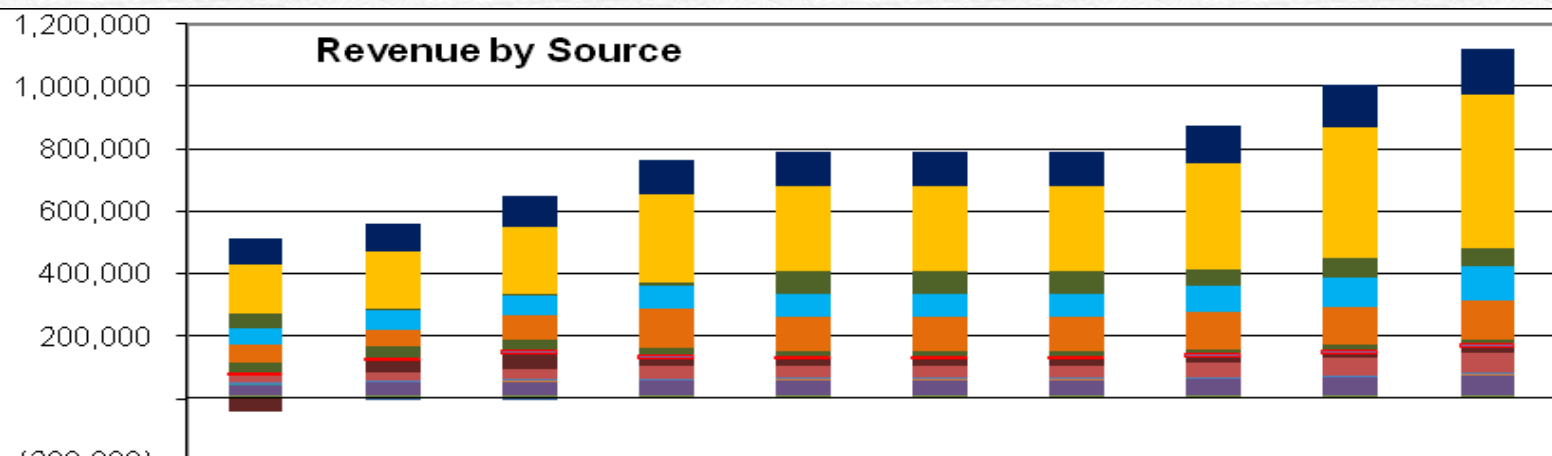


	06/07 AUD	07/08 AUD	08/09 AUD	CY 09/10 BUD	CY 09/10 ADJ	CY 09/10 FCST	CY 09/10 ACT	Budget Year 10/11	Budget Year +1 11/12	Budget Year +2 12/13
Treasury	147,136	163,093	173,042	181,277	177,961	177,961	177,961	200,588	221,308	240,900
Procurement & Infrastructure	354,322	339,923	386,796	469,285	530,863	530,863	530,863	595,661	707,582	802,766
Health, Safety & Social Services	(67,291)	20,157	48,057	21,935	15,089	15,089	15,089	25,120	22,076	22,874
Sustainable Dev. & City Enterprises	31,835	37,025	38,213	89,306	64,916	64,916	64,916	50,501	53,061	51,610
Corporate & Human Resources	1,318	1,823	1,995	1,880	2,235	2,235	2,235	2,579	2,771	1,586
Office of the City Manager		56	13							
Governance	401	132	177	11	29	29	29	11	10	10



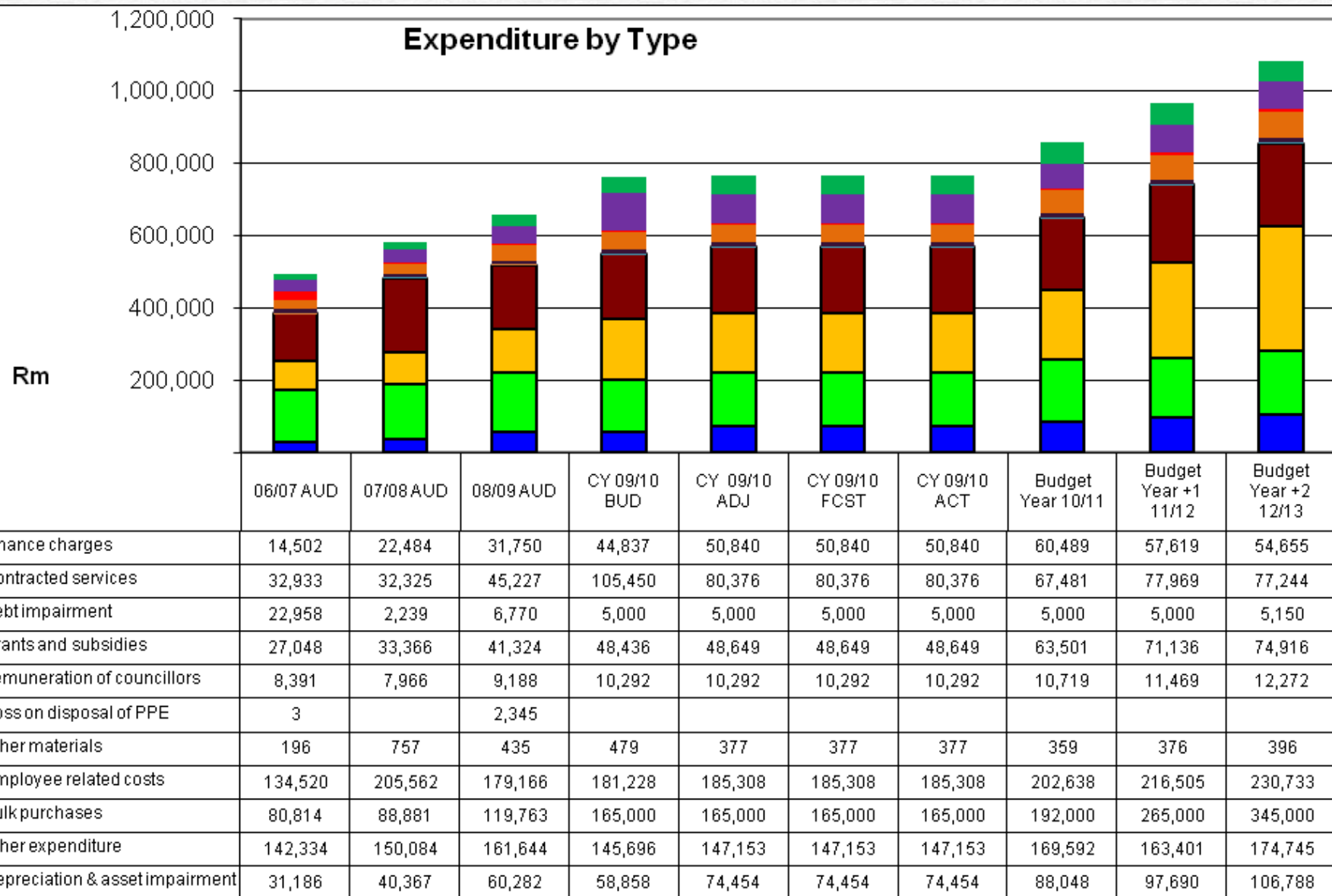


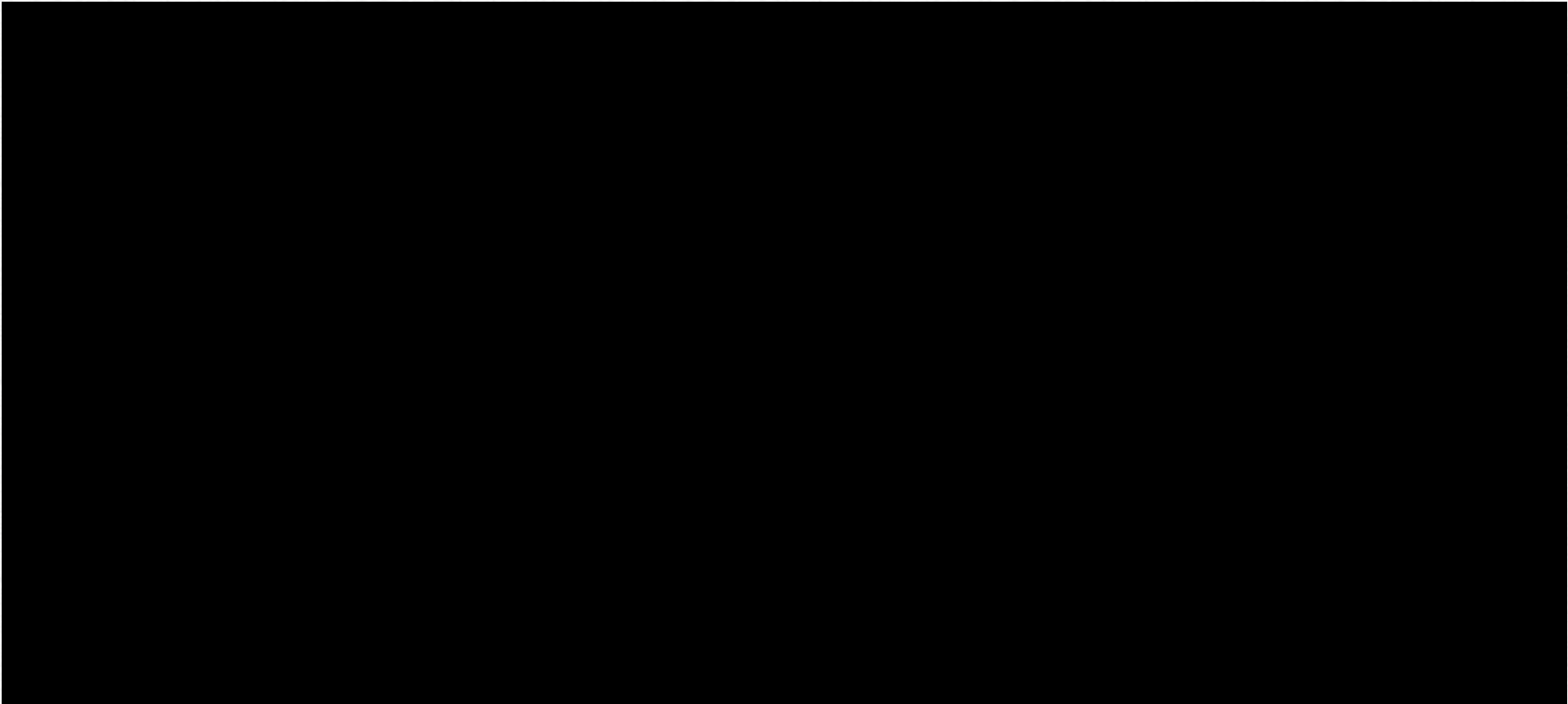


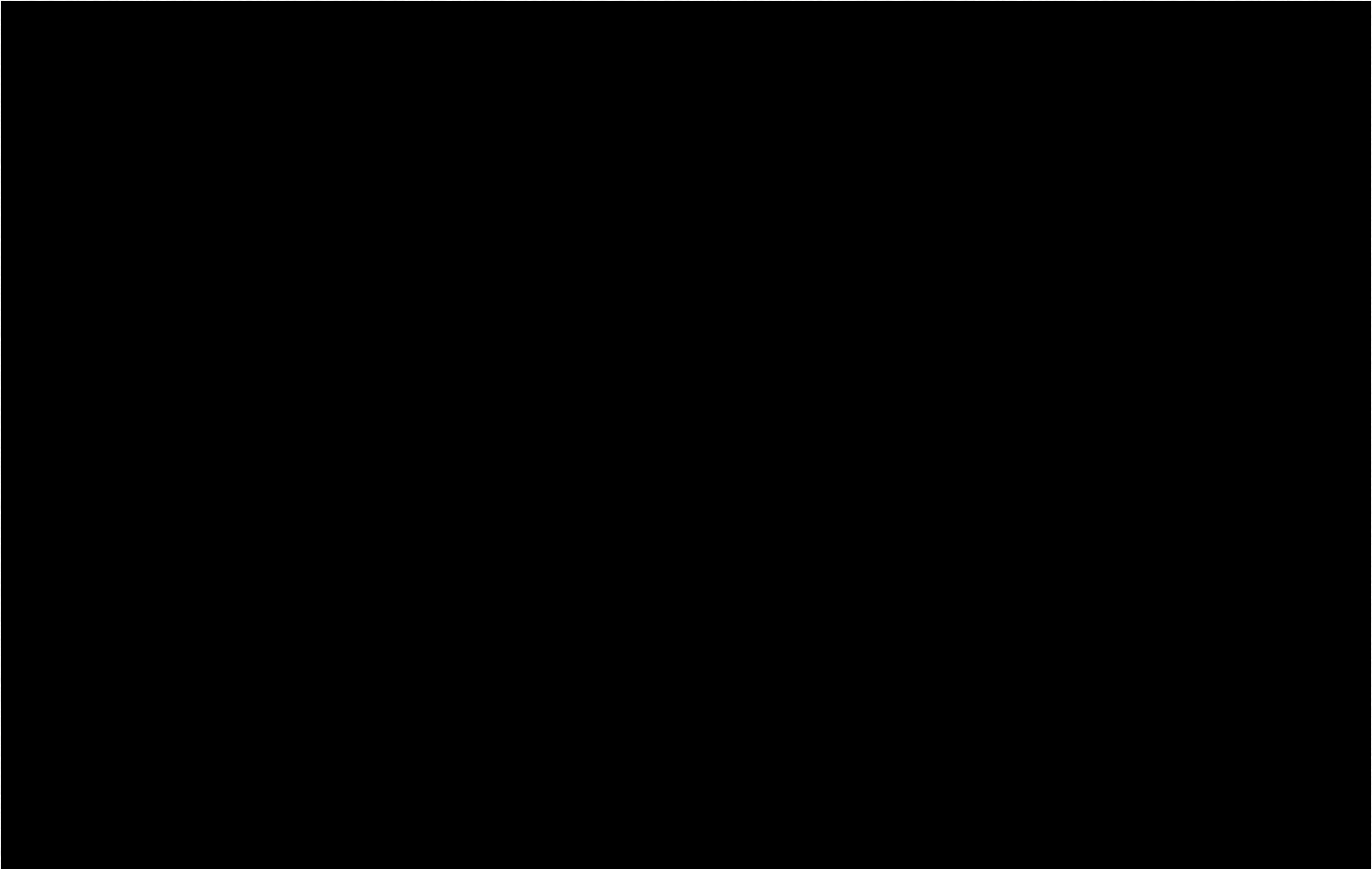


Rm (200,000)	06/07 AUD	07/08 AUD	08/09 AUD	CY 09/10 BUD	CY 09/10 ADJ	CY 09/10 FCST	CY 09/10 ACT	Budget Year 10/11	Budget Year +1 11/12	Budget Year +2 12/13
■ Property rates	80,301	89,606	100,329	110,135	110,585	110,585	110,585	122,344	135,048	147,052
■ Service charges - electricity revenue	159,722	183,021	212,534	281,300	274,800	274,800	274,800	336,526	423,040	490,360
■ Transfers recognised - capital	46,855	8,289	7,290	10,511	72,040	72,040	72,040	54,798	63,377	59,697
■ Service charges - water revenue	52,782	61,229	62,936	72,594	72,674	72,674	72,674	82,415	93,896	107,379
■ Transfers recognised	57,110	53,205	78,263	127,048	111,220	111,220	111,220	123,113	120,331	126,545
■ Interest earned - external investments	30,732	36,250	29,781	20,100	15,100	15,100	15,100	11,161	13,450	13,715
■ Fines	6,368	4,863	10,167	10,836	4,206	4,206	4,206	11,580	10,598	10,662
■ Other revenue	(42,767)	41,137	53,723	28,239	26,570	26,570	26,570	18,817	19,225	20,846
■ Service charges - refuse	25,428	28,110	33,334	38,910	38,850	38,850	38,850	45,440	53,020	61,980
■ Rental of facilities and equipment	2,111	2,128	1,857	1,906	1,754	1,754	1,754	1,830	1,990	1,797
■ Service charges - other	56	57	10	10	10	10	10	10	10	10
■ Interest earned - outstanding debtors	3,368	5,082	5,003	4,688	4,688	4,688	4,688	2,612	2,901	2,810
■ Service charges - sanitation revenue	37,660	41,245	44,889	49,830	51,030	51,030	51,030	55,964	61,358	67,598
■ Licences and permits	2,327	2,760	2,538	2,564	2,543	2,543	2,543	2,824	3,034	3,260
■ Agency services	5,382	4,902	4,956	5,024	5,024	5,024	5,024	5,028	5,531	6,034
■ Gains on disposal of PPE	288	326	682							



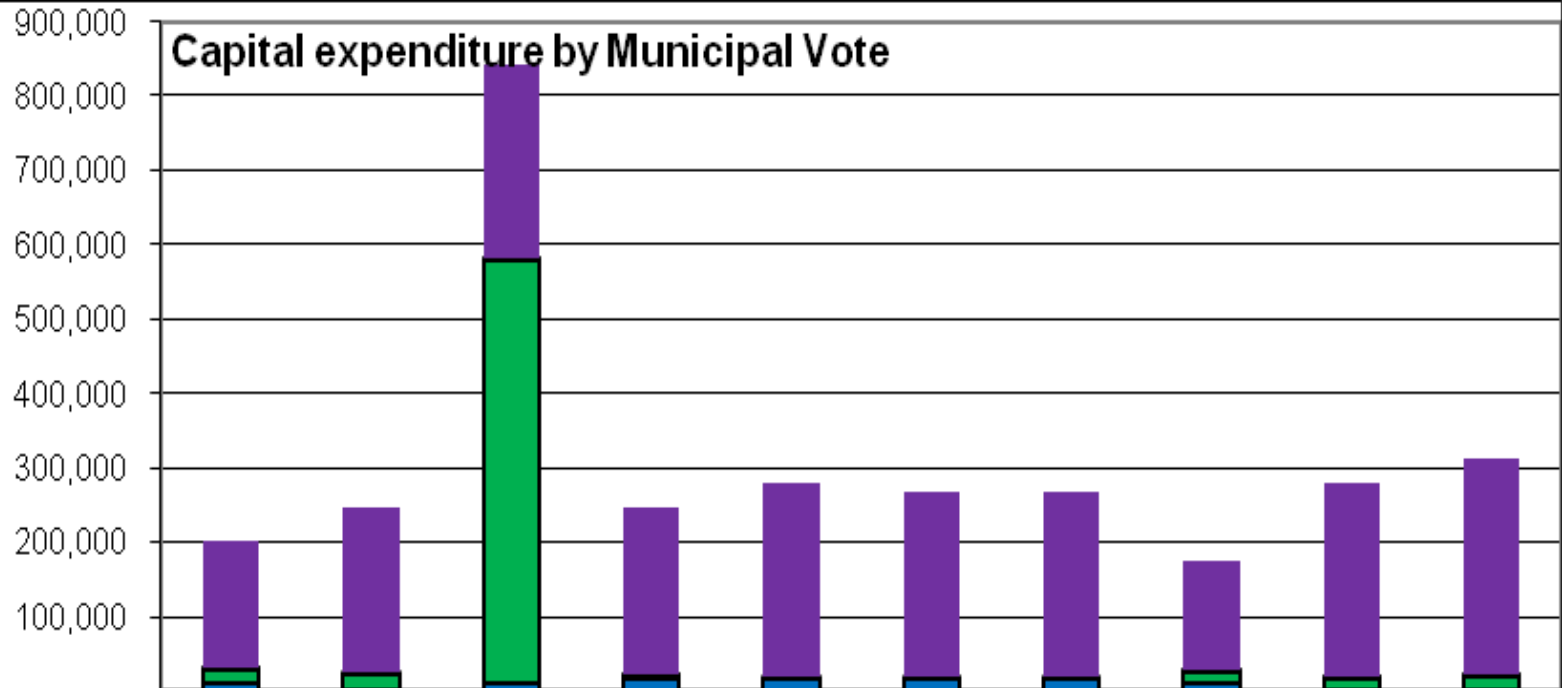






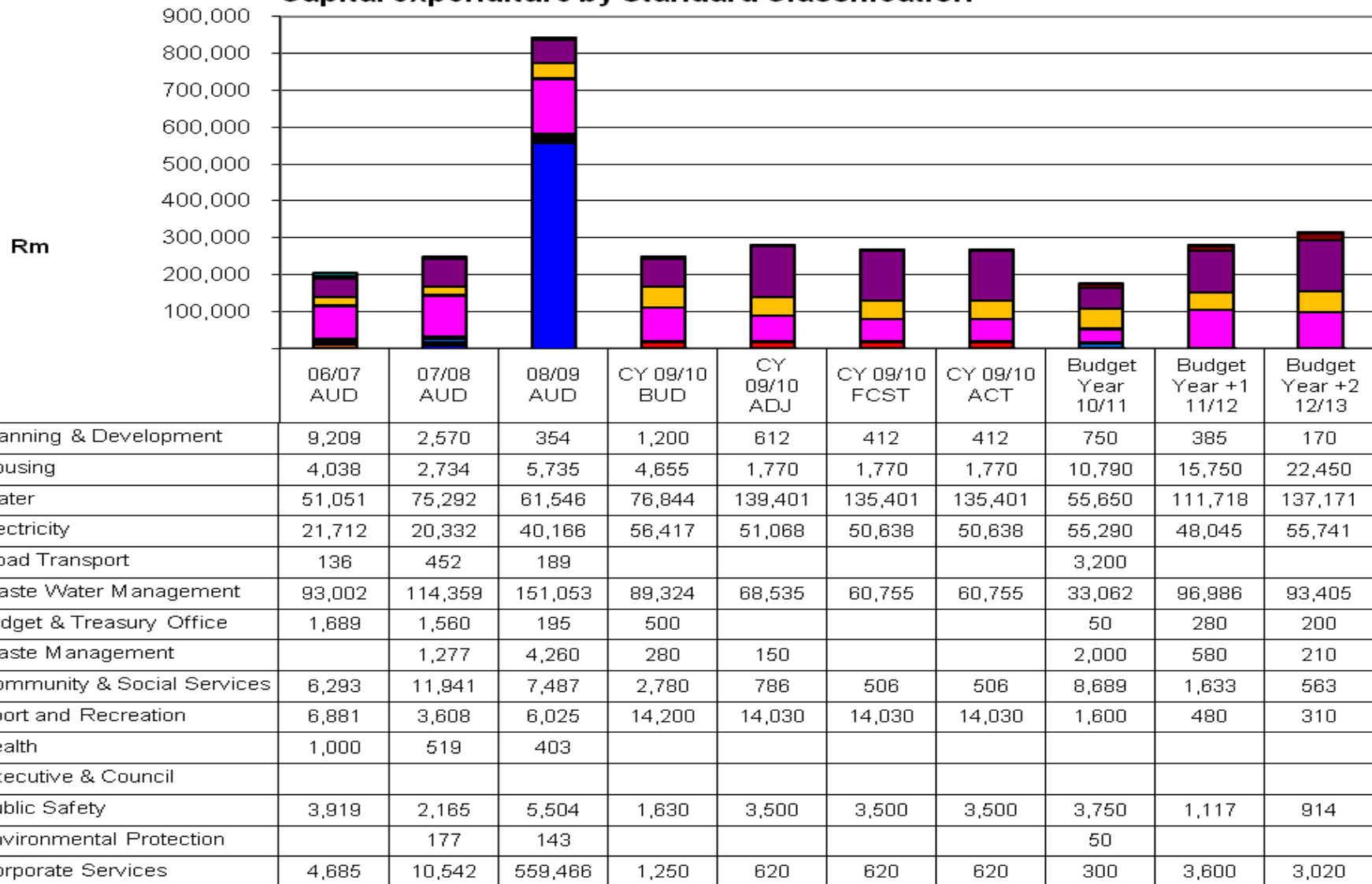
**Capital expenditure by Municipal Vote**

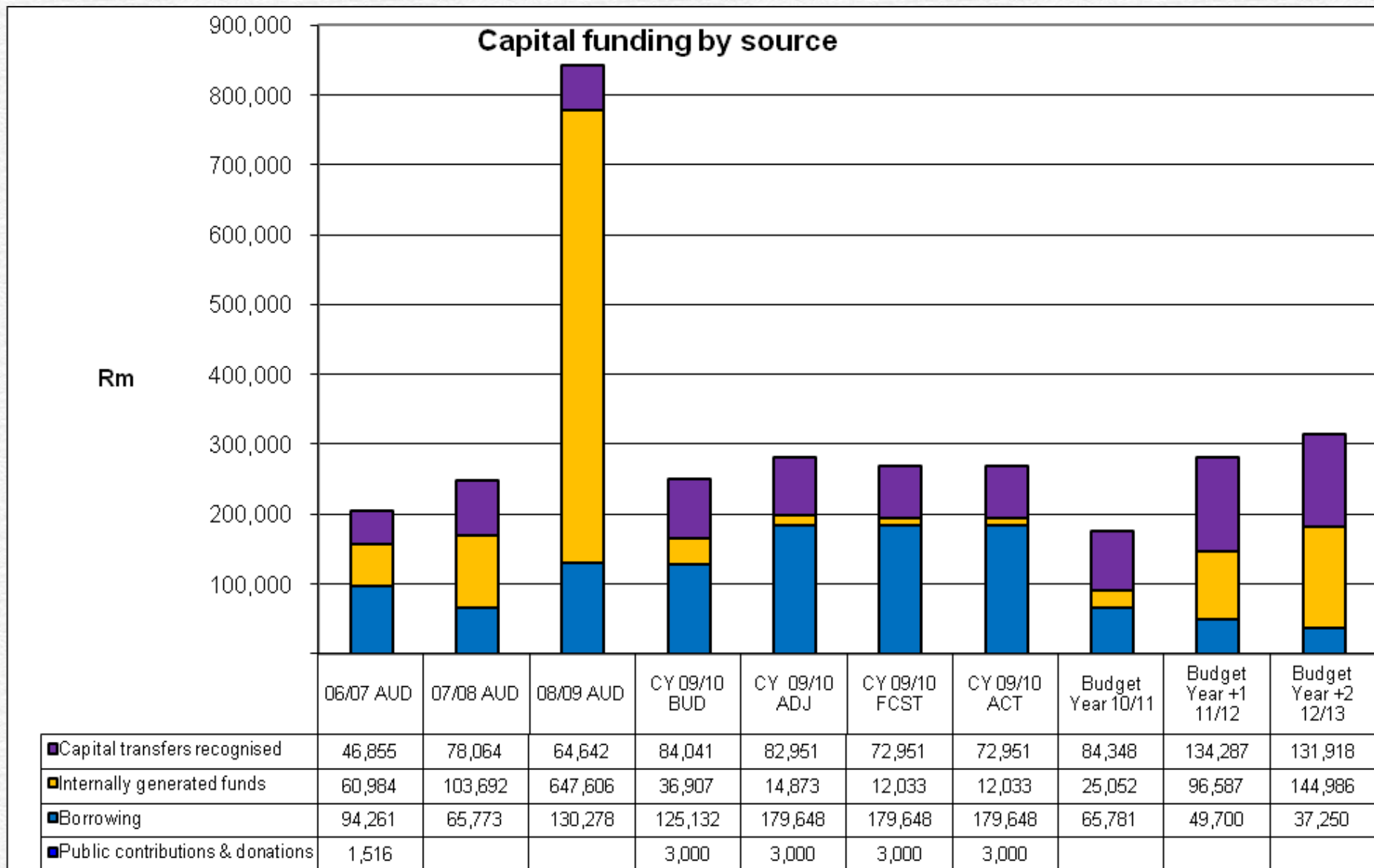
Rm

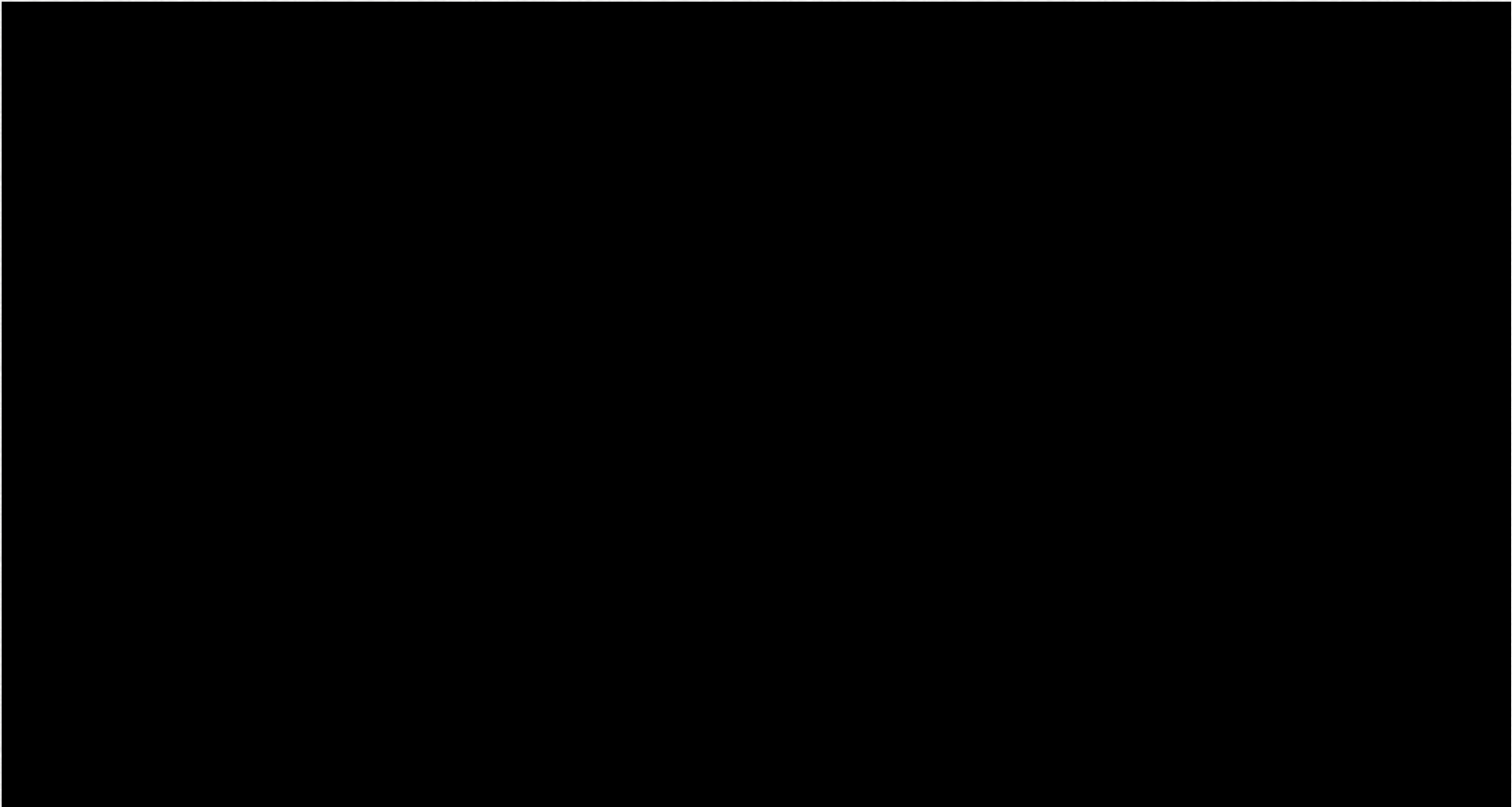


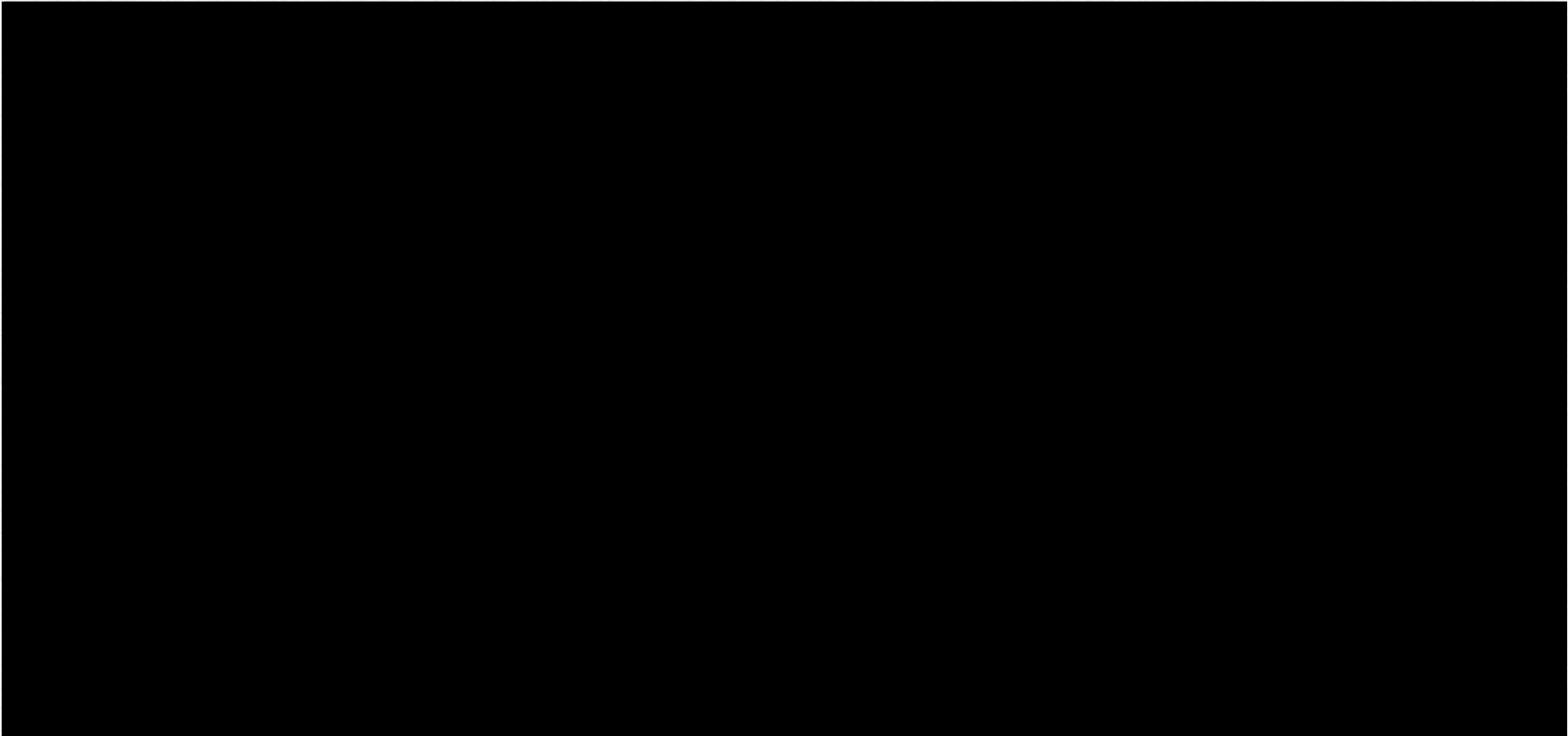
	06/07 AUD	07/08 AUD	08/09 AUD	CY 09/10 BUD	CY 09/10 ADJ	CY 09/10 FCST	CY 09/10 ACT	Budget Year 10/11	Budget Year +1 11/12	Budget Year +2 12/13
■ Procurement & Infra.	170,451	221,802	258,214	224,315	259,474	246,914	246,914	146,752	260,714	289,696
■ Office of the City Manager										
■ Treasury	1,689	1,560	195	500				50	280	200
■ Sustainable Dev. & City Enterprises	19,293	16,740	571,226	6,825	2,685	2,685	2,685	16,190	17,153	23,013
■ Health, Safety & Social Services	11,936	7,096	12,395	15,830	17,530	17,530	17,530	8,600	1,597	1,224
■ Governance										
■ Corporate & Human Resources	247	330	495	1,610	783	503	503	3,589	830	20

**Capital expenditure by Standard Classification**

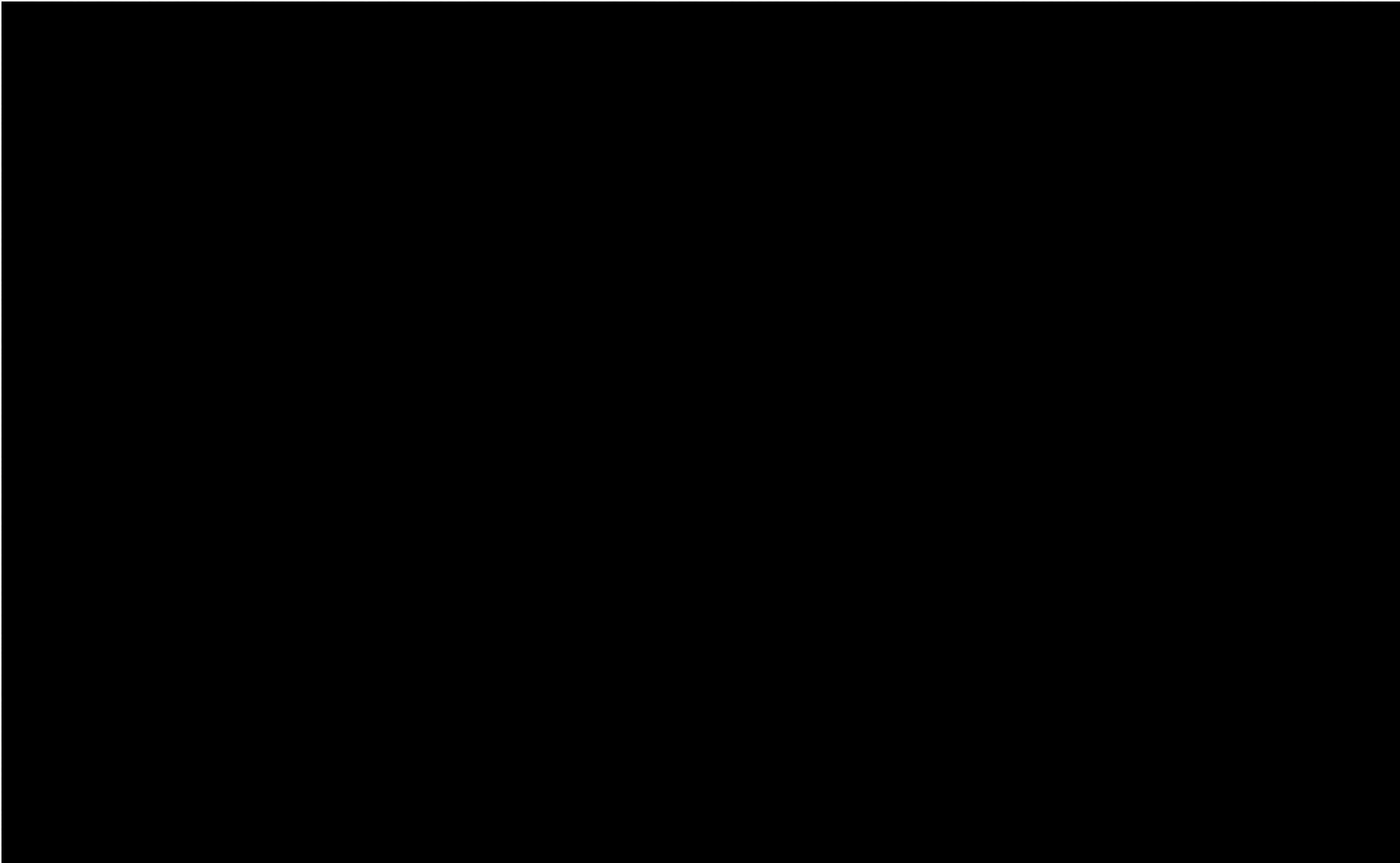




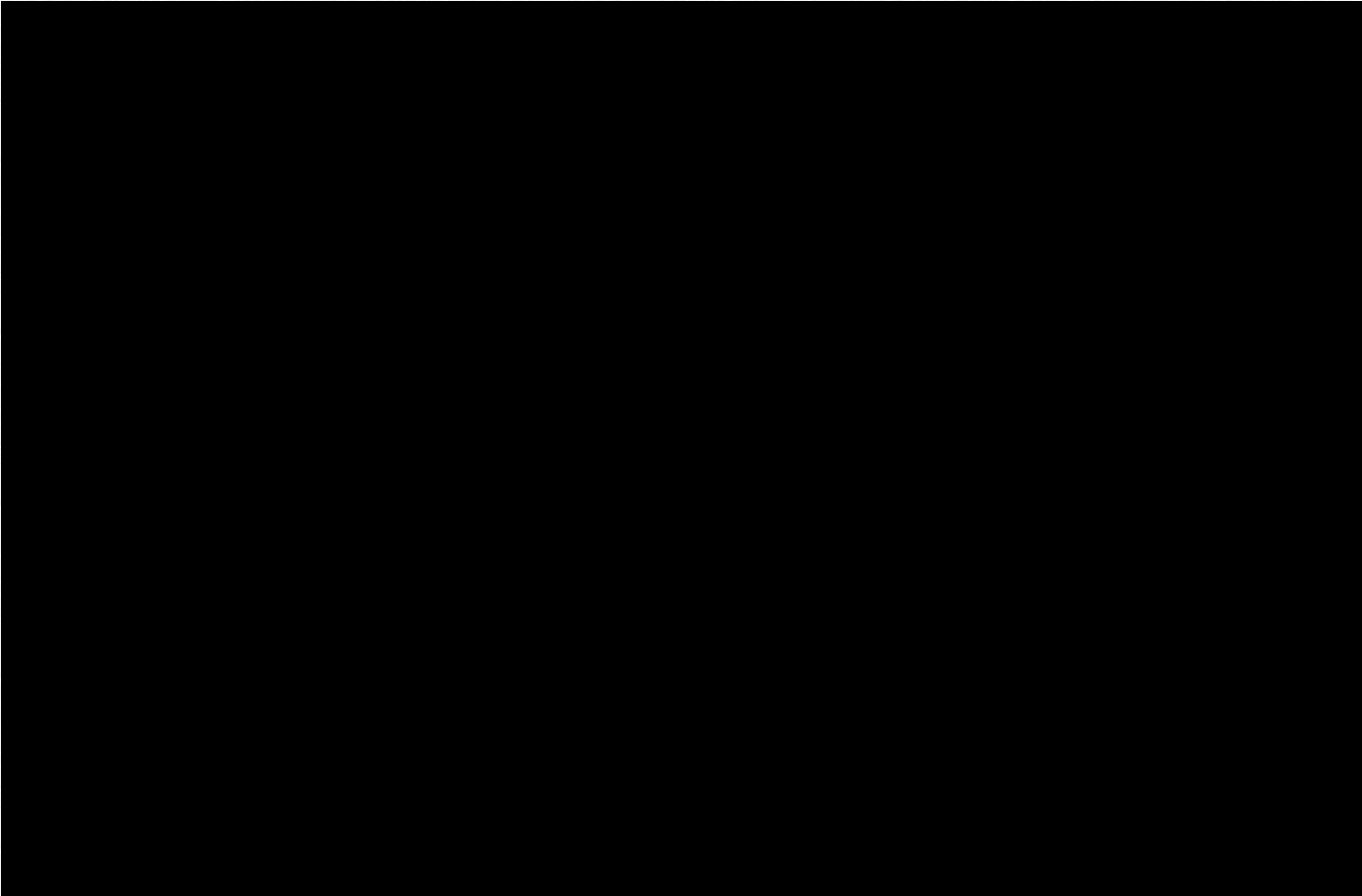


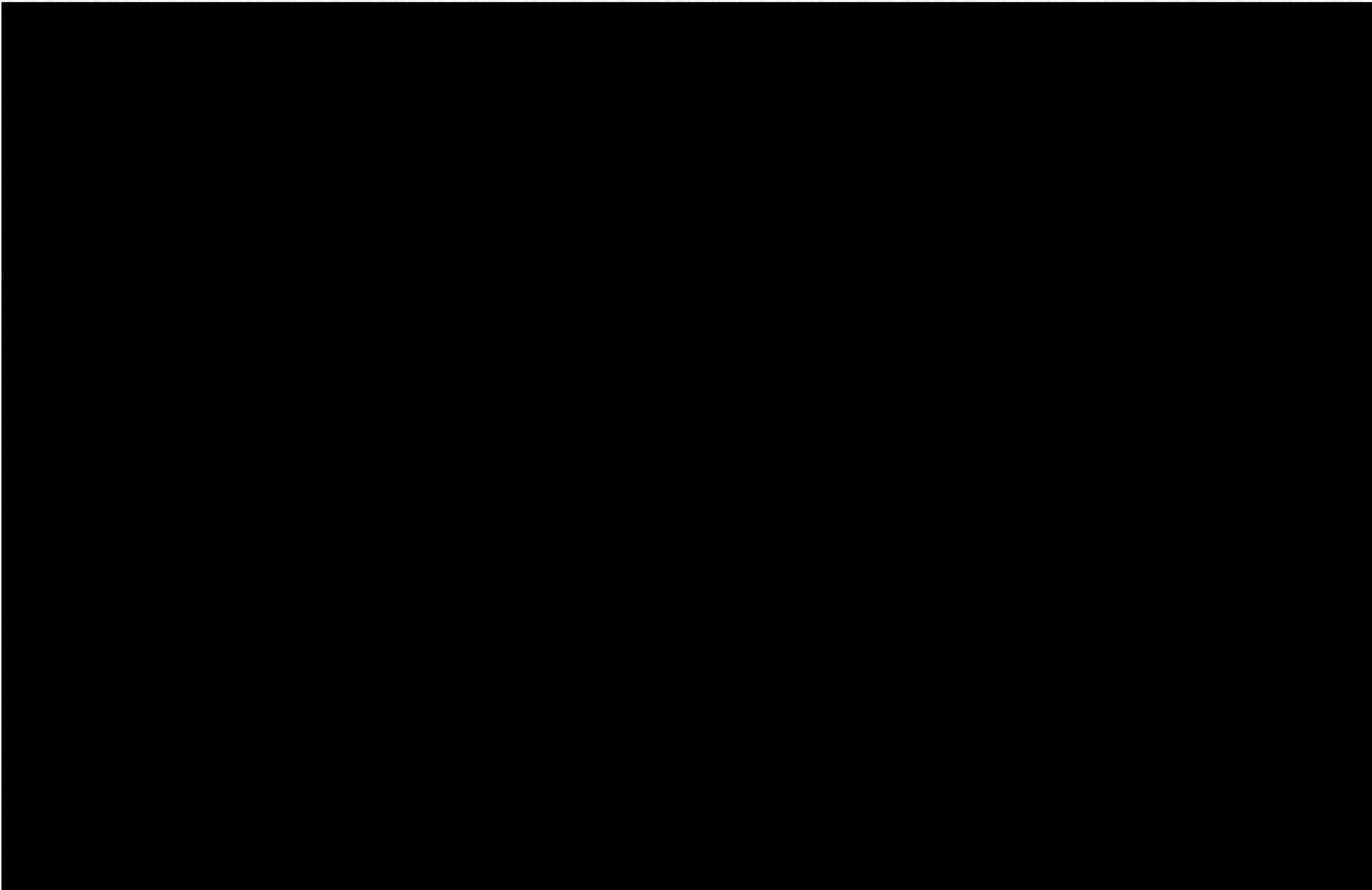


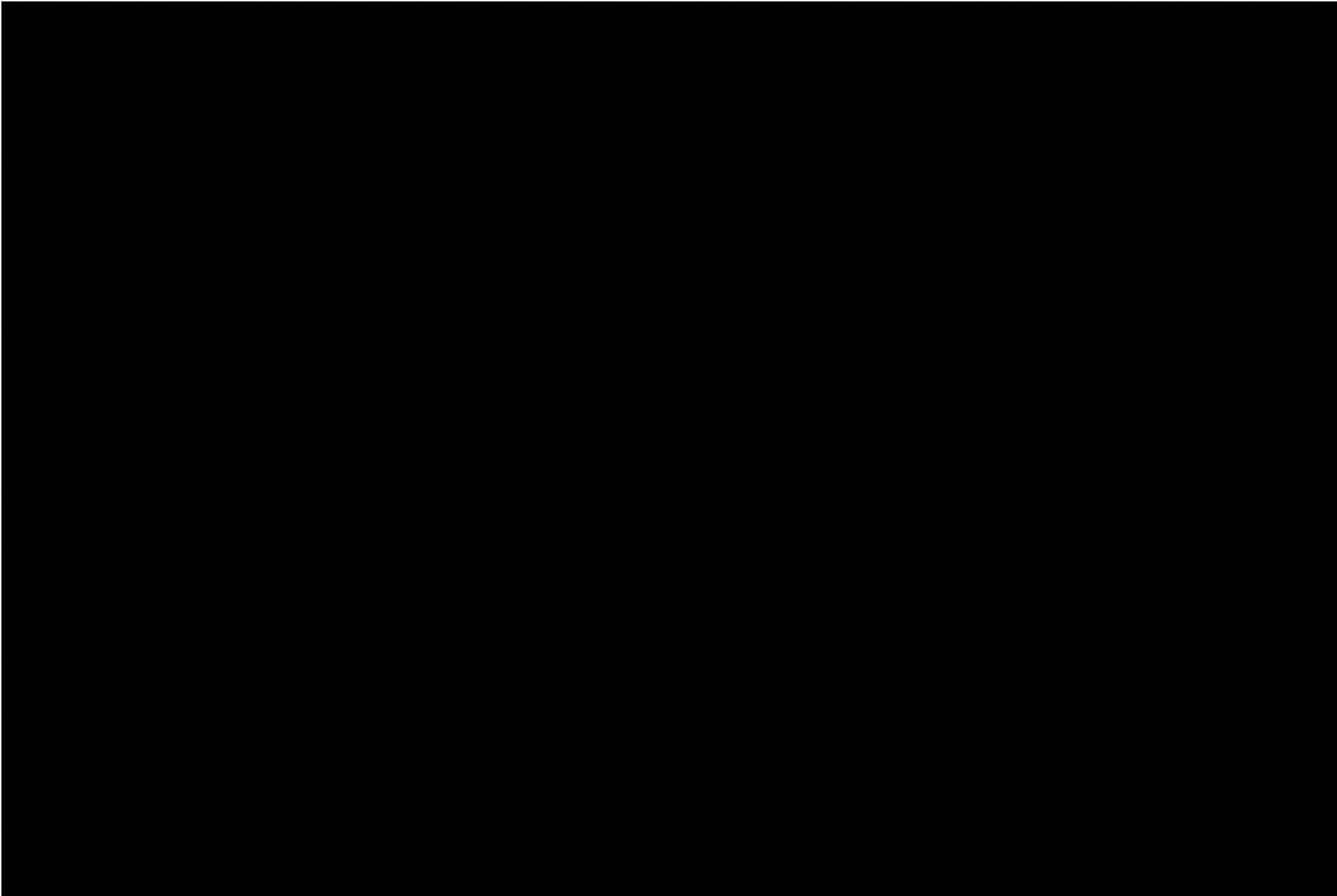




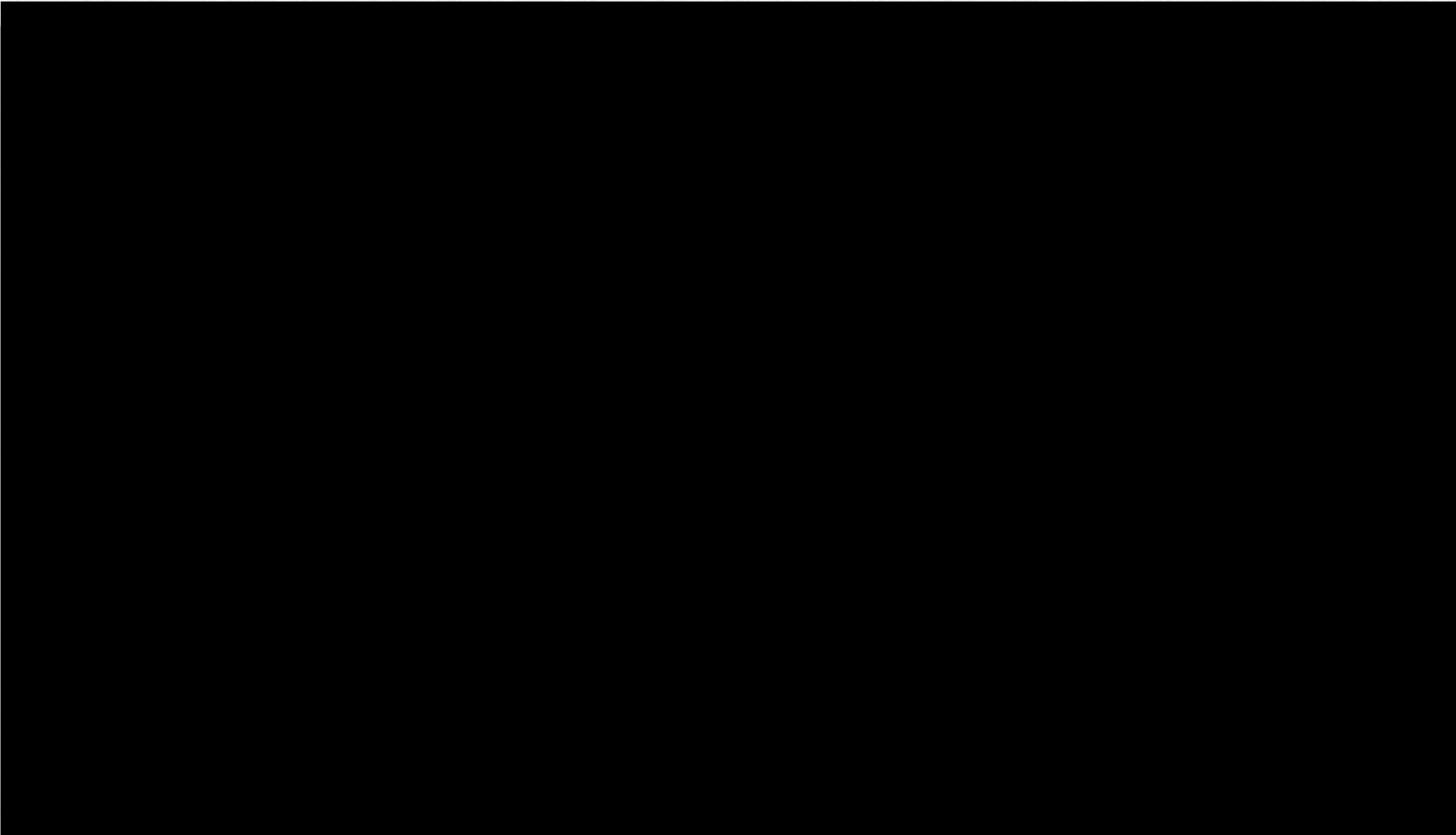


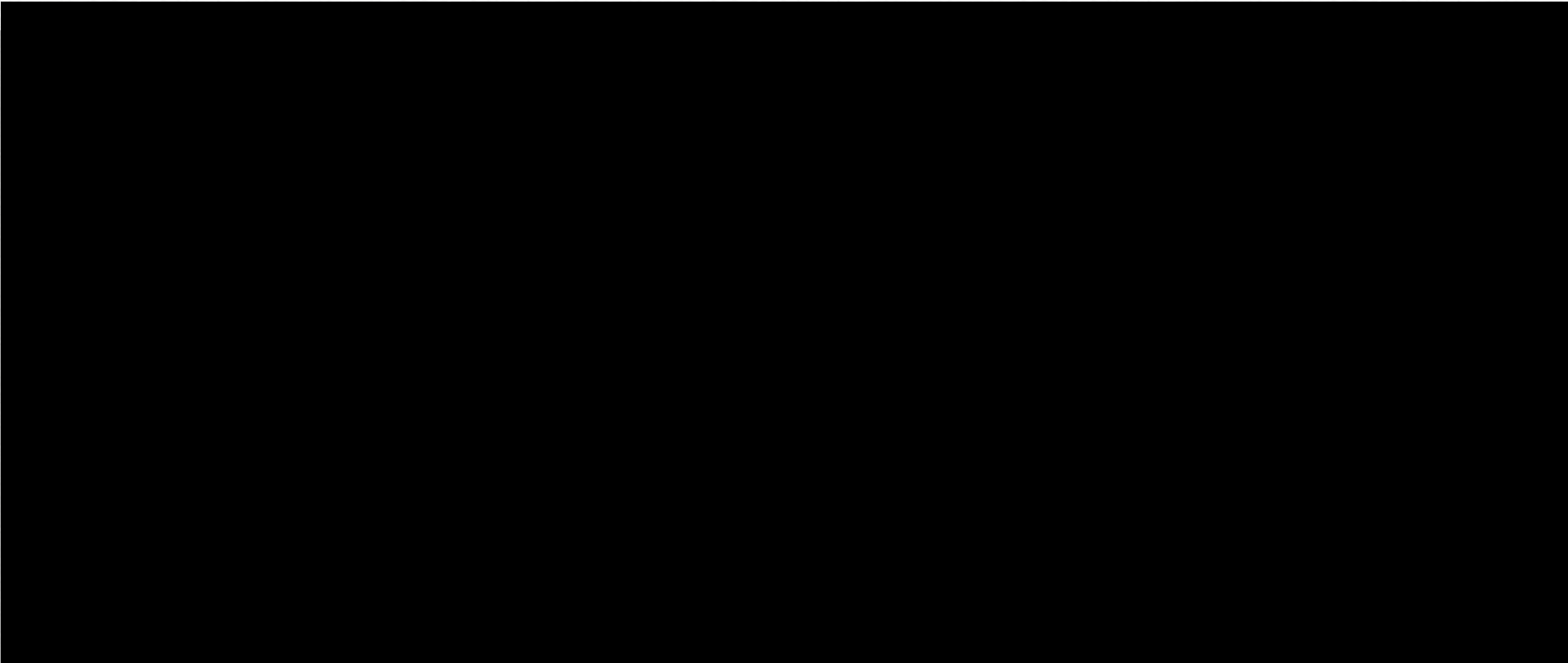




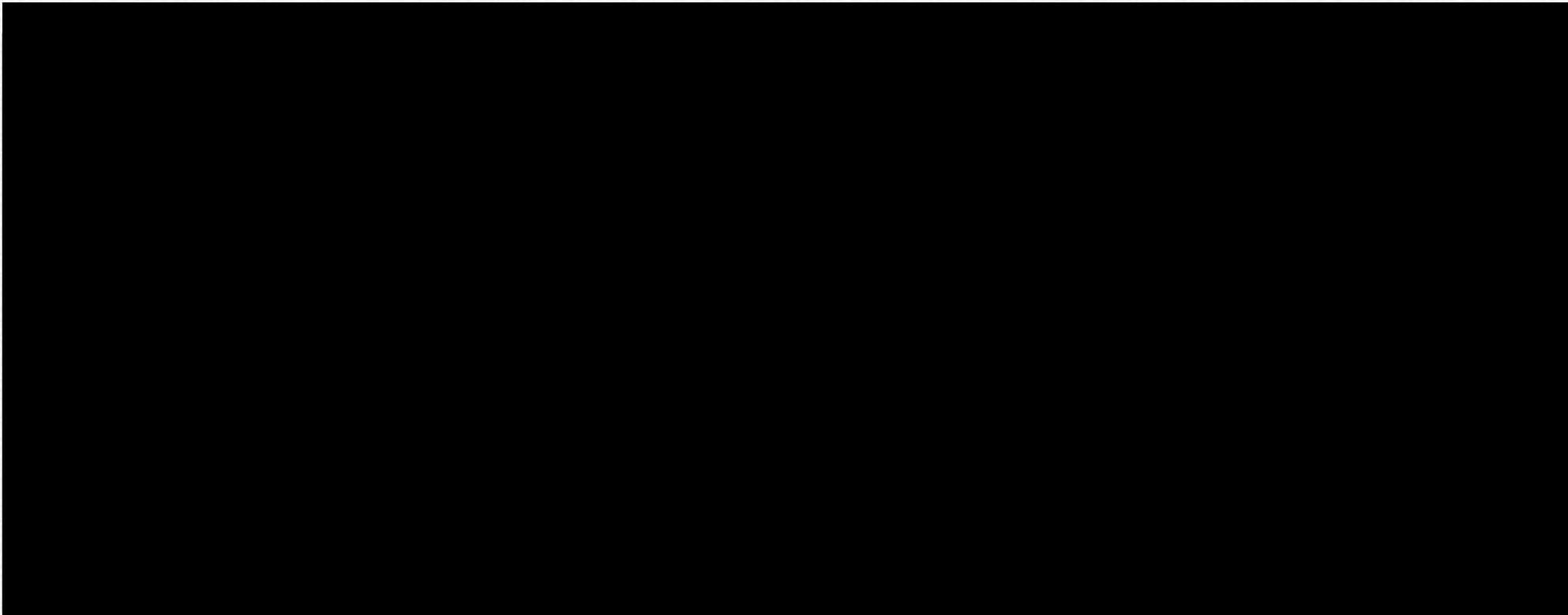


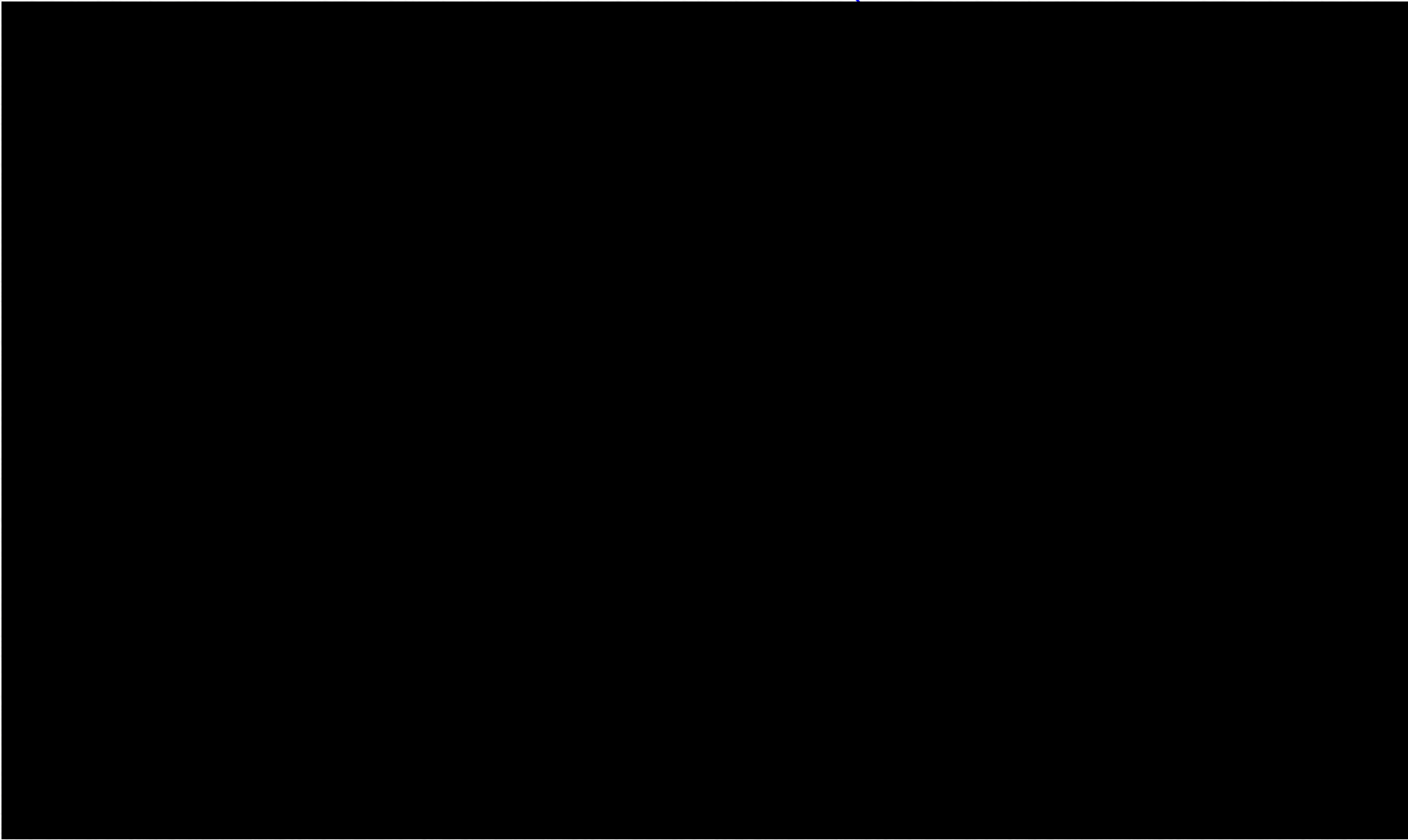


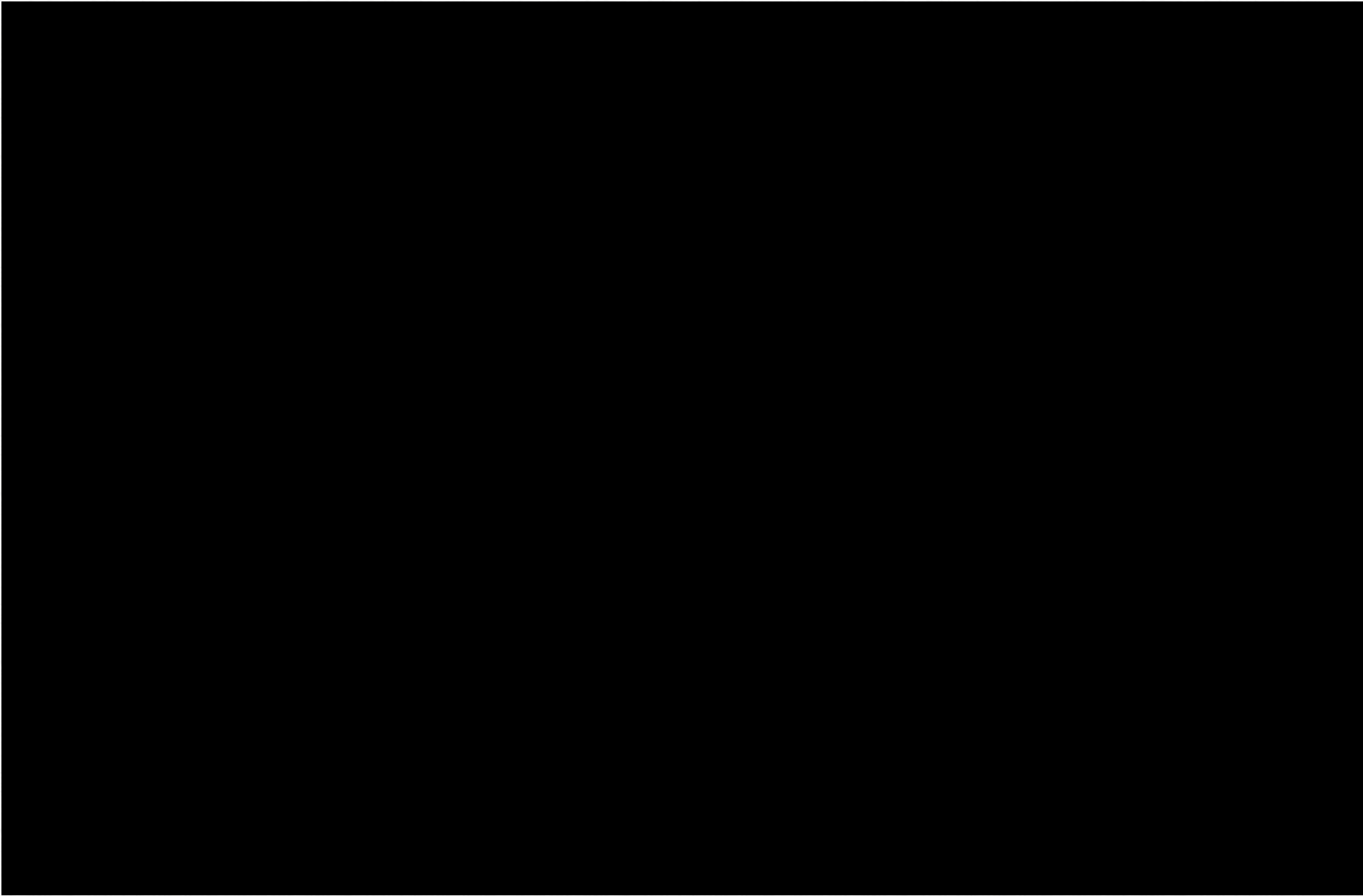


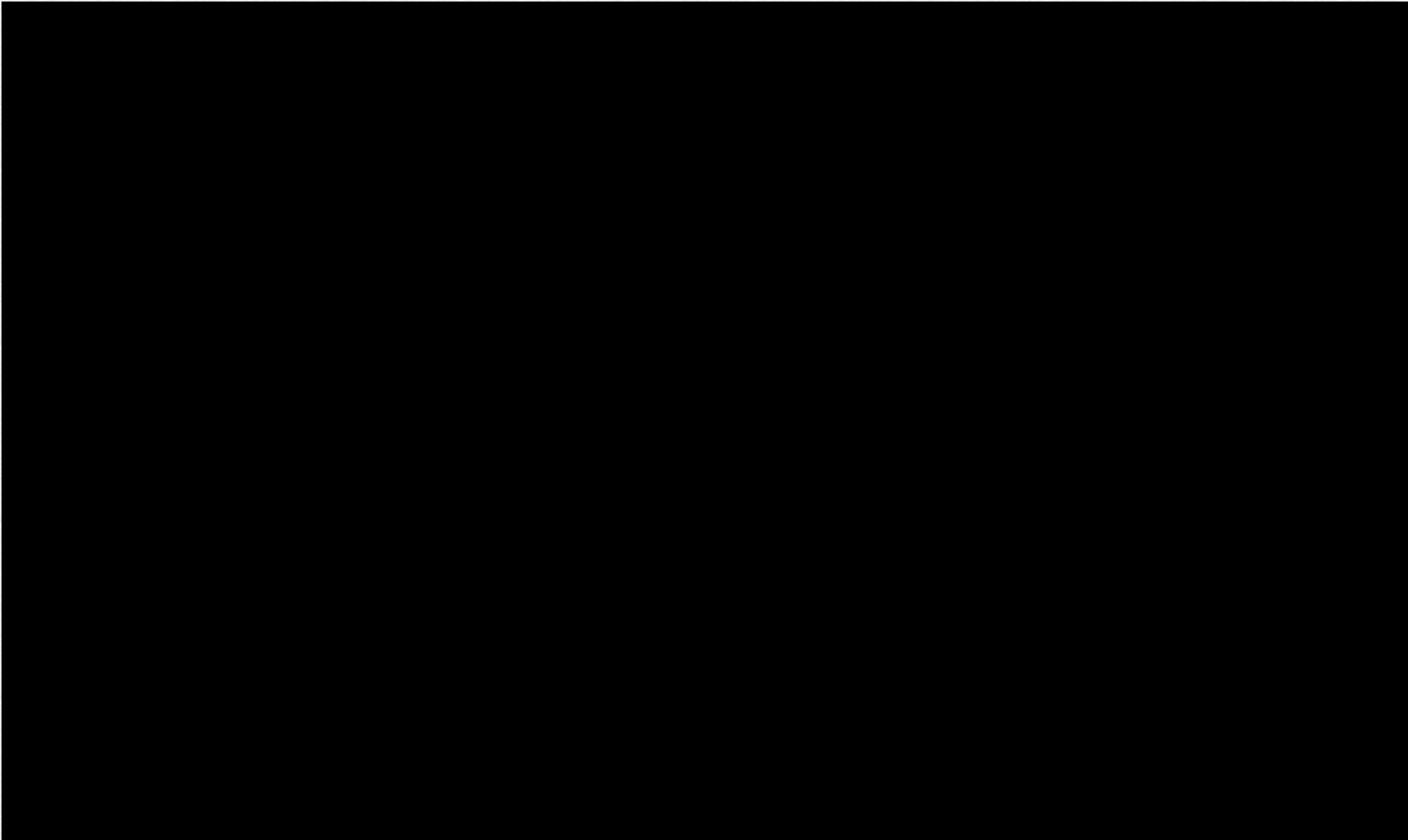




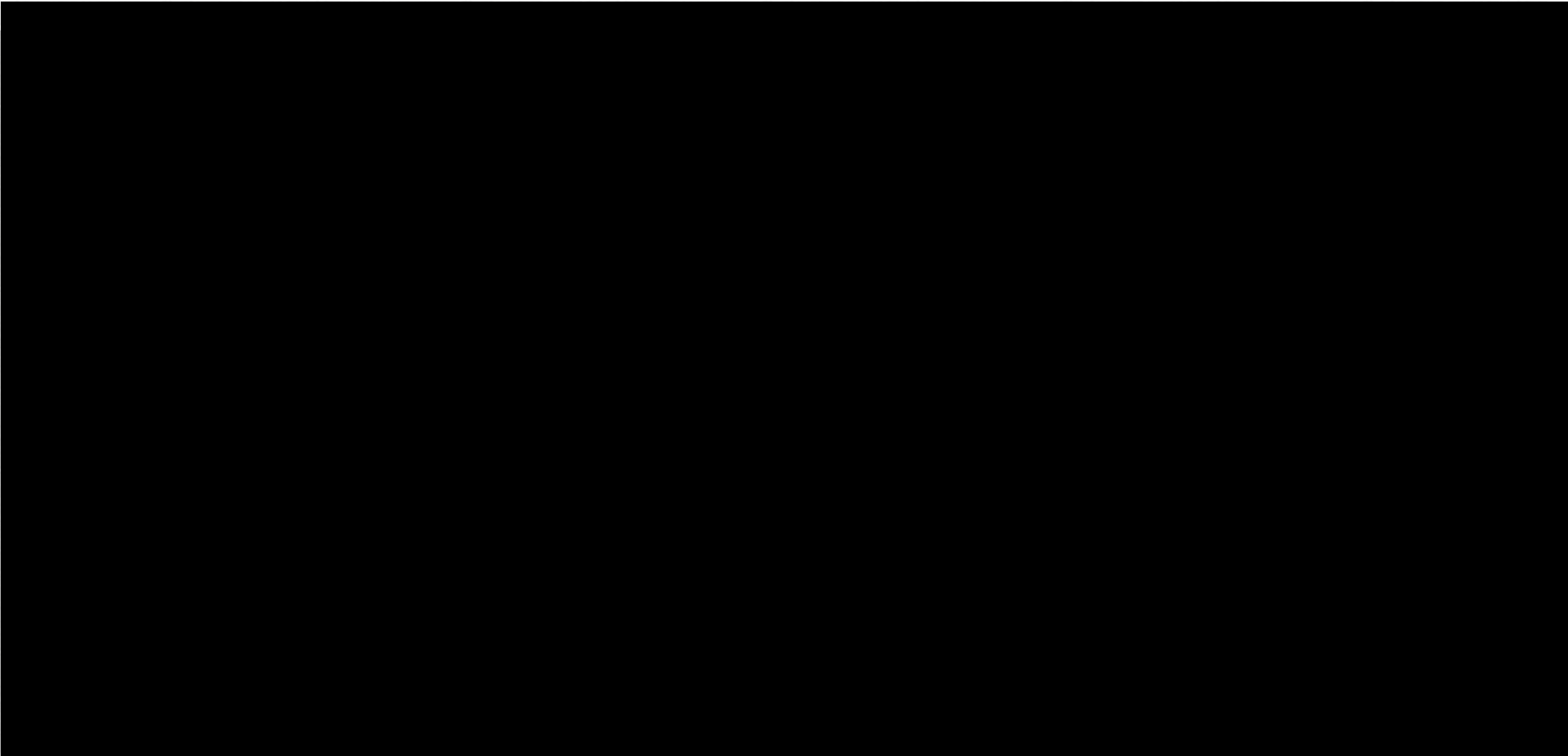


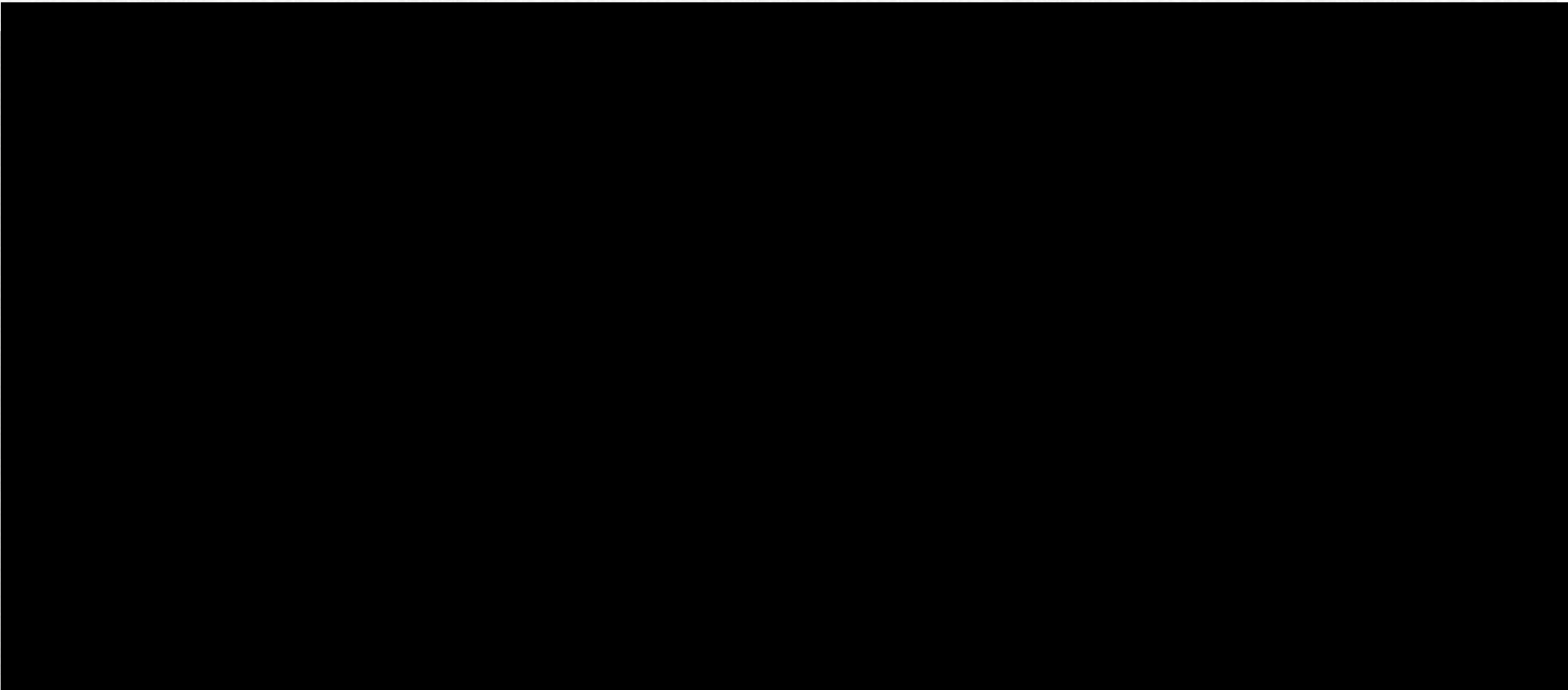


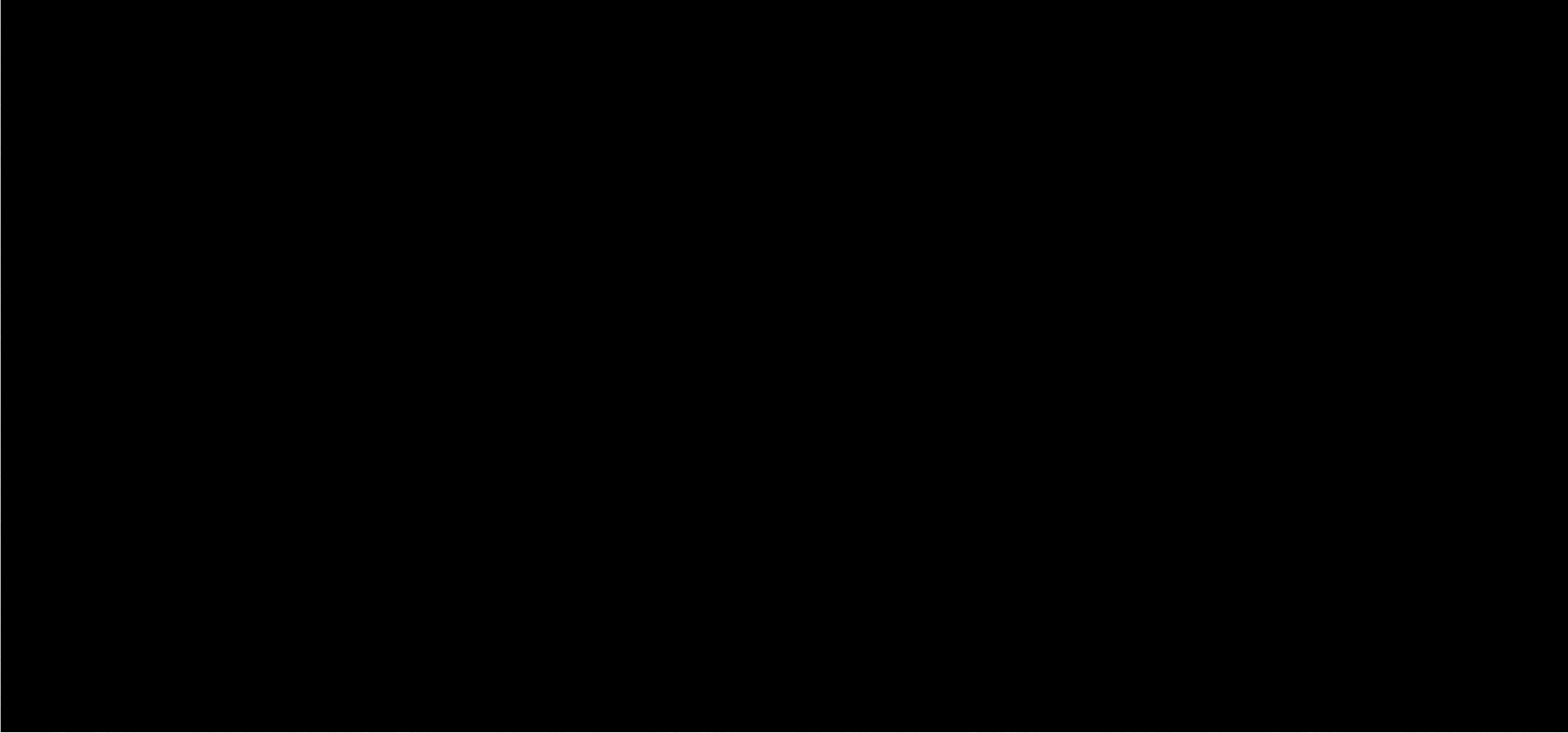




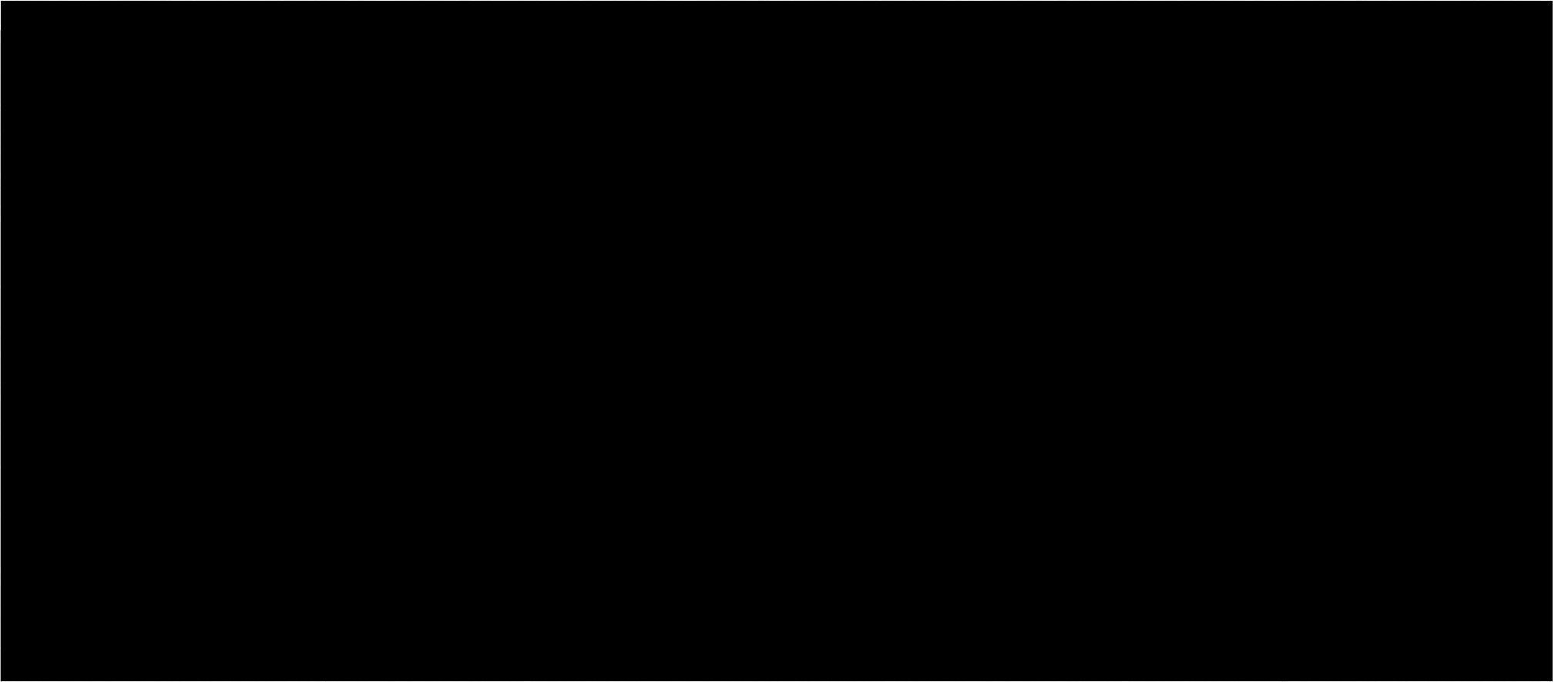


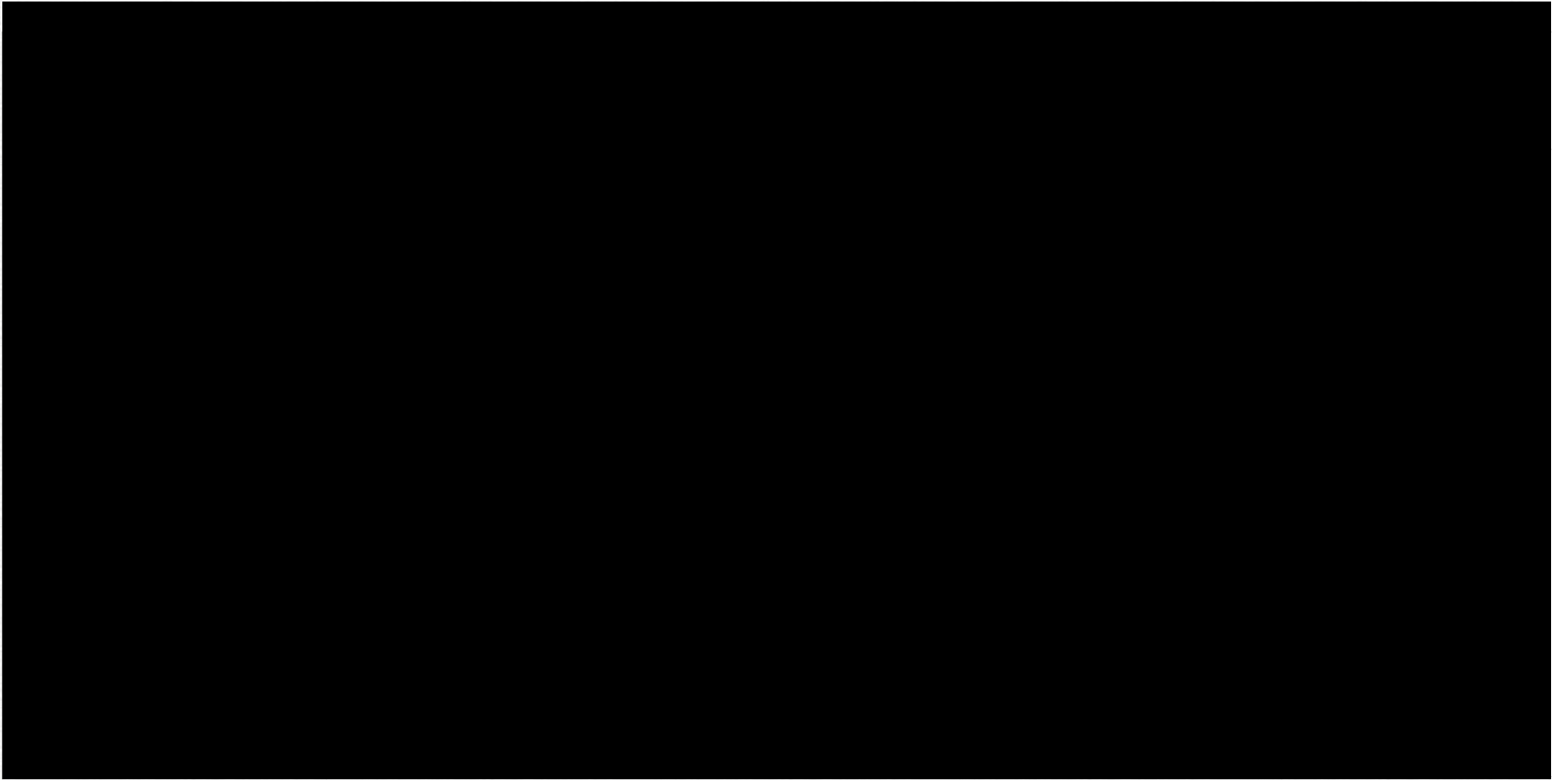


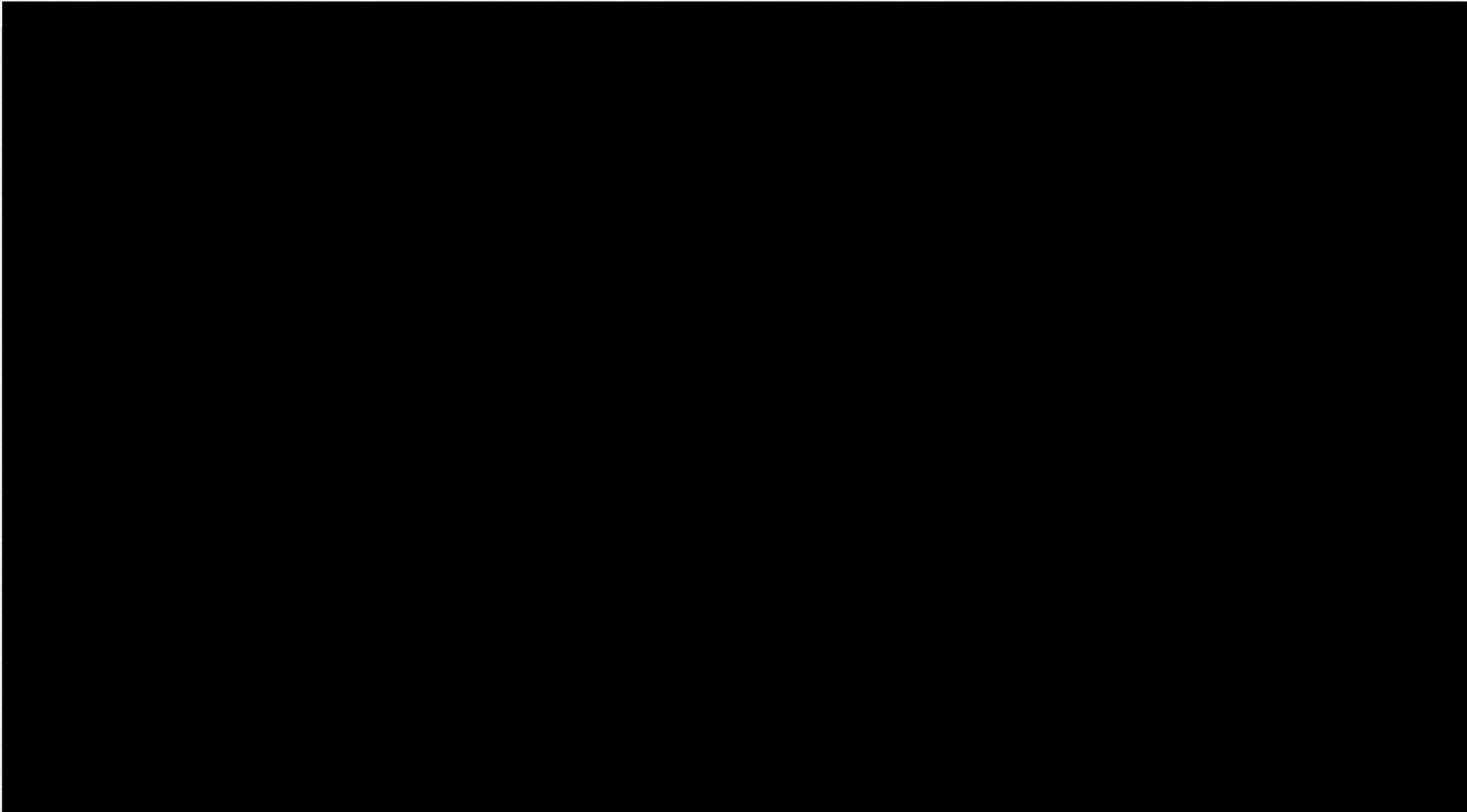


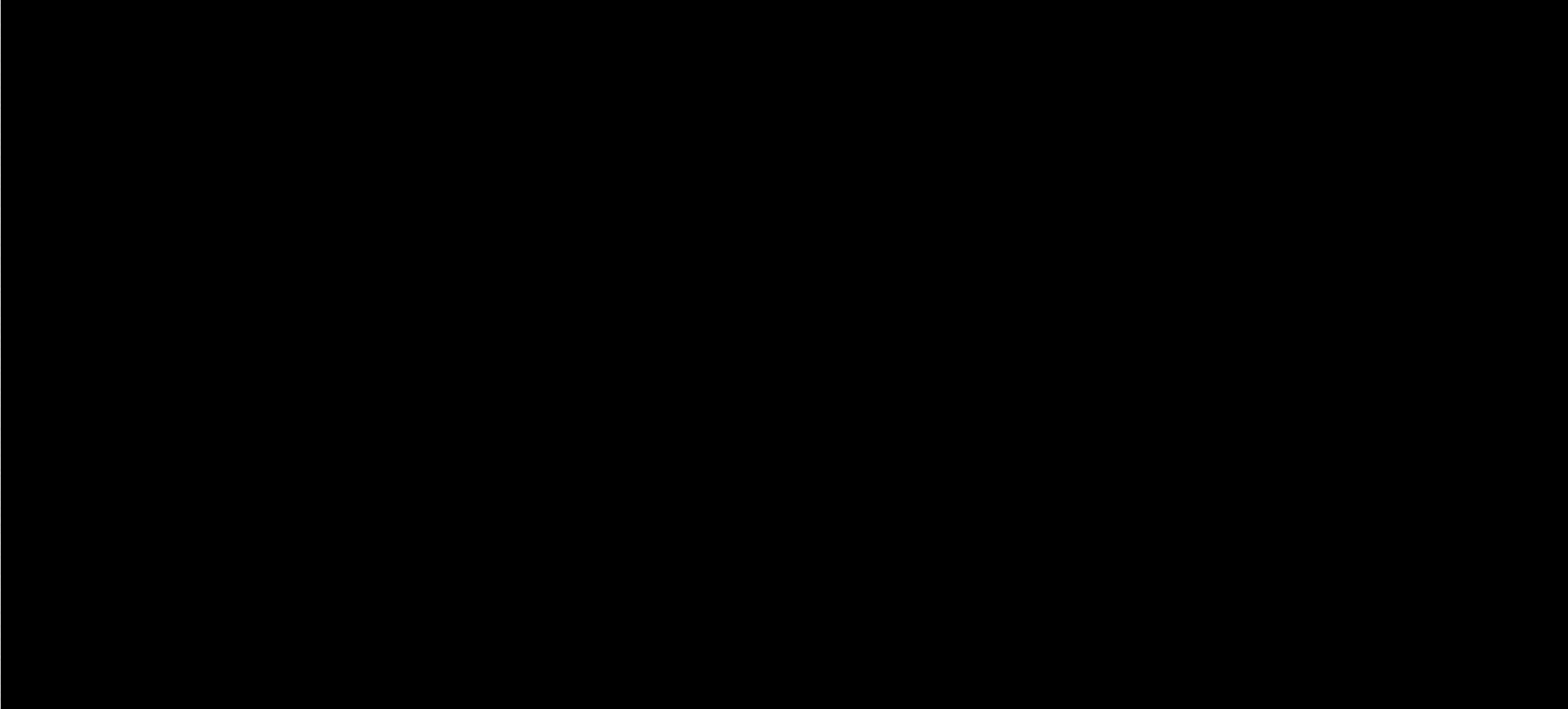












## **Annexure 2 – Rates and tariffs 2010/11**

### **Rates, tariffs and other charges**

A tariff list is included as a separate document.

## **Annexure 3 – Measurable Performance Objectives**

This Annexure shows the measurable performance objectives that will be included in departmental Service Delivery and Budget Implementation plans. This must be approved by the Mayor within 28 days of the budget being approved by Council.

The annual target for each of the PI's will be developed for inclusion in the SDBIP. Progress on the performance targets must be reported on quarterly. The indicators show the targets for 2010/11.

<b>Objectives, Goals, KPI's and Targets of the Municipality (Civil Engineering Services)</b>				
<b>Municipal Key Performance Area</b>	<b>IDP Goal/Objective</b>	<b>Key Performance Indicator</b>	<b>Base Line</b>	<b>Annual Targets</b>
				<b>2010/11</b>
<i>MKPA 1: Sanitation</i>	To provide and maintain safe and sustainable sanitation management and infrastructure	Percentage of new sewerage connections provided within 1 week of application	95%	95%
		Percentage of sewerage blockages cleared within 48 hours	98%	98%
		Percentage of households with access to basic level of sewerage services	95%	98%
		% of sewerage purified to requirements of SANS	95%	95%
<i>MKPA 2: Water Services</i>	To provide world class water services in George to promote development and fulfil basic needs	KPA – Percentage of households with access to basic level of water	95%	95%
		Percentage of new water connections within 1 week of application	95%	95%
		% of water losses through network	10%	10%
		% of water losses through purification	10%	10%
		% of pipe bursts repaired within 48 hours	98%	98%
		Replacement of water meters	800	800
		% of water purified to meet SANS requirements	95%	95%
		Replacement of water mains	4400	4400

<b>Objectives, Goals, KPI's and Targets of the Municipality (Civil Engineering Services)</b>				
<b>Municipal Key Performance Area</b>	<b>IDP Goal/Objective</b>	<b>Key Performance Indicator</b>	<b>Base Line</b>	<b>Annual Targets</b>
				<b>2010/11</b>
<i>MKPA 3: Roads Streets, Storm water drainage and Sidewalks</i>	To provide and maintain storm water infrastructure to ensure a safe environment and prevent flooding	% of households with access to storm water services	75%	75%
		% of manholes cleared from debris	10%	10%
<i>MKPA 4: Transport Planning &amp; Traffic Engineering</i>	To provide world class transport routes and functional streets safe for all modes of transport	Km of gravel streets upgraded to permanent surface	90	90
		Km of road rehabilitated to an acceptable level	5	5
		Km of tarred roads resealed	7	7
		KPA: % of Capital budget spend	95%	95%
<i>KPA 30: People Management and Empowerment</i>  <i>KPA 20: Financial viability and management</i>	Effective management of the Civil and Technical Services Department	% of approved capital projects completed within time	85%	85%
		% of council decisions applicable to department implemented	98%	98%
		% of land development applications commented on within 14 days	80%	80%
		% of building plan applications commented on within 14 days	90%	90%
		% of master plans approved: WSDP/Water & Sewerage/Roads master plan: Ones in 5 Years	100%	100%



Objectives, Goals, KPI's and Targets of the Municipality (Department: Electro Technical Services)				
Municipal Key Performance Area	IDP Goal/Objective	Key Performance Indicator	Base Line	Annual Targets
				2010/11
<i>KPA 5: Electricity</i>  <i>KPA 6: Street lightning</i>  <i>KPA 7: Traffic Lights</i>	Effective management of the Dept: Electrotechnical	% of capital budget spent	90%	90%
		Operational expenses per unit of electricity sold	<33.9 c/kWh	<33.9 c/kWh
		Electricity master plan updated and aligned with budget & IDP	1	1
		3 Year capital budget aligned with master plans and IDP to address immediate needs	1	1
		KPA – Interventions to address the skills shortage to enable compliance with approved employment equity plan	70%	70%
		Staff complement	150	150
		Quality of Supply	90%	90%
		Affordable, effective and efficient administration	90%	90%

**Objectives, Goals, KPI's and Targets of the Municipality  
(Department: Electro Technical Services)**

Municipal Key Performance Area	IDP Goal/Objective	Key Performance Indicator	Base Line	Annual Targets
				2010/11
	To distribute electricity to all residents in George	KPA – Percentage of households with access to basic level of electricity. (subject to availability of funds)	100%	100%
		Quality of service	90%	90%
		Quality of supply	90%	90%
	Electrification of all households in George	Number of new electricity connections (subject to availability of funds)	120	120
		Preventative maintenance programmes in place and active	1	1
		Number of workplace incidents	0	0
		Fleet Management system to manage & replace units economically	90%	90%

**Objectives, Goals, KPI's and Targets of the Municipality  
(Department: Planning and Development)**

Municipal Key Performance Area	IDP Goal/Objective	Key Performance Indicator	Base Line	Annual Targets
				2010/11
<i>KPA 8: Housing</i>	To provide in the needs of the homeless by providing safe and integrated human settlements	Number of new low cost housing units built	55	600
		Number of new crèches built	1	1
		Number of crèches maintained and upgraded.	4	2
		Number of new community halls built	1	3
		Quality control on number of housing units	300	1800
		Number of routine land management inspections in informal areas	528	528
		Number of hot spots land management inspections in informal areas	1680	1680
		Number of rudimentary land management inspections in informal areas	528	528
		Completed subsidy forms submitted to Province	150	40
		Completion of final delivery forms	150	600
		Number of community meetings held	12	5
		Project meetings	12	18

		Transfer documentation	550	500
<b>Objectives, Goals, KPI's and Targets of the Municipality (Department: Planning and Development)</b>				
Municipal Key Performance Area	IDP Goal/Objective	Key Performance Indicator	Base Line	Annual Targets
				2010/11
<i>KPA 9: Spatial Planning</i>	To achieve development in a sustainable manner while preserving the environment and making provision for sustainable growth and development	Completion of the George Integrated Zoning Scheme (IZS)	1 Integrated Zoning Scheme	Committee approved IZS
		Address all illegal buildings: % of action taken in relation to all complaints received	75%	75%
		Completion of the George Spatial Development Framework (SDF)	Functional SDF	Committee approved SDF
		Completion of the 7 Spatial Development Plans (SDP's) identified in George	Functional SDP	Committee approved SDF's
		Successful processing of land use applications: To complete all land use applications within 6 months after submission with at least 75% applications completed p.m.	75%	75%
		Percentage of building plans approved within 8 weeks minus delays caused by applicants or other authorities	75%	80%
<i>KPA 10: Environmental Management</i>				

Objectives, Goals, KPI's and Targets of the Municipality (Department: Planning and Development)				
Municipal Key Performance Area	IDP Goal/Objective	Key Performance Indicator	Base Line	Annual Targets
				2010/11
<i>KPA 11: Property Development</i>	To facilitate private and public property development in a sustainable manner	All awarded property sales in place within time limits in terms of due processes which need to be followed	75%	75%
		All awarded property sales in place within time limits in terms of due processes which need to be followed	75%	75%

Objectives, Goals, KPI's and Targets of the Municipality (Department: Community Safety)				
Municipal Key Performance Area	IDP Goal/Objective	Key Performance Indicator	Base Line	Annual Targets
				2010/11
<i>KPA 12: Public Safety and Law Enforcement</i>	To reduce and effectively extinguish fires in the Municipality	Number of fires attended. Person hours spend on fires	360	360
		Average reaction time attending to fires – urban	8-9	7-8 minutes
		Average reaction time attending to fires – rural.	minutes	18
			20	minutes
			minutes	

		Number of fire prevention inspections conducted	350	360
		Training of staff in fire fighting	16	18
To promote and improve road safety in the Municipality		Number of road traffic accidents (deaths/major/minor)	800	790
		Number of moving violations	24000	23800
		Number of taxi violations	600	580
		Number of defects on vehicles	800	780
		Number of road safety educational events held	10	12
		Number of arrests	400	410
	To control stray animals		Number of prosecutions of owners of stray animals	20
		Number of animas impounded	100	100
To develop, update and implement the Municipal Disaster Management Plan		Disaster management plan in place. Revision of disaster management plan	1	1
To effectively enforce municipal by-laws and regulations		Number of by-laws offences / number of arrests	1000	1050

**Objectives, Goals, KPI's and Targets of the Municipality  
(Department: Community Safety)**

Municipal Key Performance Area	IDP Goal/Objective	Key Performance Indicator	Base Line	Annual Targets
				2010/11
<i>KPA 13: Road Transport</i>	To ensure road safety through the regulation and control of road transport	Number of applicants tested for drivers licences.		
		Number of applicants tested for learner drivers licences	12800	12900

	Number of drivers licences renewals	14000	14100
	Number of vehicle registrations processed	61000	61000
	Number of vehicles tested	1800	1800
	Increase in LEO's who meet legislative requirements	16	18
	Evacuation exercises	10	10

<b>Objectives, Goals, KPI's and Targets of the Municipality (Department: Environmental Affairs)</b>				
<b>Municipal Key Performance Area</b>	<b>IDP Goal/Objective</b>	<b>Key Performance Indicator</b>	<b>Base Line</b>	<b>Annual Targets 2010/11</b>
<i>KPA 14: Environmental Health</i>	To provide effective provision of municipal environmental health services as determined by the NHA	Number of complaints received	600	600
		Percentage of complaints addressed	85%	85%
		Number of environmental health information sessions held	10	10
		Number of routine inspections carried out	120	120
<i>KPA 15: Public Amenities</i>	Maintain and control public amenities and areas to promote a safe and healthy environment	Public toilets per 10 000 population	0.6	0.6
		Number of person hours spend on cleaning public toilets	72000	72000
		Weed control in cemeteries	600 hours	600 hours
		Cubic meter wood harvested in open spaces	0	0
		Number of person hours spend on cleaning of beaches	7600	7600
		Number of overnight stays at Harolds Bay camp site	1400	1400
		Hectares of alien vegetation cleared	50	50
		Hectares of grass cut/ month	5800	5800



		Number of trees planted	2000	2000
		Number of trees pruned	5000	5000
<b>Objectives, Goals, KPI's and Targets of the Municipality (Department: Environmental Affairs)</b>				
Municipal Key Performance Area	IDP Goal/Objective	Key Performance Indicator	Base Line	Annual Targets
				2010/11
<i>KPA 16: Waste Management</i>	To provide an integrated waste management service for the total municipal area	% total waste collected recycled	6%	8%
		Tons of household refuse collected	31000	31200
		KPA – Percentage of households with access to basic level of solid waste removal	95%	96%
		% of households with weekly refuse collection service	95%	96%
		Number of person hours spend cleaning streets	240000	242000
<i>KPA 30: People Management and Empowerment</i>	Effective management of the Environmental Affairs Department	KPA: % of Capital budget spent	90%	95%
		KPA – The number of people from employment equity target groups employed in compliance with the approved employment equity plan	90%	90%
		<i>KPA 20: Financial viability and management</i>	Number of Municipal buildings disability friendly	5
		Number of new appointees in line with employment equity plan	90%	90%

**Objectives, Goals, KPI's and Targets of the Municipality  
(Department: Environmental Affairs)**

Municipal Key Performance Area	IDP Goal/Objective	Key Performance Indicator	Base Line	Annual Targets
				2010/11
<i>KPA 17: Sport facilities and Development</i>	To develop, improve and manage municipal sport facilities and facilitate sport activities in the Municipality	Develop sport club and facilities database	95	95
		Number of approved contracts with sport clubs	6	6
		% utilization of sport facilities	95%	95%
		Number / % of sport clubs affiliated to sport council	6	6
		Number of Municipal sport facilities disable friendly	7	7
	The development and implementation of a sport development strategy in the Municipality	Sport Development Strategy	1	1

Objectives, Goals, KPI's and Targets of the Municipality (Department: Deputy Municipal Manager)				
Municipal Key Performance Area	IDP Goal/Objective	Key Performance Indicator	Base Line	Annual Targets
				2010/11
		Joint functions taken place	9	9
<i>KPA 18: Local Economic Development</i>	To create and facilitate an enabling environment for LED in the Municipality	Quarterly review and update of the GEDC	4 (1 per quarter)	4 (1 per quarter)
		Implementation of the GLEDSIP	1 plan	1
		Number of LED forum meetings	4 (1 per quarter)	4
		Internal and External Investment and incentive policy	1	1
	Maintenance of an economic and municipal information database	1 Data base maintained	1	1
	Formalise hawking in townships (Community Safety Dept.)	Number of new stalls	10	5
	Annual events for local business and incentive scheme for development (Office of the MM)	Number of events	4	4
<i>KPA 19: Tourism</i>	Promoting tourism & tourism development in George	Nat & Int. Campaigns	12 Nat & Int. Shows	12
		Tourism database	1	1
		Tourism marketing initiatives and campaigns	24 campaigns	26
		% increase in membership of tourism bureau		
	Development and implementation of a George Tourism Strategy	George Tourism Strategy Revision and Maintenance	1 strategy 4 GTS workshops Local Event	1 4 6

	Effective utilisation of the web site as a tourism marketing tool	Number of website hits		
<b>Objectives, Goals, KPI's and Targets of the Municipality (Department: Deputy Municipal Manager)</b>				
Municipal Key Performance Area	IDP Goal/Objective	Key Performance Indicator	Base Line	Annual Targets
				2010/11
<i>KPA 28: Training and Capacity Building</i>	To facilitate training and development of employees and councillors	Number of participants on literacy programmes	80	80
		Percentage of skills levies claimed back	100%	100%
		Quality of training	100%	100%
		KPA – Percentage of budget actually spent on implementing workplace skills plan	5%	5%
<i>KPA 29: Occupational Health and safety</i>	To provide a safe and healthy work environment to all employees	Percentage of occupational health & safety services to line directorates.	100%	100%
		Number of work related accidents reported	100%	100%
<i>KPA 30: People Management and Empowerment</i>	To maintain sound labour relations	Sound & effective labour relations policies and practices established	100%	100%
		Employee assistance Programme (EAP)	100%	100%
		Staff discipline – Investigations and hearings completed successfully (MM)	32/40 80%	32/40 80%
	Recruitment and selection of staff for budgeted vacancies	Percentage of vacant budgeted posts filled	90%	90%
	Annually review the macro structure prepared, financial implications indicated, submitted to Mayor and adopted	1 review (MM)	1	1
<i>KPA 31: Employment Equity</i>	To review & implement the Employment Equity Plan	X1 Employment Equity Process	1	1
		KPA – The number of people from employment equity target groups employed in compliance with the approved employment equity plan	80%	80%



Objectives, Goals, KPI's and Targets of the Municipality (Department: Deputy Municipal Manager)				
Municipal Key Performance Area	IDP Goal/Objective	Key Performance Indicator	Base Line	Annual Targets
				2010/11
<i>KPA 32: Public Participation</i>	To ensure and promote the participation of George communities in the activities of the Municipality	Number of public participation meetings held	4	40 (per ward annually)
		Number of ward committee meetings attended by area managers	5	20
		Number of visits to area managers	500	500
		% Utilization of community halls – private. % Utilization of community halls - official	40% prvt 60% Offic	40% prvt 60% Offic
		Evaluation system for users of halls	1 System	1
		Number of visits to outside sentra	2000	2000
		No of public participation opportunities attended by staff members as % of planned sessions (MM)	48	48
		Complaints resolved – Nr of complaints resolved within 10 days as % of total nr received (MM)	36/40 90%	36/40 90%
<i>KPA 33: Administrative Support</i>	To provide an effective records management service	X1 Collaborator functional	1	1
		X1 Leave register updated on a monthly basis	1	1
		Response to enquiries with no legal and financial implications	80%	80%
		Application in terms of Promotion of access to information act	90%	90%

Objectives, Goals, KPI's and Targets of the Municipality (Department: Deputy Municipal Manager)				
Municipal Key Performance Area	IDP Goal/Objective	Key Performance Indicator	Base Line	Annual Targets
				2010/11
	Arrangement of Council/Committee meetings as per the meeting Table of Council, and compiling the agenda's and minutes to Council meetings	Timeous compilation of agendas	98%	98%
		Timeous compilation of departmental instructions following meetings	98%	98%
		Timeous compilation of resolutions	98%	98%
		Timeous compilation of advertisements pertaining to meetings	90%	90%
	Management Meetings	Number of management meetings per month	60	60
	To improve and maintain the network and IT systems	Downtime	< 5%	< 5%
		Response time	90%	90%
<i>KPA 34: Library Services</i>	The provision of effective library services	% membership increase (Youth / Adults)	0,5%	0,5%
		Number of issues issued per personnel	25000	25000
		Number of events held by libraries	40	40
		To turn around the decrease in circulation	8	8
<i>KPA 35: Integrated Development Planning</i>	To ensure effective integrated development planning and performance management in the municipality	IDP Reviewed and adopted	1 Reviewed document adopted by Council	1
		Organizational PMS	0	1
<i>KPA 36: Performance Management</i>	Implementation of an individual PMS System	Performance of senior managers reporting to MM	32	32
		Number of performance assessments relating to senior managers	32	32
		Performance contracts of all senior managers drafted, discussed with them and signed	10	10

**Objectives, Goals, KPI's and Targets of the Municipality  
(Department: Deputy Municipal Manager)**

Municipal Key Performance Area	IDP Goal/Objective	Key Performance Indicator	Base Line	Annual Targets
				2010/11
<i>KPA 37: Communication</i>	Effective internal and external communication in the Municipality	Number of internal newsletters	4 (1 p/quarter)	4
		Number of external newsletters	4 (1 per quarter)	4
		Communication strategy reviewed and implemented	1	1
		Municipal web site	1	1
	To ensure effective publicity, marketing and branding of the Municipality	Corporate/marketing related gives	2000	2500
		Number of information articles in George Focus or local press to introduce services or communicate contract number of complaints (MM)	48	48
<i>KPA 38: Intergovernmental Relations</i>	Proper intergovernmental and international relations	Number of international interventions	4	4
		Establish functional sister city agreements	4	4
		Delegations to visit selected Sister Cities internationally	4	4
		Joint functions taken place	9	9
		Attendance of meetings convened by National and Provincial Government and District Municipality requiring attendance of MM (MM)	100	100
<i>KPA 39: HIV/Aids</i>	To contribute towards the reduction in the prevalence of HIV/AIDS in the Municipal area	Number of special events organised	4	4
		Number of health awareness campaigns held	6	6
		Number of treatment and care projects	6	6



		Number of people counselled by HIV councillors	?	?	
<b>Objectives, Goals, KPI's and Targets of the Municipality (Department: Deputy Municipal Manager)</b>					
Municipal Key Performance Area	IDP Goal/Objective	Key Performance Indicator	Base Line	Annual Targets	
				2010/11	
<i>KPA 40: Targeted Groups</i>	To facilitate and coordinate the strengthening of targeted (Gender) groups within the Municipality	Number awareness events	3	3	
		Number of projects	2	2	
		Number of educational sessions	1	1	
	To facilitate and coordinate the strengthening of Disability issues within the municipality	Number of awareness events	3	3	
		Number of projects	5	5	
		Number of education sessions	1	1	
	To facilitate and coordinate the strengthening of Youth issues within George	Number of development programmes/projects	20	16	
		Policy review	0	1	
		Number of special events organised	2	1	
		Number of functioning youth councils	5	20	
		Number of Gov events support provided	15	8	
		Establish and Support after care centres in the Municipality	Number of centres supported	1	2
			Number of new centres established	1	2
		Establish and support art and craft groups in the municipality	Number of support groups	15	15
			Number of new groups	5	4
Provide information sessions regarding social challenges		Number of sessions	50	50	
		Number of new food gardens	250	250	

## Objectives, Goals, KPI's and Targets of the Municipality

### (Department: Deputy Municipal Manager)

Municipal Key Performance Area	IDP Goal/Objective	Key Performance Indicator	Base Line	Annual Targets	
				2010/11	
	Monitoring the functions of crèches in the municipality	Number of quarterly reports submitted	44	44	
		Funding spend on support	0	100 000	
		Management contracts for crèches	2	3	
		Reduction in the number of children living on the street	Number of reports to council	12	12
		Establish, support and monitor soup kitchens in the municipality	Number of monitoring reports to council	12	12
<i>KPA 41: Internal Audit and Risk Management</i>	To evaluate the effectiveness of the internal audit section	Compilation of 3 year Internal Audit Plan based on Risk Assessment	1 Internal Audit Plan (incorporating audit programs for 3 years)	1	
		Approval of Internal Audit Plan by Audit Committee	1 Approved Internal Audit Plan	1	
		Execution of Internal Plan and issuing of Internal Audit Reports based on Internal Audit Plan	Internal Audit Reports planned to be issued / Hours budgeted for execution of Internal Audit Plan.  (Baseline: Internal Audit Plan)	100% internal audit effort against plan	

<b>Objectives, Goals, KPI's and Targets of the Municipality (Department: Deputy Municipal Manager)</b>				
<b>Municipal Key Performance Area</b>	<b>IDP Goal/Objective</b>	<b>Key Performance Indicator</b>	<b>Base Line</b>	<b>Annual Targets</b>
				<b>2010/11</b>
		Monthly reporting by Internal Audit Section on Internal Audit Reports issued to the Internal Audit Steering Committee	Monthly meetings  (Base line: Minutes of meetings)	10-Dec
		Quarterly reporting on Internal Audit Reports issued to the Audit Committee	Quarterly meetings  (Base line: Minutes of meetings)	4
	To evaluate the effectiveness of risk management, control and governance processes	Facilitation of annual review of the Risk Management Policy	Risk Management Policy  (Base line: Memorandum / Minutes / Report)	1
		Facilitation of the annual review and update of the risks in the Risk Register by departments	Risk Register  (Base line: Report)	1
		Facilitation of compilation of new Risk Treatment Plans by departments for all risks as per the Risk Register	Risk Treatment Plans  (Base line: Report)	Facilitation of compilation of Risk Treatment Plans for all (100%) identified risks.
		Review of existing Risk Treatment Plans (High Rated Risks) for effective design	Risk Treatment Plans  (Base line: Report)	100% review of existing Risk Treatment Plans for all High Rated Risks.

**Objectives, Goals, KPI's and Targets of the Municipality  
(Department: Deputy Municipal Manager)**

Municipal Key Performance Area	IDP Goal/Objective	Key Performance Indicator	Base Line	Annual Targets
				2010/11
	Facilitation of implementation and monitoring of Risks and Risk Treatment Plans by departments	Risk Register and Risk Treatment Plans discussed at departmental meetings (standing agenda point)  (Base line: Minutes of Risk Management agenda point of each department)	Monthly minutes by each department  (12 minutes x 7 departments = 84 monthly minutes)	Monthly minutes by each department  (12 minutes x 7 departments = 84 monthly minutes)
		Base line: Assessed, summarised and reported on by Internal Audit to Internal Audit Steering Committee and Audit Committee	Reporting on 100% of extracts from minutes received	Reporting on 100% of extracts from minutes received

**Objectives, Goals, KPI's and Targets of the Municipality  
(Department: Financial Services)**

Municipal Key Performance Area	IDP Goal/Objective	Key Performance Indicator	Base Line	Annual Targets
				2010/11
<i>KPA 20: Financial viability and management</i>	To measure financial viability as expressed in the ratios prescribed in the Planning and Performance Management Regulations, 2001	Annual Financial Statements	1 Set of audited financial statements	1
		Debt coverage ratio		
		Outstanding service debtors to revenue ratio		
		Cost coverage ratio		
	To comply and implement the supply chain management regulations	Supply Chain Management report	Quarterly	4
	To developed and implement appropriate financial related policies for the Municipality	Cash management and investment policy	Annually	1
	To ensure that 100% of the municipal employees and Councillors receive their salaries correctly every month	Payment of Salaries	100%	100%
		Salary related deductions	100%	100%
	To ensure that the municipality's banking is 100% in line with the requirements of the MFMA.	Number of Bank Reconciliation	12	12
		Daily Banking	100%	100
	To perform proper internal auditing of the municipality	Quarterly meetings of and report to Audit Committee, Agenda distributed 7 working days in advance of meeting. Risk based audit plan completed / review before 30 June 2008 and quarterly audit of performance information (MM)	12	12
			Meetings	Meetings

Objectives, Goals, KPI's and Targets of the Municipality (Department: Financial Services)				
Municipal Key Performance Area	IDP Goal/Objective	Key Performance Indicator	Base Line	Annual Targets
				2010/11
<i>KPA 21: Revenue enhancement</i>	Maintaining a sound revenue base for the Municipality	Billing prior to last working day of month	100%	100%
		Billing rate	100%	100%
		Owner Property Updated	95%	95%
		Correctness of billing	95%	95%
		Accurate meter readings	98%	98%
<i>KPA 22: Credit Control</i>	To maintain effective credit control in the Municipality	Credit control: Referral to Engineers	100%	
		Handing-over of Debtors	100%	100%
		Credit control: Trend	98%	98%
		Payment of Creditors within 30 days	100%	100%
		Sound, authorised expenditure	100%	100%
<i>KPA 23: Financial Reporting</i>	To improve the financial system to accommodate the reporting requirements of government	Number of Treasury Reports	12 Annually	12
		Number Quarterly Reports	4 Annually	4
		Performance Evaluation Report	1 Annually	1
		Annual report of Department	1 Annually	1
		Unresolved audit queries (MM)	0%	0%

**Objectives, Goals, KPI's and Targets of the Municipality  
(Department: Financial Services)**

Municipal Key Performance Area	IDP Goal/Objective	Key Performance Indicator	Base Line	Annual Targets
				2010/11
		Section 71 Budget monitoring report submitted to the Mayor 10 working days after end of each month (MM)	12 per year	12
		Compliance with MFMA Reporting requirements (MM)	100%	100%
<i>KPA 24: Valuations</i>	To ensure full implementation of the property rates Act	Percentage of Ad-hoc valuations	100%	100%
		Number of interim Valuations	Quarterly	Quarterly
<i>KPA 25: Risk Management</i>	Facilitate proper risk management in the Municipality	Risk Management: Insurance claims	Quarterly	4
		Risk assessment and Risk Policy	Quarterly	4
<i>KPA 26: Asset management</i>	To manage and control all assets in the Municipality in a cost effective way to provide a continues service to the public	Updated asset register: purchases	1 updated register	1
		Asset Management: Depreciation	Monthly depreciation	12

**Objectives, Goals, KPI's and Targets of the Municipality  
(Department: Financial Services)**

Municipal Key Performance Area	IDP Goal/Objective	Key Performance Indicator	Base Line	Annual Targets
				2010/11
<i>KPA 27: Budget Formulation and control</i>	To compile the annual budget according to the MFMA and relevant legislation	1 Adopted draft budget before end of March each year	1 Draft Budget	1 Draft Budget
		Adopted budget before end of May each year	1 Budget	1 Budget
		KPA – Percentage of capital budget actually spent on capital projects	100%	100
		Monthly Balancing of the General ledger	12	12
		% of Capital budget spent (MM)	90%	90%
		Over expenditure on operational budget (MM)	0%	0%



## **Annexure 4 – Disclosure on implementation of the MFMA & other applicable legislation**

### **Municipal Finance Management Act – No 56 of 2003**

The MFMA became effective on 1<sup>st</sup> July 2004. The Act aims to modernise budget and financial management practices within the overall objective of maximising the capacity of municipalities to deliver services.

The MFMA covers all aspects of municipal finance including budgeting, supply chain management and financial reporting.

The various sections of the Act are phased in according to the designated financial management capacity of municipalities. George has been designated as a high capacity municipality.

The MFMA is the foundation of the municipal financial management reforms which municipalities are implementing.

### **The MFMA and the budget**

The following explains the budgeting process in terms of the requirements in the MFMA. It is based on National Treasury's guide to the MFMA.

#### The budget preparation process

##### Overview

A central element of the reforms is a change to the way that municipalities prepare their budgets.

The MFMA requires a council to adopt three-year capital and operating budgets that take into account, and are linked to, the municipality's current and future development priorities (as contained in the IDP) and other finance-related policies (such as those relating to free basic service provision).

These budgets must clearly set out revenue by source and expenditure by vote over three years and must be accompanied by performance objectives for revenue and expenditure, a cash flow statement and particulars on borrowing, investments, municipal entities and service delivery agreements, grant allocations and details of employment costs.

The budget may be funded only from reasonable estimates of revenue and cash-backed surplus funds from the previous year and borrowings (the latter for capital items only).

### Budget preparation timetable

The first step in the budget preparation process is to develop a timetable of all key deadlines relating to the budget and to review the municipality's IDP and budget-related policies.

The budget preparation timetable should be prepared by senior management and tabled by the mayor for council adoption by 31 August (ten months before the commencement of the next budget year).

### Budget preparation and review of IDP and policy

The mayor must co-ordinate the budget preparation process and the review of council's IDP and budget-related policy, with the assistance of the municipal manager.

The mayor must ensure that the IDP review forms an integral part of the budget process and that any changes to strategic priorities as contained in the IDP document have realistic projections of revenue and expenditure. In developing the budget, the management must take into account national and provincial budgets, the national fiscal and macro-economic policy and other relevant agreements or Acts of Parliament. The mayor must consult with the relevant district council and all other local municipalities in that district as well as the relevant provincial treasury and the National Treasury when preparing the budget, and must provide the National Treasury and other government departments with certain information on request.

This process of development should ideally occur between August and November, so that draft consolidated three-year budget proposals, IDP amendments and policies can be made available during December and January. This allows time during January, February and March for preliminary consultation and discussion on the draft budget.

### Tabling of the draft budget

The initial draft budget must be tabled by the mayor before council for review by 30 March.

### Publication of the draft budget

Once tabled at council, the municipal manager must make public the appropriate budget documentation and submit it to both the National Treasury and the relevant provincial treasury and any other government departments as required. At this time, the local community must be invited to submit representations on what is contained in the budget.

### Opportunity to comment on draft budget

When the draft budget is tabled, council must consider the views of the local community, the National Treasury and the relevant provincial treasury and other municipalities and government departments that may have made submissions on the budget.

### Opportunity for revisions to draft budget

After considering all views and submissions, council must provide an opportunity for the mayor to respond to the submissions received and if necessary to revise the budget and table amendments for council's consideration.

Following the tabling of the draft budget at the end of March, the months of April and May should be used to accommodate public and government comment and to make any revisions that may be necessary. This may take the form of public hearings, council debates, formal or informal delegations to the National Treasury, provincial treasury and other municipalities, or any other consultative forums designed to address stakeholder priorities.

### Adoption of the annual budget

The council must then consider the approval of the budget and must formally adopt the budget by 31 May. This provides a 30-day window for council to revise the budget several times before its final approval.

If a council fails to approve its budget at its first meeting, it must reconsider it, or an amended draft, again within seven days and it must continue to do so until it is finally approved – before 1 July.

Once approved, the municipal manager must place the budget on the municipality's website within five days.

### Budget implementation

#### Implementation management – the Service Delivery and Budget Implementation Plan (SDBIP)

The municipal manager must within fourteen days after the approval of the annual budget (by 14 June) submit to the mayor for approval a draft service delivery and budget implementation plan and draft annual performance agreements for all pertinent senior staff.

A service delivery and budget implementation plan is a detailed plan for implementing the delivery of municipal services contemplated in the annual budget and should indicate monthly revenue and expenditure projections and quarterly service delivery targets and performance indicators.

The mayor must approve the draft service delivery and budget implementation plan within 28 days of the approval of the annual budget (by 28 June).

This plan must then be monitored by the mayor and reported on to council on a regular basis.

#### Managing the implementation process

The municipal manager is responsible for implementation of the budget and must take steps to ensure that all spending is in accordance with the budget and that revenue and expenditure are properly monitored.

#### Variation from budget estimates

Generally, councils may incur expenditure only if it is in terms of the budget, within the limits of the amounts appropriated against each budget vote – and in the case of capital expenditure, only if council has approved the project.

Expenditure incurred outside of these parameters may be considered to be unauthorised or, in some cases, irregular or fruitless and wasteful. Unauthorised expenditure must be reported and may result in criminal proceedings.

#### Revision of budget estimates – the adjustments budget

In terms of the Budget Regulations under Government Gazette No 32141, the following is stipulated for adjustments budget.

(2) The supporting documentation to accompany an adjustments budget in terms of section 28(5) of the Act must contain an explanation of how the adjustments budget is funded.

**Timeframes for tabling of adjustments budgets**

23. (1) An adjustments budget referred to in section 28(2)(b), (d) and (f) of the Act may be tabled in the municipal council at any time after the mid-year budget and performance assessment has been tabled in the council, but not later than 28 February of the current year.

(2) Only one adjustments budget referred to in subregulation (1) may be tabled in the municipal council during a financial year, except when the additional revenues contemplated in section 28(2)(b) of the Act are allocations to a municipality in a national or provincial adjustments budget, in which case subregulation (3) applies.

(3)<sup>13</sup> If a national or provincial adjustments budget allocates or transfers additional revenues to a municipality, the mayor of the municipality must, at the next available council meeting, but within 60 days of the approval of the relevant national or provincial adjustments budget, table an adjustments budget referred to in section 28(2)(b) of the Act in the municipal council to appropriate these additional revenues.

(4) An adjustments budget referred to in section 28(2)(c) of the Act must be tabled in the municipal council at the first available opportunity after the unforeseeable and unavoidable expenditure contemplated in that section was incurred and within the time period set in section 29(3) of the Act.

---

<sup>13</sup> This subregulation is intended to ensure that additional revenues allocated to municipalities by national or provincial governments through an adjustments budget are approved for spending as soon as possible so as to minimise the possibility of underspending. In-year changes in agency payments and other revenues mentioned in subregulation 10(2)(c) may only be brought into a municipality's budget in an adjustments budget contemplated in subregulation 23(1).

(5) An adjustments budget referred to in section 28(2)(e) of the Act may only be tabled after the end of the financial year to which the roll-overs relate, and must be approved by the municipal council by 25 August of the financial year following the financial year to which the roll-overs relate.

(6)<sup>14</sup> An adjustments budget contemplated in section 28(2)(g) of the Act may only authorise unauthorised expenditure as anticipated by section 32(2)(a)(i) of the Act, and must be –

- (a) dealt with as part of the adjustments budget contemplated in subregulation (1); and
- (b) a special adjustments budget tabled in the municipal council when the mayor tables the annual report in terms of section 127(2) of the Act, which may only deal with unauthorised expenditure from the previous financial year which the council is being requested to authorise in terms of section 32(2)(a)(i) of the Act.<sup>15</sup>

#### **Submission of tabled adjustments budgets**

24. (1) The municipal manager must comply with section 28(7) of the Act, read together with section 22(b)(i) of the Act, within ten working days after the mayor has tabled an adjustments budget in the municipal council.

(2) When submitting the tabled adjustments budget to the National Treasury and the relevant provincial treasury in terms of section 28(7) of the Act, read together with section 22(b)(i) of the Act, the municipal manager must submit in both printed and electronic form –

---

<sup>14</sup> Section 28(2)(g) of the Act requires a prescribed framework to regulate what other expenditure may be included in adjustments budgets that is not already covered by section 28(2)(a) to (f) of the Act. This subregulation is intended to provide such a framework.

<sup>15</sup> Any unauthorised expenditure not authorised by council must in terms of section 32(2)(a)(i) of the Act be recovered from the person liable for the expenditure unless it is certified as irrecoverable in terms of section 32(2)(a)(ii) of the Act.

**Requirements of the MFMA relating to the contents of annual budgets and supporting documentation.**

Section 17 of the MFMA stipulates that an annual budget of a municipality must be a Table in the prescribed format and sets out what must be included in that format. In its MFMA circular 28, National Treasury set out detailed guidance on the contents of budget documentation and the supporting Tables. George Municipality has made every effort to comply with the circular.

The following table shows how George Municipality complies with the disclosure requirements of section 17 of the MFMA.

<b>Requirement</b>	<b>Disclosure in budget documentation</b>
Table of reasonably anticipated revenue for the budget year from each revenue source	Annexure 1
Table showing appropriations of expenditure for the budget year under the different votes of the Municipality	Annexure 1
Table setting out indicative revenue per revenue source and projected expenditure by vote for the two financial years following the budget year	Annexure 1
Table setting out- (i) Estimated revenue and expenditure by vote for the current year and (ii) Actual revenue and expenditure by vote for the financial year preceding the current year.	Annexure 1
Draft resolutions - (i) approving the budget of the Municipality (ii) imposing any municipal tax and setting any municipal tariffs as may be required for the budget year and	Section 2 – Budget Related Resolutions

<b>Requirement</b>	<b>Disclosure in budget documentation</b>
(iii) Approving any other matters that may be prescribed.	
Measurable performance objectives for revenue from each source and for each vote in the budget, taking into account the Municipality's Integrated Development Plan.	Annexure 3 – Measurable Performance Objectives and Departmental Service Delivery and Budget Implementation Plans
Projection of cash flow for the budget year by revenue source broken down per month	Annexure 1
Proposed amendments to the Municipality's integrated development plan following the annual review of the IDP in terms of section 34 of the Municipal Systems Act	Item 3.1 on agenda of 31 March 2010.
Particulars of the Municipality's investments	Annexure 1
Any prescribe information on municipal entities under the sole or shared control of the Municipality	Not applicable – no entities as defined by section 1 of the Municipal Systems Act
Particulars of all proposed new municipal entities which the Municipality intends to establish or in which the Municipality intends to participate	Not applicable
Particulars of any proposed service delivery agreements, including material amendments to existing service delivery agreements	Annexure 5
Particulars of any proposed allocations or grants by the municipality to- (i) other municipalities	Annexure 1 – To be completed if applicable



<b>Requirement</b>	<b>Disclosure in budget documentation</b>
<p>(ii) any municipal entities and other external mechanisms assisting the municipality in the exercise of its functions or powers</p> <p>(iii) any other organs of state</p> <p>(iv) any organisations or bodies referred to in section 67 (1) (bodies outside Government)</p>	
<p>The proposed cost to the municipality for the budget year of the salary, allowances and benefits of-</p> <p>(i) each political office bearer of the Municipality</p> <p>(ii) councillors of the municipality</p> <p>(iii) the municipal manager, the chief financial officer, each senior manager of the municipality and any other official of the municipality having a remuneration package greater than or equal to that of a senior manager</p>	Annexure 1
<p>The proposed cost for the budget year to a municipal entity under the sole or shared control of the Municipality of the salary, allowances and benefits of-</p> <p>(i) each member of the entity's board of directors and</p> <p>(ii) the chief executive officer and each senior manager of the entity</p>	Not applicable – no entities as defined by section 1 of the Municipal Systems Act
<p>Any other supporting documentation as may be prescribed</p>	The supporting documentation as set out in National Treasury's MFMA circular 28 is included in Annexure 1.

## **Other Legislation**

In addition to the MFMA, the following legislation also influences Municipality budgeting;

### The Division of Revenue Act 2010 and Provincial Budget Announcements

Three year national allocations to local government are published per municipality each year in the Division of Revenue Act, 2010(Act No. 1 of 2010). The Act places duties on municipalities in addition to the requirements of the MFMA, especially with regard to reporting obligations. Allocations to the Municipality from Provincial Government are announced and published in the Province's budget.

Section 18 of the MFMA states that annual budgets may only be funded from reasonably anticipated revenues to be collected. The provision in the budget for allocations from national and provincial government should reflect the allocations announced in the DORA or in the relevant Provincial Gazette.

### The Municipal Systems Act - No 32 of 2000 and Municipal Systems Amendment Act no 44 of 2003

One of the key objectives of the Municipal Systems Act is to ensure financially and economically viable communities. The requirements of the Act link closely to those of the MFMA. In particular, the following requirements need to be taken into consideration in the budgeting process;

- ☛ Chapters 4 and 5 relating to community participation and the requirements for the Integrated Development Planning process.
- ☛ Chapter 6 relating to performance management which links with the requirements for the budget to contain measurable performance objectives and quarterly performance targets in the Service Delivery and Budget Implementation Plan.
- ☛ Chapter 8q relating to the requirement to produce a tariff policy.

### The Local Government: Municipal Property Rates Act, 2004

The purpose of this act is to regulate the power of a municipality to impose rates on property; to exclude certain properties from rating in the national interest; to make provision for municipalities to implement a transparent and fair system of exemptions, reductions and rebates through their rating policies; to make provision for fair and equitable valuation methods of properties; to make provision for an objections and appeals process; to amend the Local Government: Municipal Systems Act, 2000, so as to make further provision for the serving of documents by municipalities; to amend or repeal certain legislation; and to provide for matters connected therewith.

## **Annexure 5 – Budget 2010/11 to 2012/13; Supporting Information**

### **Budget Assumptions**

Budgets are prepared in an environment of uncertainty. To prepare meaningful budgets, assumptions need to be made about internal and external factors that could influence the budget. Documentation of the assumptions used in preparing the budget assists understanding of the information. This section provides a comprehensive summary of all the assumptions used in preparing the budget.

#### National Treasury MFMA Circular No 51

This Circular was issued in February 2010 and it provides further guidance to municipalities for the preparation of the 2010/11 budget and MTREF and was used in preparing this budget.

Summary of key issues from the Circular is attached as Annexure 6 to this document.

#### Inflation Outlook

In the MFMA Circular No 51, inflation forecasts are estimated at 5.7%, 6.2% and 5.9% respectively for the years 2010 to 2013.

The following allowances are included in the operating budget for general inflation over the MTREF period.

	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>
General inflation	7%	9%	9%

#### Interest Rates

The prospect of low inflation levels means that interest rates are not forecast to increase substantially over the MTREF.

The following assumptions are built into the MTREF;

	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>
Average Interest Rate – New Borrowing	10%	10%	10%
Average Interest Rate - Investments	6.8%	6.8%	6.8%

*Rates, tariffs, charges and timing of revenue collection*

The rates, tariffs and charges for the 2010/11 budget are included in Annexure 2.

The following table shows the assumed average percentage increases built into the MTREF for rates tariffs and charges;

	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>
Rates	9%	9%	9%
Tariffs : Water	14%	14%	14%
Sewerage	9%	9%	9%
Electricity	20%	20%	20%
Cleansing	15%	15%	15%
General Charges	9%	9%	9%

The cash flow statement in Annexure 1 shows when rates and tariffs are expected to be collected over the financial year. In general terms, the timing of rates, tariffs and charges is based on the following;

Rates	Annual billing in July. Interim billing throughout the year
Tariffs	Monthly billing. On-going prepayment meters. Seasonal fluctuations.
Charges	Generally steady state throughout the financial year with seasonal fluctuations.

Growth or decline in tax base of the municipality

The valuation of taxable properties increased by R187m in 2009/10 year.

Collection rates for each revenue source and customer type

The following bad debt provisions and collection rates are assumed in the MTREF for rates and tariffs.

	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>
Provision for bad and doubtful debts	R5m	R5m	R5.2m
Assumed collection rate	95%	95%	95%

Price movements on specifics e.g. bulk purchases

The following amounts are included in the MTREF for increases in bulk purchases;

	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>
ESKOM	R192m	R265m	R345m

Average salary increases

The MTREF includes the following average percentage increases for wages and salary and for councillors' allowances;

	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>
Councillors	7%	7%	7%
Senior Managers	7%	7%	7%
Administrative, professional, technical and clerical	7%	7%	7%
Manual	7%	7%	7%

### Industrial relations climate, reorganisation and capacity building

The ability of the Municipality to deliver quality services is virtually entirely dependant on its staff. Failure by the Municipality to invest in its staff to ensure that the capacity and skills exist to meet the challenges being faced by George will ultimately mean a failure to deliver services.

The Municipality has made the following amounts available for training over the MTREF period.

	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>
Training Budget	R1.2m	R1.25m	R1.3m

### Trends in demand for free or subsidised basic services

George's criteria for supporting free or subsidised basic services are set out in the Indigent Policy. The Government allocates revenue via the Equitable Share grant with the primary aim of assisting municipalities with the costs of providing free or subsidised basic services. Any costs over and above the Equitable Share allocation are met by the Municipality.

The following table shows the assumed cost of the indigent support policy over the MTREF and the amounts allocated to the Municipalities through the Division of Revenue Act. The two outer years DORA allocations are indicative.

<b>R'000</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>
Cost of indigent support	R64 637	R74 715	R82 518
Equitable Share	R58 296	R66 591	R73 701
Amount met by the Municipality	R6 341	R8 124	R8 817

### Ability of the municipality to spend and deliver on the programmes

In 2009/10 the Municipality has so far spent R186, 2m (at the time that this report was compiled) out of an adjusted capital budget of R280, 5m, equating to 66% of the total budget. Against the original budget of R249m the spending is 75%.

Spending is monitored closely throughout the year and Senior Managers must ensure that capital schemes are supported by robust planning. The Municipality is currently reviewing its capital planning processes.

The SDBIP includes monthly cash flows of expenditure and is used as the basis for budget monitoring. Monthly Section 71 meetings with portfolio councillor, municipal manager and senior managers and the budget office also forms part of the monitoring tool and directorates must give reasons for poor performance and over spending.

*Implications of restructuring and other major events into the future*

The budget does not include any provision for the establishment of a Regional Electricity Distributor (RED) for George as council does not support the move towards a RED. There is therefore still considerable uncertainty as to how and when this would operate.

George Municipality was requested by the Municipal Demarcation Board to assist with public consultations regarding the ward delimitation process. The proposed result for the ward delimitation process is that George will be having 25 wards after the next local government elections. This is 5 more wards than the current 20. The number of Councillors will also increase from 39 to 49. Also, the District Management Area (Uniondale and surrounds) will after the next local government elections be part of George Municipality.

The Municipality successfully concluded the public consultation process and submitted the necessary forms and reports to the Demarcation Board in December 2009 and February 2010. The results are processed by the Board and a final decision is expected in September 2010. Uniondale and surroundings are included in the Eden District Municipality's budget.

Council decided on restructuring and combining the Assistant Municipal Manager and Corporate Services departments into one department namely Deputy Municipal Manager. This process is still ongoing.

The wage curve negotiations were concluded on the 20<sup>th</sup> of April 2010 but the implementation date is not clear at this stage, the municipality has done an estimate of the financial impact of implementing the wage curve and provided for that in the 2010/11 budget.

The moratorium placed on filling of new posts has been lifted and an amount of R5 million has been budgeted for 2010/11 to accommodate the filling of critical posts.

### Salaries, Allowances and Benefits

Supporting tables in Annexure 1 (c) summarises the salary, allowances and benefits over the MTREF.

### Annual Cash Flows by source

Table A7 in Annexure 1 shows the annual cash flow by source.

#### **Sources of Funding**

	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>
Investment Interest	R10.6m	R13.6m	R14m

The Municipality receives contributions from developers to provide infrastructure and other works as part of the conditions of agreeing planning permission.

	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>
Contributions to capital investment	R9.4m	R9.4m	R9.4m

The MFMA prescribes the conditions within which municipalities may borrow through either short or long term debt.

In simple terms, the Act stipulates that short term debt can be used to meet immediate cash flow needs but that it must be fully repaid within the financial year that it was incurred. Long term debt can only be incurred for capital expenditure or to re-finance existing long term debt. Proposals to incur long term debt must go through a public consultation process.

The cash flow projections will determine the likely need to borrow short term. It is not projected that any short term borrowing will be required over the MTREF period.

Based on these measures of affordability, the Municipality has made the following budgeted provisions for borrowing for capital expenditure over the MTREF.

	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>
Long-term borrowing	R65 571m	R48 790m	R14 750m



## National and Provincial Conditional Grant Allocations 2010/11 to 2012/13

Name of Grant	Operating / Capital	Allocating Authority / Department	Amount 2010/11 R'000	Indicative 2011/12 R'000	Indicative 2012/13 R'000	Purpose of the Grant
Integrated housing and human settlement development grant	Operating	Province / Local Government and Housing	40 449	46 858	44 794	To finance the funding requirements of national housing programmes. To facilitate the establishment and maintenance of integrated and sustainable human settlements to ensure economically viable and socially equitable communities in areas with ecological integrity promoting convenient and safe access to economic opportunities, health, educational and social amenities.
Municipal Systems Improvement Programme	Operating	National / Provincial and Local Government	750	790	800	To assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required by the Local Government Municipal Systems Act of 2000 and related legislation and policies.
Municipal Infrastructure Grant (MIG)	Capital	National / Provincial and Local Government	23 345	28 077	34 139	To provide specific capital finance for basic municipal infrastructure backlogs for poor households to micro enterprises and social institutions servicing poor communities.

## National and Provincial Conditional Grant Allocations 2010/11 to 2012/13

Name of Grant	Operating / Capital	Allocating Authority / Department	Amount 2010/11 R'000	Indicative 2011/12 R'000	Indicative 2012/13 R'000	Purpose of the Grant
Community Library Services Grant	Capital & Operating	Provincial Government	1 046	1 100	-	To have a transformed urban and rural community library infrastructure, facilities and services by addressing staffing shortages, maintenance of facilities and library systems, illiteracy, stock gaps and access to Information and Communication Technology(ICT) infrastructure.
Community development worker(CDW) operational support grant	Operating	Provincial Government	100	104	108	To provide financial assistance to municipalities to cover the operational costs pertaining to the functions of the community development workers including the regional coordinators.
Municipal Drought Relief Grant	Capital	National Government	75 000			<p>To ensure access to water supply in areas that are declared and gazetted as drought disaster areas in the affected municipalities.</p> <p>To provide capital finance for basic water supply in municipal infrastructure for affected households, micro enterprises and social institutions.</p>

## National and Provincial Conditional Grant Allocations 2010/11 to 2012/13

Name of Grant	Operating / Capital	Allocating Authority / Department	Amount 2010/11 R'000	Indicative 2011/12 R'000	Indicative 2012/13 R'000	Purpose of the Grant
Regional Bulk Infrastructure Grant	Capital	National/Province Government	8 000	22 300	21 700	To develop regional bulk infrastructure for water supply to supplement water treatment works at resource development and link such water resource development with the local bulk and distribution networks on a regional basis cutting across several local municipal boundaries. In the case of sanitation, to supplement regional bulk collection as well as regional waste water treatment works.
Expanded Public Works Programme Incentive Grant(EPWP)	Capital	National/Provincial Government	2 141			To increase labour intensive employment through infrastructure programmes that maximise job creation and skills development in line with the EPWP guidelines.
Integrated Transport Plan	Operating	Transport and Public Works	396	827	791	Review and update municipal Integrated Transport Plans in terms of the National Land Transport Transition Act, 2000(Act No 22 of 2000) as amended.

## National and Provincial Conditional Grant Allocations 2010/11 to 2012/13

Name of Grant	Operating / Capital	Allocating Authority / Department	Amount 2010/11 R'000	Indicative 2011/12 R'000	Indicative 2012/13 R'000	Purpose of the Grant
Equitable Share	Operating	National Treasury	58 296	66 591	73 701	Supplement municipal own revenues for the provision of necessary basic level of services to each poor household within their localities. Unconditional grant intended to fund a range of municipal activities but national free service levels are the main purpose.
Electricity Demand Side Management(EDSM)	Capital	National/ Energy Department	6 000	8 000		To implement the EDSM programme by providing capital subsidies to licensed distributors to address EDSM in residential dwellings, communities and municipal buildings in order to mitigate the risk of load shedding and supply interruptions. To create the capacity to manage electricity consumption and increase energy efficiency behaviour changes.
Mobility Strategies	Operating & Capital	Province / Transport & Public Works	6 000			Provision of plans, facilities and systems that will assist with the movement of people in the public transport system, including provision for persons with special needs.

## National and Provincial Conditional Grant Allocations 2010/11 to 2012/13

Name of Grant	Operating / Capital	Allocating Authority / Department	Amount 2010/11 R'000	Indicative 2011/12 R'000	Indicative 2012/13 R'000	Purpose of the Grant
Financial Management Grant	Operating	National Treasury	1 000	1 250	1 250	To promote and support reforms to financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).
Maintenance of proclaimed roads	Operating	Transport and Public Works	325			To maintain and rehabilitate proclaimed municipal main roads within municipal areas.
Cleanest Town Competition	Operating	Dept Environmental Affairs & Development Planning	60			To promote physical cleanliness, good waste management and support systems as well as public awareness and education systems (competition rules), by evaluating Towns that entered the competition based on the criteria determined by the competition rules.

## **Annexure 6 Summary of key issues**

## Annexure

### Summary of key issues

Given that the 2010 FIFA Soccer World Cup starts on 11 June 2010, municipalities are advised to finalise and adopt their 2010/11 Budgets and MTREF before this date.

#### National priorities – doing more with existing resources

1. The challenge for each municipality is to do more within its existing resource envelope.
2. In the run-up to the local government elections, Mayors and councils need to remain focused on the effective delivery of core municipal services, and steer away from seeking to buy political support through patronage.
3. Each municipality must explore how it can contribute to job creation when revising their IDPs and preparing their 2010/11 budgets.
4. Government is taking active steps to uproot the problem of corruption in all three spheres of government, particularly in the tender system. Municipalities must play their part.
5. Municipalities are advised that National Treasury's supply chain compliance unit will also be focusing on municipal procurement processes.

#### Headline inflation forecasts

6. The headline inflation forecast for 2010/11 is 5.7 per cent. Municipalities must take this into consideration when preparing their budgets.
7. Municipalities should also take into account the wage agreement SALGA concluded with municipal workers unions on 31 July 2009.

#### Revising rates, tariffs and other charges

8. Municipalities must explore imaginative ways of structuring the tariffs for utility services to encourage more efficient use of these services and to generate the resources required to maintain, renew and expand infrastructure.
9. NERSA is expected to announce the electricity bulk tariff increase on 24 February 2010. In the interim, National Treasury advises municipalities to use 35 per cent.
10. All municipalities should aim to have appropriately structured, cost-reflective water tariffs in place by 2014.
11. Municipalities must note that COGTA is in the process of prescribing a ratio with respect to public benefit organisations relative to residential properties.
12. The verification of existing municipal taxes in terms of section 12 of the Municipal Fiscal Powers and Functions Act continues.

#### Funding choices and management issues

13. Municipal revenues and cash flows are expected to remain under pressure in 2010/11 and so municipalities should adopt a conservative approach when projecting their expected revenues and cash receipts.
14. Municipalities must pay special attention to controlling unnecessary spending on nice-to-have items and non-essential activities, such as foreign travel, councillor and staff perks, advertising and public relations activities.
15. Municipalities must also ensure that their capital budgets reflect consistent efforts to address the backlogs in basic services and the refurbishment of existing network services.
16. Municipalities must include a section on 'Drinking water quality and waste water

management' in their 2010/11 budget document supporting information

17. Allocations to "Mayoral Discretionary Funds", "Special Projects", "Special Events" or similar discretionary type funds are discouraged.
18. Municipalities are urged to allocate all Ward Allocations in tabled and approved budgets.
19. Municipalities are discouraged from starting projects to build or renovate office buildings, but rather to prioritise service delivery infrastructure.
20. Municipalities are allowed to use future conditional transfers as security for bridging finance to facilitate the implementation of capital projects financed by conditional grants, but only after getting approval from National Treasury.
21. Each municipality must put in place a council approved virements policy, which should provide clear guidance to managers of when they may shift funds between items, projects, programmes and votes.

#### **Conditional transfers to municipalities**

22. To bring legal certainty to the process of managing unspent conditional grant funds, section 20 of the 2010 Division of Revenue Bill regulates the process.
23. Municipalities may not rollover unspent conditional grant spending in terms of section 28(2)(e) of the MFMA. Written permission to spend these rolled over funds will be given by National Treasury.

#### **The Municipal Budget and Reporting Regulations**

24. All municipalities must prepare budgets, adjustments budgets and in-year reports for the 2010/11 financial year in accordance with the Municipal Budget and Reporting Regulations. In this regard, municipalities must comply with both:
  - The formats set out in Schedules A, B and C; and
  - The relevant attachments to each of the Schedules (the Excel Formats).
25. All municipalities must do a funding compliance assessment of their 2010/11 budgets in accordance with the guidance given in MFMA Circular 42 and the MFMA Funding Compliance Guideline before tabling their budget, and where necessary rework their budget to comply so that they table a properly funded budget.

#### **Budget process and submissions for the 2010/11 MTREF**

26. The deadline for the submission of tabled budgets is Friday, 9 April 2010.
27. The deadline for the submission of approved budgets is ten working days after the council approves the annual budget.



## **Annexure 7 – Budget Related Policies**

Copies of the budget policies are attached as separate documents.

## **Annexure 8 – Moody's credit rating report for George Municipality**

Copy attached as a separate document.

## **Annexure 9 – Municipality Detailed Capital Plan**

Included with item 3.4 as Annexure “B”.

## **Annexure 10 – LGMTEC 3 Report**

Copy attached as a separate document.

## **Annexure 11 – Mid Year Assessment Report**

Copy attached as a separate document.

## **Annexure 12 – Service Delivery and Budget Implementation Plan**

Copy attached as a separate document.