

**Section E: Annual Operational Plan & Financial Plan**

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**BUDGET PROCESS OVERVIEW**

MFMA, Chapter 4, as well as Circular 48 provide guidance on the steps in the annual budget process. Critical to the development of a credible budget are: the manner in which the strategic planning process is integrated; the input of policy directions; and consultation with the community and other stakeholders.

The 2003/14 budget preparation and IDP review process were conducted mainly in line with the legislative and regulatory frameworks prescribed by the Municipal Finance Management Act (MFMA), Municipal Systems Act (MSA) and National Treasury Guidelines. The format and contents of this budget document are in accordance with the Municipal Budgeting and Reporting Regulations of 2008.

The draft budget was tabled in Council on after which an extensive community consultation and public participation process was conducted in all three towns within the municipality. Key issues raised during these public meetings have been considered where possible.

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

**Operating and Capital Budget**

The operating and capital budget as presented hereunder was developed in line with the requirements of Municipal Financial Management Act and Municipal Budgeting and Reporting Regulations, 2008.

Both the MFMA and regulations provide for a uniform norms and standards for ensuring transparency, accountability and appropriate lines of responsibility in the budgeting and reporting process within the municipality.

However, the Budget Steering Committee was not established as required by regulations. The regulations obliges the mayor to establish a budget Steering Committee which will be responsible for providing technical support to the mayor in discharging the responsibilities outlined in section 53 of MFMA. The budget Committee will be established by the end of February 2013 as required by regulations.

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

**Summary of Operating Budget**

Description	2007/8	2008/9	2009/10	Current Year 2010/11				2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>R thousands</b>										
<b><u>Financial Performance</u></b>										
Property rates										
Service charges										
Investment revenue										
Transfers recognised – operational										
Other own revenue										
<b>Total Revenue (excluding capital transfers and contributions)</b>										
Employee costs										
Remuneration of councilors										

# TOKOLOGO LOCAL MUNICIPALITY

Reviewed IDP 2013/14

Depreciation & asset impairment											
Finance charges	-	-	-	-	-	-	-	-	-	-	-
Materials and bulk purchases	-	-	-	-	-	-	-	-	-	-	-
Transfers and grants											
Other expenditure											
<b>Total Expenditure</b>											
<b>Surplus/(Deficit)</b>											
Transfers recognized – capital											
Contributions recognized - capital & contributed assets											
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>											
Share of surplus/ (deficit) of associate											
<b>Surplus/(Deficit) for the year</b>											

1.1.2 Summary Capital Budget

Description	2007/8	2008/9	2009/10	Current Year 2010/11				2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>R thousands</b>										
<b>Capital expenditure</b>										
Transfers recognized – capital										
<b>Total sources of capital funds</b>										
<b><u>Financial position</u></b>										
Total current assets										
Total non current assets										
Total current liabilities										

# TOKOLOGO LOCAL MUNICIPALITY

Reviewed IDP 2013/14

Total non current liabilities										
Community wealth/Equity										
<b><u>Cash flows</u></b>										
Net cash from (used) operating										
Net cash from (used) investing										
<b>Cash/cash equivalents at the year end</b>	-									
<b><u>Cash backing/surplus reconciliation</u></b>										
Cash and investments available										
Application of cash and investments										
<b>Balance - surplus (shortfall)</b>										
<b><u>Asset management</u></b>										
Asset register summary (WDV)										
Depreciation & asset impairment										
Renewal of Existing Assets										
Repairs and Maintenance										

<b><u>Free services</u></b>										
Revenue cost of free services provided										

### Budget Related Policies: Review and Amendments

The following policies will be submitted to council for approval with the 2013/14 Budget and IDP

Name of Policy	Strategic Focus of the Policy
Budget Policy	Budget development and implementation
Property Rates policy	Property rates billing
Tariff Policy	Billing (services and other)
Investment and Banking Policy	Cash management

The following budget related policies were reviewed for 2013/14 financial year:

Name of Policy	Strategic Focus of the Policy
Credit Control and Debt Collection Policy	Revenue collection
Supply Chain Management Policy	Procurement
Financial Delegation of Powers Policy	Sound Financial Administration

### Indigent Subsidy

The indigent subsidy is provided by the municipality to qualifying households as a measure to provide free access to basic services. The following are the main benefits offered to registered indigents for which a threshold of a monthly household income of R 1 200 has been set. The cost of provision of Indigent Subsidy is covered through Equitable Share allocation from the National Treasury.

- Free electricity of 50kWh per household
- 6 kiloliters of free basic water
- Free sanitation
- Free refuse removal



### Tariff Overview

The municipality has succeeded in most of the services to maintain tariff increases within the growth limits set by National Treasury in line with the inflation target band of the Reserve Bank of between 3 and 6 per cent. However, the average increases include an allowance for growth in consumption levels and corrections in certain tariffs. The average tariff increases are for the 2013/14 as reflected in the table below.

Service	% tariff increase
Property rates	6%
Electricity	21%
Water	6%
Sanitation	6%
Refuse removal	6%

### Proposed Tariff Increases

The summary below indicates the proposed tariff increases for the main consumer services and sundry services for the 2013/14 financial year.

#### a) Assessment Rates

All agricultural land has been phased-in in the past 3 years, and the last phasing in was in the 2009/10 financial year as per regulations issued in December 2007 by Cogta.

#### b) Electricity

Approval must be obtained from NER for the 21% increase in fees/tariff to finance the ring fencing of the service. An allocation of 50KwH of electricity is provided to the indigent households per month.

#### c) Water

Free basic water of water 6kl will be given to all indigent households. This will be financed from the Equitable Share.

#### **d) Sanitation Service**

A tariff increase of 6% is proposed for the 2013/14.

### **COMPLIANCE AND IMPLEMENTATION OF MFMA**

#### **Disclosure on Implementation of MFMA**

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

#### **MFMA Implementation and Monitoring Checklist**

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

Below is a summary of progress against the plan.

<b>No.</b>	<b>Implementation priority as per NT template</b>	<b>Progress</b>
1	Preparing an implementation plan	Yes
2	Allocating appropriate responsibilities under the MFMA to Accounting Officer	Yes
3	Establishing a top (senior) management team	Yes
4	Implementing appropriate controls over municipal bank accounts and cash management	Yes
5	Meeting of financial commitments	Yes
6	Reporting revenue and expenditure	Yes
7	Supply chain management	Yes
8	Implementing reforms in relation to municipal entities and long-term	Yes

	contracts	
9	Completing financial statements and advising National Treasury	Yes
10	Completing and tabling annual report	Yes
11	Complying with provisions for tender committees, boards of municipal entities and in relation to forbidden activities	Yes
12	Complying with provisions for internal audit and audit committees	Yes
13	Complying with provisions for budgets	Yes
14	Information to be placed on website	No

### ***MFMA and DoRA returns***

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

Name of return	Submitted to National and Provincial Treasury (Yes/No)
<b>MONTHLY</b>	
Financial Management Grant	Yes
Age Analysis Debtors (AD) and Creditors (AC), Cash Flow, Operating Statement Actual (OSB)	Yes
Section 71 Budget Statements	Yes
Supply Chain Management	Yes
MIG returns	Yes
Equitable Share	Yes
<b>QUARTERLY</b>	

MFMA Implementation and monitoring checklist	Yes
Municipal entities	Not applicable
Public Private Partnerships	Not applicable
Long-term contracts	Yes
Borrowing	Not applicable
<b>ANNUALLY</b>	
Appendix A	Yes
Operating Statement Budget (OSB)	Yes

#### ***Audit units and audit committee***

The internal audit unit is not fully capacitated. At this stage, only the Internal Auditor is appointed and there are plans to gradually capacitate the unit with all the human and other resources.

The Audit Committee is in place. Members of the audit committee were appointed effective from 31 January 2011. The Committee had several meetings throughout the 2012/13 financial year.

#### ***Risk management***

The municipality appointed a risk officer, and the officer resigned at the end of December 2012. The post was advertised on 10 February 2012 and closed on 22 February 2012. The post will be filled soon. The risk management policy has been developed and approved by Council.

#### ***Implementation of Supply Chain Management***

The new supply chain management policy of the municipality, in line with the MFMA and national treasury prescripts, was adopted by council in July 2012 and will be reviewed to incorporate the latest development

All bid committees as required by the SCM regulations are in place, however the composition of the committees is not compliant with the Regulations.

***Tabling of section 71 reports***

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

***Delegations***

Financial delegations and sub-delegations are in place. A policy of financial delegations and sub-delegations will be implemented in the 2012/13.

**Implementation of GRAP**

All the GRAP requirements have been met .The GRAP compliant asset register was also developed.

***Accounting policies***

Several accounting policies have been developed to ensure the requirements of Circular 36 are complied with. The further development of accounting policies will be guided with exemptions as agreed with National Treasury on an annual basis.

***Asset register***

All the infrastructure assets were revalued in September 2012. Subsequent to that, a comprehensive and GRAP compliant asset register was developed and completed in November 2012 tabled to council for approval.