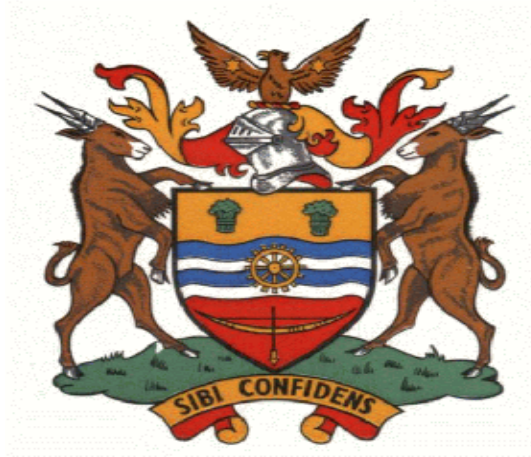


**ANNUAL BUDGET OF**  
**UMTSHEZI**  
**MUNICIPALITY**



**2012/13 TO 2014/15**  
**MEDIUM TERM REVENUE AND**  
**EXPENDITURE FORECASTS**

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## Abbreviations and Acronyms

AMR	Automated Meter Reading	LED	Local Economic Development
ASGISA	Accelerated and Shared Growth Initiative	MEC	Member of the Executive Committee
BPC	Budget Planning Committee	MFMA	Municipal Financial Management Act Programme
CBD	Central Business District	MIG	Municipal Infrastructure Grant
CFO	Chief Financial Officer	MMC	Member of Mayoral Committee
CM	Municipality Manager	MPRA	Municipal Properties Rates Act
CPI	Consumer Price Index	MSA	Municipal Systems Act
CRRF	Capital Replacement Reserve Fund	MTEF	Medium-term Expenditure Framework
DBSA	Development Bank of South Africa	MTREF	Medium-term Revenue and Expenditure Framework
DoRA	Division of Revenue Act	NERSA	National Electricity Regulator South Africa
DWA	Department of Water Affairs	NGO	Non-Governmental organisations
EE	Employment Equity	NKPIs	National Key Performance Indicators
EEDSM	Energy Efficiency Demand Side Management	OHS	Occupational Health and Safety
EM	Executive Mayor	OP	Operational Plan
FBS	Free basic services	PBO	Public Benefit Organisations
GAMAP	Generally Accepted Municipal Accounting Practice	PHC	Provincial Health Care
GDP	Gross domestic product	PMS	Performance Management System
GFS	Government Financial Statistics	PPE	Property Plant and Equipment
GRAP	General Recognised Accounting Practice	PPP	Public Private Partnership
HR	Human Resources	PTIS	Public Transport Infrastructure System
HSRC	Human Science Research Council	RG	Restructuring Grant
IDP	Integrated Development Strategy	RSC	Regional Services Council
IT	Information Technology	SALGA	South African Local Government Association
kℓ	kilolitre	SAPS	South African Police Service
km	kilometre	SDBIP	Service Delivery Budget Implementation Plan
KPA	Key Performance Area	SMME	Small Micro and Medium Enterprises
KPI	Key Performance Indicator		
kWh	kilowatt		
ℓ	litre		

## Part 1 – Annual Budget

### 1.1 Mayor's Report

In the past four years, the world economy has gone through its deepest recession in over 70 years. The Tsunami in Japan had also had an effect on the growth of our economy and domestic GDP had been affected. Signals are that the recovery is still fragile and as a result, National Treasury has warned in terms of Circular 58 that the Municipalities should adopt a conservative approach when projecting their expected revenues and cash receipts.

Management within local government has a significant role to play in strengthening the link between the citizen and government's overall priorities and spending plans. The goal should be to enhance service delivery aimed at improving the quality of life for all people within the uMtshezi Municipality. Budgeting is primarily about the choices that the municipality has to make between competing priorities and fiscal realities. The challenge is to do more with the available resources. We need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms.

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that sustainable municipal services are provided economically and equitably to all communities.

The 2012/2013 Medium Term Revenue and Expenditure Framework and its related policies has been compiled in compliance with the Municipal Finance Management Act No. 56 of 2003 and the Municipal Budget and Reporting Regulations which are aimed at improving credibility, sustainability, transparency, accuracy and reliability of municipal budgets.

The objective of the budget formats reform is to:

1. Ensure that the municipal budget and financial reporting formats support the other financial management reforms introduced by the MFMA;
2. Improve the local governments spheres' ability to deliver basic services to all by-
  - addressing issues of financial sustainability, and
  - facilitating informed policy choices and medium term planning of service delivery by requiring targets to be aligned to achieve backlog elimination.

The 2012/13 MTREF has been prepared using realistically anticipated estimates and are guided by the guidelines as per the National Treasury budget circulars. The main aim of the budget is SERVICE DELIVERY. It is also aimed at ensuring that services are effectively and efficiently rendered in the most economical way.

A brief overview of the draft budget is as follows:

Total operating income – R270,938,000

Total Operating expenditure – R302,261,000

Operating Deficit – R31,323,000

Capital Transfers – R16,709,000

Contributed Assets – R11,241,000

Capital Budget – R24,409,000

The capital budget would be financed from capital grants received from the Municipal Infrastructure Grant, Neighbourhood Development Grant, INEP, Small Town Rehabilitation Grant, grants from provincial government for Community Residential Units, external loans and a small portion from council funding.

The operating budget is extremely constrained and focuses on service delivery. The reason for this is the limiting income realistically anticipated.

Ngokubambisana singakha imiphakathi engcono. Let us work together to build a better community of Umtshezi thus achieving a better life for all.

**HIS WORSHIP THE MAYOR**

**COUNCILLOR B.D DLAMINI**

## **1.2 Council Resolutions**

On the 30<sup>th</sup> of May 2012 the Council of Umtshezi Municipality Local Municipality will meet in the Council Chambers to consider the approval of the annual budget of the municipality for the financial year 2012/13. It is recommended that the Council approve and adopt the following resolutions:

1. The Council of Umtshezi Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves:
  - 1.1. The annual budget of the municipality for the financial year 2012/13 and the multi-year and single-year capital appropriations as set out in the following tables:
    - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification);
    - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote);
    - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type); and
    - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source.
  - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:

- 1.2.1. Budgeted Financial Position;
  - 1.2.2. Budgeted Cash Flows;
  - 1.2.3. Cash backed reserves and accumulated surplus reconciliation;
  - 1.2.4. Asset management; and
  - 1.2.5. Basic service delivery measurement.
2. The Council of Umtshezi Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves:
    - 2.1. the tariffs for property rates – as set out in Annexure A,
    - 2.2. the tariffs for electricity – as set out in Annexure A
    - 2.3. the tariffs for solid waste services – as set out in Annexure A
  3. The Council of Umtshezi Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves the tariffs for other services, as set out in Annexures A.
  4. To give proper effect to the municipality's annual budget, the Council of Umtshezi Local Municipality approves:
    - 4.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.

### 1.3 Executive Summary

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The country is currently recovering from the downturn in the economy due to the recession in the last four years and the natural disasters, example, the tsunami that occurred in Japan. According to the National Treasury Budget Circular No 58, it states that the growth in the economy had slowed down from 4.5% to a revised 3.1% in 2011. Unemployment has increased from 21.8% in 2008 to 25.7% in 2011. As a result of this, a conservative approach to the expected revenues was forecast. The budget considers these factors as well as the movements and the trends of the consumer price index (CPI). Headline CPI had increased from 3.3% in 2010 to a 5.4% forecast in 2012. Also, the Reserve Bank inflation targets were considered as well as their upper boundary increase of 6%. Using these trends and guidelines from the National Treasury MFMA Circular No. 58 and 59, estimates for tariff increases were proposed and included in the budget.

S21 of the Municipal Finance Management Act deals with Municipal Budgets and describes the entire budgeting process. The Mayor is tasked with co-ordinating the processes for preparing the budget, reviewing the Integrated Development Plan (IDP) and budget related policies. The Accounting officer, as per S68 of the MFMA, is required to assist the mayor in developing and implementing the budgetary process.

When drafting this budget, consideration was given to Section 18 of the MFMA which states that:

“An annual budget may only be funded from-

- a) realistically anticipated revenues to be collected;
  - b) cash-backed accumulated funds from previous years’ surpluses not committed for other purposes; and
  - c) borrowed funds, but only for the capital budget referred to in section 17(2)
- (2) Revenue projections in the budget must be realistic, taking into account-
- a) projected revenue for the current year based on collection levels to date; and
  - b) actual revenue collected in previous financial years.”

Great emphasis was placed in ensuring that the budget is realistically funded. A complete analysis of the various financial scenarios and outcomes was done and the best viable solution sought.

In addition to the budget, an amendment to the Municipal Systems Act (MSA) and Chapter 4 of the MFMA require that the Integrated Development Plan (IDP) be adopted at the same time of adopting the budget. The IDP informs the budget and their simultaneous adoption will ensure that the budget is properly aligned to the IDP and ensure that planned projects are credible and that the budgets are realistic and implementable. This budget was drafted in conjunction with the IDP.

The annual budget was prepared in accordance to the National Treasury’s content and format as contained in circulars 28, 42 and 45. The two concepts considered were:

- 1) that the budget must be funded according to S18 of the MFMA (as mentioned above), and
- 2) that the budget must be credible.

A credible budget is described as one 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 jeopardize 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.

As mentioned above, the budget was also compiled taking into consideration the guidelines outlined in MFMA Municipal Budget Circular No 58 for the 2012/13 financial year.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

The main challenges experienced during the compilation of the 2012/13 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2012/13 MTREF process; and
- Availability of affordable capital/borrowing.

The following budget principles and guidelines directly informed the compilation of the 2012/13 MTREF:

- The 2011/12 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2012/13 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2012/13 Medium-term Revenue and Expenditure Framework:

**Table 1 Consolidated Overview of the 2012/13 MTREF**

R thousand	Adjustments Budget 2012/2013	Budget Year 2012/2013	Budget Year +1 2013/2014	Budget Year +2 2014/2015
Total Operating Revenue	226,866	270,938	298,813	331,005
Total Operating Expenditure	264,866	302,261	331,102	363,479
Surplus / (Deficit)	(38,000)	(31,323)	(32,289)	(32,474)
Total Capital Transfers	29,830	16,709	28,449	29,227
Contributed Assets	0	11,241	913	806
Surplus / (Deficit) for the year	(8,170)	(3,373)	(2,927)	(2,441)

Total operating revenue has grown by 19,43 per cent or R44,072 million for the 2012/13 financial year when compared to the 2011/12 Adjustments Budget. This is mainly due to the inclusion of the cost of free basic services that are given to indigent consumers. The expenditure is declared under the operating expenses as transfers and grants. This is a non-cash flow item. For the two outer years, operational revenue will increase by 10,28 and 10.77 per cent respectively.

Total operating expenditure for the 2012/13 financial year has been appropriated at R302.261 million and translates into a budgeted deficit (non-cash-flow deficit) of R32,289 million. This non-cash flow deficit is attributed to Depreciation of R35million and Provisions of R10million. When compared to the 2011/12 Adjustments Budget, operational expenditure has grown by 14 per cent in the 2012/13 budget and by 9.54 and 9.78 per cent for each of the respective outer years of the MTREF.

#### 1.4 Operating Revenue Framework

For Umtshezi to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 90 per cent annual collection rate for property rates and other key service charges and a 95 per cent collection rate for electricity revenue;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (A9ct 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

The following table is a summary of the 2012/13 MTREF (classified by main revenue source):

**Table 2 Summary of revenue classified by main revenue source**

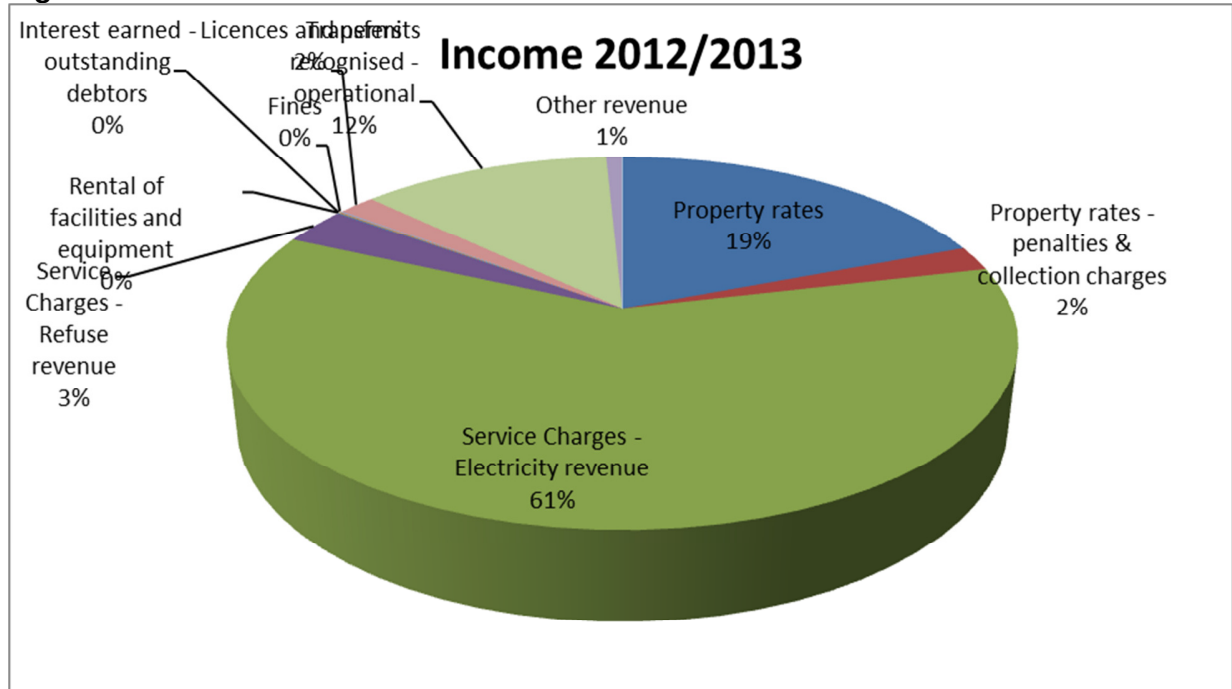
Description					Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
	2008/9	2009/10	2010/11	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15	
<b>Revenue By Source</b>											
Property rates	26 232	29 164	33 739	33 463	35 063	35 063	35 063	52 050	55 173	58 484	
Property rates - penalties & collection charges	5 183	5 008	6 239	5 732	5 732	5 732	5 732	5 789	5 847	5 906	
Service Charges - Electricity revenue	71 850	96 669	121 165	155 741	143 741	143 741	143 741	163 610	183 785	208 595	
Service Charges - Refuse revenue	4 771	5 055	5 348	5 535	5 535	5 535	5 535	8 718	9 241	9 795	
Rental of facilities and equipment	749	748	408	467	167	167	167	177	188	199	
Interest earned - outstanding debtors	2 591	333	1 069	249	249	249	249	264	280	297	
Fines	199	345	201	299	299	299	299	302	305	308	
Licences and permits	4 554	4 010	4 239	4 589	4 589	4 589	4 589	4 818	5 059	5 312	
Transfers recognised - operational	18 328	20 894	24 727	29 398	29 480	29 480	29 480	33 078	36 675	39 714	
Other revenue	4 247	2 371	2 469	1 031	2 011	2 011	2 011	2 132	2 260	2 395	
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>138 704</b>	<b>164 597</b>	<b>199 604</b>	<b>236 504</b>	<b>226 866</b>	<b>226 866</b>	<b>226 866</b>	<b>270 938</b>	<b>298 813</b>	<b>331 005</b>	

**Table 3 Percentage growth in revenue by main revenue source**

Description	Current Year 2011/2012		2012/13 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2012/13	% 2012/2013	Budget Year +1 2013/14	%2013/2014	Budget Year +2 2014/15	%2014/2015
<b>Revenue By Source</b>								
Property rates	35 063	3.92%	52 050	48.45%	55 173	6.00%	58 484	6.00%
Property rates - penalties & collection charges	5 732	-8.13%	5 789	1.00%	5 847	1.00%	5 906	1.01%
Service charges - electricity revenue	143 741	18.63%	163 610	13.82%	183 785	12.33%	208 595	13.50%
Service charges - refuse revenue	5 535	3.50%	8 718	57.51%	9 241	6.00%	9 795	6.00%
Rental of facilities and equipment	167	-58.97%	177	5.99%	188	6.21%	199	5.85%
Interest earned - outstanding debtors	249	-76.71%	264	6.02%	280	6.06%	297	6.07%
Fines	299	48.76%	302	1.00%	305	0.99%	308	0.98%
Licences and permits	4 589	8.28%	4 818	4.99%	5 059	5.00%	5 312	5.00%
Transfers recognised - operational	29 480	19.22%	33 078	12.20%	36 675	10.87%	39 714	8.29%
Other revenue	2 011	-18.58%	2 131	5.97%	2 261	6.10%	2 394	5.88%
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>226 866</b>	<b>13.66%</b>	<b>270 937</b>	<b>19.43%</b>	<b>298 814</b>	<b>10.29%</b>	<b>331 004</b>	<b>10.77%</b>

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

**Figure 1: Income for the 2012/13 MTREF**



Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise more than two thirds of the total revenue mix. In the 2011/12 financial year, revenue from rates and services charges is estimated to total R179 million or 78.89 per cent of total income. This increases to R224 million, R248 million and R277 million in the respective financial years of the MTREF. The percentage increase from 2011/2012 to 2012/2013 is distorted due to the inclusion of the cost of the free basic services. This was included to ensure compliance with treasury requirements of disclosing such costs.

One of the noticeable increases in income that is disproportionate to the increase of tariffs is electricity revenue. Electricity revenue for the 2011/2012 MTREF had declined and adjustments to the original budget was made in line with these trends. The situation has been carefully monitored and the declining trend had continued after the adjustments budget had been approved by council. As a result of this, the estimates for the 2012/2013 MTREF was based on actual figures from 01 July 2011 to May 2012. It can be seen from the table above, that although electricity tariffs are estimated to increase by 13.5%, the increase compared to the adjustments budget is 9% plus 4.5% for indigent bills. Additional levies have been proposed to increase the revenue thus increasing the gross profit percentage from the current 15% closer to the Nersa guideline of 30%.

Property rates is the second largest revenue source totalling 19 per cent or R52 million rand (R38million plus R14.182 for free basic services) and increases to R55 million by 2013/14. The

third largest source of income is income from operational grants that have been gazetted as per the Division of Revenue Act. These operating grants will equal R33 million for 2012/2013. The other item contributing to revenue is 'other revenue' which consists of various items such as income received from permits and licenses, building plan fees, connection fees, rental of facilities and other sundry income. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R29.270 million in the 2011/12 financial year and steadily increases to R39,714 million by 2014/15. Note that the year-on-year growth for the 2012/13 financial year is 12,2 per cent and then flattens out to 10.87 and 8.29 per cent in the two outer years. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

**Table 4 Operating Transfers and Grant Receipts**

Details	2012/2013	2013/2014	2014/2015
	R	R	R
<b><u>PROVINCIAL ALLOCATIONS</u></b>			
CRU Programme	3 960 000	15 000 000	15 000 000
Property rates	8 778 000	11 500 000	11 500 000
Provincialisation of Libraries	894 000	1 878 000	1 981 000
Museum	134 000	143 000	151 000
Community Library	106 000	111 000	116 000
	<u>13 872 000</u>	<u>28 632 000</u>	<u>28 748 000</u>
<b><u>NATIONAL ALLOCATIONS</u></b>			
<b><u>Operating Grants</u></b>			
FMG	1 500 000	1 750 000	1 750 000
MSIG	800 000	900 000	950 000
Equitable Share	27 544 000	29 519 000	31 739 000
Equitable Share (Cllrs Remun)	2 100 000	2 374 000	3 027 000
	<u>31 944 000</u>	<u>34 543 000</u>	<u>37 466 000</u>
<b><u>Capital Grants</u></b>			
MIG	12 749 000	13 449 000	14 227 000
CRU Programme	3 960 000	15 000 000	15 000 000
	<u>16 709 000</u>	<u>28 449 000</u>	<u>29 227 000</u>
<b><u>Allocations in kind</u></b>			
NDPG	400 000	500 000	500 000
INEP	10 841 000	413 000	306 000
	<u>11 241 000</u>	<u>913 000</u>	<u>806 000</u>

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

The percentage increases of the Eskom bulk electricity tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity tariffs are largely outside the control of the Municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the Municipality's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

#### 1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2012/13 financial year based on a 8 per cent increase from 1 July 2012 is contained below:

**Table 5 Comparison of proposed rates to be levied for the 2012/13 financial year**

#### RATES RANDAGE

Category	Impermissible	Rebate	Current Year Randage	Proposed Randage 2012/13
Residential	30 000	55.837%	0.017496	0.018895
Commercial	-	As Per Table	0.0345	0.03726
Agriculture	-	25% (0% - 2013)	0.0025	0.0025
Public Service Infrastructure	-	First 30% non rated	0.001968	0.002086

State Owned	-	-	0.02943	0.03119
Industrial	-	As Per Table	0.0345	0.03637
Public Benefit Organisation Property	-	None	0.001968	0.002068
Recreational Clubs	-	30%	0.0017496	0.018895

**REBATES FOR COMMERCIAL PROPERTIES**

Value of Property	Rebate
0-1.5 million	29.660%
>1.5 million – 2.5 million	34.685%
>2.5 million – 7.5 million	24.635%
>7.5 million -10 million	26.650%
>10 million	22.121%

**REBATES FOR INDUSTRIAL PROPERTIES**

VALUE OF PROPERTY	REBATE
0-1 Million	24.286%
>1-2 million	19.234%
>2-5 million	37.405%
>5-36 million	44.470%
>36 million	67.692%

**ADDITIONAL RELIEF**

USAGE/OWNER	ADDITIONAL REBATE
BED & BREAKFAST	25%
BED& BREAKFAST(NON RESIDENT)	20%
PENSIONER	12.50%

**1.4.2 Sale of Electricity and Impact of Tariff Increases**

NERSA has announced the revised bulk electricity pricing structure. A 13.5 per cent increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2012.

Considering the Eskom increases, the consumer tariff had to be increased by 13.5 per cent to offset the additional bulk purchase cost from 1 July 2012. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity.

Registered indigents will again be granted 50 kWh per 30-day period free of charge.

It should further be noted that NERSA has advised that a stepped tariff structure needs to be implemented from 1 July 2011. This was implemented and will continue in the next few years. The effect of the inclining block tariffs is that the higher the consumption, the higher the cost per

kWh. The aim is to subsidise the lower consumption users. The Municipality has entered into discussions with NERSA regarding the suitability of the NERSA proposed stepped tariffs compared to those previously implemented by the Municipality. Until the discussions are concluded, the Municipality will maintain the current stepped structure of its electricity tariffs.

The inadequate electricity bulk capacity and the impact on service delivery and development remains a challenge for the Municipality. Most of the suburbs and inner Municipality reticulation network was designed or strengthened many years ago with an expected 20-25 year life-expectancy. The upgrading of the Municipality's electricity network has therefore become a strategic priority, especially the substations and transmission lines.

Owing to the high increases in Eskom's bulk tariffs, it is clearly not possible to fund these necessary upgrades through increases in the municipal electricity tariff – as the resultant tariff increases would be unaffordable for the consumers. It is therefore proposed that the taking up of loans as a strategy for funding of the infrastructure be considered and approved to spread the burden over the life span of the assets. As part of the 2012/13 medium-term capital programme, funding has been allocated to electricity infrastructure but these funding levels will require further investigation as part of the next budget cycle in an attempt to source more funding to ensure this risk is mitigated.

#### **1.4.3 Waste Removal and Impact of Tariff Increases**

A 6 per cent increase in the waste removal tariff is proposed from 1 July 2012.

#### **1.4.4 Overall impact of tariff increases on households**

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

Note that in all instances the overall impact of the tariff increases on household's bills has been kept to between 11 and 14 per cent, with the increase for indigent households closer to 13.5 per cent. This is because indigent consumers are only billed for electricity consumption in excess of 50kWh and are exempted from rates and refuse charges.

**Table 6 MBRR Table SA14 – Household bills**

Description	Audited	Audited	Audited	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework			
	2008/9	2009/10	2010/11	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year 2012/132	Budget Year +1 2013/14	Budget Year +2 2014/15
Rand/cent							% incr.			
<b>Monthly Account for Household - 'Middle Income Range'</b>										
<b>Rates and services charges:</b>										
Property rates	442.00	489.00	528.00	570.37	570.37	570.37	8.0%	615.99	652.96	692.14
Electricity: Basic levy										
Electricity: Consumption	896.00	985.00	1 270.00	1 562.10	1 562.10	1 562.10	13.5%	1 772.98	2 012.34	2 284.00
Refuse removal	53.58	57.00	60.42	64.04	64.04	64.04	6.0%	67.88	71.95	76.27
<b>Total large household bill:</b>	<b>1 391.58</b>	<b>1 531.00</b>	<b>1 858.42</b>	<b>2 196.51</b>	<b>2 196.51</b>	<b>2 196.51</b>	<b>11.9%</b>	<b>2 456.85</b>	<b>2 737.25</b>	<b>3 052.41</b>
<b>% increase/-decrease</b>		<b>10.0%</b>	<b>21.4%</b>	<b>18.2%</b>	<b>-</b>	<b>-</b>		<b>11.9%</b>	<b>11.4%</b>	<b>11.5%</b>
<b>Monthly Account for Household - 'Affordable Range'</b>										
<b>Rates and services charges:</b>										
Property rates	89.04	106.87	115.42	124.65	124.65	124.65	8.0%	134.62	142.70	151.26
Electricity: Consumption	353.33	391.91	505.18	621.37	621.37	621.37	13.5%	705.25	800.46	908.53
Refuse removal	53.58	57.00	60.42	64.04	64.04	64.04	6.0%	67.88	71.95	76.27
<b>Total small household bill:</b>	<b>495.95</b>	<b>555.78</b>	<b>681.02</b>	<b>810.06</b>	<b>810.06</b>	<b>810.06</b>	<b>12.1%</b>	<b>907.75</b>	<b>1 015.11</b>	<b>1 136.06</b>
<b>% increase/-decrease</b>		<b>12.1%</b>	<b>22.5%</b>	<b>18.9%</b>	<b>-</b>	<b>-</b>		<b>12.1%</b>	<b>11.8%</b>	<b>11.9%</b>
			0.87	-0.16	-1.00	-				
<b>Monthly Account for Household - 'Indigent' Household receiving free</b>										
<b>Rates and services charges:</b>										
Property rates	59.79	65.33	70.55	76.19	76.19	76.19	8.0%	-	-	-
Electricity: Consumption	201.91	343.11	442.27	543.99	543.99	543.99	13.5%	617.43	700.78	795.39
Refuse removal										
<b>Total small household bill:</b>	<b>261.70</b>	<b>408.44</b>	<b>512.82</b>	<b>620.18</b>	<b>620.18</b>	<b>620.18</b>	<b>(0.4%)</b>	<b>617.43</b>	<b>700.78</b>	<b>795.39</b>
<b>% increase/-decrease</b>		<b>56.1%</b>	<b>25.6%</b>	<b>20.9%</b>	<b>-</b>	<b>-</b>		<b>(0.4%)</b>	<b>13.5%</b>	<b>13.5%</b>

## 1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2012/13 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plan no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2012/13 budget and MTREF (classified per main type of operating expenditure):

**Table 7 Summary of operating expenditure by standard classification item**

Description	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome2	Audited Outcome3	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>Expenditure By Type</b>										
Employee related costs	37 012	47 352	53 106	56 823	56 157	56 157	56 157	59 526	63 098	66 884
Remuneration of councillors	3 621	3 843	3 673	4 024	4 691	4 691	4 691	4 926	5 172	5 430
Debt impairment	8 342	10 489	2 789	10 000	12 800	12 800	12 800	10 000	12 000	14 000
Depreciation & asset impairment	17 220	18 576	27 100	31 686	31 686	31 686	31 686	35 000	38 000	40 000
Finance charges	491	917	1 012	1 050	2 050	2 050	2 050	2 153	2 260	2 373
Bulk purchases	55 371	74 023	98 242	121 948	121 948	121 948	121 948	132 315	148 338	168 363
Other materials	-	-	3 142	-	-	-	-	7 305	7 670	8 054
Contracted services	1 869	2 477	2 891	3 180	5 925	5 925	5 925	6 518	7 169	7 886
Transfers and grants	-	-	-	-	-	-	-	22 669	24 452	26 398
Other expenditure	36 684	27 594	24 527	24 643	29 609	29 609	29 609	21 850	22 943	24 090
Loss on disposal of PPE	-	134	33	-	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>160 610</b>	<b>185 405</b>	<b>216 515</b>	<b>253 354</b>	<b>264 866</b>	<b>264 866</b>	<b>264 866</b>	<b>302 261</b>	<b>331 102</b>	<b>363 478</b>

The budgeted allocation for employee related costs for the 2012/13 financial year totals R59 million, which equals 18 per cent of the total operating expenditure. The collective SALGBC agreement is applicable until the end of June 2012. Negotiations are currently under way for the next financial year, however, Circular 58 and 59 guidelines are that salaries should be budgeted to increase by 5% for the 2012/2013 financial year. The increase for this year was included at 6% which is the 5% proposed increase as well as a 1% increase for the filling of vacant positions. In addition to this, certain contract positions will not be renewed resulting in a decrease in the number of contract employees. It is currently proposed the Director Electricity position that would be in effect from the 01 July 2012 would be advertised and filled. Also, critical vacancies will be filled. The overall result is a 6% increase in salaries and wages.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

The provision of debt impairment was determined based on an annual collection rate. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

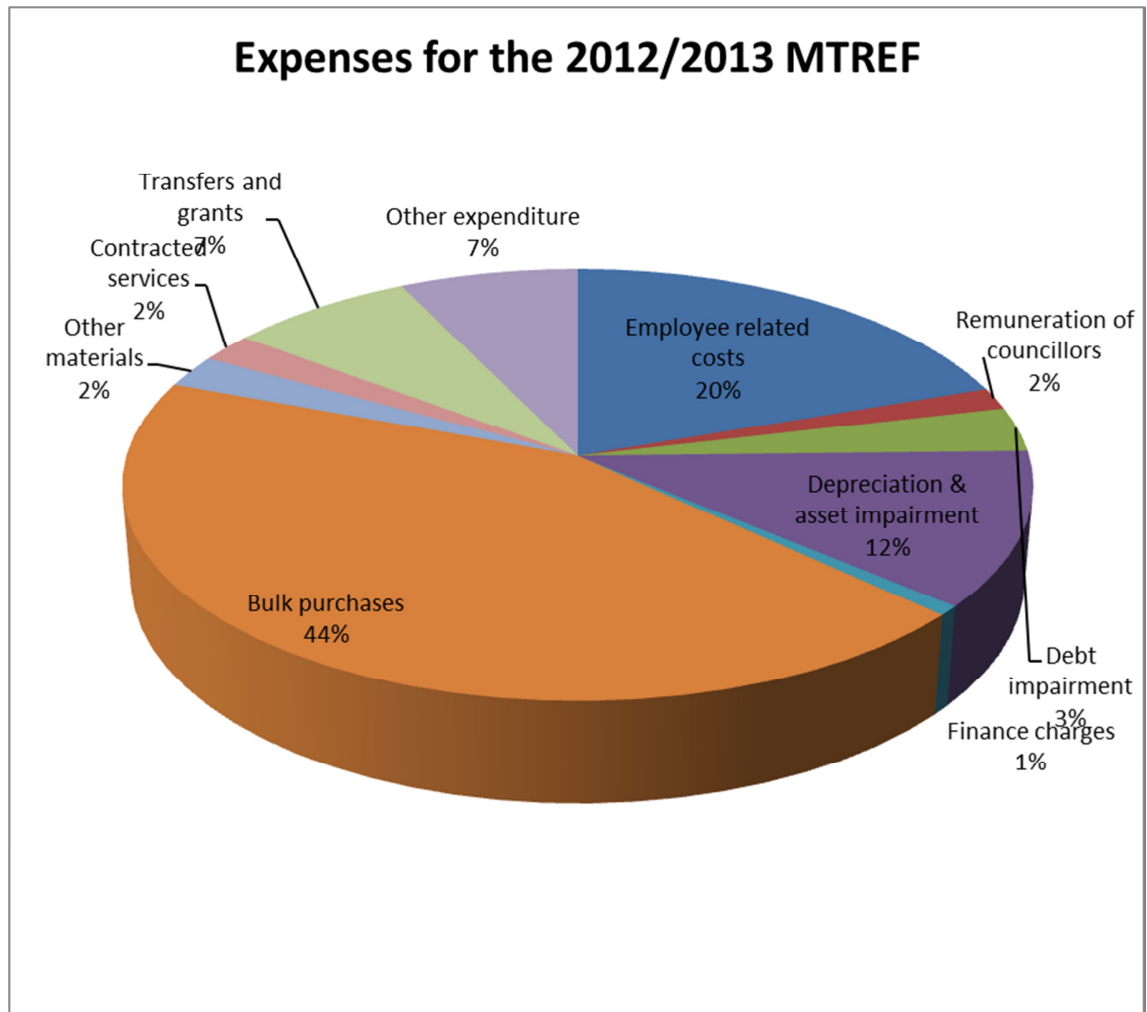
Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R35 million for the 2012/13 financial year and equates to 11.58 per cent of the total operating expenditure. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years.

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

Other materials comprise of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. In line with the Municipality’s repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the Municipality’s infrastructure.

The following figure gives a breakdown of the main expenditure categories for the 2012/13 financial year.

**Figure 2 Main operational expenditure categories for the 2012/13 financial year**



**1.5.1 Priority given to repairs and maintenance**

Aligned to the priority being given to preserving and maintaining the Municipality’s current infrastructure, the 2012/13 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the repairs and maintenance plan of the Municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not

considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services.

**Table 8 Operational repairs and maintenance**

Description				Current Year 2011/12		2012/13 Medium Term Revenue & Expenditure Framework			
	R thousand	2008/9	2009/10	2010/11	Original Budget	Adjusted Budget	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Repairs and Maintenance by Expenditure Item</b>									
Employee related costs	29 609	37 882	40 272	45 458	44 926	47 621	50 478	53 508	
Other materials	4 711	5 976	1 777	5 229	6 338	7 304	7 671	8 054	
Contracted Services	1 212	1 245	1 365	1 521	1 800	2 500	2 600	2 600	
<b>Total Repairs and Maintenance Expenditure</b>	<b>35 532</b>	<b>45 103</b>	<b>43 414</b>	<b>52 208</b>	<b>53 064</b>	<b>57 425</b>	<b>60 749</b>	<b>64 162</b>	

### 1.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. The target is to register 4000 or more indigent households during the 2012/13 financial year, a process reviewed every two years. The estimates for the 2012/2013 MTREF for free basic services is seen in table 7 under the heading transfers and grants and are estimated to be R22,669million for the 2012/2013 financial year. It is made up of the 50kWh free electricity and a refuse rebates given to indigent consumers as well as a rates rebates (R15,000 threshold).

## 1.6 Capital expenditure

Capital expenditure for the next three years is funded by capital grants, external loans and a small portion of council funding. This is due to significant constraints of council funds as highlighted in the sections above and the significant impact that the increase in the bulk electricity tariffs had had on the cashflow of the municipality. The capital grants to be received are highlighted in the executive summary above.

### 1.6.1 Future operational cost of new infrastructure

The future operational costs and revenues associated with the capital programme have been considered and this expenditure has been factored into the two outer years of the operational budget.

## 1.7 Annual Budget tables

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2012/2013 budget and MTREF as approved by the Council. Each table is accompanied by explanatory notes.

Table 9 MBRR Table A1 - Budget Summary

Description	2008/9	2009/10	2010/11	Current Year 2011/12				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>Financial Performance</b>										
Property rates	31 415	34 172	39 978	39 195	40 795	40 795	40 795	57 839	61 020	64 390
Service charges	76 621	101 724	126 513	161 276	149 276	149 276	149 276	172 328	193 026	218 390
Investment revenue	-	-	-	-	-	-	-	-	-	-
Transfers recognised - operational	18 328	20 894	24 727	29 398	29 480	29 480	29 480	33 078	36 675	39 714
Other own revenue	12 340	7 807	8 386	6 635	7 315	7 315	7 315	7 693	8 092	8 511
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>138 704</b>	<b>164 597</b>	<b>199 604</b>	<b>236 504</b>	<b>226 866</b>	<b>226 866</b>	<b>226 866</b>	<b>270 938</b>	<b>298 813</b>	<b>331 005</b>
Employee costs	37 012	47 352	50 340	56 823	56 157	56 157	56 157	59 526	63 097	66 885
Remuneration of councillors	3 621	3 843	3 673	4 024	4 691	4 691	4 691	4 926	5 172	5 430
Depreciation & asset impairment	17 220	18 576	38 677	31 686	31 686	31 686	31 686	35 000	38 000	40 000
Finance charges	491	915	1 012	1 050	2 050	2 050	2 050	2 153	2 260	2 373
Materials and bulk purchases	55 371	74 023	95 724	121 948	121 948	121 948	121 948	139 619	156 009	176 417
Transfers and grants	-	-	-	-	-	-	-	22 669	24 452	26 398
Other expenditure	46 895	40 694	25 731	37 823	48 334	48 334	48 334	38 368	42 112	45 976
<b>Total Expenditure</b>	<b>160 610</b>	<b>185 403</b>	<b>215 157</b>	<b>253 354</b>	<b>264 866</b>	<b>264 866</b>	<b>264 866</b>	<b>302 261</b>	<b>331 102</b>	<b>363 479</b>
<b>Surplus/(Deficit)</b>	<b>(21 906)</b>	<b>(20 806)</b>	<b>(15 553)</b>	<b>(16 850)</b>	<b>(38 000)</b>	<b>(38 000)</b>	<b>(38 000)</b>	<b>(31 323)</b>	<b>(32 289)</b>	<b>(32 474)</b>
Transfers recognised - capital	18 895	23 055	20 321	39 010	29 830	29 830	29 830	16 709	28 449	29 227
Contributions recognised - capital & contributed	-	-	-	-	-	-	-	11 241	913	806
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>(3 011)</b>	<b>2 249</b>	<b>4 768</b>	<b>22 160</b>	<b>(8 170)</b>	<b>(8 170)</b>	<b>(8 170)</b>	<b>(3 373)</b>	<b>(2 927)</b>	<b>(2 441)</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>(3 011)</b>	<b>2 249</b>	<b>4 768</b>	<b>22 160</b>	<b>(8 170)</b>	<b>(8 170)</b>	<b>(8 170)</b>	<b>(3 373)</b>	<b>(2 927)</b>	<b>(2 441)</b>
<b>Capital expenditure &amp; funds sources</b>										
<b>Capital expenditure</b>	<b>20 452</b>	<b>30 065</b>	<b>32 385</b>	<b>47 352</b>	<b>39 111</b>	<b>39 111</b>	<b>39 111</b>	<b>24 409</b>	<b>28 449</b>	<b>29 227</b>
Transfers recognised - capital	18 895	27 619	20 179	39 010	29 830	29 830	29 830	16 709	28 449	29 227
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	4 249	4 500	4 928	4 928	4 928	7 200	-	-
Internally generated funds	1 557	2 446	7 957	3 842	4 353	4 353	4 353	500	-	-
<b>Total sources of capital funds</b>	<b>20 452</b>	<b>30 065</b>	<b>32 385</b>	<b>47 352</b>	<b>39 111</b>	<b>39 111</b>	<b>39 111</b>	<b>24 409</b>	<b>28 449</b>	<b>29 227</b>
<b>Financial position</b>										
Total current assets	69 181	55 788	70 579	55 230	41 194	41 194	57 419	41 610	42 152	43 513
Total non current assets	620 981	633 440	643 543	670 376	662 135	662 135	662 135	654 589	648 891	649 462
Total current liabilities	46 377	36 042	37 401	36 323	44 158	44 158	60 383	47 518	42 621	43 552
Total non current liabilities	5 565	5 600	18 497	13 928	14 356	14 356	14 356	16 500	16 050	15 750
Community wealth/Equity	638 220	647 586	658 224	675 355	644 815	644 815	644 815	632 181	632 372	633 673
<b>Cash flows</b>										
Net cash from (used) operating	14 798	16 544	49 496	60 328	31 097	31 097	31 097	22 229	35 309	36 387
Net cash from (used) investing	(10 094)	(25 239)	(37 594)	(47 387)	(39 146)	(39 146)	(39 146)	(23 913)	(28 389)	(29 127)
Net cash from (used) financing	1 895	402	3 186	-	378	378	378	2 000	(5 900)	(5 700)
<b>Cash/cash equivalents at the year end</b>	<b>3 147</b>	<b>(5 146)</b>	<b>9 942</b>	<b>3 507</b>	<b>2 271</b>	<b>2 271</b>	<b>2 271</b>	<b>2 587</b>	<b>3 607</b>	<b>5 167</b>
<b>Cash backing/surplus reconciliation</b>										
Cash and investments available	12 787	(4 892)	15 639	4 807	3 571	3 571	19 796	3 687	4 717	6 287
Application of cash and investments	(11 880)	(33 650)	(32 273)	(24 453)	(3 366)	(3 366)	12 859	(1 173)	(8 627)	(7 441)
<b>Balance - surplus (shortfall)</b>	<b>24 667</b>	<b>28 758</b>	<b>47 912</b>	<b>29 260</b>	<b>6 937</b>	<b>6 937</b>	<b>6 937</b>	<b>4 860</b>	<b>13 344</b>	<b>13 728</b>
<b>Asset management</b>										
Asset register summary (WDV)	619 924	632 536	639 743	669 320	661 079	661 079	654 029	654 029	648 391	649 062
Depreciation & asset impairment	17 220	18 576	38 677	31 686	31 686	31 686	35 000	35 000	38 000	40 000
Renewal of Existing Assets	-	-	12 526	4 000	14 820	14 820	14 820	-	-	-
Repairs and Maintenance	35 532	45 103	43 414	52 208	52 596	52 596	57 425	57 425	60 749	64 162
<b>Free services</b>										
Cost of Free Basic Services provided	4 640	4 880	6 208	7 204	7 204	7 204	8 487	8 487	9 419	10 463
Revenue cost of free services provided	4 640	27 788	46 211	48 198	48 198	48 198	52 270	52 270	55 830	59 658
<b>Households below minimum service level</b>										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	5	5	5	5	5	5	6	6	6	6

### **Explanatory notes to MBRR Table A1 - Budget Summary**

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
  - a. The operating surplus/deficit (after Total Expenditure) is negative over the MTREF (but all efforts have been made to ensure that it is not a cash flow deficit)
  - b. Capital expenditure is balanced by capital funding sources, of which
    - i. Transfers recognised is reflected on the Financial Performance Budget;
    - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
4. The Cash backing/surplus reconciliation shows that the budget has been funded and that this situation is improving year on year resulting in increased working capital.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs.

**Table 10 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

Standard Classification Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Revenue - Standard</b>	1									
<b>Governance and administration</b>		58 707	65 968	77 782	68 097	74 372	74 372	91 478	97 359	103 760
Executive and council		470	826	889	1 123	1 123	1 123	2 100	2 374	3 027
Budget and treasury office		58 200	64 873	76 730	66 896	73 171	73 171	89 378	94 985	100 733
Corporate services		37	269	163	78	78	78	-	-	-
<b>Community and public safety</b>		15 705	2 489	2 338	21 725	1 597	1 597	5 573	17 625	17 755
Community and social services		216	480	189	1 414	1 286	1 286	1 311	2 320	2 447
Sport and recreation		49	37	-	-	-	-	-	-	-
Public safety		252	398	201	311	311	311	302	305	308
Housing		13 771	-	-	20 000	-	-	3 960	15 000	15 000
Health		1 416	1 574	1 948	-	-	-	-	-	-
<b>Economic and environmental services</b>		12 505	16 488	12 111	19 394	26 429	26 429	17 967	19 008	20 039
Planning and development		-	628	315	4 000	11 037	11 037	400	500	500
Road transport		12 332	15 860	11 796	15 394	15 392	15 392	17 567	18 508	19 539
Environmental protection		173	-	-	-	-	-	-	-	-
<b>Trading services</b>		70 682	102 707	127 694	166 298	154 298	154 298	183 870	194 183	219 484
Electricity		67 614	97 646	122 343	160 761	148 761	148 761	175 152	184 942	209 689
Water		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		3 068	5 061	5 351	5 537	5 537	5 537	8 718	9 241	9 795
<b>Other</b>	4	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Standard</b>	2	157 599	187 652	219 925	275 514	256 696	256 696	298 888	328 175	361 038
<b>Expenditure - Standard</b>										
<b>Governance and administration</b>		33 551	57 262	35 990	51 615	52 690	52 690	101 096	109 305	118 533
Executive and council		7 682	9 384	10 266	8 564	2 744	2 744	6 035	6 348	6 676
Budget and treasury office		20 141	29 023	19 774	31 966	36 727	36 727	84 017	91 251	99 448
Corporate services		5 728	18 855	5 950	11 085	13 219	13 219	11 044	11 706	12 409
<b>Community and public safety</b>		9 264	11 006	8 976	7 086	7 086	7 086	8 906	21 166	21 522
Community and social services		2 401	3 455	3 258	1 696	1 696	1 696	2 546	3 627	3 834
Sport and recreation		-	-	37	65	65	65	69	69	69
Public safety		5 265	4 994	2 800	2 199	2 199	2 199	2 331	2 470	2 619
Housing		40	32	-	-	-	-	3 960	15 000	15 000
Health		1 558	2 525	2 881	3 126	3 126	3 126	-	-	-
<b>Economic and environmental services</b>		30 214	25 070	23 311	45 293	54 195	54 195	18 020	18 856	19 779
Planning and development		9 678	12 110	12 230	24 035	30 937	30 937	-	-	-
Road transport		12 401	12 960	11 081	21 258	23 258	23 258	18 020	18 856	19 779
Environmental protection		8 135	-	-	-	-	-	-	-	-
<b>Trading services</b>		86 899	92 044	146 880	149 064	150 525	150 525	173 847	181 359	203 204
Electricity		81 139	84 960	139 200	142 209	142 682	142 682	165 534	172 547	193 863
Water		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		5 760	7 084	7 680	6 855	7 843	7 843	8 313	8 812	9 341
<b>Other</b>	4	682	21	-	296	370	370	392	416	441
<b>Total Expenditure - Standard</b>	3	160 610	185 403	215 157	253 354	264 866	264 866	302 261	331 102	363 479
<b>Surplus/(Deficit) for the year</b>		(3 011)	2 249	4 768	22 160	(8 170)	(8 170)	(3 373)	(2 927)	(2 441)

**Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for the Electricity function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Governance and Administration.

**Table 11 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

Vote Description R thousand	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Revenue by Vote</b>	1									
Vote 1 - Corporate Service		3753	5799	5559	7451	7323	7323	8642	10191	11249
Vote 2 - Municipal Manager		-	-	-	-	-	-	-	-	-
Vote 3 - Finance and Budget		53964	64873	76729	91277	73968	73968	92778	109376	115074
Vote 4 - Civil Service		9485	11852	7558	10783	10784	10784	12932	13643	14433
Vote 5 - Planning, Economic and Community Service		18547	7485	7736	6038	16656	16656	9384	10023	10593
Vote 6 - Electrical Service		71850	97643	122343	159 965	147965	147965	175152	184942	209689
<b>Total Revenue by Vote</b>	2	<b>157599</b>	<b>187652</b>	<b>219925</b>	<b>275 514</b>	<b>256696</b>	<b>256696</b>	<b>298888</b>	<b>328175</b>	<b>361038</b>
<b>Expenditure by Vote to be appropriated</b>	1									
Vote 1 - Corporate Service		20441	35624	23057	22792	25894	25894	20422	21858	23406
Vote 2 - Municipal Manager		1079	1082	1002	1031	1048	1048	1110	1177	1248
Vote 3 - Finance and Budget		32383	29023	19774	32763	36728	36728	80863	96931	104699
Vote 4 - Civil Service		10592	11604	7813	19115	20695	20695	17454	21217	22275
Vote 5 - Planning, Economic and Community Service		27215	23109	24312	36241	37819	37819	21675	22456	23377
Vote 6 - Electrical Service		68900	84961	139 199	141412	142 682	142681	160737	167463	188474
<b>Total Expenditure by Vote</b>	2	<b>160 610</b>	<b>185 403</b>	<b>215 157</b>	<b>253 354</b>	<b>264 866</b>	<b>264 866</b>	<b>302 261</b>	<b>331 102</b>	<b>363 479</b>
<b>Surplus/(Deficit) for the year</b>	2	<b>(3 011)</b>	<b>2 249</b>	<b>4 718</b>	<b>22 160</b>	<b>(8 170)</b>	<b>(8 170)</b>	<b>(3 373)</b>	<b>(2 927)</b>	<b>(2 441)</b>

**Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote.

Table 12 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				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>Revenue By Source</b>											
Property rates	2	26 232	29 164	33 739	33 463	35 063	35 063	35 063	52 050	55 173	58 484
Property rates - penalties & collection charges		5 183	5 008	6 239	5 732	5 732	5 732	5 732	5 789	5 847	5 906
Service charges - electricity revenue	2	71 850	96 669	121 165	155 741	143 741	143 741	143 741	163 610	183 785	208 595
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	4 771	5 055	5 348	5 535	5 535	5 535	5 535	8 718	9 241	9 795
Service charges - other											
Rental of facilities and equipment		749	748	408	467	167	167	167	177	188	199
Interest earned - external investments											
Interest earned - outstanding debtors		2 591	333	1 069	249	249	249	249	264	280	297
Dividends received											
Fines		199	345	201	299	299	299	299	302	305	308
Licences and permits		4 554	4 010	4 239	4 589	4 589	4 589	4 589	4 818	5 059	5 312
Agency services											
Transfers recognised - operational		18 328	20 894	24 727	29 398	29 480	29 480	29 480	33 078	36 675	39 714
Other revenue	2	4 247	2 371	2 469	1 031	2 011	2 011	2 011	2 132	2 260	2 395
Gains on disposal of PPE											
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>138 704</b>	<b>164 597</b>	<b>199 604</b>	<b>236 504</b>	<b>226 866</b>	<b>226 866</b>	<b>226 866</b>	<b>270 938</b>	<b>298 813</b>	<b>331 005</b>
<b>Expenditure By Type</b>											
Employee related costs	2	37 012	47 352	50 340	56 823	56 157	56 157	56 157	59 526	63 097	66 885
Remuneration of councillors		3 621	3 843	3 673	4 024	4 691	4 691	4 691	4 926	5 172	5 430
Debt impairment	3	8 342	10 489	2 789	10 000	12 800	12 800	12 800	10 000	12 000	14 000
Depreciation & asset impairment	2	17 220	18 576	38 677	31 686	31 686	31 686	31 686	35 000	38 000	40 000
Finance charges		491	915	1 012	1 050	2 050	2 050	2 050	2 153	2 260	2 373
Bulk purchases	2	55 371	74 023	92 582	121 948	121 948	121 948	121 948	132 315	148 338	168 363
Other materials	8	-	-	3 142	-	-	-	-	7 304	7 671	8 054
Contracted services		1 869	2 477	2 987	3 180	5 925	5 925	5 925	6 518	7 169	7 886
Transfers and grants		-	-	-	-	-	-	-	22 669	24 452	26 398
Other expenditure	4, 5	36 684	27 594	19 922	24 643	29 609	29 609	29 609	21 850	22 943	24 090
Loss on disposal of PPE		-	134	33	-	-	-	-	-	-	-
<b>Total Expenditure</b>		<b>160 610</b>	<b>185 403</b>	<b>215 157</b>	<b>253 354</b>	<b>264 866</b>	<b>264 866</b>	<b>264 866</b>	<b>302 261</b>	<b>331 102</b>	<b>363 479</b>
<b>Surplus/(Deficit)</b>		<b>(21 906)</b>	<b>(20 806)</b>	<b>(15 553)</b>	<b>(16 850)</b>	<b>(38 000)</b>	<b>(38 000)</b>	<b>(38 000)</b>	<b>(31 323)</b>	<b>(32 289)</b>	<b>(32 474)</b>
Transfers recognised - capital		18 895	23 055	20 321	39 010	29 830	29 830	29 830	16 709	28 449	29 227
Contributions recognised - capital	6	-	-	-	-	-	-	-	-	-	-
Contributed assets									11 241	913	806
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>(3 011)</b>	<b>2 249</b>	<b>4 768</b>	<b>22 160</b>	<b>(8 170)</b>	<b>(8 170)</b>	<b>(8 170)</b>	<b>(3 373)</b>	<b>(2 927)</b>	<b>(2 441)</b>
Taxation											
<b>Surplus/(Deficit) after taxation</b>		<b>(3 011)</b>	<b>2 249</b>	<b>4 768</b>	<b>22 160</b>	<b>(8 170)</b>	<b>(8 170)</b>	<b>(8 170)</b>	<b>(3 373)</b>	<b>(2 927)</b>	<b>(2 441)</b>
Attributable to minorities											
<b>Surplus/(Deficit) attributable to municipality</b>		<b>(3 011)</b>	<b>2 249</b>	<b>4 768</b>	<b>22 160</b>	<b>(8 170)</b>	<b>(8 170)</b>	<b>(8 170)</b>	<b>(3 373)</b>	<b>(2 927)</b>	<b>(2 441)</b>
Share of surplus/ (deficit) of associate	7										
<b>Surplus/(Deficit) for the year</b>		<b>(3 011)</b>	<b>2 249</b>	<b>4 768</b>	<b>22 160</b>	<b>(8 170)</b>	<b>(8 170)</b>	<b>(8 170)</b>	<b>(3 373)</b>	<b>(2 927)</b>	<b>(2 441)</b>

**Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)**

1. Total revenue is R270.938 million in 2012/13 and escalates to R331.005 million by 2014/15. This represents a year-on-year increase of 19.43 per cent for the 2012/13 financial year and 10.28 per cent for the 2013/14 financial year.
2. Revenue to be generated from property rates is R52 million in the 2012/13 financial year and increases to R55 million by 2014/15 which represents 19.21 per cent of the operating revenue base of the Municipality and therefore remains a significant funding source for the municipality. It remains relatively constant over the medium-term and tariff increases have been factored in at 8 per cent for 2012/2013 and 6% for each of the respective outer financial years of the MTREF.
3. Services charges relating to electricity and refuse removal constitutes the biggest component of the revenue basket of the Municipality totalling R173 million for the 2012/13 financial year and increasing to R218 million by 2014/15. For the 2012/13 financial year services charges amount to 64 per cent of the total revenue. This growth can mainly be attributed to the increase in the bulk prices of electricity.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF.
5. Bulk purchases have significantly increased over the 2008/09 to 2014/15 period escalating from R55 million to R168 million. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom.
6. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

**Table 13 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

Vote Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			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 thousand</b>	1										
<b>Capital expenditure - Vote</b>											
<b>Multi-year expenditure to be appropriated</b>	2										
Vote 1 - Corporate Service		-	-	-	-	-	-	-	-	-	-
Vote 2 - Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 3 - Finance and Budget		-	-	-	-	-	-	-	-	-	-
Vote 4 - Civil Service		-	-	-	-	-	-	-	-	-	-
Vote 5 - Planning,Economic and Community Service		-	-	-	-	-	-	-	-	-	-
Vote 6 - Electrical Service		-	-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	7	-	-	-	-	-	-	-	-	-	-
<b>Single-year expenditure to be appropriated</b>	2										
Vote 1 - Corporate Service		403	491	953	240	814	814	814	-	-	-
Vote 2 - Municipal Manager		-	-	-	3	3	3	3	-	-	-
Vote 3 - Finance and Budget		-	214	335	50	50	50	50	-	-	-
Vote 4 - Civil Service		109	12 068	9 528	7 679	8 279	8 279	8 279	13 049	13 449	14 227
Vote 5 - Planning,Economic and Community Service		18 114	15 768	18 794	28 954	19 509	19 509	19 509	4 160	15 000	15 000
Vote 6 - Electrical Service		1 826	1 524	2 775	10 426	10 456	10 456	10 456	7 200	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>		20 452	30 065	32 385	47 352	39 111	39 111	39 111	24 409	28 449	29 227
<b>Total Capital Expenditure - Vote</b>		20 452	30 065	32 385	47 352	39 111	39 111	39 111	24 409	28 449	29 227
<b>Capital Expenditure - Standard</b>											
<b>Governance and administration</b>		403	705	1 288	290	864	864	864	-	-	-
Executive and council		-	-	-	90	90	90	90	-	-	-
Budget and treasury office		-	214	335	50	50	50	50	-	-	-
Corporate services		403	491	953	150	724	724	724	-	-	-
<b>Community and public safety</b>		18 114	15 535	4 692	24 956	4 692	4 692	4 692	4 160	15 000	15 000
Community and social services		138	15 515	-	4 931	4 682	4 682	4 682	200	-	-
Sport and recreation		-	-	72	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		17 977	-	4 620	20 000	-	-	-	3 960	15 000	15 000
Health		-	20	-	25	10	10	10	-	-	-
<b>Economic and environmental services</b>		109	11 816	22 055	11 679	23 099	23 099	23 099	13 049	13 449	14 227
Planning and development		-	-	12 526	4 000	14 820	14 820	14 820	-	-	-
Road transport		109	11 816	9 529	7 679	8 279	8 279	8 279	13 049	13 449	14 227
Environmental protection		-	-	-	-	-	-	-	-	-	-
<b>Trading services</b>		1 826	1 857	4 350	10 427	10 456	10 456	10 456	7 200	-	-
Electricity		1 826	1 776	2 775	10 427	10 456	10 456	10 456	7 200	-	-
Water		-	-	-	-	-	-	-	-	-	-
Waste water management		-	81	1 575	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-	-
<b>Other</b>		-	153	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Standard</b>	3	20 452	30 065	32 385	47 352	39 111	39 111	39 111	24 409	28 449	29 227
<b>Funded by:</b>											
National Government		18 895	12 104	-	19 010	29 830	29 830	29 830	12 749	13 449	14 227
Provincial Government		-	15 515	20 179	20 000	-	-	-	3 960	15 000	15 000
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	4	18 895	27 619	20 179	39 010	29 830	29 830	29 830	16 709	28 449	29 227
<b>Public contributions &amp; donations</b>	5	-	-	-	-	-	-	-	-	-	-
<b>Borrowing</b>	6	-	-	4 249	4 500	4 928	4 928	4 928	7 200	-	-
<b>Internally generated funds</b>	6	1 557	2 446	7 957	3 842	4 353	4 353	4 353	500	-	-
<b>Total Capital Funding</b>	7	20 452	30 065	32 385	47 352	39 111	39 111	39 111	24 409	28 449	29 227

**Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. No multi-year appropriations have been budgeted for.
3. Single-year capital expenditure has been appropriated at R24.4 million for the 2012/13 financial year and remains relatively constant over the MTREF at levels of R28 million and R29 million respectively for the two outer years.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
5. The capital programme is funded from capital and provincial grants and transfers and external borrowings. For 2012/13, capital transfers totals R16.709 million. Borrowing has been provided at R7.2 million over the MTREF. These funding sources are further discussed in detail in 2.6 (Overview of Budget Funding).

Table 14 MBRR Table A6 - Budgeted Financial Position

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				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>ASSETS</b>											
<b>Current assets</b>											
Cash		3 148	–	9 942	3 507	2 271	2 271	2 271	2 587	3 607	5 167
Call investment deposits	1	9 308	156	5 599	1 050	1 050	1 050	17 275	1 050	1 060	1 070
Consumer debtors	1	48 519	49 433	45 501	46 723	33 923	33 923	33 923	36 123	36 250	36 266
Other debtors		7 837	5 810	8 781	3 500	3 500	3 500	3 500	1 500	850	600
Current portion of long-term receivables		–	–	222	–	–	–	–	–	–	–
Inventory	2	369	388	534	450	450	450	450	350	385	410
<b>Total current assets</b>		<b>69 181</b>	<b>55 788</b>	<b>70 579</b>	<b>55 230</b>	<b>41 194</b>	<b>41 194</b>	<b>57 419</b>	<b>41 610</b>	<b>42 152</b>	<b>43 513</b>
<b>Non current assets</b>											
Long-term receivables		726	806	1 421	806	806	806	806	510	450	350
Investments		331	98	98	250	250	250	250	50	50	50
Investment property									3 960	15 000	15 000
Investment in Associate											
Property, plant and equipment	3	619 924	632 536	639 573	669 320	661 079	661 079	661 079	650 069	633 391	634 062
Agricultural											
Biological											
Intangible				170	–	–	–	–	–	–	–
Other non-current assets				2 281	–	–	–	–	–	–	–
<b>Total non current assets</b>		<b>620 981</b>	<b>633 440</b>	<b>643 543</b>	<b>670 376</b>	<b>662 135</b>	<b>662 135</b>	<b>662 135</b>	<b>654 589</b>	<b>648 891</b>	<b>649 462</b>
<b>TOTAL ASSETS</b>		<b>690 162</b>	<b>689 228</b>	<b>714 122</b>	<b>725 606</b>	<b>703 329</b>	<b>703 329</b>	<b>719 554</b>	<b>696 199</b>	<b>691 043</b>	<b>692 975</b>
<b>LIABILITIES</b>											
<b>Current liabilities</b>											
Bank overdraft	1	–	5 146	–	–	–	–	–	–	–	–
Borrowing	4	900	1 112	1 764	1 002	1 002	1 002	1 002	2 500	2 250	2 050
Consumer deposits		2 041	2 197	2 398	2 200	2 200	2 200	2 200	2 300	2 400	2 500
Trade and other payables	4	39 923	21 227	23 683	26 621	34 456	34 456	50 681	32 218	27 471	28 502
Provisions		3 513	6 361	9 555	6 500	6 500	6 500	6 500	10 500	10 500	10 500
<b>Total current liabilities</b>		<b>46 377</b>	<b>36 042</b>	<b>37 401</b>	<b>36 323</b>	<b>44 158</b>	<b>44 158</b>	<b>60 383</b>	<b>47 518</b>	<b>42 621</b>	<b>43 552</b>
<b>Non current liabilities</b>											
Borrowing		5 565	5 600	8 135	13 928	14 356	14 356	14 356	16 500	16 050	15 750
Provisions		–	–	10 362	–	–	–	–	–	–	–
<b>Total non current liabilities</b>		<b>5 565</b>	<b>5 600</b>	<b>18 497</b>	<b>13 928</b>	<b>14 356</b>	<b>14 356</b>	<b>14 356</b>	<b>16 500</b>	<b>16 050</b>	<b>15 750</b>
<b>TOTAL LIABILITIES</b>		<b>51 942</b>	<b>41 642</b>	<b>55 898</b>	<b>50 251</b>	<b>58 514</b>	<b>58 514</b>	<b>74 739</b>	<b>64 018</b>	<b>58 671</b>	<b>59 302</b>
<b>NET ASSETS</b>	5	<b>638 220</b>	<b>647 586</b>	<b>658 224</b>	<b>675 355</b>	<b>644 815</b>	<b>644 815</b>	<b>644 815</b>	<b>632 181</b>	<b>632 372</b>	<b>633 673</b>
<b>COMMUNITY WEALTH/EQUITY</b>											
Accumulated Surplus/(Deficit)		637 125	646 491	657 129	674 260	643 720	643 720	643 720	631 086	631 277	632 578
Reserves	4	1 095	1 095	1 095	1 095	1 095	1 095	1 095	1 095	1 095	1 095
Minorities' interests		–	–	–	–	–	–	–	–	–	–
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	5	<b>638 220</b>	<b>647 586</b>	<b>658 224</b>	<b>675 355</b>	<b>644 815</b>	<b>644 815</b>	<b>644 815</b>	<b>632 181</b>	<b>632 372</b>	<b>633 673</b>

**Explanatory notes to Table A6 - Budgeted Financial Position**

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Table 14 is supported by an extensive table of notes (SA3) providing a detailed analysis of the major components of a number of items, including:
  - Call investments deposits;
  - Consumer debtors;
  - Property, plant and equipment;
  - Trade and other payables;
  - Provisions non current;
  - Changes in net assets; and
  - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 15 MBRR Table A7 - Budgeted Cash Flow Statement

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				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>CASH FLOW FROM OPERATING ACTIVITIES</b>											
<b>Receipts</b>											
Ratepayers and other	1	109 243	140 697	175 672	207 287	195 287	195 287	195 287	208 280	252 005	281 330
Government - operating		18 328	20 894	24 727	30 398	30 270	30 270	30 270	33 078	36 675	39 714
Government - capital	1	18 895	23 055	20 322	39 010	29 830	29 830	29 830	16 709	28 449	29 227
Interest		2 591	333	1 029	249	249	249	249	264	280	297
Dividends											
<b>Payments</b>											
Suppliers and employees		(133 641)	(167 518)	(171 242)	(215 566)	(222 489)	(222 489)	(222 489)	(233 949)	(279 840)	(311 808)
Finance charges		(491)	(917)	(1 012)	(1 050)	(2 050)	(2 050)	(2 050)	(2 153)	(2 260)	(2 373)
Transfers and Grants	1	(127)	-								
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>14 798</b>	<b>16 544</b>	<b>49 496</b>	<b>60 328</b>	<b>31 097</b>	<b>31 097</b>	<b>31 097</b>	<b>22 229</b>	<b>35 309</b>	<b>36 387</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Receipts</b>											
Proceeds on disposal of PPE		20 354	9 227								
Decrease (Increase) in non-current debtors		2 591	333						296	60	100
Decrease (increase) other non-current receivables		548	(80)	(837)							
Decrease (increase) in non-current investments		(13 136)	(9 815)	(4 373)					200	-	-
<b>Payments</b>											
Capital assets		(20 451)	(24 904)	(32 384)	(47 387)	(39 146)	(39 146)	(39 146)	(24 409)	(28 449)	(29 227)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(10 094)</b>	<b>(25 239)</b>	<b>(37 594)</b>	<b>(47 387)</b>	<b>(39 146)</b>	<b>(39 146)</b>	<b>(39 146)</b>	<b>(23 913)</b>	<b>(28 389)</b>	<b>(29 127)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
Short term loans		(630)	239								
Borrowing long term/refinancing		2 205	7	4 247	4 500	4 928	4 928	4 928	7 200		
Increase (decrease) in consumer deposits		320	156								
<b>Payments</b>											
Repayment of borrowing		-	-	(1 061)	(4 500)	(4 550)	(4 550)	(4 550)	(5 200)	(5 900)	(5 700)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>1 895</b>	<b>402</b>	<b>3 186</b>	<b>-</b>	<b>378</b>	<b>378</b>	<b>378</b>	<b>2 000</b>	<b>(5 900)</b>	<b>(5 700)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>6 599</b>	<b>(8 293)</b>	<b>15 088</b>	<b>12 941</b>	<b>(7 671)</b>	<b>(7 671)</b>	<b>(7 671)</b>	<b>316</b>	<b>1 020</b>	<b>1 560</b>
Cash/cash equivalents at the year end:	2	(3 452)	3 147	(5 146)	(9 434)	9 942	9 942	9 942	2 271	2 587	3 607
Cash/cash equivalents at the year end:	2	3 147	(5 146)	9 942	3 507	2 271	2 271	2 271	2 587	3 607	5 167

Table 16 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				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>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	3 147	(5 146)	9 942	3 507	2 271	2 271	2 271	2 587	3 607	5 167
Other current investments > 90 days		9 309	156	5 599	1 050	1 050	1 050	17 275	1 050	1 060	1 070
Non current assets - Investments	1	331	98	98	250	250	250	250	50	50	50
<b>Cash and investments available:</b>		<b>12 787</b>	<b>(4 892)</b>	<b>15 639</b>	<b>4 807</b>	<b>3 571</b>	<b>3 571</b>	<b>19 796</b>	<b>3 687</b>	<b>4 717</b>	<b>6 287</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		12 693	2 879	-	-	-	-	16 225	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	(24 573)	(36 529)	(32 273)	(24 453)	(3 366)	(3 366)	(3 366)	(1 173)	(8 627)	(7 441)
Other provisions											
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
<b>Total Application of cash and investments:</b>		<b>(11 880)</b>	<b>(33 650)</b>	<b>(32 273)</b>	<b>(24 453)</b>	<b>(3 366)</b>	<b>(3 366)</b>	<b>12 859</b>	<b>(1 173)</b>	<b>(8 627)</b>	<b>(7 441)</b>
<b>Surplus(shortfall)</b>		<b>24 667</b>	<b>28 758</b>	<b>47 912</b>	<b>29 260</b>	<b>6 937</b>	<b>6 937</b>	<b>6 937</b>	<b>4 860</b>	<b>13 344</b>	<b>13 728</b>

**Explanatory notes to Table A7 - Budgeted Cash Flow Statement**

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. It can be seen that the cash levels of the Municipality fell significantly over the 2008/09 to 2009/10 period owing directly to a net decrease in cash for the 2009/10 financial year of R8.3 million.
4. The approved original 2011/12 MTREF provided for a net increase in cash of R12.9 million for the 2011/12 financial year resulting in an overall projected positive cash position of R3.5 million at year end.
5. As part of the 2011/12 mid-year review and Adjustments Budget this cash position had to be changed due to increases in expenditure allocations and rationalization of spending priorities.
6. The 2012/13 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.
7. Cash and cash equivalents totals R2.5 million as at the end of the 2012/13 financial year and escalates to R5.1 million by 2014/15.

**Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. From the table it can be seen that for the period 2008/09 to 2010/11 the budget was funded and reserves were increasing.
6. Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2010/11 MTREF was sufficiently funded owing to the increased reserves.
7. This increasing trend had changed in the 2011/2012 financial year due to the reasons pointed out in point 5 above under the heading of the cash flow statement.
8. As part of the budgeting and planning guidelines that informed the compilation of the 2012/13 MTREF the end objective of the medium-term framework was to ensure the budget was funded and aligned to section 18 of the MFMA.
9. As can be seen the budget has been modelled to progressively move from R6.9 million in 2011/12 to R4.9 million in 2012/13 and finally to R13.7 million by 2014/15.

**Table 17 MBRR Table A9 - Asset Management**

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>CAPITAL EXPENDITURE</b>										
<b>Total New Assets</b>	1	20 452	30 065	19 859	43 352	24 291	24 291	24 409	28 449	29 227
Infrastructure - Road transport		109	11 565	9 529	7 679	8 279	8 279	13 049	13 449	14 227
Infrastructure - Electricity		1 826	1 524	2 775	10 427	10 456	10 456	7 200	-	-
Infrastructure - Water		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	-	-	-	-	-	-	-	-
Infrastructure		1 935	13 089	12 304	18 106	18 735	18 735	20 249	13 449	14 227
Community		137	253	793	3 755	5 198	5 198	200	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		17 977	15 515	4 620	20 000	-	-	3 960	15 000	15 000
Other assets	6	403	1 208	1 972	1 491	358	358	-	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	170	-	-	-	-	-	-
<b>Total Renewal of Existing Assets</b>	2	-	-	12 526	4 000	14 820	14 820	-	-	-
Infrastructure - Road transport		-	-	-	-	-	-	-	-	-
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
Infrastructure - Water		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	-	-	-	10 820	10 820	-	-	-
Infrastructure		-	-	-	-	10 820	10 820	-	-	-
Community		-	-	12 526	4 000	4 000	4 000	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	-	-	-	-	-	-	-	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure</b>	4	-	-	-	-	-	-	-	-	-
Infrastructure - Road transport		109	11 565	9 529	7 679	8 279	8 279	13 049	13 449	14 227
Infrastructure - Electricity		1 826	1 524	2 775	10 427	10 456	10 456	7 200	-	-
Infrastructure - Water		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	-	-	-	10 820	10 820	-	-	-
Infrastructure		1 935	13 089	12 304	18 106	29 555	29 555	20 249	13 449	14 227
Community		137	253	13 319	7 755	9 198	9 198	200	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		17 977	15 515	4 620	20 000	-	-	3 960	15 000	15 000
Other assets	6	403	1 208	1 972	1 491	358	358	-	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	170	-	-	-	-	-	-
<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>	2	20 452	30 065	32 385	47 352	39 111	39 111	24 409	28 449	29 227
<b>ASSET REGISTER SUMMARY - PPE (WDV)</b>										
Infrastructure - Road transport	5	109	220 863	221 110	228 789	229 389	229 389	242 138	255 587	269 814
Infrastructure - Electricity		1 826	57 831	57 848	68 275	68 304	68 304	83 645	84 058	84 364
Infrastructure - Water		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	244	200	-	-	-	-	-	-
Infrastructure - Other		599 472	-	9 322	-	20 142	20 142	20 542	21 042	21 542
Infrastructure		601 407	278 938	288 480	297 064	317 835	317 835	346 325	360 687	375 720
Community		137	9 699	13 319	21 074	22 517	22 517	22 517	22 517	22 517
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	3 960	15 000	15 000
Other assets		18 380	343 899	337 774	351 182	320 727	320 727	281 227	250 187	235 825
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	170	-	-	-	-	-	-
<b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>	5	619 924	632 536	639 743	669 320	661 079	661 079	654 029	648 391	649 062
<b>EXPENDITURE OTHER ITEMS</b>										
<b>Depreciation &amp; asset impairment</b>		17 220	18 576	38 677	31 686	31 686	31 686	35 000	38 000	40 000
<b>Repairs and Maintenance by Asset Class</b>	3	35 532	45 103	43 414	52 208	52 596	52 596	57 425	60 749	64 162
Infrastructure - Road transport		6 157	11 234	10 355	11 512	12 904	12 904	15 459	16 321	15 592
Infrastructure - Electricity		10 303	9 870	11 025	12 188	12 188	12 188	16 527	17 352	14 678
Infrastructure - Water		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	-	203	-	-	-	-	-	-
Infrastructure		16 460	21 104	21 583	23 700	25 092	25 092	31 986	33 673	30 270
Community		18 124	23 334	10 545	11 732	11 727	11 727	12 296	12 430	12 572
Heritage assets		-	-	8 963	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6, 7	948	665	2 323	16 776	15 777	15 777	13 143	14 646	21 320
<b>TOTAL EXPENDITURE OTHER ITEMS</b>		52 752	63 679	82 091	83 894	84 282	84 282	92 425	98 749	104 162
<b>Renewal of Existing Assets as % of total capex</b>		0.0%	0.0%	38.7%	8.4%	37.9%	37.9%	0.0%	0.0%	0.0%
<b>Renewal of Existing Assets as % of deprecn"</b>		0.0%	0.0%	32.4%	12.6%	46.8%	46.8%	0.0%	0.0%	0.0%
<b>R&amp;M as a % of PPE</b>		5.7%	7.1%	6.8%	7.8%	8.0%	8.0%	8.0%	9.6%	10.1%
<b>Renewal and R&amp;M as a % of PPE</b>		6.0%	7.0%	9.0%	8.0%	10.0%	10.0%	9.0%	9.0%	10.0%

**Explanatory notes to Table A9 - Asset Management**

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE.

**Table 18 MBRR Table A10 - Basic Service Delivery Measurement**

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Household service targets</b>	1									
<b>Water:</b>										
Piped water inside dwelling										
Piped water inside yard (but not in dwelling)										
Using public tap (at least min.service level)	2									
Other water supply (at least min.service level)	4									
<i>Minimum Service Level and Above sub-total</i>		-	-	-	-	-	-	-	-	-
Using public tap (< min.service level)	3									
Other water supply (< min.service level)	4									
No water supply										
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
<b>Total number of households</b>	5	-	-	-	-	-	-	-	-	-
<b>Sanitation/sewerage:</b>										
Flush toilet (connected to sewerage)										
Flush toilet (with septic tank)										
Chemical toilet										
Pit toilet (ventilated)										
Other toilet provisions (> min.service level)										
<i>Minimum Service Level and Above sub-total</i>		-	-	-	-	-	-	-	-	-
Bucket toilet										
Other toilet provisions (< min.service level)										
No toilet provisions										
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
<b>Total number of households</b>	5	-	-	-	-	-	-	-	-	-
<b>Energy:</b>										
Electricity (at least min.service level)		5 000	5 000	5 000	5 000	5 000	5 000	5 500	5 500	5 500
Electricity - prepaid (min.service level)		8 000	8 000	8 000	8 000	8 000	8 000	8 500	9 000	9 500
<i>Minimum Service Level and Above sub-total</i>		13 000	13 000	13 000	13 000	13 000	13 000	14 000	14 500	15 000
Electricity (< min.service level)										
Electricity - prepaid (< min. service level)										
Other energy sources										
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
<b>Total number of households</b>	5	13 000	13 000	13 000	13 000	13 000	13 000	14 000	14 500	15 000
<b>Refuse:</b>										
Removed at least once a week		8 000	8 000	8 000	8 000	8 000	8 000	8 500	9 000	9 500
<i>Minimum Service Level and Above sub-total</i>		8 000	8 000	8 000	8 000	8 000	8 000	8 500	9 000	9 500
Removed less frequently than once a week										
Using communal refuse dump		5 000	5 000	5 000	5 000	5 000	5 000	5 500	5 500	5 500
Using own refuse dump										
Other rubbish disposal										
No rubbish disposal										
<i>Below Minimum Service Level sub-total</i>		5 000	5 000	5 000	5 000	5 000	5 000	5 500	5 500	5 500
<b>Total number of households</b>	5	13 000	13 000	13 000	13 000	13 000	13 000	14 000	14 500	15 000
<b>Households receiving Free Basic Service</b>	7									
Water (6 kilolitres per household per month)										
Sanitation (free minimum level service)										
Electricity/other energy (50kwh per household per month)		5 000	5 000	5 000	5 000	5 000	5 000	5 500	5 500	5 500
Refuse (removed at least once a week)		5 000	5 000	5 000	5 000	5 000	5 000	5 500	5 500	5 500
<b>Cost of Free Basic Services provided (R'000)</b>	8									
Water (6 kilolitres per household per month)										
Sanitation (free sanitation service)										
Electricity/other energy (50kwh per household per month)		2 657	2 866	3 670	4 514	4 514	4 514	5 636	6 397	7 260
Refuse (removed once a week)		1 983	2 014	2 538	2 690	2 690	2 690	2 851	3 022	3 203
<b>Total cost of FBS provided (minimum social package)</b>		4 640	4 880	6 208	7 204	7 204	7 204	8 487	9 419	10 463
<b>Highest level of free service provided</b>										
Property rates (R value threshold)				30 000	30 000	30 000	30 000	30 000	30 000	30 000
Water (kilolitres per household per month)										
Sanitation (kilolitres per household per month)										
Sanitation (Rand per household per month)										
Electricity (kwh per household per month)		50	50	50	50	50	50	50	50	50
Refuse (average litres per week)		250 000	250 000	250 000	250 000	250 000	250 000	275 000	275 000	275 000
<b>Revenue cost of free services provided (R'000)</b>	9									
Property rates (R15 000 threshold rebate)			11 617	12 388	13 379	13 379	13 379	14 182	15 033	15 935
Property rates (other exemptions, reductions and rebates)			11 291	27 615	27 615	27 615	27 615	29 601	31 378	33 260
Water										
Sanitation										
Electricity/other energy		2 657	2 866	3 670	4 514	4 514	4 514	5 636	6 397	7 260
Refuse		1 983	2 014	2 538	2 690	2 690	2 690	2 851	3 022	3 203
Municipal Housing - rental rebates										
Housing - top structure subsidies										
Other										
<b>Total revenue cost of free services provided (total social package)</b>	6		27 788	46 211	48 198	48 198	48 198	52 270	55 830	59 658

**Explanatory notes to Table A10 - Basic Service Delivery Measurement**

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. The Municipality had made good progress with the eradication of backlogs:
  - a. Electricity services – As indicated elsewhere, the emphasis by the electricity sector is on addressing urgent network upgrades. Once the most pressing network issues have been addressed, the electrification programme will be prioritized.
  - b. Refuse services – It should be noted that this function is being investigated with a view to realising greater efficiencies, which is likely to translate into a more rapid process to address backlogs.
3. The budget provides for 5 000 households to be registered as indigent in 2012/13, and therefore entitled to receiving Free Basic Services. The number is set to increase to given the rapid rate of in-migration to the uMtshezi Area, especially by people seeking economic opportunities.
4. It is anticipated that these Free Basic Services will cost the municipality R22.669 million (R8.487million plus R14.182 million) in 2012/13, increasing to R26.398 million (R10.463 plus R15.935 million) in 2014/15. This is covered by the municipality's equitable share allocation from national government.
5. In addition to the Free Basic Services, the Municipality also 'gives' households R29.601 million in free services in 2012/13, and it increases to R33.260 million in 2014/15. This 'tax expenditure' needs to be seen within the context of the municipality's overall revenue management strategy – the more the municipality gives away, the less there is available to fund other services. Currently, the 'free services' represent about 11.42 per cent of total operating revenue.

## Part 2 – Supporting Documentation

### 2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

#### 2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2011) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required IDP and budget time schedule in August 2011. Key dates applicable to the process were:

- **August 2011** – Joint strategic planning session with Council and Management. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2012/13 MTREF;
- **November 2011** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **25 January 2012** - Council considers the 2011/12 Mid-year Review
- **20 February 2012** – Council considers Adjustments Budget 2011/2012;
- **28 March 2012** - Tabling in Council of the draft 2012/13 IDP and 2012/13 MTREF for public consultation;
- **April 2012** – Public consultation;
- **15 May 2012** - Closing date for written comments;
- **31 May 2012** - Tabling of the 2012/13 MTREF before Council for consideration and approval.

The only deviations from the budget time schedule were the public consultation dates and the closing date for written submissions. Public meetings on the budget occurred from the 15<sup>th</sup> of May 2012 and ended on the 23<sup>rd</sup> of May 2012. The closing date for written comments was therefore extended to the 25<sup>th</sup> of May 2012.

#### 2.1.2 IDP and Service Delivery and Budget Implementation Plan

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2012/13 MTREF, based on the approved 2011/12 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2012/13 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year performance against the 2011/12 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

### **2.1.3 Financial Modelling and Key Planning Drivers**

As part of the compilation of the 2012/13 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2012/13 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2011/12 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circular 58 and 59 has been taken into consideration in the planning and prioritisation process.

### **2.1.4 Community Consultation**

The draft 2012/13 MTREF was tabled before Council on the 28<sup>th</sup> of March 2012. Thereafter, the draft budget was made available on the municipal website, municipal offices and libraries in order to invite the public to submit their comments on the proposed budget. Council had also

visited various communities in order to obtain feedback. The community meetings were held as follows:

<b>Date</b>	<b>Venue</b>	<b>Time</b>
15 May 2012	Estcourt Town Hall	16h30
16 May 2012	Wembezi Community Hall	14h00
17 May 2012	Weenen Town Hall	11h00
17 May 2012	Ezitendeni Community Hall	13h00
23 May 2012	Estcourt Town Hall	17h30

Various comments were received from the communities. Many of the comments centred around unemployment and local economic development. Many of consumers complained about being indigent and that the cost of electricity was exorbitant. These community members were encouraged to register on the municipal indigent database. Housing was an issue that was dominant at the public meeting at the Wembezi Community Hall. Service delivery issues were raised by the community, example, the maintenance of roads and repairing of potholes. As a whole, there was no objection to the proposed tariff increases, but all the service delivery issues were noted and will be addressed by Council and Management.

After tabling the budget to council on the 30<sup>th</sup> of May 2012, all documents in the appropriate format (electronic and printed) will be provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

## **2.2 Overview of alignment of annual budget with IDP**

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the Municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the

Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2012/13 MTREF and further planning refinements that have directly informed the compilation of the budget:

**Table 19 IDP Strategic Objectives**

<b>2011/12 Financial Year</b>	<b>2012/13 MTREF</b>
1. The provision of quality basic services and infrastructure	1. Provision of quality basic services and infrastructure
2. Acceleration of higher and shared economic growth and development	2. Economic growth and development that leads to sustainable job creation
3. Fighting of poverty, building clean, healthy, safe and sustainable communities	3.1 Fight poverty and build clean, healthy, safe and sustainable communities
	3.2 Integrated Social Services for empowered and sustainable communities
4. Fostering participatory democracy and adherence to Batho Pele principles through a caring, accessible and accountable service	4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service
5. Good governance, Financial viability and institutional governance	5.1 Promote sound governance
	5.2 Ensure financial sustainability
	5.3 Optimal institutional transformation to ensure capability of the Municipality to achieve set objectives

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
  - Provide electricity;
  - Provide water;
  - Provide sanitation;
  - Provide waste removal;
  - Provide housing;
  - Provide roads and storm water;
  - Provide public transport;
  - Provide Municipality planning services; and
  - Maintaining the infrastructure of the Municipality.
2. Economic growth and development that leads to sustainable job creation by:
  - Ensuring there is a clear structural plan for the Municipality;
  - Ensuring planning processes function in accordance with set timeframes;
  - Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
- 3.1 Fight poverty and build clean, healthy, safe and sustainable communities:
  - Effective implementation of the Indigent Policy;
  - Working with the provincial department of health to provide primary health care services;
  - Extending waste removal services and ensuring effective Municipality cleansing;
  - Ensuring all waste water treatment works are operating optimally;
  - Working with strategic partners such as SAPS to address crime;
  - Ensuring safe working environments by effective enforcement of building and health regulations;
  - Promote viable, sustainable communities through proper zoning; and
  - Promote environmental sustainability by protecting wetlands and key open spaces.
- 3.2 Integrated Social Services for empowered and sustainable communities
  - Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme
4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:
  - Optimising effective community participation in the ward committee system; and
  - Implementing Batho Pele in the revenue management strategy.
- 5.1 Promote sound governance through:

- Publishing the outcomes of all tender processes on the municipal website
- 5.2 Ensure financial sustainability through:
- Reviewing the use of contracted services
  - Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan
- 5.3 Optimal institutional transformation to ensure that the Municipality achieves set objectives
- Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by the Municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, the Municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the Municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the Municipality's IDP, associated sectoral plans and strategies, and the allocation of resources of the Municipality and other service delivery partners.

This development strategy introduces important policy shifts which have further been translated into seven strategic focus areas/objectives as outlined below:

- Developing dormant areas;
- Enforcing hard development lines – so as to direct private investment;
- Maintaining existing urban areas;
- Strengthening key economic clusters;
- Building social cohesion;
- Strong developmental initiatives in relation to the municipal institution as a whole; and
- Sound financial fundamentals.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the fourth revised IDP, including:

- Strengthening the analysis and strategic planning processes of the Municipality;
- Initiating zonal planning processes that involve the communities in the analysis and planning processes. More emphasis was placed on area based interventions, within the overall holistic framework;
- Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

The 2012/13 MTREF has therefore been directly informed by the IDP revision process.

**Table 20 MBRR Table SA4 – Reconciliation between the IDP strategic objectives and budgeted revenue**

Strategic Objective	Goal	Goal Code	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand												
Revenue Enhancement Strategies	Collection of Property Rates			31 415	34 172	39 978	39 195	40 795	40 795	57 839	61 020	64 390
Revenue Enhancement Strategies	Billing and Collections of Services Charges			76 621	101 724	126 513	161 276	149 276	149 276	172 328	193 026	218 390
Financial Management	Transfers Recognised			37 223	43 949	45 048	68 408	59 310	59 310	61 028	66 037	69 747
Revenue Enhancement Strategies	Other Own Revenue			12 340	7 807	8 386	6 635	7 315	7 315	7 693	8 092	8 511
Allocations to other priorities			2									
Total Revenue (excluding capital transfers and contributions)			1	157 599	187 652	219 925	275 514	256 696	256 696	298 888	328 175	361 038

**Table 21 MBRR Table SA5 – Reconciliation between the IDP strategic objectives and budgeted operating expenditure**

Description	Goal	2008/09	2009/10	2010/11	Current Year 2011/2012		2012/13 Medium Term Revenue & Expenditure Framework		
					Original Budget	Adjusted Budget	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand									
Human Resources Development	Employment of staff	37 012	47 352	50 340	56 823	56 157	59 526	63 097	66 885
Community Awareness	Remunerate Councillors	3 621	3 843	3 673	4 024	4 691	4 926	5 172	5 430
Asset Management	Debt and asset impairment	17 220	18 576	38 677	31 686	31 686	35 000	38 000	40 000
Debt Management	Finance Charges	491	915	1 012	1 050	2 050	2 153	2 260	2 373
Expenditure Control	Payment of bulk purchases of electricity	55 371	74 023	95 724	121 948	121 948	139 519	156 009	176 417
Expenditure Control	Payment of general expenses	46 895	40 694	25 731	37 823	48 334	38 368	42 112	45 976
Expenditure Control	Provision of free basic services						22 669	24 452	26 398
Total Expenditure		160 610	185 403	215 157	253 354	264 866	302 161	331 102	363 479

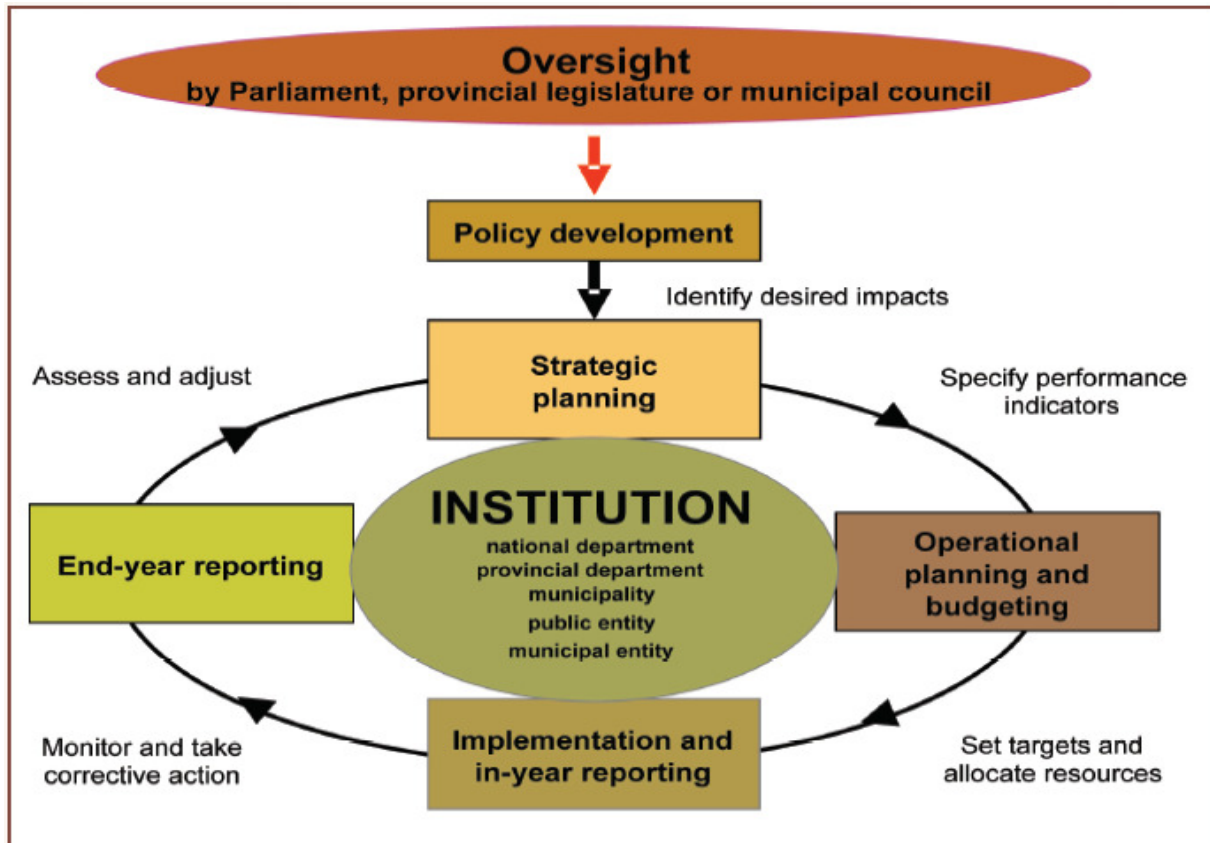
**Table 22 MBRR Table SA7 – Reconciliation between the IDP strategic objectives and budgeted capital expenditure**

Description	Goal	2008/09	2009/10	2010/11	Current Year 2011/12		2012/13 Medium Term Revenue & Expenditure Framework		
					Original Budget	Adjusted Budget	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand									
Basic Services Delivery - Access to Electricity	Provide access to electricity to all in Umtshezi in the financial year	1 826	1 524	13 920	10 426	10 456	7 200		
Basic Services Delivery - Access to Roads	Provide access to roads	109	11 565	7 813	7 679	8 279	13 049	13 449	14 227
Basic Services Delivery - Access to Housing	Provide housing in the Kwezi Hostel area	17 977	15 667	-	20 000	-	3 960	15 000	15 000
Local Economic Development	Economic growth and poverty alleviation	-	-	4 311	4 000	14 820	200		
Municipal Transformation and Institutional Development	Purchase of equipment	540	1 309	6 341	5 247	5 556			
Total Capital Expenditure		20 452	30 065	32 385	47 352	39 111	24 409	28 449	29 227

### 2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee’s performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year’s performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:



**Figure 1 Planning, budgeting and reporting cycle**

The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the **Framework of Managing Programme Performance Information** issued by the National Treasury.

**Table 23 MBRR Table SA8 – Performance indicators and benchmarks**

Description of financial indicator	Basis of calculation	2008/9	2009/10	2010/11	Current Year 2011/12				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>Borrowing Management</b>											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.3%	0.5%	1.0%	2.2%	2.5%	2.5%	2.5%	2.4%	2.5%	2.2%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	0.4%	0.6%	1.2%	2.7%	3.3%	3.3%	3.3%	3.1%	3.1%	2.8%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure ex cl. transfers and grants and contributions	101.1%	10.1%	34.8%	53.9%	53.1%	53.1%	53.1%	93.5%	0.0%	0.0%
<b>Safety of Capital</b>											
Gearing	Long Term Borrowing/ Funds & Reserves	508.2%	511.6%	742.8%	1272.0%	1311.1%	1311.1%	1311.1%	1506.8%	1465.8%	1438.4%
<b>Liquidity</b>											
Current Ratio	Current assets/current liabilities	1.5	1.5	1.9	1.5	0.9	0.9	1.0	0.9	1.0	1.0
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	1.5	1.5	1.9	1.5	0.9	0.9	1.0	0.9	1.0	1.0
Liquidity Ratio	Monetary Assets/Current Liabilities	0.3	0.0	0.4	0.1	0.1	0.1	0.3	0.1	0.1	0.1
<b>Revenue Management</b>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		93.4%	98.1%	100.0%	100.1%	98.9%	98.9%	98.9%	87.7%	96.2%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)			90.8%	97.9%	100.5%	100.1%	98.9%	98.9%	98.9%	87.6%	96.1%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	41.2%	34.1%	28.0%	21.6%	16.9%	16.9%	16.9%	14.1%	12.6%	11.2%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
<b>Creditors Management</b>											
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA' s 65(e))										
Creditors to Cash and Investments		865.3%	-356.5%	238.2%	759.1%	1517.2%	1517.2%	1517.2%	1245.4%	761.6%	551.6%
<b>Other Indicators</b>											
Electricity Distribution Losses (2)	% Volume (units purchased and generated less units sold)/units purchased and generated										
Water Distribution Losses (2)	% Volume (units purchased and own source less units sold)/Total units purchased and own source										
Employee costs	Employee costs/(Total Revenue - capital revenue)	26.7%	28.8%	25.2%	24.0%	24.8%	24.8%	24.8%	22.0%	21.1%	20.2%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	29.3%	31.1%	27.1%	26.2%	26.8%	26.8%		23.8%	22.8%	21.8%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	25.6%	27.4%	21.8%	22.1%	23.2%	23.2%		21.2%	20.3%	19.4%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	12.8%	11.8%	19.9%	13.8%	14.9%	14.9%	14.9%	13.7%	13.5%	12.8%
<b>IDP regulation financial viability indicators</b>											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year	361.5	68.8	36.8	43.2	43.2	43.2	36.1	38.5	43.7	48.6
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	51.8%	40.4%	32.7%	25.0%	19.7%	19.7%	19.7%	16.3%	14.6%	13.0%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	0.3	(0.4)	0.7	0.2	0.1	0.1	0.1	0.1	0.2	0.2

## **2.4 Overview of budget related-policies**

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

### **2.4.1 Review of credit control and debt collection procedures/policies**

The Debt Collection Policy as approved by Council has been reviewed. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

The 2012/13 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 90 per cent on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the Municipality's cash levels.

### **2.4.2 Asset Management, Infrastructure Investment and Funding Policy**

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the Municipality's revenue base. Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. The Asset Management, Infrastructure and Funding Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

### **2.4.3 Supply Chain Management Policy**

The Supply Chain Management Policy was adopted by Council in June 2011. Amendments have been made to the policy to incorporate the changes that came into effect on the 7<sup>th</sup> of December 2011 with regards to the preferential procurement system.

### **2.4.4 Budget and Virement Policy**

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the

legislative framework of the MFMA and the Municipality's system of delegations. The Budget and Virement Policy was approved by Council in November 2011 in respect of both Operating and Capital Budget Fund Transfers. No changes have been made to this policy.

#### **2.4.5 Cash Management and Investment Policy**

The Municipality's Cash Management and Investment Policy was approved by Council in June 2011. The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduces time frames to achieve certain benchmarks.

#### **2.4.6 Tariff Policies**

The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation of the next two years.

### **2.5 Overview of budget assumptions**

#### **2.5.1 External factors**

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

#### **2.5.2 General inflation outlook and its impact on the municipal activities**

There are five key factors that have been taken into consideration in the compilation of the 2012/13 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration.

#### **2.5.3 Interest rates for borrowing and investment of funds**

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The Municipality engages in a number of financing arrangements to minimise its interest rate costs and risk. However, the 2012/13 MTREF is based on the assumption that all borrowings are undertaken using fixed interest rates for March 2012

amortisation-style loans requiring both regular principal and interest payments. As part of the compilation of the 2012/13 MTREF the potential of smoothing out the debt profile over the long term will be investigated.

#### **2.5.4 Collection rate for revenue services**

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (95 per cent) of annual billings. Cash flow is assumed to be 95 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

#### **2.5.5 Growth or decline in tax base of the municipality**

Debtors revenue is assumed to increase at a rate that is influenced by the consumer debtors collection rate, tariff/rate pricing, real growth rate of the Municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

#### **2.5.6 Salary increases**

The collective agreement regarding salaries/wages came into operation on 1 July 2009 and shall remain in force until 30 June 2012. Salary increases were budgeted at 5% and 1% for the filling of vacancies resulting in an effective 6% increase in tariffs.

#### **2.5.7 Impact of national, provincial and local policies**

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

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

It is estimated that a spending rate of at least 97 per cent is achieved on operating expenditure and 98 per cent on the capital programme for the 2012/13 MTREF of which performance has been factored into the cash flow budget.

## 2.6 Overview of budget funding

### 2.6.1 Medium-term outlook: operating revenue

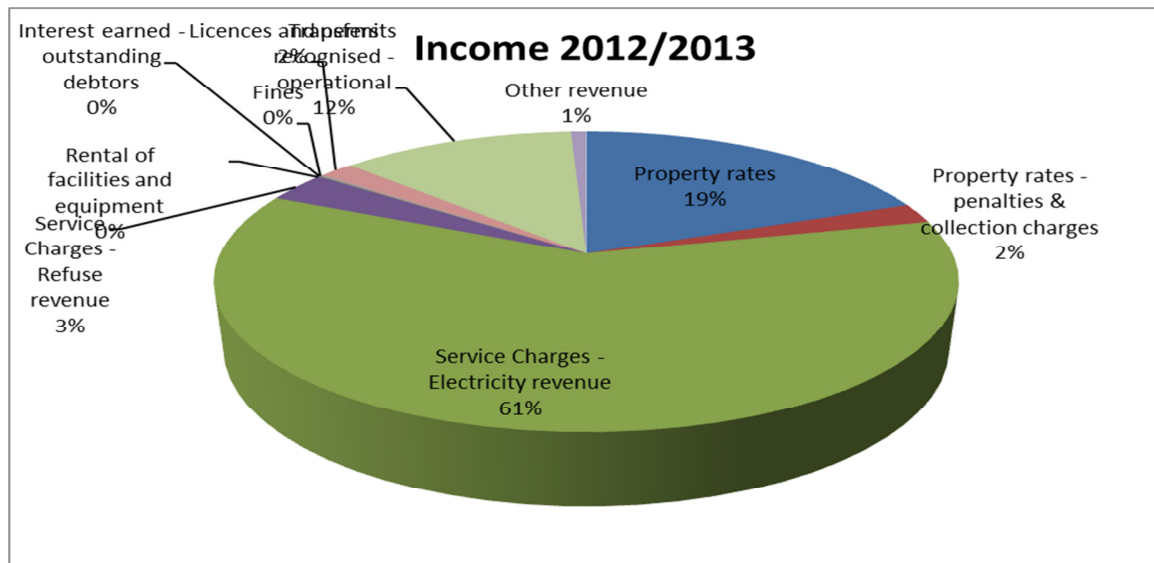
The following table is a breakdown of the operating revenue over the medium-term:

**Table 248 Breakdown of the operating revenue over the medium-term**

Description	Current Year 2011/2012		2012/13 Medium Term Revenue & Expenditure Framework						
	R thousand	Adjusted Budget	%	Budget Year 2012/13	% 2012/2013	Budget Year 2013/14	%2013/2014	Budget Year 2014/15	%2014/2015
<b>Revenue By Source</b>									
Property rates	35 063		3.92%	52 050	48.45%	55 173	6.00%	58 484	6.00%
Property rates - penalties & collection charges	5 732		-8.13%	5 789	1.00%	5 847	1.00%	5 906	1.01%
Service charges - electricity revenue	143 741		18.63%	163 610	13.82%	183 785	12.33%	208 595	13.50%
Service charges - refuse revenue	5 535		3.50%	8 718	57.51%	9 241	6.00%	9 795	6.00%
Rental of facilities and equipment	167		-58.97%	177	5.99%	188	6.21%	199	5.85%
Interest earned - outstanding debtors	249		-76.71%	264	6.02%	280	6.06%	297	6.07%
Fines	299		48.76%	302	1.00%	305	0.99%	308	0.98%
Licences and permits	4 589		8.28%	4 818	4.99%	5 059	5.00%	5 312	5.00%
Transfers recognised - operational	29 480		19.22%	33 078	12.20%	36 675	10.87%	39 714	8.29%
Other revenue	2 011		-18.58%	2 131	5.97%	2 261	6.10%	2 394	5.88%
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>226 866</b>		<b>13.66%</b>	<b>270 937</b>	<b>19.43%</b>	<b>298 814</b>	<b>10.29%</b>	<b>331 004</b>	<b>10.77%</b>

The following graph is a breakdown of the operational revenue per main category for the 2012/13 financial year.

**Figure 2 Breakdown of operating revenue over the 2012/13 MTREF**



Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The Municipality derives most of its operational revenue from the provision of goods and services such as electricity and solid waste removal as well as property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc).

The revenue strategy is a function of key components such as:

- Growth in the Municipality and economic development;
- Revenue management and enhancement;
- Achievement of a 95 per cent annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

The proposed tariff increases for the 2012/13 MTREF on the different revenue categories are:

**Table 25: Proposed Tariff Increases for the 2012/13 MTREF**

Description	Percentage Increase
Rates	8%
Electricity	13.50%
Refuse	6%
Other Services	6%

## 2.6.2 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

**Table 26 MBRR Table A7 – Budget cash flow statement**

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				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>CASH FLOW FROM OPERATING ACTIVITIES</b>											
<b>Receipts</b>											
Ratepayers and other		109 243	140 697	175 672	207 287	195 287	195 287	195 287	208 280	252 005	281 330
Government - operating	1	18 328	20 894	24 727	30 398	30 270	30 270	30 270	33 078	36 675	39 714
Government - capital	1	18 895	23 055	20 322	39 010	29 830	29 830	29 830	16 709	28 449	29 227
Interest		2 591	333	1 029	249	249	249	249	264	280	297
Dividends											
<b>Payments</b>											
Suppliers and employees		(133 641)	(167 518)	(171 242)	(215 566)	(222 489)	(222 489)	(222 489)	(233 949)	(279 840)	(311 808)
Finance charges		(491)	(917)	(1 012)	(1 050)	(2 050)	(2 050)	(2 050)	(2 153)	(2 260)	(2 373)
Transfers and Grants	1	(127)	-								
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>14 798</b>	<b>16 544</b>	<b>49 496</b>	<b>60 328</b>	<b>31 097</b>	<b>31 097</b>	<b>31 097</b>	<b>22 229</b>	<b>35 309</b>	<b>36 387</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Receipts</b>											
Proceeds on disposal of PPE		20 354	9 227								
Decrease (Increase) in non-current debtors		2 591	333						296	60	100
Decrease (increase) other non-current receivables		548	(80)	(837)							
Decrease (increase) in non-current investments		(13 136)	(9 815)	(4 373)					200	-	-
<b>Payments</b>											
Capital assets		(20 451)	(24 904)	(32 384)	(47 387)	(39 146)	(39 146)	(39 146)	(24 409)	(28 449)	(29 227)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(10 094)</b>	<b>(25 239)</b>	<b>(37 594)</b>	<b>(47 387)</b>	<b>(39 146)</b>	<b>(39 146)</b>	<b>(39 146)</b>	<b>(23 913)</b>	<b>(28 389)</b>	<b>(29 127)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
Short term loans		(630)	239								
Borrowing long term/refinancing		2 205	7	4 247	4 500	4 928	4 928	4 928	7 200		
Increase (decrease) in consumer deposits		320	156								
<b>Payments</b>											
Repayment of borrowing		-	-	(1 061)	(4 500)	(4 550)	(4 550)	(4 550)	(5 200)	(5 900)	(5 700)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>1 895</b>	<b>402</b>	<b>3 186</b>	<b>-</b>	<b>378</b>	<b>378</b>	<b>378</b>	<b>2 000</b>	<b>(5 900)</b>	<b>(5 700)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>6 599</b>	<b>(8 293)</b>	<b>15 088</b>	<b>12 941</b>	<b>(7 671)</b>	<b>(7 671)</b>	<b>(7 671)</b>	<b>316</b>	<b>1 020</b>	<b>1 560</b>
Cash/cash equivalents at the year begin:	2	(3 452)	3 147	(5 146)	(9 434)	9 942	9 942	9 942	2 271	2 587	3 607
Cash/cash equivalents at the year end:	2	3 147	(5 146)	9 942	3 507	2 271	2 271	2 271	2 587	3 607	5 167

## 2.6.3 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

**Table 27 MBRR Table A8 – Cash backed reserves / accumulated surplus reconciliation**

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				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>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	3 147	(5 146)	9 942	3 507	2 271	2 271	2 271	2 587	3 607	5 167
Other current investments > 90 days		9 309	156	5 599	1 050	1 050	1 050	17 275	1 050	1 060	1 070
Non current assets - Investments	1	331	98	98	250	250	250	250	50	50	50
<b>Cash and investments available:</b>		<b>12 787</b>	<b>(4 892)</b>	<b>15 639</b>	<b>4 807</b>	<b>3 571</b>	<b>3 571</b>	<b>19 796</b>	<b>3 687</b>	<b>4 717</b>	<b>6 287</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		12 693	2 879	-	-	-	-	16 225	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	(24 573)	(36 529)	(32 273)	(24 453)	(3 366)	(3 366)	(3 366)	(1 173)	(8 627)	(7 441)
Other provisions											
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
<b>Total Application of cash and investments:</b>		<b>(11 880)</b>	<b>(33 650)</b>	<b>(32 273)</b>	<b>(24 453)</b>	<b>(3 366)</b>	<b>(3 366)</b>	<b>12 859</b>	<b>(1 173)</b>	<b>(8 627)</b>	<b>(7 441)</b>
<b>Surplus(shortfall)</b>		<b>24 667</b>	<b>28 758</b>	<b>47 912</b>	<b>29 260</b>	<b>6 937</b>	<b>6 937</b>	<b>6 937</b>	<b>4 860</b>	<b>13 344</b>	<b>13 728</b>

## 2.6.4 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

**Table 28 MBRR Table SA10 – Funding compliance measurement**

Description	MFMA section	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				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>Funding measures</b>												
Cash/cash equivalents at the year end - R'000	18(1)b	1	3 147	(5 146)	9 942	3 507	2 271	2 271	2 271	2 587	3 607	5 167
Cash + investments at the yr end less applications - R'000	18(1)b	2	24 667	28 758	47 912	29 260	6 937	6 937	6 937	4 860	13 344	13 728
Cash year end/monthly employee/supplier payments	18(1)b	3	0.3	(0.4)	0.7	0.2	0.1	0.1	0.1	0.1	0.2	0.2
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	(3 011)	2 249	4 768	22 160	(8 170)	(8 170)	(8 170)	(3 373)	(2 927)	(2 441)
Service charge rev % change - macro CPIIX target exclusive	18(1)a,(2)	5	N.A.	19.8%	16.5%	14.4%	(11.2%)	(6.0%)	(6.0%)	15.1%	4.4%	5.3%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	90.8%	97.9%	100.5%	100.1%	98.9%	98.9%	98.9%	87.6%	96.1%	96.6%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	7.7%	7.7%	1.7%	5.0%	6.7%	6.7%	6.7%	4.3%	4.7%	4.9%
Capital payments % of capital expenditure	18(1)c;19	8	100.0%	82.8%	100.0%	100.1%	100.1%	100.1%	100.1%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	141.6%	0.3%	34.8%	53.9%	53.1%	53.1%	53.1%	93.5%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								0.0%	0.0%	0.0%
Current consumer debtors % change - incr/(decr)	18(1)a	11	N.A.	(2.0%)	(1.3%)	(7.9%)	(25.5%)	0.0%	0.0%	0.5%	(1.4%)	(0.6%)
Long term receivables % change - incr/(decr)	18(1)a	12	N.A.	11.0%	76.3%	(43.3%)	0.0%	0.0%	0.0%	(36.7%)	(11.8%)	(22.2%)
R&M % of Property Plant & Equipment	20(1)(vi)	13	5.7%	7.1%	6.8%	7.8%	8.0%	8.0%	8.7%	8.8%	9.6%	10.1%
Asset renewal % of capital budget	20(1)(vi)	14	0.0%	0.0%	38.7%	8.4%	37.9%	37.9%	0.0%	0.0%	0.0%	0.0%

### 2.6.4.1 Cash/cash equivalent position

The Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a

minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year.

#### *2.6.4.2 Cash plus investments less application of funds*

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in Table 16, on page 32. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

#### *2.6.4.3 Monthly average payments covered by cash or cash equivalents*

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the Municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts. Notably, the ratio has been falling significantly for the period 2010/11 to 2011/12, moving from 0.7 to 0.1 with the adopted 2011/12 MTREF. As part of the 2012/13 MTREF the municipalities improving cash position causes the ratio to move upwards to 0.2 by 2014/15. As indicated above the Municipality aims to achieve at least one month's cash coverage in the medium term, and then gradually move towards two months coverage. This measure will have to be carefully monitored going forward.

#### *2.6.4.4 Surplus/deficit excluding depreciation offsets*

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term. For the 2012/13 MTREF the result is a deficit but plans are in place to implement additional levies to large power users in order to ensure that a surplus is reported.

It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective and the first two measures in the table are therefore critical.

#### *2.6.4.5 Property Rates/service charge revenue as a percentage increase less macro inflation target*

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

The factor is calculated by deducting the maximum macro-economic inflation target increase (which is currently 3 to 6 per cent). The result is intended to be an approximation of the real increase in revenue. From the table above it can be seen that the percentage growth totals , of 15.1%,4.4% and 5.3 per cent for the respective financial year of the 2012/13 MTREF. The 15.1% is slightly distorted due to the free basic services charges. Considering the lowest percentage tariff increase in relation to revenue generated from rates and services charges is 6 per cent, with the increase in electricity at 13.5 per cent it is to be expected that the increase in revenue will exceed the inflation target figures. However, the outcome is lower than it might be due to the slowdown in the economy and a reduction in consumption patterns. This trend will have to be carefully monitored and managed with the implementation of the budget.

#### *2.6.4.6 Cash receipts as a percentage of ratepayer and other revenue*

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 87.6, 96.1 and 96.6 per cent for each of the respective financial years. Given that the assumed collection rate was based on a 95 per cent performance target, the cash flow statement has been conservatively determined. In addition the risks associated with objections to the valuation roll need to be clarified and hence the conservative approach, also taking into consideration the cash flow challenges experienced in the current financial year. This measure and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly.

#### *2.6.4.7 Debt impairment expense as a percentage of billable revenue*

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. The provision has been appropriated at 4.3, 4.7 and 4.9 per cent over the MTREF. Considering the debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is well within the accepted leading practice.

#### *2.6.4.8 Capital payments percentage of capital expenditure*

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 2 per cent timing discount has been factored into the cash position forecasted over the entire financial year. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

#### *2.6.4.9 Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)*

The purpose of this measurement is to determine the proportion of a municipality's 'own-funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers/grants and contributions) has been excluded. It can be seen that borrowing equates to 93.5, 0 and 0 per cent of own funded capital.

*2.6.4.10 Transfers/grants revenue as a percentage of Government transfers/grants available*

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The Municipality has budgeted for all transfers.

*2.6.4.11 Consumer debtors change (Current and Non-current)*

The purpose of these measures are to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position.

*2.6.4.12 Repairs and maintenance expenditure level*

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected.

*2.6.4.13 Asset renewal/rehabilitation expenditure level*

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets.

## 2.7 Expenditure on grants and reconciliations of unspent funds

**Table 29 Expenditure on grant transfers and grant programmes**

<b>Details</b>	<b>2012/2013</b>	<b>2013/2014</b>	<b>2014/2015</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b><u>PROVINCIAL ALLOCATIONS</u></b>			
CRU Programme	3 960 000	15 000 000	15 000 000
Property rates	8 778 000	11 500 000	11 500 000
Provincialiation of Libraries	894 000	1 878 000	1 981 000
Museum	134 000	143 000	151 000
Community Library	106 000	111 000	116 000
	<u>13 872 000</u>	<u>28 632 000</u>	<u>28 748 000</u>
<b><u>NATIONAL ALLOCATIONS</u></b>			
<b><u>Operating Grants</u></b>			
FMG	1 500 000	1 750 000	1 750 000
MSIG	800 000	900 000	950 000
Equitable Share	27 544 000	29 519 000	31 739 000
Equitable Share (Cllrs Remun)	2 100 000	2 374 000	3 027 000
	<u>31 944 000</u>	<u>34 543 000</u>	<u>37 466 000</u>
<b><u>Capital Grants</u></b>			
MIG	12 749 000	13 449 000	14 227 000
CRU Programme	3 960 000	15 000 000	15 000 000
	<u>16 709 000</u>	<u>28 449 000</u>	<u>29 227 000</u>
<b><u>Allocations in kind</u></b>			
NDPG	400 000	500 000	500 000
INEP	10 841 000	413 000	306 000
	<u>11 241 000</u>	<u>913 000</u>	<u>806 000</u>

## 2.8 Councillor and Employee Benefits

**Table 30 MBRR Table SA22 – Summary of councillor and staff benefits**

Summary of Employee and Councillor remuneration R thousand	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
		A	B	C	D	E	F	G	H	I
<b>Councillors (Political Office Bearers plus Other)</b>	1									
Basic Salaries and Wages		2 340	2 545	2 353	3 854	2 920	2 920	3 118	3 219	3 380
Pension and UIF Contributions		333	287	337	286	422	422	425	465	488
Medical Aid Contributions		10	10	12	6	–	–	2	2	2
Motor Vehicle Allowance		766	689	805	731	1 129	1 129	1 142	1 244	1 306
Cellphone Allowance		158	139	167	147	221	221	239	243	255
Housing Allowances										
Other benefits and allowances		14	173							
<b>Sub Total - Councillors</b>		<b>3 621</b>	<b>3 843</b>	<b>3 674</b>	<b>5 024</b>	<b>4 692</b>	<b>4 692</b>	<b>4 926</b>	<b>5 173</b>	<b>5 431</b>
<b>% increase</b>	4		<b>6.1%</b>	<b>(4.4%)</b>	<b>36.7%</b>	<b>(6.6%)</b>	<b>–</b>	<b>5.0%</b>	<b>5.0%</b>	<b>5.0%</b>
<b>Senior Managers of the Municipality</b>	2									
Basic Salaries and Wages		1 623	1 867	1 796	2 436	2 436	2 436	3 473	3 647	3 829
Pension and UIF Contributions		15	17							
Medical Aid Contributions		1								
Overtime										
Performance Bonus					274	274	274	290	304	319
Motor Vehicle Allowance	3	279	320	503	160	160	160	165	173	182
Cellphone Allowance	3									
Housing Allowances	3									
Other benefits and allowances	3									
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
<b>Sub Total - Senior Managers of Municipality</b>		<b>1 918</b>	<b>2 204</b>	<b>2 299</b>	<b>2 870</b>	<b>2 870</b>	<b>2 870</b>	<b>3 928</b>	<b>4 124</b>	<b>4 330</b>
<b>% increase</b>	4		<b>14.9%</b>	<b>4.3%</b>	<b>24.8%</b>	<b>–</b>	<b>–</b>	<b>36.9%</b>	<b>5.0%</b>	<b>5.0%</b>
<b>Other Municipal Staff</b>										
Basic Salaries and Wages		23 108	29 110	32 815	35 103	35 103	35 103	36 323	38 542	40 895
Pension and UIF Contributions		2 209	5 385	5 859	5 328	5 328	5 328	5 648	5 987	6 346
Medical Aid Contributions			2 250	2 541	2 638	2 135	2 135	2 263	2 399	2 543
Overtime		1 270	1 581	1 477	1 631	1 837	1 837	1 947	2 064	2 188
Performance Bonus		2 497		3 181	3 314	2 947	2 947	3 124	3 311	3 510
Motor Vehicle Allowance	3	1 580	655	585	1 079	1 122	1 122	1 189	1 260	1 336
Cellphone Allowance	3									
Housing Allowances	3	475	319	327	1 206	304	304	322	341	361
Other benefits and allowances	3	3 955	5 848	1 256	3 654	4 511	4 511	4 782	5 069	5 376
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
<b>Sub Total - Other Municipal Staff</b>		<b>35 094</b>	<b>45 148</b>	<b>48 041</b>	<b>53 953</b>	<b>53 287</b>	<b>53 287</b>	<b>55 598</b>	<b>58 973</b>	<b>62 555</b>
<b>% increase</b>	4		<b>28.6%</b>	<b>6.4%</b>	<b>12.3%</b>	<b>(1.2%)</b>	<b>–</b>	<b>4.3%</b>	<b>6.1%</b>	<b>6.1%</b>
<b>Total Parent Municipality</b>		<b>40 633</b>	<b>51 195</b>	<b>54 014</b>	<b>61 847</b>	<b>60 849</b>	<b>60 849</b>	<b>64 452</b>	<b>68 270</b>	<b>72 316</b>
			<b>26.0%</b>	<b>5.5%</b>	<b>14.5%</b>	<b>(1.6%)</b>	<b>–</b>	<b>5.9%</b>	<b>5.9%</b>	<b>5.9%</b>

## 2.9 Monthly targets for revenue and expenditure

**Table 31 MBRR SA25 – Budgeted monthly revenue and expenditure**

Description	Ref	Budget Year 2012/13												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Revenue By Source</b>																
Property rates		4 097	2 097	2 581	3 081	2 581	4 581	2 581	3 181	2 581	2 581	3 081	19 027	52 050	55 173	58 484
Property rates - penalties & collection charges		482	482	482	482	482	482	482	482	482	482	482	487	5 789	5 847	5 906
Service charges - electricity revenue		14 139	11 139	12 554	11 257	10 257	8 540	6 140	8 471	14 785	18 478	19 761	28 069	163 610	183 785	208 595
Service charges - water revenue																
Service charges - sanitation revenue																
Service charges - refuse revenue		488	488	488	488	488	488	488	488	488	488	488	3 350	8 718	9 241	9 795
Service charges - other																
Rental of facilities and equipment		14	13	12	13	15	25	20	10	8	15	16	16	177	188	199
Interest earned - external investments																
Interest earned - outstanding debtors		22	22	22	22	22	22	22	22	22	22	22	22	264	280	297
Dividends received																
Fines		10	15	25	14	35	45	36	24	26	22	24	26	302	305	308
Licences and permits		358	487	357	356	756	451	331	387	356	321	301	357	4 818	5 059	5 312
Agency services																
Transfers recognised - operational		2 756	3 512	2 756	2 756	2 756	2 756	2 756	2 756	2 756	2 756	2 756	2 006	33 078	36 675	39 714
Other revenue		177	177	145	123	178	198	145	178	254	149	198	210	2 132	2 280	2 395
Gains on disposal of PPE																
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>22 543</b>	<b>18 432</b>	<b>19 422</b>	<b>18 592</b>	<b>17 570</b>	<b>17 588</b>	<b>13 001</b>	<b>15 999</b>	<b>21 758</b>	<b>25 314</b>	<b>27 149</b>	<b>53 570</b>	<b>270 938</b>	<b>298 813</b>	<b>331 005</b>
<b>Expenditure By Type</b>																
Employee related costs		4 961	4 961	4 961	4 961	4 961	4 961	4 961	4 961	4 961	4 961	4 961	4 955	59 526	63 097	66 885
Remuneration of councillors		410	410	410	410	410	410	410	410	410	410	410	416	4 926	5 172	5 430
Debt impairment		833	833	833	833	833	833	833	833	833	833	833	837	10 000	12 000	14 000
Depreciation & asset impairment		2 916	2 916	2 916	2 916	2 916	2 916	2 916	2 916	2 916	2 916	2 916	2 924	35 000	38 000	40 000
Finance charges		179	179	179	179	179	179	179	179	179	179	179	184	2 153	2 280	2 373
Bulk purchases		11 534	9 521	9 121	8 012	7 421	6 452	6 102	9 875	10 140	14 451	17 895	21 791	132 315	148 338	168 363
Other materials		608	608	608	608	608	608	608	608	608	608	608	616	7 304	7 671	8 054
Contracted services		543	543	543	543	543	543	543	543	543	543	543	545	6 518	7 169	7 886
Transfers and grants		1 889	1 889	1 889	1 889	1 889	1 889	1 889	1 889	1 889	1 889	1 889	1 890	22 669	24 452	26 398
Other expenditure		1 820	1 820	1 820	1 820	1 820	1 820	1 820	1 820	1 820	1 820	1 820	1 830	21 850	22 943	24 090
Loss on disposal of PPE																
<b>Total Expenditure</b>		<b>25 693</b>	<b>23 680</b>	<b>23 280</b>	<b>22 171</b>	<b>21 580</b>	<b>20 611</b>	<b>20 261</b>	<b>24 034</b>	<b>24 299</b>	<b>28 610</b>	<b>32 054</b>	<b>35 988</b>	<b>302 261</b>	<b>331 102</b>	<b>363 479</b>
<b>Surplus/(Deficit)</b>																
Transfers recognised - capital		(3 150)	(5 248)	(3 858)	(3 579)	(4 010)	(3 023)	(7 260)	(8 035)	(2 541)	(3 296)	(4 905)	17 582	(31 323)	(32 289)	(32 474)
Contributions recognised - capital		1 392	1 392	1 392	1 392	1 392	1 392	1 392	1 392	1 392	1 392	1 392	1 397	16 709	28 449	29 227
Contributed assets					10 841	400								11 241	913	806
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>(1 758)</b>	<b>(3 856)</b>	<b>(2 466)</b>	<b>8 654</b>	<b>(2 218)</b>	<b>(1 631)</b>	<b>(5 868)</b>	<b>(6 643)</b>	<b>(1 149)</b>	<b>(1 904)</b>	<b>(3 513)</b>	<b>18 979</b>	<b>(3 373)</b>	<b>(2 927)</b>	<b>(2 441)</b>
Taxation																
Attributable to minorities																
Share of surplus/ (deficit) of associate																
<b>Surplus/(Deficit)</b>	1	<b>(1 758)</b>	<b>(3 856)</b>	<b>(2 466)</b>	<b>8 654</b>	<b>(2 218)</b>	<b>(1 631)</b>	<b>(5 868)</b>	<b>(6 643)</b>	<b>(1 149)</b>	<b>(1 904)</b>	<b>(3 513)</b>	<b>18 979</b>	<b>(3 373)</b>	<b>(2 927)</b>	<b>(2 441)</b>

**Table 32 MBRR SA26 – Budgeted monthly revenue and expenditure (municipal vote)**

Description	Ref	Budget Year 2012/13												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Revenue by Vote</b>																
Vote 1 - Corporate Service		720	720	720	720	720	720	720	720	720	720	720	722	8 642	10 191	11 249
Vote 2 - Municipal Manager																
Vote 3 - Finance and Budget		6 550	6 549	6 550	6 549	6 550	6 549	6 550	6 550	6 550	6 550	6 550	20 731	92 778	109 376	115 074
Vote 4 - Civil Service		1 077	1 078	1 078	1 077	1 078	1 078	1 078	1 078	1 078	1 077	1 077	1 078	12 932	13 643	14 433
Vote 5 - Planning, Economic and Community Services		544	544	544	544	544	544	544	544	544	544	544	3 400	9 384	10 023	10 593
Vote 6 - Electrical Service		14 126	14 126	14 126	14 126	14 126	14 126	14 126	14 126	14 126	14 126	14 126	19 766	175 152	184 942	209 889
Vote 7 - [NAME OF VOTE 7]																
Vote 8 - [NAME OF VOTE 8]																
Vote 9 - [NAME OF VOTE 9]																
Vote 10 - [NAME OF VOTE 10]																
Vote 11 - [NAME OF VOTE 11]																
Vote 12 - [NAME OF VOTE 12]																
Vote 13 - [NAME OF VOTE 13]																
Vote 14 - [NAME OF VOTE 14]																
Vote 15 - [NAME OF VOTE 15]																
<b>Total Revenue by Vote</b>		<b>23 017</b>	<b>23 017</b>	<b>23 018</b>	<b>23 016</b>	<b>23 018</b>	<b>23 017</b>	<b>23 018</b>	<b>23 018</b>	<b>23 018</b>	<b>23 017</b>	<b>23 017</b>	<b>45 697</b>	<b>298 888</b>	<b>328 175</b>	<b>361 038</b>
<b>Expenditure by Vote to be appropriated</b>																
Vote 1 - Corporate Service		1 701	1 701	1 701	1 701	1 701	1 701	1 701	1 701	1 701	1 701	1 701	1 711	20 422	21 858	23 406
Vote 2 - Municipal Manager		93	93	93	93	93	93	93	93	93	93	93	87	1 110	1 177	1 248
Vote 3 - Finance and Budget		6 739	6 739	6 739	6 739	6 739	6 739	6 739	6 739	6 739	6 739	6 739	6 734	80 863	96 931	104 699
Vote 4 - Civil Service		1 455	1 455	1 455	1 455	1 455	1 455	1 455	1 455	1 455	1 455	1 455	1 449	17 454	21 217	22 275
Vote 5 - Planning, Economic and Community Services		1 840	1 840	1 840	1 840	1 840	1 840	1 840	1 840	1 840	1 840	1 840	1 435	21 675	22 456	23 377
Vote 6 - Electrical Service		13 395	13 395	13 395	13 395	13 395	13 395	13 395	13 395	13 395	13 395	13 395	13 392	160 737	167 463	188 474
Vote 7 - [NAME OF VOTE 7]																
Vote 8 - [NAME OF VOTE 8]																
Vote 9 - [NAME OF VOTE 9]																
Vote 10 - [NAME OF VOTE 10]																
Vote 11 - [NAME OF VOTE 11]																
Vote 12 - [NAME OF VOTE 12]																
Vote 13 - [NAME OF VOTE 13]																
Vote 14 - [NAME OF VOTE 14]																
Vote 15 - [NAME OF VOTE 15]																
<b>Total Expenditure by Vote</b>		<b>25 223</b>	<b>25 223</b>	<b>25 223</b>	<b>25 223</b>	<b>25 223</b>	<b>25 223</b>	<b>25 223</b>	<b>25 223</b>	<b>25 223</b>	<b>25 223</b>	<b>25 223</b>	<b>24 808</b>	<b>302 261</b>	<b>331 102</b>	<b>363 479</b>
<b>Surplus/(Deficit) before assoc.</b>																
Taxation		(2 206)	(2 206)	(2 205)	(2 207)	(2 205)	(2 206)	(2 205)	(2 205)	(2 205)	(2 205)	(2 206)	(2 206)	20 889	(3 373)	(2 927)
Attributable to minorities																
Share of surplus/ (deficit) of associate																
<b>Surplus/(Deficit)</b>	1	<b>(2 206)</b>	<b>(2 206)</b>	<b>(2 205)</b>	<b>(2 207)</b>	<b>(2 205)</b>	<b>(2 206)</b>	<b>(2 205)</b>	<b>(2 205)</b>	<b>(2 205)</b>	<b>(2 205)</b>	<b>(2 206)</b>	<b>20 889</b>	<b>(3 373)</b>	<b>(2 927)</b>	<b>(2 441)</b>

**Table 33 MBRR SA27 – Budgeted monthly revenue and expenditure (standard classification)**

Description	Ref	Budget Year 2012/13												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Revenue - Standard</b>																
<i>Governance and administration</i>		6 441	6 441	6 441	6 441	6 441	6 441	6 441	6 441	6 441	6 441	6 441	20 627	91 478	97 359	103 760
Executive and council		175	175	175	175	175	175	175	175	175	175	175	175	2 100	2 374	3 027
Budget and treasury office		6 266	6 266	6 266	6 266	6 266	6 266	6 266	6 266	6 266	6 266	6 266	20 452	89 378	94 985	100 733
Corporate services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		464	464	464	464	464	464	464	464	464	464	464	469	5 573	17 625	17 755
Community and social services		109	109	109	109	109	109	109	109	109	109	109	112	1 311	2 320	2 447
Sport and recreation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public safety		25	25	25	25	25	25	25	25	25	25	25	27	302	305	308
Housing		330	330	330	330	330	330	330	330	330	330	330	330	3 960	15 000	15 000
Health		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		1 496	1 496	1 496	1 496	1 496	1 496	1 496	1 496	1 496	1 496	1 496	1 511	17 967	19 008	20 039
Planning and development		33	33	33	33	33	33	33	33	33	33	33	37	400	500	500
Road transport		1 463	1 463	1 463	1 463	1 463	1 463	1 463	1 463	1 463	1 463	1 463	1 474	17 567	18 508	19 539
Environmental protection		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Trading services</i>		15 532	15 532	15 532	15 532	15 532	15 532	15 532	15 532	15 532	15 532	15 532	13 018	183 870	194 183	219 484
Electricity		15 043	15 043	15 043	15 043	15 043	15 043	15 043	15 043	15 043	15 043	15 043	9 679	175 152	184 942	209 689
#N/A		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste management		489	489	489	489	489	489	489	489	489	489	489	3 339	8 718	9 241	9 795
<i>Other</i>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Standard</b>		23 933	23 933	23 933	23 933	23 933	23 933	23 933	23 933	23 933	23 933	23 933	35 625	298 888	326 175	361 038
<b>Expenditure - Standard</b>																
<i>Governance and administration</i>		6 534	6 534	6 534	6 534	6 534	6 534	6 534	6 534	6 534	6 534	6 534	29 222	101 096	109 305	118 533
Executive and council		502	502	502	502	502	502	502	502	502	502	502	513	6 035	6 348	6 676
Budget and treasury office		5 112	5 112	5 112	5 112	5 112	5 112	5 112	5 112	5 112	5 112	5 112	27 785	84 017	91 251	99 448
Corporate services		920	920	920	920	920	920	920	920	920	920	920	924	11 044	11 706	12 409
<i>Community and public safety</i>		742	742	742	742	742	742	742	742	742	742	742	744	8 906	21 166	21 522
Community and social services		212	212	212	212	212	212	212	212	212	212	212	214	2 546	3 627	3 834
Sport and recreation		6	6	6	6	6	6	6	6	6	6	6	3	69	69	69
Public safety		194	194	194	194	194	194	194	194	194	194	194	197	2 331	2 470	2 619
Housing		330	330	330	330	330	330	330	330	330	330	330	330	3 960	15 000	15 000
Health		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		1 534	1 534	1 534	1 534	1 534	1 534	1 534	1 534	1 534	1 534	1 534	1 146	18 020	18 856	19 779
Planning and development		33	33	33	33	33	33	33	33	33	33	33	(363)	-	-	-
Road transport		1 501	1 501	1 501	1 501	1 501	1 501	1 501	1 501	1 501	1 501	1 501	1 509	18 020	18 856	19 779
Environmental protection		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Trading services</i>		14 962	14 962	14 962	14 962	14 962	14 962	14 962	14 962	14 962	14 962	14 962	9 265	173 847	181 359	203 204
Electricity		14 269	14 269	14 269	14 269	14 269	14 269	14 269	14 269	14 269	14 269	14 269	8 575	165 534	172 547	193 863
Water		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste management		693	693	693	693	693	693	693	693	693	693	693	690	8 313	8 812	9 341
<i>Other</i>		33	33	33	33	33	33	33	33	33	33	33	34	392	416	441
<b>Total Expenditure - Standard</b>		23 805	23 805	23 804	23 804	23 804	23 804	23 804	23 805	23 805	23 805	23 805	40 411	302 261	331 102	363 479
<b>Surplus/(Deficit) before assoc.</b>		128	128	129	129	129	129	129	128	128	128	128	(4 786)	(3 373)	(2 927)	(2 441)
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit)</b>	1	128	128	129	129	129	129	129	128	128	128	128	(4 786)	(3 373)	(2 927)	(2 441)

**Table 34 MBRR SA28 Budgeted monthly capital expenditure (municipal vote)**

Description	Ref	Budget Year 2012/13												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Multi-year expenditure to be appropriated</b>	1															
Vote 1 - Corporate Service		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 2 - Municipal Manager		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 3 - Finance and Budget		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 4 - Civ il Service		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 5 - Planning,Economic and Community Service		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 6 - Electrical Service		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Single-year expenditure to be appropriated</b>																
Vote 1 - Corporate Service		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 2 - Municipal Manager		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 3 - Finance and Budget		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 4 - Civ il Service		1 062	1 062	1 062	1 062	1 062	1 062	1 062	1 062	1 062	1 062	1 062	1 067	12 749	13 449	14 227
Vote 5 - Planning,Economic and Community Service		363	363	363	363	363	363	363	363	363	363	363	367	4 360	15 500	15 500
Vote 6 - Electrical Service		1 278	1 278	1 278	1 278	1 278	1 278	1 278	1 278	1 278	1 278	1 278	1 283	15 341	413	306
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>	2	2 703	2 703	2 703	2 703	2 703	2 703	2 703	2 703	2 703	2 703	2 703	2 717	32 450	29 362	30 033
<b>Total Capital Expenditure</b>	2	2 703	2 703	2 703	2 703	2 703	2 703	2 703	2 703	2 703	2 703	2 703	2 717	32 450	29 362	30 033

**Table 35 MBRR SA29 – Budgeted monthly capital expenditure (standard classification)**

Description	Ref	Budget Year 2012/13												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Capital Expenditure - Standard</b>	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Governance and administration</i>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Executive and council		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Budget and treasury office		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporate services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		330	330	330	330	530	330	330	330	330	330	330	330	4 160	15 000	
Community and social services		-	-	-	-	200	-	-	-	-	-	-	-	-	200	-
Sport and recreation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing		330	330	330	330	330	330	330	330	330	330	330	330	3 960	15 000	
Health		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		1 062	1 062	1 062	1 062	1 062	1 062	1 062	1 062	1 062	1 062	1 062	1 367	13 049	13 449	
Planning and development		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Road transport		1 062	1 062	1 062	1 062	1 062	1 062	1 062	1 062	1 062	1 062	1 062	1 367	13 049	13 449	
Environmental protection		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Trading services</i>		-	-	2 500	-	-	-	1 500	3 200	-	-	-	-	-	7 200	-
Electricity		-	-	2 500	-	-	-	1 500	3 200	-	-	-	-	-	7 200	-
#N/A		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Other</i>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Standard</b>	2	1 392	1 392	3 892	1 392	1 592	2 892	4 592	1 392	1 392	1 392	1 392	1 697	24 408	28 449	

## 2.10 Annual budgets and SDBIPs

The service delivery and budget implementation plans are being drafted and aligned to the IDP, Balanced Scorecard, Performance Agreements and Budget. This will be finalized by June 2012.

## 2.11 Contracts having future budgetary implications

There is only one contract having future budgetary implications. That is the project application for the development of Community Residential Units (CRU) in the Kwezi area. That project would run over a few years before construction of the units is complete. The design phase of the project is complete. Stabilisation of the existing units will commence in the 2012/13 financial year and construction of the residential units should commence thereafter.

## 2.12 Capital Expenditure Details

**Table 36 MBRR SA36 – Detailed capital budget per municipal vote**

Municipal Vote/Capital project	Ref	Program/Project description	Project number	IDP Goal code	Individually Approved (Yes/No)	Asset Class	Asset Sub-Class	GPS co-ordinates	Total Project Estimate	Prior year outcomes		2012/13 Medium Term Revenue & Expenditure Framework			Project Information	
										Audited Outcome 2010/11	Current Year 2011/12 Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15	Ward location	New or renewal
Parent municipality: <i>List all capital projects grouped by Municipal Vote</i>																
Electricity		Upgrade of electricity infrastructure			Yes	Infrastructure - Electricity	Transmission & Reticulation		12 months			7 200			All	New
Transport and Roads		Establishment of new roads			Yes	Infrastructure - Road transport	Roads, Pavements & Bridges		12 months			13 049	13 449	14 227	All	New
Planning and Economic Services		Community Development			Yes	Other Assets	Other		6 months			200				New
Housing		Community Residential Units			Yes	Investment Properties	Housing development		5 years			3 960	15 000	15 000		9 New
<b>Parent Capital expenditure</b>	1											24 408	28 449	29 227		

## 2.13 Legislative compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting  
Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Mayor (within 10 working days) has progressively improved.
2. Internship programme  
The Municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department. .
3. Budget and Treasury Office  
The Budget and Treasury Office has been established in accordance with the MFMA.
4. Audit Committee  
An Audit Committee has been established and is fully functional.
5. Service Delivery and Implementation Plan  
The detailed SDBIP document is at a draft stage and will be finalised after approval of the 2012/13 MTREF in May 2012 directly aligned and informed by the 2012/13 MTREF.
6. Annual Report  
Annual report is compiled in terms of the MFMA and National Treasury requirements.
7. MFMA Training  
The MFMA training module in electronic format has been completed by municipal staff.
8. Policies  
An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009, was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.

## 2.14 Other Supporting Documentation

**Table 38 MBRR Table SA1 – Supporting detail to budgeted financial performance**

Description	Current Year 2011/12					2012/13 Medium Term Revenue & Expenditure Framework		
	R thousand	2008/09	2009/10	2010/11	Original Budget	Adjusted Budget	Budget Year 2012/13	Budget Year +1 2013/14
<b>REVENUE ITEMS:</b>								
Property rates								
Total Property Rates	26 232	29 164	33 739	61 078	62 678	67 692	71 753	76 058
less Revenue Foregone				27 615	27 615	15 642	16 580	17 574
Net Property Rates	26 232	29 164	33 739	33 463	35 063	52 050	55 173	58 484
Service charges - electricity revenue								
Total Service charges - electricity revenue	71 850	96 669	121 165	155 741	143 741	163 610	183 785	208 595
Total refuse removal revenue	4 771	5 055	5 348	5 535	5 535	8 718	9 241	9 795
Other Revenue by source								
Other revenue	4 247	2 371	2 469	1 031	2 011	2 132	2 260	2 395
Total 'Other' Revenue	4 247	2 371	2 469	1 031	2 011	2 132	2 260	2 395
<b>EXPENDITURE ITEMS:</b>								
Employee related costs								
Basic Salaries and Wages	24 731	30 978	34 611	37 539	37 539	38 798	41 126	43 594
Pension and UIF Contributions	2 225	3 166	3 103	8 653	8 150	9 300	9 858	10 450
Overtime	1 270	1 581	1 477	1 631	1 837	1 753	1 858	1 970
Performance Bonus	2 496	2 680	3 181	3 588	3 221	3 856	4 088	4 333
Motor Vehicle Allowance	1 859	1 675	1 087	1 264	2 162	1 358	1 439	1 526
Housing Allowances	475		326	1 206	304	1 296	1 374	1 457
Other benefits and allowances			523					
Payments in lieu of leave	199	2 404	173	2 942	2 944	3 165	3 354	3 555
Post-retirement benefit obligations	3 757	4 868	5 859					
sub-total	37 012	47 352	50 340	56 823	56 157	59 526	63 097	66 885
Total Employee related costs	37 012	47 352	50 340	56 823	56 157	59 526	63 097	66 885
Depreciation & asset impairment								
Depreciation of Property, Plant & Equipment	17 220	18 576	38 677	31 686	31 686	35 000	38 000	40 000
Total Depreciation & asset impairment	17 220	18 576	38 677	31 686	31 686	35 000	38 000	40 000
Bulk purchases								
Electricity Bulk Purchases	55 371	74 023	92 582	121 948	121 948	132 315	148 338	168 363
Contracted services								
Grass cutting	45			25	25	28	30	33
Security	1 824	2 477	2 987	3 155	5 900	6 490	7 139	7 853
Total contracted services	1 869	2 477	2 987	3 180	5 925	6 518	7 169	7 886
Other Expenditure By Type								
Collection costs				3 100	3 100	500	525	551
Consultant fees	4 177	1 954	1 471	1 500	1 000	450	473	496
Audit fees	1 685	1 658	1 749	1 835	1 590	1 000	1 050	1 103
General expenses	30 822	23 982	16 702	18 208	23 919	19 900	20 895	21 940
Total 'Other' Expenditure	36 684	27 594	19 922	24 643	29 609	21 850	22 943	24 090
Repairs and Maintenance by Expenditure Item								
Employee related costs	29 609	37 882	40 272	45 458	44 458	47 621	50 478	53 508
Other materials	4 711	5 976	1 777	5 229	6 338	7 304	7 671	8 054
Contracted Services	1 212	1 245	1 365	1 521	1 800	2 500	2 600	2 600
Total Repairs and Maintenance Expenditure	35 532	45 103	43 414	52 208	52 596	57 425	60 749	64 162

**Table 35 MBRR Table SA3 – Supporting detail to Statement of Financial Position**

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				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 thousand</b>											
<b>ASSETS</b>											
<b>Call investment deposits</b>											
Call deposits < 90 days		9 308	156	5 599	1 050	1 050	1 050	1 050	1 050	1 060	1 070
Other current investments > 90 days											
<b>Total Call investment deposits</b>	2	9 308	156	5 599	1 050	1 050	1 050	1 050	1 050	1 060	1 070
<b>Consumer debtors</b>											
Consumer debtors		66 178	77 321	45 501	46 723	33 923	33 923	33 923	46 123	46 250	46 266
Less: Provision for debt impairment		(17 659)	(27 888)								
<b>Total Consumer debtors</b>	2	48 519	49 433	45 501	46 723	33 923	33 923	33 923	46 123	46 250	46 266
<b>Debt impairment provision</b>											
Balance at the beginning of the year											
Contributions to the provision											
Bad debts written off											
<b>Balance at end of year</b>		-	-	-	-	-	-	-	-	-	-
<b>Property, plant and equipment (PPE)</b>											
PPE at cost/valuation (excl. finance leases)		704 181	722 028	639 573	669 320	661 079	661 079	661 079	650 069	668 391	669 062
Leases recognised as PPE	3	3 024	6 477								
Less: Accumulated depreciation		87 281	95 969							35 000	35 000
<b>Total Property, plant and equipment (PPE)</b>	2	619 924	632 536	639 573	669 320	661 079	661 079	661 079	650 069	633 391	634 062
<b>LIABILITIES</b>											
<b>Current liabilities - Borrowing</b>											
Short term loans (other than bank overdraft)											
Current portion of long-term liabilities		900	1 112	1 764	1 002	1 002	1 002	1 002	2 500	2 250	2 050
<b>Total Current liabilities - Borrowing</b>		900	1 112	1 764	1 002	1 002	1 002	1 002	2 500	2 250	2 050
<b>Trade and other payables</b>											
Trade and other creditors		27 230	18 348	23 683	26 621	34 456	34 456	34 456	17 648	10 331	8 592
Unspent conditional transfers		12 693	2 879								
VAT											
<b>Total Trade and other payables</b>	2	39 923	21 227	23 683	26 621	34 456	34 456	34 456	17 648	10 331	8 592
<b>Non current liabilities - Borrowing</b>											
Borrowing	4	2 235	2 242	8 135	13 928	14 356	14 356	14 356	13 500	13 050	12 750
Finance leases (including PPP asset element)		3 330	3 358								
<b>Total Non current liabilities - Borrowing</b>		5 565	5 600	8 135	13 928	14 356	14 356	14 356	13 500	13 050	12 750
<b>Provisions - non-current</b>											
Retirement benefits				10 362							
List other major provision items											
Refuse landfill site rehabilitation											
Other											
<b>Total Provisions - non-current</b>		-	-	10 362	-	-	-	-	-	-	-
<b>CHANGES IN NET ASSETS</b>											
<b>Accumulated Surplus/(Deficit)</b>											
Accumulated Surplus/(Deficit) - opening balance		640 136	644 242	656 023	652 100	651 890	651 890	651 890	657 128	658 656	661 417
GRAP adjustments				(3 662)							
Restated balance		640 136	644 242	652 361	652 100	651 890	651 890	651 890	657 128	658 656	661 417
Surplus/(Deficit)		(3 011)	2 249	4 768	22 160	(8 170)	(8 170)	(8 170)	1 528	2 761	4 071
Appropriations to Reserves											
Transfers from Reserves											
Depreciation offsets											
Other adjustments											
<b>Accumulated Surplus/(Deficit)</b>	1	637 125	646 491	657 129	674 260	643 720	643 720	643 720	658 656	661 417	665 488
<b>Reserves</b>											
Housing Development Fund		1 095	1 095	1 095	1 095	1 095	1 095	1 095	1 095	1 095	1 095
Capital replacement											
Self-insurance											
Other reserves											
Revaluation											
<b>Total Reserves</b>	2	1 095	1 095	1 095	1 095	1 095	1 095	1 095	1 095	1 095	1 095
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	2	638 220	647 586	658 224	675 355	644 815	644 815	644 815	659 751	662 512	666 583

## **2.15 Municipal manager's quality certificate**

I, Ms P.N Njoko, Municipal Manager of Umtshezi Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the draft annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name \_\_\_\_\_

Municipal manager of Umtshezi Municipality (KZN234)

Signature \_\_\_\_\_

Date \_\_\_\_\_