

**XHARIEP DISTRICT MUNICIPALITY**  
**DRAFT ANNUAL BUDGET 2012/2013 FINANCIAL YEAR**

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# XHARIEP DISTRICT MUNICIPALITY

## EXECUTIVE MAYOR'S REPORT

### Introduction

For Xhariep District Municipality to survive over the years, the Municipal Council managed to adopt a funded and well balanced budget as a result of financial assistance grants from the Free State Department of Cooperative Governance and Traditional Affairs of which National Treasury presented that, it is not a good practise as it is contravening the Division of Revenue Act in terms of the equitable sharing of nationally raised revenue.

### Status of the budget

Xhariep District Municipality is entirely dependent on Government grants as revenue. The municipality's draft annual budget for the 2012/2013 financial year amounts to R 81 135 145 (R 81 million) while the Government grants amount to a total of R 36 052 000 (R 36 Million). Other own revenue of the Municipality is R 670 767. The municipality is therefore only 45% funded as there is a shortfall of R 44 412 377.

### Political Priorities and linkages to the IDP

The IDP is an all-encompassing plan which provides the framework for development within a municipality. It aims to co-ordinate the work of local and other spheres of government in coherent plans to improve the quality of life for all the people living in the Xhariep District Municipality district area.

All operating and capital programs in the 2012/2013 medium-term budget have been evaluated and prioritized to ensure that there is alignment to the development strategy of the municipality. The IDP formed the basis of the priorities identified in the strategic plan and all resources are focused on the achievement of the priorities.

### Link between the IDP and the Budget

In compliance with the Municipal Structures Act (1998) and the Municipal Financial Management Act (2003), Xhariep's budget is informed and aligned to the IDP objectives. The IDP determines and prioritizes the needs of the community. The budgetary allocations for both the capital and operating expenditure are undertaken in a manner that will not only ensure that the IDP outcomes are achieved, but also to ensure that the Municipality's vision is realized. The IDP remains the strategic driver of both the municipality's budget and its Turn Around Strategy.

The following programmes in the IDP are adequately budgeted for:

<b>PLANNING AND DEVELOPMENT DEPARTMENT</b>	
<b>PROJECT DESCRIPTION</b>	<b>AMOUNT</b>
Environmental Management Projects (Environmental Health) ( <i>Greening and cleaning of townships</i> )	R 700 000

Tourism Awareness <i>(To improve tourist attraction)</i>	R 70 000
LED Trainings <i>(Animal production and product development)</i>	R 300 000
District Forums <i>(To provide a platform for the various LED stakeholders - various businesses - in the District to engage on matters related to the economic developments)</i>	R 100 000
Business processes	R 490 000
Extended Public Works Programme <i>(To create jobs and skills transfer through labour intensive projects)</i>	R 1 000 000
<b>TOTAL PROJECTS FOR PLANNING AND DEVELOPMENT</b>	<b>R 9 720 000</b>
Disaster Management Plan <i>(To establish a strategy on effective disaster management)</i>	R 300 000
Disaster Management Contributions <i>(Helping communities with disaster relief programmes – Houses, food parcels , blankets )</i>	R 400 000
Disaster Management conference	R 50 000
IDP Review	R 300 000
LED and Marketing Brochures/ Promotion <i>(To market and empower small businesses in the district )</i>	R 550 000
LED Projects <i>(To improve economic development in the District)</i>	R3 760 000
Health and Hygiene Education <i>(Hand washing campaigns and hygiene awareness )</i>	R 50 000
Arts and Crafts centre <i>(To purchase machinery and stock for cooperatives as well as their training)</i>	R 650 000
Fencing of Cemeteries <i>(restore the dignity of our people)</i>	R 1 000 000

<b>GENERAL COUNCIL</b>	
<b>PROJECT DESCRIPTION</b>	<b>AMOUNT</b>
District AIDS Council <i>(To build up synergy in the fight against HIV/ AIDS in the District – most common message being prevention)</i>	R 80 000
Public Participation <i>(to give community a say / opportunity on the affairs of the Municipality )</i>	R 500 000
Youth Development Programmes <i>(To arrange and coordinate youth programmes that help young people to be exposed to Job opportunities, establish businesses and be provided studying opportunities)</i>	R 370 000
Special Programmes <i>(Programmes aimed at providing immediate relief and means of support to the youth, the elderly and society in general. These include the charitable activities)</i>	R 200 000
Intergovernmental Relations <i>(Programmes aimed at fostering relations with other spheres of government)</i>	R 60 000
Mayor's Social Responsibility <i>(Mayor's outreach programmes that include Bursaries and Donations)</i>	R 501 000
Mandela Day celebration <i>(A Nationwide programme aimed at volunteering services to the communities)</i>	R 15 000
<b>TOTAL PROJECTS FOR GENERAL COUNCIL</b>	<b>R 1 726 000</b>

<b>BUDGET AND TREASURY OFFICE</b>	
<b>PROJECT DESCRIPTION</b>	<b>AMOUNT</b>
GRAP Conversion <i>(A statutory financial reporting standards requirement – Good Governance)</i>	R 500 000

Financial Statements <i>(statutory financial reporting requirement – Good Governance)</i>	R 200 000
Consultation <i>(To review and continuously ensure sound and accurate financial management)</i>	R 400 000
Financial Management Grant	R 1 250 000
<b>TOTAL PROJECTS FOR BUDGET AND TREASURY OFFICE</b>	<b>R 2 350 000</b>
<b>CORPORATE SERVICES</b>	
<b>PROJECT DESCRIPTION</b>	<b>AMOUNT</b>
ICT Masterplan <i>(To ensure an efficient ICT system that is in accordance with AG requirements)</i>	R 500 000
Intranet <i>(for more effective paperless communication within the municipality)</i>	R 500 000
Land <i>(To procure the land on which the municipal offices are built)</i>	R 2 000 000
<b>TOTAL PROJECTS FOR CORPORATE SERVICES</b>	<b>R 3 000 000</b>

<b>OFFICE OF THE MUNICIPAL MANAGER</b>	
<b>PROJECT DESCRIPTION</b>	<b>AMOUNT</b>
Promotion and Marketing	R 130 000
Strategic Management (PMS) <i>(statutory financial reporting requirement – Good Governance)</i>	R 250 000
<b>TOTAL PROJECTS FOR OFFICE OF THE MUNICIPAL MANAGER</b>	<b>R 380 000</b>

Trust that you find the report in good order.

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Cllr. M.G Ntwanambi  
Executive Mayor

## **XHARIEP DISTRICT MUNICIPALITY**

### **1.3 EXECUTIVE SUMMARY DRAFT BUDGET : 2012/2013 FINANCIAL YEAR.**

#### **1.3.1. Introduction.**

Xhariep District Municipality (XDM) was formally established on 06 December 2001 as a result of Section 21 of the Local Government Municipal Demarcation Act of 1998 whereby all areas of the former LG bodies were re-demarcated and new municipal entities established. The District is made up of four Local Municipalities, namely, Kopanong, Mohokare ,Naledi and Letsemeng.

#### **1.3.2. Draft Operational Budget 2012/2013 Financial Year.**

##### **1.3.2.1 Community Consultative Meetings**

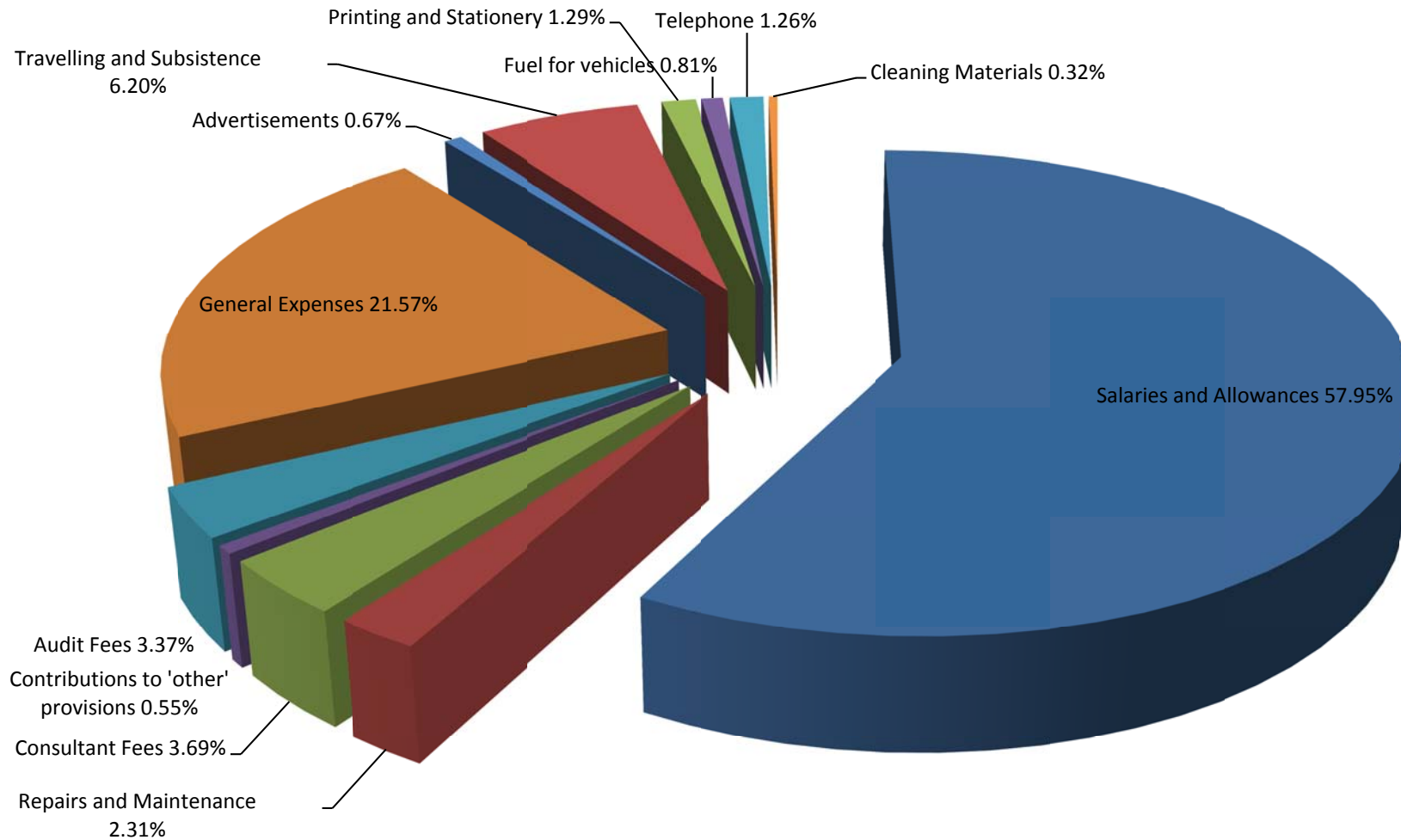
A series of community participation meetings will be convened during April and May 2012 where the community and other stake-holders will be briefed on the content of the current draft budget and IDP as well as the projects. Communities will be provided with the opportunity to make inputs, recommendations and concerns. Where possible, issues raised by the communities will be included into the final budget which will be considered by Council for approval by 31 May 2012.

### 1.3.2.2 Summary of 2012/2013 Draft Operating Expenditure

The 2012/2013 draft operating expenditure per municipal vote and function is as follows:

ITEMS OF EXPENDITURE	COUNCIL	MM	CORP	P&D	BTO	TOTALS
Repairs and maintenance	88 855	30 000	1 440 000	58 000	100 000	<b>1 716 855</b>
Contributions to 'other' provisions	-	-	-	400 000	7 432	<b>407 432</b>
Consultant fees	-	250 000	500 000	1 090 000	900 000	<b>2 740 000</b>
Audit fees	-	2 500 000	-	-	-	<b>2 500 000</b>
General expenses	2 134 000	1 108 500	3 899 087	6 882 000	1 986 767	<b>16 010 354</b>
Advertisements	-	200 000	300 000	-	-	<b>500 000</b>
Travelling and Subsistence	800 000	550 000	1 100 000	1 500 000	650 000	<b>4 600 000</b>
Printing and Stationery	30 000	300 000	160 000	40 000	426 000	<b>956 000</b>
Fuel for Vehicles	250 000	-	350 000	-	-	<b>600 000</b>
Telephone	210 000	85 000	390 000	100 000	150 000	<b>935 000</b>
Cleaning Materials	-	-	240 000	-	-	<b>240 000</b>
Salaries and Allowances	3 113 647	5 470 769	14 265 187	10 215 180	9 944 256	<b>43 009 039</b>
<b>TOTAL</b>	<b>6 626 502</b>	<b>10 494 269</b>	<b>22 644 274</b>	<b>20 285 180</b>	<b>14 164 455</b>	<b>74 214 680</b>

## APPORTIONMENT OF 2012/2013 DRAFT OPERATING EXPENDITURE



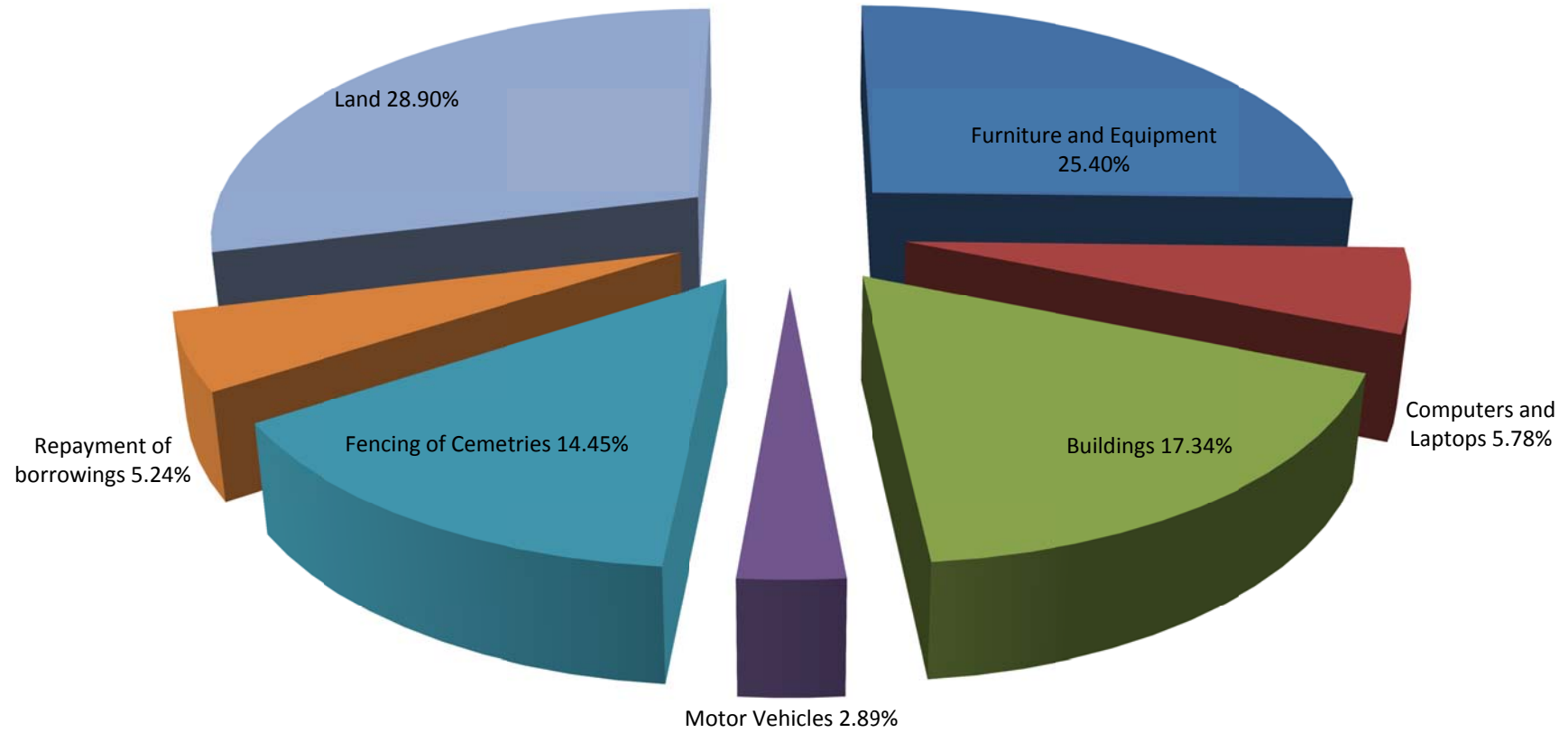


### 1.3.2.3 Summary of 2012/2013 Draft Capital Expenditure

The 2012/2013 draft capital expenditure per municipal vote and function is as follows:

ITEMS OF EXPENDITURE	COUNCIL	MM	CORP	P&D	BTO	TOTALS
Furniture and Equipment	85 000	20 000	370 000	870 000	412 606	<b>1 757 606</b>
Computers and Laptops	-	20 000	300 000	20 000	60 000	<b>400 000</b>
Buildings	-	-	1 200 000	-	-	<b>1 200 000</b>
Motor Vehicles	-	-	200 000	-	-	<b>200 000</b>
Fencing of Cemeteries	-	-	-	1 000 000	-	<b>1 000 000</b>
Provincial Infrastructure Grant	-	-	-	-	-	-
Repayment of borrowings	-	-	-	-	362 859	<b>362 859</b>
Land	-	-	2 000 000	-	-	<b>2 000 000</b>
<b>TOTAL</b>	<b>85 000</b>	<b>40 000</b>	<b>4 070 000</b>	<b>1 890 000</b>	<b>835 465</b>	<b>6 920 465</b>

## APPORTIONMENT OF 2012/2013 DRAFT CAPITAL EXPENDITURE

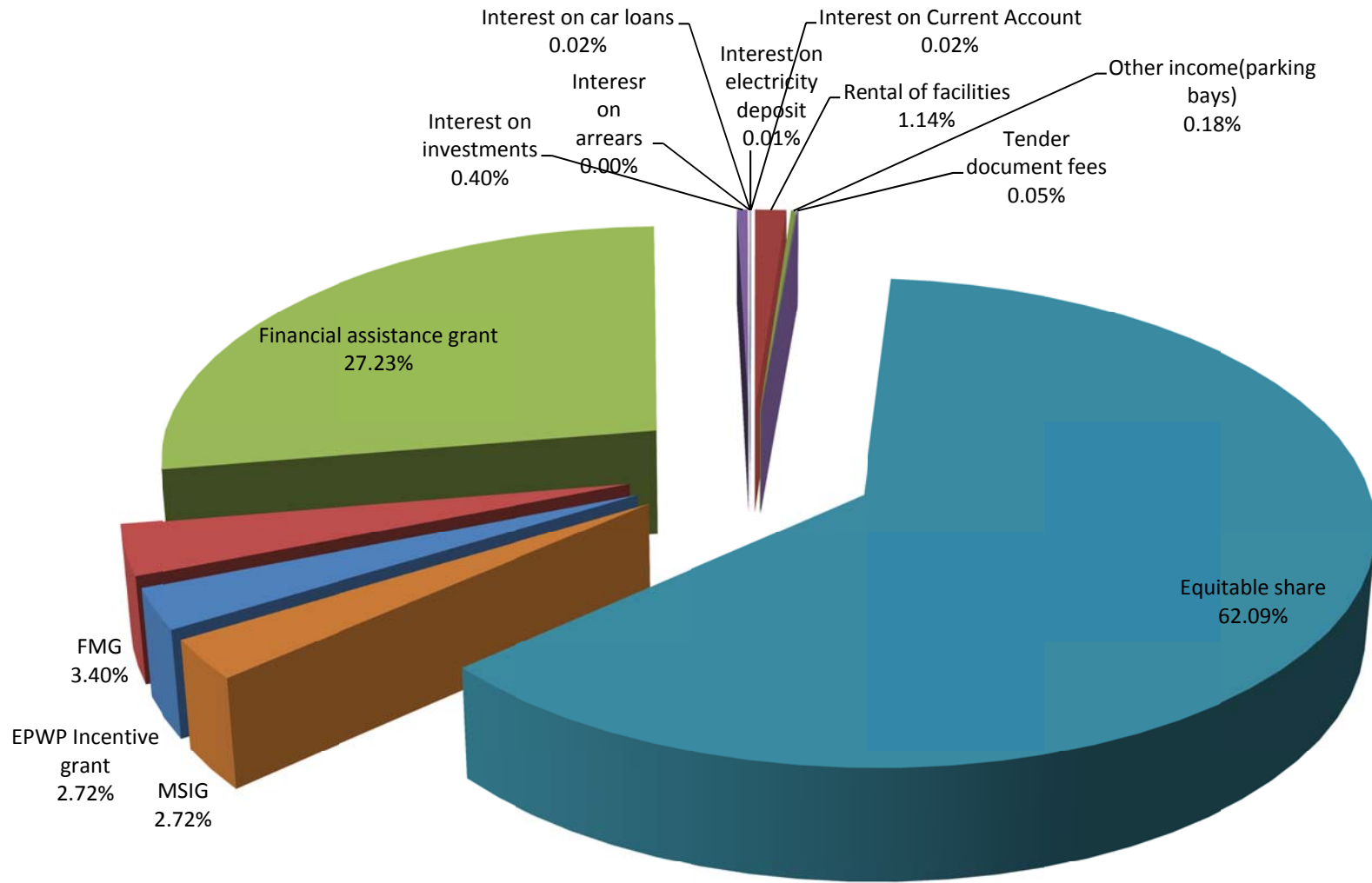


### 1.3.2.4 Summary of 2012/2013 Draft Operating Revenue

The 2012/2013 draft operating revenue per municipal vote and function is as follows:

REVENUE ALLOCATIONS	COUNCIL	MM	CORP	P&D	BTO	TOTALS
Interest on Current Account	-	-	-	-	8 000	<b>8 000</b>
Interest on Investments	-	-	-	-	146 667	<b>146 667</b>
Interest on arrears	-	-	-	-	-	-
Interest on car loans	-	-	-	-	7 432	<b>7 432</b>
Interest on electricity deposit	-	-	-	-	3 326	<b>3 326</b>
Rental facilities	-	-	419 078	-	-	<b>419 078</b>
Other income (parking bays)	8 590	6 136	27 610	11 657	12 271	<b>66 264</b>
Tender document fees	2 593	1 852	8 333	3 518	3 704	<b>20 000</b>
Equitable Share	2 955 815	2 111 296	9 500 833	4 011 463	4 222 593	<b>22 802 000</b>
MSIG	250 000	250 000	250 000	-	250 000	<b>1 000 000</b>
EPWP Incentive Grant	-	-	-	1 000 000	-	<b>1 000 000</b>
<b>SUB TOTAL</b>	<b>3 216 998</b>	<b>2 369 284</b>	<b>10 205 854</b>	<b>5 026 638</b>	<b>4 653 993</b>	<b>25 472 767</b>
FMG	-	-	-	-	1 250 000	<b>1 250 000</b>
FS COGTA Financial Assistance	1 296 296	925 926	4 166 667	1 759 259	1 851 852	<b>10 000 000</b>
<b>TOTAL</b>	<b>4 513 294</b>	<b>3 295 210</b>	<b>14 372 521</b>	<b>6 785 897</b>	<b>7 755 845</b>	<b>36 722 767</b>

### APPORTIONMENT OF 2012/2013 DRAFT OPERATING REVENUE



## XHARIEP DISTRICT MUNICIPALITY

### 1.3 EXECUTIVE SUMMARY DRAFT BUDGET : 2012/2013 FINANCIAL YEAR.

#### 1.3.1. Introduction.

Xhariep District Municipality (XDM) was formally established on 06 December 2001 as a result of Section 21 of the Local Government Municipal Demarcation Act of 1998 whereby all areas of the former LG bodies were re-demarcated and new municipal entities established. The District is made up of four Local Municipalities, namely, Kopanong, Mohokare, Naledi and Letsemeng.

#### 1.3.2. Draft Operational Budget 2012/2013 Financial Year.

##### 1.3.2.1 Community Consultative Meetings

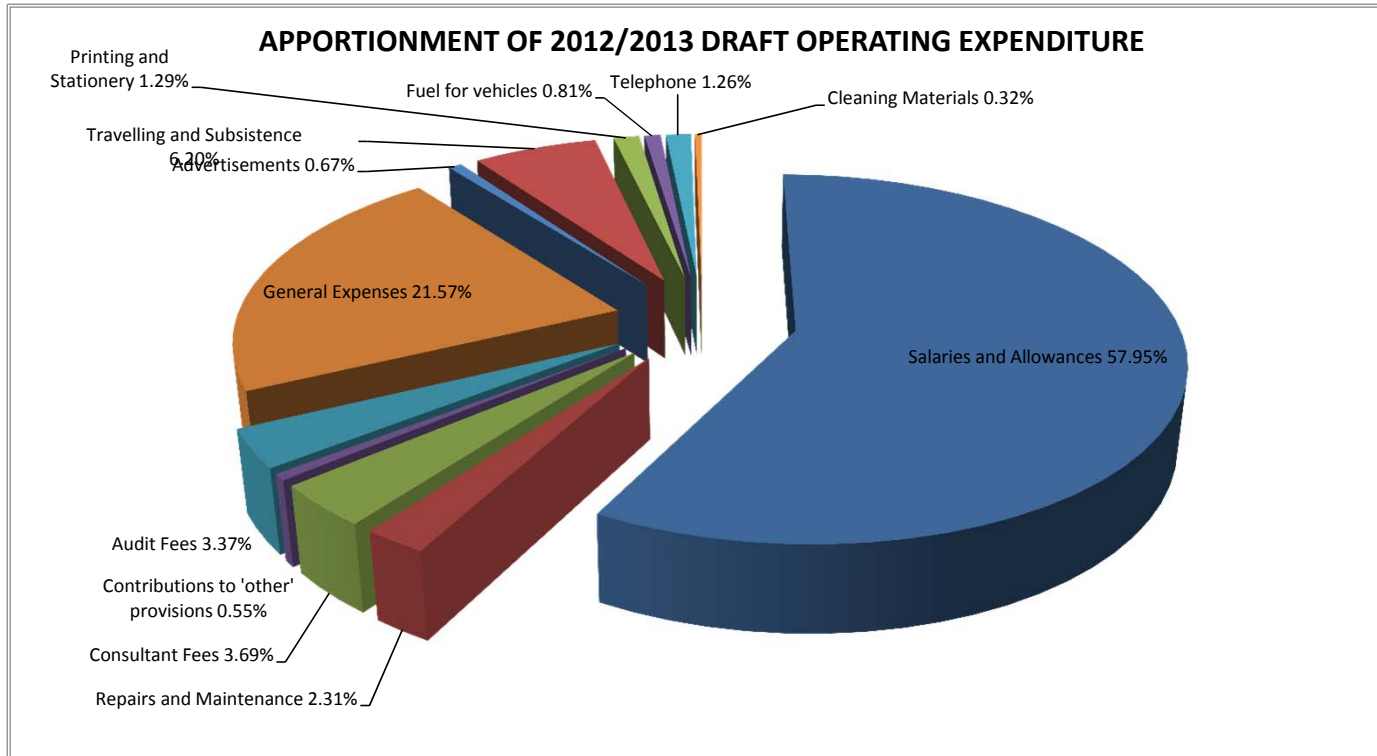
A series of community participation meetings will be convened during April and May 2012 where the community and other stake-holders will be briefed on the content of the current draft budget and IDP as well as the projects. Communities will be provided with the opportunity to make inputs, recommendations and concerns. Where possible, issues raised by the communities will be included into the final budget which will be considered by Council for approval by 31 May 2012.

##### 1.3.2.2 Summary of 2012/2013 Draft Operating Expenditure

The 2012/2013 draft operating expenditure per municipal vote and function is as follows:

ITEMS OF EXPENDITURE	COUNCIL	MM	CORP	P&D	BTO	TOTALS
Repairs and maintenance	88 855	30 000	1 440 000	58 000	100 000	<b>1 716 855</b>
Contributions to 'other' provisions	-	-	-	400 000	7 432	<b>407 432</b>
Consultant fees	-	250 000	500 000	1 090 000	900 000	<b>2 740 000</b>
Audit fees	-	2 500 000	-	-	-	<b>2 500 000</b>
General expenses	2 134 000	1 108 500	3 899 087	6 882 000	1 986 767	<b>16 010 354</b>
Advertisements	-	200 000	300 000	-	-	<b>500 000</b>
Travelling and Subsistence	800 000	550 000	1 100 000	1 500 000	650 000	<b>4 600 000</b>
Printing and Stationery	30 000	300 000	160 000	40 000	426 000	<b>956 000</b>
Fuel for Vehicles	250 000	-	350 000	-	-	<b>600 000</b>
Telephone	210 000	85 000	390 000	100 000	150 000	<b>935 000</b>
Cleaning Materials	-	-	240 000	-	-	<b>240 000</b>
Salaries and Allowances	3 113 647	5 470 769	14 265 187	10 215 180	9 944 256	<b>43 009 039</b>
<b>TOTAL</b>	<b>6 626 502</b>	<b>10 494 269</b>	<b>22 644 274</b>	<b>20 285 180</b>	<b>14 164 455</b>	<b>74 214 680</b>

**CHART: PERCENTAGE APPORTIONMENT OF 2012/2013 DRAFT OPERATING EXPENDITURE**

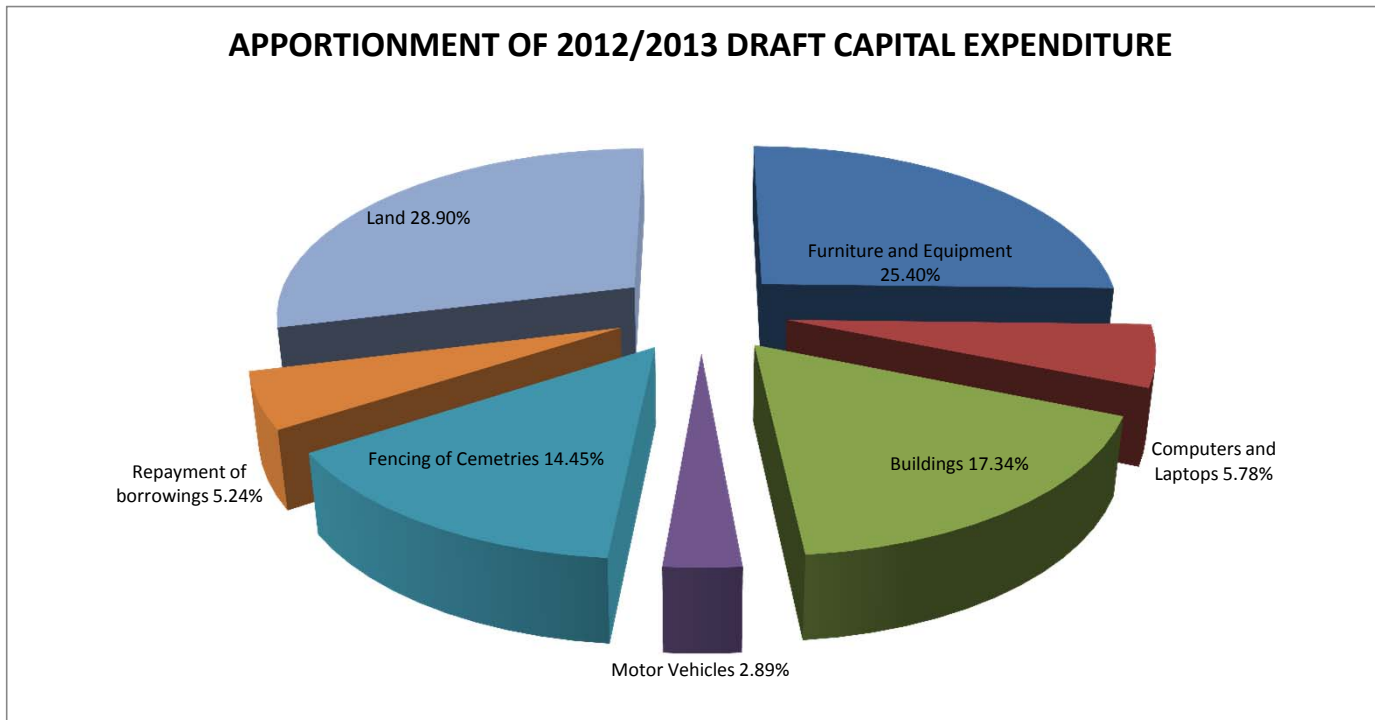


**1.3.2.3 Summary of 2012/2013 Draft Capital Expenditure**

The 2012/2013 draft capital expenditure per municipal vote and function is as follows:

ITEMS OF EXPENDITURE	COUNCIL	MM	CORP	P&D	BTO	TOTALS
Furniture and Equipment	85 000	20 000	370 000	870 000	412 606	<b>1 757 606</b>
Computers and Laptops	-	20 000	300 000	20 000	60 000	<b>400 000</b>
Buildings	-	-	1 200 000	-	-	<b>1 200 000</b>
Motor Vehicles	-	-	200 000	-	-	<b>200 000</b>
Fencing of Cemeteries	-	-	-	1 000 000	-	<b>1 000 000</b>
Provincial Infrastructure Grant	-	-	-	-	-	-
Repayment of borrowings	-	-	-	-	362 859	<b>362 859</b>
Land	-	-	2 000 000	-	-	<b>2 000 000</b>
<b>TOTAL</b>	<b>85 000</b>	<b>40 000</b>	<b>4 070 000</b>	<b>1 890 000</b>	<b>835 465</b>	<b>6 920 465</b>

**CHART: PERCENTAGE APPORTIONMENT OF 2012/2013 DRAFT CAPITAL EXPENDITURE**



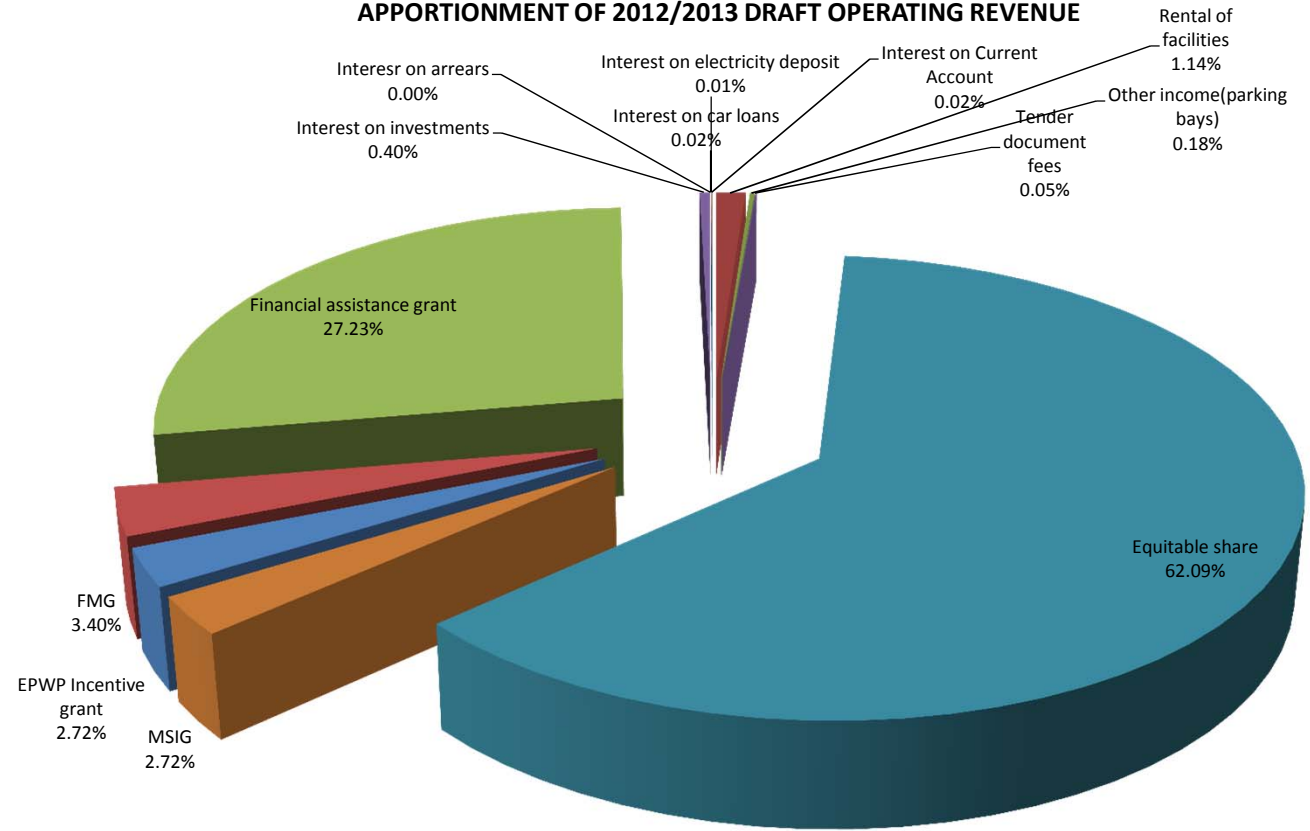
### 1.3.2.4 Summary of 2012/2013 Draft Operating Revenue

The 2012/2013 draft operating revenuee per municipal vote and function is as follows:

REVENUE ALLOCATIONS	Council	Municipal Manager	Corporate Services	Planning & Development	Budget & Treasury	TOTALS
Interest on Current Account	-	-	-	-	8 000	8 000
Interest on Investments	-	-	-	-	146 667	146 667
Interest on arrears	-	-	-	-	-	-
Interest on car loans	-	-	-	-	7 432	7 432
Interest on electricity deposit	-	-	-	-	3 326	3 326
Rental facilities	-	-	419 078	-	-	419 078
Other income (parking bays)	8 590	6 136	27 610	11 657	12 271	66 264
Tender document fees	2 593	1 852	8 333	3 518	3 704	20 000
Equitable Share	2 955 815	2 111 296	9 500 833	4 011 463	4 222 593	22 802 000
MSIG	250 000	250 000	250 000	-	250 000	1 000 000
EPWP Incentive Grant	-	-	-	1 000 000	-	1 000 000
<b>SUB TOTAL</b>	<b>3 216 998</b>	<b>2 369 284</b>	<b>10 205 854</b>	<b>5 026 638</b>	<b>4 653 993</b>	<b>25 472 767</b>
FMG	-	-	-	-	1 250 000	1 250 000
FS COGTA Financial Assistance	1 296 296	925 926	4 166 667	1 759 259	1 851 852	10 000 000
<b>TOTAL</b>	<b>4 513 294</b>	<b>3 295 210</b>	<b>14 372 521</b>	<b>6 785 897</b>	<b>7 755 845</b>	<b>36 722 767</b>



### APPORTIONMENT OF 2012/2013 DRAFT OPERATING REVENUE



## **XHARIEP DISTRICT MUNICIPALITY**

### **2.17 DISCLOSURE ON IMPLEMENTATION OF MFMA AND OTHER LEGISLATION**

#### **2.17.1 Introduction**

The passing of the MFMA into law was a key milestone that had a fundamental impact on municipal financial management that requires transformation in financial discipline and planning processes.

Xhariep District Municipality is classified as a low capacity municipality according to the Government Gazette No 26511 of 1 July 2004. With this classification it was exempt from a number of provisions of the ACT until 1 July 2009. Xhariep District Municipality was however not been waiting for these deadlines and a number of provisions were already implemented. A checklist is compiled on a monthly and quarterly basis to monitor further progress on the implementation of the most important provisions of the act and an annual checklist is compiled for budget documentation.

#### **2.17.2 DRAFT IDP**

The 2012/2013 IDP review process is followed according to the required legislation. The district is further improving and intensifying public and other stake-holders participation on the budget and IDP public participation road-shows for the draft and final documents. These were further enhanced by the existence of the dedicated Inter-Governmental Relations in the municipality.

#### **2.17.3 2012/2013 DRAFT BUDGET**

This 2012/2013 Draft Annual Budget has been developed taking the MFMA, Municipal Budget and Reporting Regulations and National Treasury requirements into account. The budget will be tabled on 29 March 2012 for Council to consider approving. The final Annual Budget will be approved by council on 31 May 2012. This is in line with the statutory deadline as it is before the start of the budget year.

#### **2.17.4 CAPACITY BUILDING AND FILLING OF VACANT POSTS**

Section 56 and 57 positions of the municipality were filled during the 2011/2012 financial year.

#### **2.17.5 BUDGET AND TREASURY OFFICE**

A budget and Treasury Office has in the past financial year been filled to about 60% capacity with staff. Some of the staff members have to undergo training initiatives aimed at enhancing their skills and efficiencies. Most of the appointments were made from within the municipality. Vacant posts will be filled during the 2011/2012 financial year as they are all budgeted for.

### **2.17.6 AUDIT COMMITTEE**

Xhariep District Municipality is using a shared audit committee services. The services are shared by the District together with its local municipalities.

### **2.17.7 GRAP IMPLEMENTATION**

2012/2013 will be the final year in which the GRAP conversion will be implemented; therefore the, municipality will be fully compliant.

### **2.17.8 IN-YEAR REPORTING AND VAT RETURNS**

Reporting obligations to the National and Provincial Treasuries have been met on most occasions during the past financial year. VAT returns have been lodged on time with the South African Revenue Services (SARS) during the past financial year. The municipality is finalising the procurement processes of VAT reconciliation and verification exercises. The exercises are aimed at reviewing the whole year's returns to ensure maximum revenue enhancement and reconciling such to the VAT Control General Ledger account.

## **XHARIEP DISTRICT MUNICIPALITY**

### **2.8 2012/2013 BUDGET ASSUMPTIONS**

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

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

Xhariep District Municipality is neither a bulk electricity distributor nor a water service authority.

The following principles and guidelines directly informed the compilation of the district's Budget:

- The priorities and targets in relation to the key strategic focus areas as determined in the IDP;
- Commitment by the municipality to comply substantially with the requirements of the Local Government Municipal Structures Act, Act No. 117 of 1998, specifically Section 84(1): Functions and Powers of the District Municipality.
- An assessment of the relative capacity to implement the Budget;
- No budget allocation to be made to programmes and projects, unless the respective programme and project plans are submitted by the relevant director's; and
- The need to enhance the municipality's revenue base.

The multi-year budget is therefore underpinned by the following assumptions:

#### **2012/2013 OPERATING EXPENDITURE**

- Increases in purchases / payments of electricity - Eskom : are expected to have a minimal impact on the district's budget as the district is not a bulk electricity distributor. The budgeted consumption is based on past experience and level of spending.

#### **2012/2013 CAPITAL EXPENDITURE**

- Xhariep District Municipality does not receive any Municipal Infrastructure Grants from National Treasury per the DORA allocations. The municipality does not have any significant infrastructure projects planned for the 2012/2013 financial year.

### **2012/2013 OPERATING INCOME**

Xhariep District Municipality rely solely on Grant revenue from the National and Provincial Governments. There is no other significant source of revenue except for the Kopanong Local Municipality's rental income levied on a monthly basis. The debt is impaired as there had been 0% collection rate over the past three to four years. The actual impairment will be assessed fairly with the compilation of the GRAP Compliant annual financial statements. Currently the two parties are in talks to agree on repayment terms. The amount will then be considered in the adjustments budget during the mid-year budget performance assessment.

### **2012/2013 CAPITAL EXPENDITURE FUNDING**

The MFMA specifies that borrowing can only be used to fund capital or refinancing of borrowing certain conditions. Due to cash flow constraints, Xhariep District Municipality is not in a position to take up any borrowings except on leases and is therefore 100% dependent on Grant Funding for any Capital Projects.

## **XHARIEP DISTRICT MUNICIPALITY**

### **2.7 2012/2013 BUDGET RELATED POLICIES**

The budget is prepared within the context of draft Council policies and the legislative framework as promulgated by the National Parliament. Council strives to amend and implement policies complying with all relevant legislation. Policies are reviewed on an annual basis, and where necessary, amendments are made.

Council have the following policies that govern the municipality's budget compilation and implementation thereof:

#### **2.7.1 Travelling and Subsistence Policy**

It is essential that representatives of the municipality from time to time travel to other cities and towns in order to establish and maintain links and relationships with other municipalities, government bodies, and other parties, institutions and organisations operating in the sphere of local government. It is important for representatives to broaden their knowledge and understanding of and compare local experiences in local government transformation, innovation and change in the rest of the country, and this can effectively be done only through the medium of personal contact with a wide range of local government stakeholders.

#### **2.7.2 Banking and Investment Policy**

The municipality shall at all times manage its banking arrangements and investments and conduct its cash management policy in compliance with the provisions of and any further prescriptions made by the Minister of Finance in terms of the Municipal Finance Management Act No. 56 of 2003. The purpose of this policy is to provide the framework and procedures to be followed.

#### **2.7.3 Laptop Policy**

In order to enable and enhance the productivity of the municipality's business, as well as reduction of costs in terms of the stationery, printing and delivery costs, the council found it necessary to make use of the latest means of communication technology. Based on this, laptops are allocated to certain officials and Councillors for sound business reasons, primarily for receiving business E-Mails and sending business E-mails, especially when not located in the office. The objective of the Laptop Policy is aimed at controlling the use of the Laptops by employees and Councillors of Xhariep District Municipality. The policy provides guidelines, standards and norms used on the implementation of cell-phones by employees and Councillors.

#### **2.7.4 Cellphone Policy**

In order to enable and enhance the productivity of the municipality's business units, it is critical to make use of the latest means of communication technology. Based on this, cellular phones are allocated for sound business reasons, primarily for receiving business calls and making business calls when not located in the office. The objective of the Cell phone Policy is aimed at controlling the use of cell-phones by

employees and Councillors of Xhariep District Municipality. The policy provides guidelines, standard and norms used on the implementation of cell-phones by employees and Councillors.

### **2.7.5 Bad debt Policy**

Section 96 of the Local Government: Municipal Systems Act, 32 of 2000, provides that a municipality must collect all money that is due and payable to it, subject to provisions of the Act and other applicable legislation.

It is recognised, however, that circumstances may arise which may cause the recoverability of certain debts impossible, impractical or financially unfeasible, and that such debts may have to be written off. This policy provides the framework and procedures to be followed for the write off of bad debt.

### **2.7.7 Tender Policy**

The objective of the Tender Policy is to ensure compliance to the Bidding Process requirements of the municipality. These requirements are informed by the prescribed regulations and related Acts.

### **2.7. Tariff Policy**

The Tariff Policy provides a broad framework within which the Council can determine fair, transparent and affordable charges that also promotes sustainable service delivery. Council reviewed the Tariff Policy in terms of Section 74(1) of the Municipal Systems Act (Act 32 of 2000) in order to be approved on the 29 March 2012.

### **2.7.12 Budget Transfers and Virement policy**

The objective of this policy is to provide flexibility to the heads of departments of the municipality, a greater flexibility in managing their budgets and provide clear guidance of when funds can be shifted between items, projects, programmes and votes.

### **2.7.14 Credit Control and Debt Collection Policy**

It outlines the processes to be followed in ensuring that all money that is due and payable to the Municipality is collected, subject to the Municipal Systems Act.

### **2.7.16 Fixed Assets Policy**

It assists the municipality to account for either movable or immovable assets under its control, and from which the municipality reasonably expects to derive economic benefits, or reasonably expects to use in service delivery, over a period extending beyond one financial year. It is in accordance with Generally Recognised Accounting Practices.

### **2.7.6 Accounting Policies**

The purpose of this document is to describe the detailed internal accounting policies adopted by Xhariep District Municipality that would ensure proper accounting treatment in accordance with the applicable

accounting framework prescribed by National Treasury. The accounting policies disclosed in the annual financial statements are derived from these policies.

### **Budget Policy Statement**

1. The budget should address priorities as identified in the Council's IDP document and through ongoing consultations with communities and other stake-holders.
2. Operating costs should be funded from ongoing revenues. Expenditure must be aligned with revenue and the set performance indicators to ensure that spending is per the pre-determined performance outcomes of the municipality.
3. Revenue projections should be realistic and not be overly optimistic or too conservative.
4. The municipality must produce a balanced budget.
5. The municipality will maintain all of its assets at a level adequate to protect the capital investments and minimize future maintenance and replacement costs.

### **Legislative Framework**

- Municipal Finance Management Act, No 56 of 2003
- Local Government: - Municipal Supply Chain Management regulations: Gazette No 27636, 30 May 2005;
- Local Government: Municipal Systems Act, No 32 of 2000;
- Local Government: Municipal Structures Act, No 117 of 1998;
- Local Government: Municipal Fiscal Powers and Functions Act, No 12 of 2007; and
- Local Government: - Municipal Budget and Reporting Regulations: Gazette 32141, 17 April 2009
- Annual Division of Revenue Bill
- MFMA Circular 42: Funding a Municipal Budget
- MFMA Circular 48: Municipal Budget Circular for the 2009/10 MTREF
- MFMA Circular 51: Municipal Budget Circular for the 2010/11 MTREF
- MFMA Circular 54: Municipal Budget Circular for the 2011/12 MTREF
- MFMA Circular 55: Guidance to municipalities for the preparation of 2011/12
- MFMA Circular 58: Guidance to municipalities for the preparation of 2012/13
- MFMA Circular 59: Guidance to municipalities for the preparation of 2012/13



- Municipal Budget Regulations
- Local Government Capital Asset Management Guideline
- Budget Formats Guideline

**Policy Availability**

All policies are available at the office of the Corporate Director for scrutiny.

Corporate Services Director

Mr. M. Kubeka

20 Louw Street

TROMPSBURG

9913

Tel: 051 713 9300

## **XHARIEP DISTRICT MUNICIPALITY**

### **2.1 2012/2013 BUDGET PROCESS**

#### **2.1.1. Political Oversight of the budget process**

Section 53 (1) (a) of the MFMA (no 56 of 2003) stipulates that the Mayor of a municipality must provide general political guidance over the budget process and the priorities that must guide the preparation of a budget. Political oversight of the budget process is necessary to ensure that the needs and priorities of the community, as set out in the IDP, are properly linked to the municipality's spending plans. The following actions are required in terms of Section 53 (1) and (3) of the Act:

The Mayor of the municipality must –

1. (c) take all reasonable steps to ensure—

- (i) that the municipality approves its annual budget before the start of the budget year;
  - (ii) that the municipality's service delivery and budget implementation plan is approved by the mayor within 28 days after the approval of the budget; and
  - (iii) that the annual performance agreements as required in terms of section 57(1)(b) of the Municipal Systems Act for the municipal manager and all senior managers—
    - (aa) comply with this Act in order to promote sound financial management;
    - (bb) are linked to the measurable performance objectives approved with the budget and to the service delivery and budget implementation plan; and
    - (cc) are concluded in accordance with section 57(2) of the Municipal Systems Act.
- (3) The mayor must ensure—
- (a) that the revenue and expenditure projections for each month and the service delivery targets and performance indicators for each quarter, as set out in the service delivery and budget implementation plan, are made public no later than 14 days after the approval of the service delivery and budget implementation plan; and
  - (b) that the performance agreements of the municipal manager, senior managers and any other categories of officials as may be prescribed, are made public no later than 14 days after the approval of the municipality's service delivery and budget implementation plan. Copies of such performance agreements must be submitted to the council and the MEC for local government in the province.

### **2.1.2. Budget Process**

The IDP and Budget development process is integrated, consistent and undertaken as part of a continuous cycle of planning, implementation and monitoring. In February 2012, the Xhariep District Municipality Council approved the amended IDP Process Plan and Budget Schedule, detailing the process for the IDP review and Budget development for the 2012/2013 MTREF period.

### **2.1.3. Community and stakeholder consultation**

Consultative meetings will be held as scheduled in one town of each of the four local municipalities to reach most of our communities and stakeholders. During these meetings, a platform will be provided to all members to raise concerns, give inputs and recommendations. Significant issues that might arise could result in the review of the Draft IDP and Draft Budget.

### **2.1.4. Municipal Staff**

Consultative meetings were held with members of staff where all staff members were given a platform to give inputs and recommendations. These inputs and recommendations were, where possible, incorporated into the draft operating and capital budgets.

### **2.1.5. Tabling of budget**

The draft budget and IDP is tabled before Council during an Ordinary Council meeting that is held on 29 March 2012 in Trompsburg.

### **2.1.6. Approval of Budget**

The final three-year budget for the 2012/2013, 2013/2014 and 2014/2015 financial years will be approved during an Ordinary Council meeting to be held on 31 May 2012.

### **2.1.7. Flowchart on the budget process**

There are basically three different processes in the budgeting cycle running at the same time:

- Reporting on Previous year budget,
- Current year budget implementation, and
- Preparation of the new financial year's budget (including the two following financial year estimates)

#### **Reporting on Previous year budget:**

This is mainly done through the compilation of the Annual Financial Statements of the previous financial year, including the Auditor-General's Audit Report. Another example is the different reporting formats to National and Provincial government on the previous year's budget and financial performance.

## **Current year budget implementation:**

Implementation of the budget starts once the budget has been approved. An important document in the implementation of the budget is the Service Delivery and Budget Implementation Plan (SDBIP), which sets out the service delivery targets and performance indicators for the financial year. The SDBIP must be approved within 28 days after the approval of the budget.

Another important aspect is the monitoring and reporting on the current year budget. According to Section 71 of the MFMA, the accounting officer must by no later than 10 working days after the end of each month submit to the Mayor of the municipality and the relevant provincial treasury a statement on the state of the municipality's budget. This will enable the mayor to check if the approved budget is implemented in accordance with the SDBIP, consider revisions to the approved budget and identify any financial problems facing the municipality.

## **Preparation of the new financial year's budget:**

There are six distinct steps to the preparation of the new financial year's budget:

### **\* Planning**

Schedule key dates; establish consultation forums; review previous processes.

### **\* Strategic**

Review IDP; internal and external consultations; set service delivery objectives for the next 3 years; consult on tariffs, credit control, travel and subsistence policies, etc.; consider local, provincial and national issues; consult previous year's performance and current economic and demographic trends.

### **\* Preparation**

Prepare revenue and expenditure projections; draft budget policies; consult and consider local, provincial and national priorities; measurement of past and current performance against the budget.

### **\* Tabling**

Table complete proposed budget, IDP revisions and budget related policies no later than 31 March (90 days before the start of the new budget year) before council; make public the budget as soon as it has been tabled (via website, hard copies and electronic copies); consult with and consider formal local, provincial and national inputs or responses.

### **\* Approving**

After the Mayor has responded to recommendations and where necessary made revisions to the tabled budget, full council must meet no later than 31 May (30 days before the start of the new budget year) to consider the budget for approval. Council has to approve the budget and related policies before the start of the new financial year. Should the municipality fail to approve a

budget before the start of the budget year, the mayor must inform the MEC for Finance immediately.

**\* Finalization**

Publish and approve SDBIP and annual performance agreements and indicators 28 days after the approval of the budget. A delegations policy of spending authority on budget votes is also critical for successful budget and monitoring and evaluation.

**2.1.8. Schedule of Key Budget Deadlines in terms of Section 21 (1)(b) of the MFMA (Municipal Finance Management Act)**

The mayor must, according to the MFMA, co-ordinate the processes for preparing the annual budget and for reviewing the municipality's IDP and budget-related policies. The mayor tabled the schedule of key deadline on the 31<sup>st</sup> of August as prescribed in the MFMA. The amended schedule of key deadlines with regards to the budgetary process and the review of the municipality's IDP, was again tabled in council on the 28 February 2012 as per the request of the Provincial Treasury.

## **XHARIEP DISTRICT MUNICIPALITY**

### **2.14 SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN**

#### **2.14.1 Introduction**

The SDBIP is a key management, implementation and monitoring tool, which provides operational content to the end-of-year service delivery targets, set in the budget and IDP.

The SDBIP of Xhariep District Municipality is developed according to the Local Government Turn Around Strategy. It contains the Strategic Focus Areas, projects and sub-projects as well as monthly, quarterly and annual targets and actual performances. The document also reflects Capital and Operational budgets per project and during the 2012/2013 SDBIP will also include quarterly expenditure per project against the allocated budget.

#### **2.14.2 Planning**

During the planning phase, the draft SDBIP is developed to be tabled before the Mayor in terms of Section 53(1)(c)(ii) which stipulates that: The mayor of a municipality must — take all reasonable steps to ensure that the municipality's service delivery and budget implementation plan is approved by the mayor within 28 days after the approval of the budget

#### **2.14.3 Tabling**

The draft IDP and draft Budget will be tabled before Council on the 29<sup>th</sup> of March 2012. Consultation with the community and stakeholders will be done through budget and IDP hearings and formal local, provincial and national inputs and responses will be considered in developing the final documents.

#### **2.14.4 Adoption**

The Final SDBIP will be provided to the Mayor by the Accounting Officer within 14 days of approval of the Municipal Budget. The Mayor will approve the SDBIP no later than 28 days after the adoption of the municipality's budget.

#### **2.14.5 Publishing**

Adopted SDBIP will be made public as soon as the Mayor approves it.