

# MTEF BUDGET STATEMENT NO. 1

## INTRODUCTION

The MFMA and its supporting reforms has ignited a new paradigm shift that would entrench a new culture and tradition with regard to how budget, financial and performance management practices would be administered and monitored by the constituents, to the contractual agreement in terms of the Budget and Service and Budget Implementation Plan.

The focus of the new legislation has honoured its promise with distinction in that it has now not only propelled the Mayor and the Municipal Council to the forefront of affairs but also by its definition of functions and responsibilities has pronounced on the delegation to the Senior Officialdom in equivalent measure.

It is prudent to observe that by virtue of the undivided and sequential relationship that is embedded amongst the key products of the MFMA and its supporting reforms this would equally demand a coalition and consultative approach by both the Political and Administrative spheres. In this regard the key timeframes as prescribed by the MFMA has placed a focus of concentration in senior management under the direct leadership of the Municipal manager to adapt and master itself to a *Tread Mill Management approach*.

The Integrated Development Plan, the MTEF Budget and the Service Delivery Budget Implementation Plan has now drawn senior management to the forefront where their performance will be managed by a multiple of role-players through their performance agreements that should not be inconsistent with anyone of the aforementioned facets during the MTEF Budget process.

## THE MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK (MTEF)

The distinguishable features of the Medium Term Revenue and Expenditure Framework has given effect to a new identity and philosophy that is symbolic of how the MFMA and its supporting reforms would influence our thinking and strategy with regard to the funding, implementation and management of the key issues that would demand optimal service delivery standards.

By virtue of its identity, the process of budgeting would require budget and financial information over a three (3) year period. It should be noted that whilst the first year of the MTEF Budget period would serve as the focus of concentration the two outer years are indicative in nature and are guided by the growth parameters. The new design is intended to give greater clarity and certainty, display stability and predictability as to the credentials and future capability of the Municipality to sustain the provision of the social and economic needs of the People in terms of Schedule 4 and 5, of Part B of the Constitution of the Republic of South Africa. The determination and setting of the growth parameters is underpinned by the macro economic objectives that are set by the National Treasury. In addition the growth parameters are as a direct result and influence of the CPIX during a year.

The new philosophy on the other hand represents an Outputs/Outcomes Revenue driven approach. In the previous dispensation the budget process was characterized by an expenditure driven approach in that the estimates of expenditure was the determining factor and that the revenue to fund the expenditure was considerably of less importance.

*In essence the entrenchment of this approach has now placed a premium that Senior Managers are required to motivate in detail as to why the Municipal Council should collectively vote to approve a certain budget allocation and simultaneously to be convinced as to how the budget allocation is to be spent and what results and standards of performance would be achieved on the social and economic needs of the people as guided in terms of Schedule 4 and 5 of Part B of the Constitution of the Republic of South Africa.*

The MTEF Budget and Integrated Development Plan processes are distinguished by the direct involvement of the Political Sphere in decision-making. The aforementioned processes demands the involvement of all role-players to, in a coalition and consultative manner to *“Choose and to adopt tough Decisions”* on the selection and funding of the priorities for a MTEF Budget year. It should be noted that it is also demanded of the administrative sphere to empower the political sphere by providing the *Right* budget, financial and non financial information, statistics and advice so as to aide the decision-making process. The Budget Steering Committee is thus the Committee that would aide and support the *Decision-Making process within the Municipal Council.*

The statutory responsibility that requires the Mayor to display such political leadership and guidance to the Municipality is guided in terms of sections 21, 23(3), 52 and 53 of the Municipal Finance Management Act no. 56 of 2003 and also in terms of section 34 of the Municipal Systems Act of 2000. The magnitude of this task had demanded the establishment of the Budget Steering Committee that would realize the right results to not only budget and financial management but also the right standards and levels of service delivery by municipalities as the Delivery Arm of Government.

The simultaneous tabling of the Medium Term Budget Policy Statement and the Integrated Development Plan to stimulate discussion and debate in the Budget Steering Committee will remain the first responsibilities of the Municipal Manager. The MTBPS will contain a varying degree of information that is relevant to the MTEF Budget, for instance, the tariff and revenue policies, the Votes and GFS (Government Finance Statistics) Functions to be funded, the sources of revenue, the recommendations on tariff increases, information on national economic indicators, the assumptions that was utilized in compiling the revenue budget, the recommendations with regard to the indicative allocations to the various Votes for revenue, operating and capital expenditure etc.

It should be noted that as soon as the MTBPS is adopted by the Municipal Council, the technical issues of the MTEF Budget and the Service Delivery and Budget Implementation Plan are consolidated in unison to one another under the leadership of the Municipal Manager and the Budget and Treasury Office.

The MTEF Budget document is designed to contain both high and low level information that are consolidated into the following schedules, namely

- Estimates of Revenue by Source and Vote.
- Estimates of Operating and Capital Expenditure by Vote and Standard Item Category.
- Disclosures of Salaries, Wages and Allowance by rand value and statistics on Human Resources.
- Measurable Outputs and Outcomes per GFS Function
- Information on Investments.
- Other Budget Related Information.

## **DELIVERY ANALYSIS AT LOCAL GOVERNMENT LEVEL**

### **External Focus**

#### **1. Top Ten Challenges**

Electricity and Gas Reticulation  
Water Reticulation  
Provision of Sanitation  
Roads  
Housing  
Development of the Local Economy  
Health Care  
Disaster Management Fire Services  
Refuse Removal and Environmental Services  
Recreation and Public Facilities

### **Internal Focus**

#### **1. Top Ten Challenges**

The Audit Committee  
Revenue Management and Enhancement  
The compilation of Financial Statements and Annual Report – MFMA  
Effective and efficient performance evaluations  
Skills Development – Based on Key Performance Areas  
Effective and efficient Integrated I.T. system  
Enhancement of an effective and efficient work culture and work ethic  
Management of the Public Participation process

## **BUDGET PROCESS OVERVIEW**

### **Political Oversight on the MTEF Budget Process**

In upholding the new requirement that the determination of policies and priorities is the absolute responsibility of the political sphere, the budget process at the Potchefstroom City Council had demonstrated significant progress in this regard.

The aforementioned processes commenced with the compilation and tabling of the Medium Budget Policy Statement and the Draft Integrated Development Plan at the Budget Steering Committee. In terms of sections 52 and 53, the Executive Mayor of the Municipal Council had fused the involvement of both the political and administrative spheres by carrying forward the policies and priorities that were set from its predecessors with the intent to ensuring that the City Council of Potchefstroom was in a position to meet the MFMA timeframes. The outcome of this astute leadership had placed the Municipality to table the Final Draft 2007/2008 MTEF Budget and Integrated Development Plan by 31<sup>st</sup> March 2007.

The purpose and commitment of both spheres had resulted in the Municipality to being in a position to commence with the public participation process. It should be noted that crucial to the success was the right political leadership and guidance that was provided by the Executive Mayor in not only accepting responsibility for the work that was managed by the previous Executive Mayor but also that the momentum was maintained in a coordinated and structured manner.

### **Schedule of Timeframes and Budget Related Responsibilities**

The key aspect to the management plan of any budget processes or projects lies in the acceptance of responsibilities to be managed individually and or collectively by its role-players and the timeframes by which these would be accomplished. It should be noted that the Municipality managed the 2007/2008 MTEF Budget process in line with the following schedule so as to ensure complete compliance with the requirements of the MFMA, namely

- Tabling of the Final Draft Integrated Development Plan and the Final Draft 2007/2008 MTEF Budget and Supporting documentation in the Municipal Council by the Executive Mayor on Tuesday 27 March 2007
- The convening of the Public Hearings with all Communities on the 2007/2008 MTEF Budget and Integrated Development Plan during the month of April 2007
- The convening of the meeting of the Municipal Council to be held in early May 2007 to debate and discuss the fact of findings from the public hearings.
- Tabling of the Final Integrated Development Plan and the Final 2007/2008 MTEF Budget and Supporting documentation in the Municipal Council by the Executive Mayor end of May 2007

It should be noted that whilst the aforementioned schedule of timeframes and responsibilities represent a summary, the Municipality had managed this key performance area of the MFMA in line with a more defined consultative Budget programme that contained twenty-five (25) tasks that were associated with responsibility by person and timeframes.

## **The Process of Tabling and Approval of the Budget**

In terms of section 21 of the MFMA, the Executive Mayor would be tabling the Final Draft of the I.D.P, the Final Draft of the 2007/2008 MTEF Budget and other supporting documentation in terms of a Budget Speech after which the Members of the Municipal Council would vote by Resolution to adopt the aforementioned Draft documentation. It should be noted that due to the role of the Budget Steering Committee (a Committee constituted by the Municipal Council on the budget financial affairs); there would be no extensive debate by virtue of the fact that the process was managed from its inception on a consultative and coalition manner.

The Resolution is formulated to contain, separately in detail, information all that was adopted by the Municipal Council with regard to 2007/2008 MTEF Budget.

## **The Public Participation Process – Draft 2007/2008 IDP and MTEF Budget**

The adoption of the Final Draft of the 2007/2008 I.D.P and MTEF Budget would then led to the Public Participation process under the combination leadership of the Executive Mayor, the Speaker and Members of the Municipal Council and the Administrative Sphere. The Municipal Council will manage the public hearings by issuing a Briefing Document, that would contain information on all issues such as proposed tariff increases, the implementation of projects that are categorized as backlogs and new infrastructure per Ward and District, the performance of the Municipality with regard to service delivery on Municipal Services, future projects during the MTEF budget period, the municipal debt position of the Municipality, etc.

The Public Participation process would be managed during April 2007 for a period of a month and convened at the various centres. The inputs and comments that are received would then be consolidated and placed on the agenda for the next meeting of the Budget Steering Committee. The recommendations of the aforementioned Committee would then be tabled at the penultimate meeting of the Municipal Council in the second week of May 2007. The recommendations would concentrate on how the inputs and comments of all Communities would be accommodated during the MTEF Budget period.

## **Municipal Communication and Information – 2007/2008 MTEF Budget process**

In terms of section 22 of the MFMA, the Municipality placed the Final Draft of the 2007/2008 MTEF Budget, other supporting documentation and the Integrated Development Plan on its website immediately after the Municipal Council had adopted them by a formal Resolution. This is intended to create the public knowledge environment and to stimulate discussion and debate by all stakeholders.

In addition the compliance to the requirements of the aforementioned section would adequately prepare the Communities for the Public Participation process. In its endeavour to ensure optimal results during the public hearings the Municipality has also placed the publication of the Budget, the Integrated Development Plan and other supporting documentation in the local print media. The Municipality's effort in ensuring maximum publication is undertaken to invite all members of the local Communities to submit their representations with regard to the aforementioned documentation.

## **Integration and Review of the IDP with the 2007/2008 MTEF Budget**

Public participation meetings were arranged for 23 and 28 March 2006 and November 2006. Further opportunities for public participation regarding the IDP/Budget review will be arranged during April 2007.

### **Prioritization of Resource Allocations**

In line with the best international practices, the Municipality had implemented this responsibility in accordance with the philosophy that governs the MTEF budget reforms. The philosophy that has entrenched the budget process is guided by an Outputs/Outcomes Revenue driven approach. By implication this makes reference to the fact that in addition to the allocations that was approved in terms of the Division of Revenue Act of 2007, the Municipality had identified all its sources of revenue and categorized them into three (3) classes, i.e. Primary, Secondary and DoRA that was ring-fenced to funding expenditure of a capital nature.

The Primary and Secondary classes of revenue was utilized to fund the recurrent (operating) expenditure of the Municipality and which mainly focused on Employee-Related Benefits, Repairs and Maintenance and Administrative expenditure. It is prudent to note that in order to maintain optimal levels of service delivery to the People, it was imperative for the Municipality to re-established and strengthen its "*internal machinery*" (staffing, information systems, procedures and processes) so as to deliver and achieve the seventy (70) percent outputs and outcomes in terms of the social and economic needs of the People.

The combination of own revenue and DoRA allocations were ring-fenced to satisfy the demand for the following, namely

- Electricity
- Water
- Sanitation
- Roads

It should be noted that the allocation for housing is co-ordinated between the Provincial Housing Board and Municipality and is not included in the DoRA for the 2007/2008 MTEF Budget year.

## **ALIGNMENT OF THE MTEF BUDGET WITH THE IDP**

### **Vision**

"A transformed Potchefstroom Municipality striving for economic, social and human development through good governance".

### **Mission Statement**

The mission of the municipality is to improve the quality and standard of living of all its inhabitants as effectively and efficiently as possible with the available resources.

## **Strategic Focus Areas**

The strategic focus areas of the municipality are indicated below:

### Development Outcome Perspective

- Sustainable economic growth, investment and black economic empowerment.
- Job creation, poverty alleviation and community satisfaction.
- World Cup Soccer 2010.
- Maintenance and upgrading of the N12.
- PPP initiatives.

### Service Delivery Perspective

- Reduction of basic service backlogs.
- Provision of new infrastructure for growth.
- Maintenance of infrastructure and core services.
- Eradication of housing backlogs.
- Provision of rental housing stock.
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### Governance Perspective

- Expansion of customer-care initiatives.
- Improve workflows and the organizational structure.
- Project management capacity and budget spending rate.
- Ensure environmental health and safety and sustainable environmental practices in the municipality.
- Legal compliancy.
- Ensure an integrated and well-functioning city structure and land-use management.
- Expansion and enhancement of public participation and co-operative governance.
- Promote e-governance and knowledge sharing.

### Resource perspective

- Endeavour to make Potchefstroom City Council a preferred employer.
- Skills Development Plan and Equity Plan of Council.
- Debt reduction and debt management.
- Expansion of the tax base.

## **Long-term Goals and Outcomes of Council**

Poverty reduction, sustainable economic growth and integration remain the fundamental development issues facing Potchefstroom.

Although much has been done to reduce poverty amongst a large portion of our citizens, the challenges remain daunting. The current unemployment rate, as estimated from the 2003 Socio-Economic Survey of Potchefstroom, is 35-36%. In order to reduce this unemployment rate by half over the next ten years, we would

have to create about 6000-7000 permanent semi-skilled jobs per year, assuming ideal economic growth conditions such as a 5% to 6% annual growth rate. This would furthermore imply an annual foreign investment of approximately R400 million.

The proposed new regional shopping mall in Potchefstroom represents an example of a singular investment of R400 million which is expected to provide about 900 temporary jobs during construction and about 1500 permanent post-construction jobs.

Expectations are that the new shopping mall will substantially reduce or even invert the current leakage levels (50%) of local retail buying power.

Job creation initiatives of the Council via the local Expanded Public Works Programme and other local economic development initiatives, at the current rate of funding, will only create approximately 500 permanent and temporary job opportunities annually.

Significant progress has been made with the provision of basic services in terms of free basic water (10KI per month for all households) and free basic electricity (50 Kwh per month). Currently approximately 5 968 indigents are registered on Council's indigent list. With half the estimated 36 000 urban households in Potchefstroom earning R1600 or less per month, this figure has the potential to increase substantially.

Almost all formal residential sites in Potchefstroom enjoy electrical connections on site. In total, 9320 households still lack adequate sanitation and 4120 households on-site water connections, implying a basic services backlog of R72 million and R27 million respectively. Almost 10500 households still live in informal dwellings. An allocation for a total of 2000 project-linked subsidy housing has been received from the North West Province, for 2007/2008. The construction of approximately 1000 rental-housing units is expected over the next two years.

Potchefstroom has a real potential for economic growth as indicated in the National Spatial Development Plan. Potchefstroom is well placed to attract investment in the tourism (Highveld National Park and Vredefort Dome World Heritage Site), high-tec manufacturing, retail, service and property development sectors. However, in order to accommodate this growth, capital expenditure will be required for the expansion of bulk sewer and electrical services, township reticulation and maintenance recapitalisation of key infrastructure assets including the N12.

### **Service Delivery Standards and Funding Allocations**

The Council is committed to continue with the provision of free basic services in terms of 10 KI of water (all households) and 50KWh of electricity per indigent household.

The capital budget for the 2007/2008 financial year amounts to approximately R43.2 million. The development of 2000 housing units and about 400 rental housing units on an agency basis by Council during the 2007/2008 financial year entails a further capital expenditure of some R113.6 million. The total value of IDP capital projects for the coming financial year therefore amounts to approximately R151.6 million.

### **Medium Term (3 year) Outputs and Outcomes**

An overview of the key outputs and outcomes envisioned over the next three years is provided below.

#### ***Economic Growth and Development Perspective***

- Establishment of a Science Park and a new industrial area.
- Feasibility for a PPP for the Lakeside Resort.
- Branding of Potchefstroom.
- Establishment of a multi-purpose community centre.
- Leveraging growth possibilities associated with the Vredefort Dome World Heritage Site, the Highveld national Park and World Cup 2010 projects.

#### ***Provision of Infrastructure and Housing Perspective***

(Eradicate backlogs)

- Provide 100% of households in Potchefstroom with water and sewer connections on site.
- Continue to ensure that all households have access to legal electrical connections on site.
- Facilitate development in rural areas such as Matlwang in terms of infrastructure such as access roads, electricity supply and community facilities.
- Reduce the length of urban gravel roads by at least 20%.

(Accommodate growth)

- Expand the bulk sewer line Potchefstroom East.
- Upgrade the bulk electricity supply for Potchefstroom in support of residential and commercial development.
- Ensure timely township planning and township establishment.
- Expand library and sport facilities in Ikageng and Promosa.

(Maintenance)

- Resurfacing of Potgieter Street.
- Stabilisation of the Potgieter Street railway bridge.
- Re-sealing of urban roads.
- Water and electricity leakage management.

## ***Governance and Resource Management Perspective***

- Reduce debt to manageable levels.
- Expand the system of pre-paid meters.
- Expand the tax base on an equitable basis.
- Finalise and implement the Land Use Management System (LUMS).
- Implement the Mooiriver Catchment Area Integrated Environmental Management plan (IEMP for the Mooi River).
- Maintain an effective inspectorate function for land-use, health and public safety.
- Develop a Disaster Management Plan.
- Improve and expand e-governance initiatives such as the Financial management System (FMS), Geographical Information System (GIS), TILOS paper-free documentation system and website functionality.
- Promote and improve cooperative governance through initiatives such as the Intergovernmental Forum and expansion of the IDP Representative Forum.

The key linkage between the IDP and the Budget vests with the set of Key Performance Indicators (KPI's) that link the Key Performance Areas (KPA's) of the IDP with the programmes and sub-programmes of each Vote of the budget. The set of KPI's for each vote/department is contained in the draft SDBIP.

## **BUDGET RELATED POLICIES, OVERVIEW AND AMENDMENTS**

The Municipality has not included the various policies that have been developed and implemented in the MTEF Budget book. It should be noted that all the budget related policies are available on the request of all Councillors and other stakeholders. The following budget and revenue policies are used to guide the Municipality on the implementation of the 2007/2008 MTEF Budget, namely

- The 2007/2008 MTEF Revenue Policy on Tariff Setting and Modeling
- The Credit Control, Indigent and Revenue Collection
- Draft Supply Chain Management Policy & Regulations
- Investment Policy on investments, borrowing and cash management
- The Policy and Guidelines for Virement and Unforeseen and Unavoidable Expenditure
- Human Resources Related Policy
- Infrastructure investment and funding
- The implementation of the Free Basic Services guidelines

## **BUDGET ASSUMPTIONS**

A great deal of uncertainty exists regarding the current population figure for the Potchefstroom municipal area. The 2001 Census indicates a total population of approximately 129 000 people. Potchefstroom has experienced a substantial growth of the population as illustrated by the fact that the number of residential erven in Ikageng and Promosa have increased from about 8000 erven in 1996 to over 18 000 in 2006. Our current estimate of the total population of Potchefstroom is 207 000 people.

According to the 2001 Census the unemployment rate of Potchefstroom was 36% compared to some 27% in 1996. The Potchefstroom Socio-economic Survey of April 2003 indicates an unemployment rate of about 32%. The increase in unemployment has been especially prevalent in the primary (agricultural) and secondary (manufacturing) sectors with a concomitant increase in the informal sector. In 2003 the informal sector was the third largest economic sector in Potchefstroom.

Significant potential for economic growth exists in the tourism-, services-, property- and high-technology manufacturing sectors. The current high outflow of local buying-power (50%) will be substantially reduced by the development of a new regional shopping centre in Potchefstroom. This development represents an investment of R400 million into our local economy. Our expectations are that the shopping mall will create over 1000 permanent, post-construction jobs for our community. A proposed new chicken-rendering plant is expected to provide 1800 permanent jobs.

Regarding the future expansion of Potchefstroom over the MTEF period, we expect a population growth rate of 3% per year.

## **FUNDING THE BUDGET**

Currently 5 968 households are registered as indigents although the Potchefstroom social economic survey indicated that 49.6% of all households in Potchefstroom are indigent. 22 382 Households in Potchefstroom receive 10 kl water free per month and 4 650 indigents receive monthly 50 kWh free electricity. The community was repeatedly informed via the media of the IGG grant for which indigent households may register. The total payment for IGG's amounts to approximately R540 000 per month.

A salary increase of 7% is provided in the 2007/2008 financial year operational budget for senior management as well as general staff.

National, provincial and local policies have both positive and negative impact on the City Council of Potchefstroom. The positive side is that the various grants as the MIG grants, NER grants housing funds as well as the equitable share assist Council to finance additional infrastructure capital projects and to subsidize the basic services for the poor households. However, the negative side of the national, provincial and local policies is the prescriptions in regard to legal compliancy and actual service delivery. The municipality has to negotiate with scarce resources, financial and personnel whether to achieve 100% legal/policy compliance versus 100% service delivery.

Despite an average 95% consumers payment rate, the average growth of R10 million in consumer debt is straining cash flow. Consequently, Council is then forced to use its investments to finance capital projects.

The long-term financial outlook for the municipality that delivers services to a community in which half the households qualify for indigents and the need for services and infrastructure is increasing due to an increasing population, remains bleak. According to the IDP review the estimated infrastructure projects for the next five to ten years will cost Council more than R1 billion. The needs of the community exceed by far, the financial resources of Council. The City Council of Potchefstroom has to rely in future more on financial assistance of national and provincial grants as well as on loans to finance the infrastructure projects.

Council is adhering to the MFMA prescriptions and strives to comply with all the other legislation.

## **SOURCES OF FUNDING**

The Municipality has grouped the Sources of Revenue under three (3) categories, namely

- The Primary Class

The aforementioned class is structured to providing information on what are the major revenue drivers and in addition what are their respective contributions to the total revenue of the Municipality during the 2007/2008 MTEF Budget year. This class of revenue is characterized by a level of stability and certainty in that it relates to households that are receiving monthly municipal services accounts from the Municipality. The major cost drivers are electricity, water, sanitation, property rates and refuse removal. The total revenue is determined by a combination of variable and fixed statistics.

It should be noted that with the exception of the tariff increase on electricity that are fixed by the National Electricity Regulator at 3,5 % for the 2007/2008 MTEF Budget year, the tariff increases for all the other services have been restricted to 6% for the aforementioned budget year.

- The Secondary Class

By virtue of the fact that all the sources of revenue under this class are variable or is relatively unstable and uncertain in comparison to the Primary Class, they would contribute a limited influence on the total revenue of the Municipality. This is substantiated by the fact when compiling the MTEF Budget it is extremely difficult to provide a realistic revenue estimate due to the series of fluctuation in this class of revenue.

It should be noted that for instance it is difficult to provide realistic or reliable information on traffic fines, the hiring of public facilities, the interest to be earned on debtors etc.

- The Grant Allocations – Division of Revenue Act of 2007

In light of the fact that the grant allocations are gazetted in terms of the Division of Revenue Act of 2007, the Municipality is able to place absolute reliance in funding all operating and capital expenditure during the 2007/2008 MTEF Budget year. It should be noted depending on the status of the specific grant allocations, they are either conditional, in other words are ring-fenced to fund only certain type of expenditure with certain specified conditions or unconditional but are also associated to some level of restriction and or conditions.

Grant Allocation	National Financial Year			Municipal Financial Year		
	2007/2008 (R 000)	2008/2009 (R 000)	2009/2010 (R 000)	2007/2008 (R 000)	2008/2009 (R 000)	2009/2010 (R 000)
<b>Equitable Share Allocation</b>						
Equitable Share	34 003	39 717	52 001	34 003	39 717	52 001
<b>Recurrent Allocations</b>						
Local Government Financial Management Grant	2 000	500	500	2 000	500	500
<b>Infrastructure Allocations</b>						
National Electrification Grant	12 602	16 045	24 164	12 602	16 045	24 164
Municipal Infrastructure Grant	13 577	16 772	19 135	14 376	17 363	14 351
<b>Provincial Allocations</b>						
Library	1 905	0	0	1 905	0	0
<b>TOTAL</b>	<b>64 087</b>	<b>73 034</b>	<b>95 800</b>	<b>64 886</b>	<b>73 625</b>	<b>91 016</b>

#### DISCLOSURE ON ALLOCATIONS MADE BY THE MUNICIPALITY

The Municipality has not planned to engage any other Municipalities in any twinning agreements during the 2007/2008 MTEF Budget year. In view thereof the Municipality would not be initiating any allocations to other Municipalities.

## **DISCLOSURE ON THE IMPLEMENTATION OF THE MFMA AND OTHER RELEVANT LEGISLATION**

In view of the fact that the City Council of Potchefstroom was gazetted as high capacity Municipality in 2002, the implementation of all aspects of the MFMA and its supporting reforms had become non-negotiable. It should be noted that whilst the influence of the 2006 Local Government elections had created some level of uncertainty the Municipality has now positioned itself for high level implementation on the following key requirements of the Municipal Finance Management Act, namely

- The re-organization of the present Department of Finance to be structured to reflect the management of the key performance areas of the MFMA. This would entail the Divisions for Budget Planning and Implementation, Financial Management and Reporting, Revenue and Debtor Management, Asset and Liability Management and Finance Governance. This Department would now be referred to as the Budget and Treasury Office in terms of Chapter 9 of the MFMA.
- The establishment of the Budget Steering Committee in terms of section 23 (3) of the MFMA. The Budget and Treasury Office has received and would be tabling the Guide Document in April 2006 to the Municipal Council for adoption and implementation.
- The Budget and Treasury Office would also be tabling Guide Documentation for discussion and debate with regard to the following matters in terms of the MFMA
  - Strengthening the present Audit Committee and the Division – Internal Audit.
  - The re-organization of the Vote Hierarchy of the Municipality in terms of the delegated functions and responsibilities.
  - The Guide Document on the management of the MTEF Budget process so as to assist all role-players within the Municipality.
- The Budget and Treasury Office has made significant progress with the assistance of the Accounting Officer with regard to the compilation of the 2007/2008 MTEF Budget in line with the new format and process as outlined by the combination of the MFMA Reforms Circulars 12,13, 19, 27 and 28 that was issued by the National Treasury.