

Maletswai Municipality



Financial Plan 2010/11 – 2012/13

Integrated Development Plan

In terms of Section 26(h) of the Local Government: Municipal Systems Act 2000 (Act 32 of 2000).

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Glossary

Adjustments Budget - Prescribed in section 28 of the MFMA. The formal means by which a municipality may revise its annual budget during the year.

Allocations - Money received from Provincial or National Government or other municipalities.

Budget - The financial plan of the Municipality.

Budget Related Policy - Policy of a municipality affecting or affected by the budget, examples include tariff policy, rates policy and credit control and debt collection policy.

Capital Expenditure - Spending on assets such as land, buildings and machinery. Any capital expenditure must be reflected as an asset on the Municipality's balance sheet.

Cash flow statement - A statement showing when actual cash will be received and spent by the Municipality. Cash payments do not always coincide with budgeted expenditure timings. For example, when an invoice is received by the Municipality it is shown as expenditure in the month it is received, even though it may not be paid in the same period.

DORA - Division of Revenue Act. Annual legislation that shows the total allocations made by national to provincial and local government.

Equitable Share - A general grant paid to municipalities. It is predominantly targeted to help with free basic services.

Fruitless and wasteful expenditure - Expenditure that was made in vain and would have been avoided had reasonable care been exercised.

GFS - Government Finance Statistics. An internationally recognised classification system that facilitates like for like comparison between municipalities.

GRAP - Generally Recognised Accounting Practice. The new standard for municipal accounting.

IDP - Integrated Development Plan. The main strategic planning document of the Municipality

KPI's - Key Performance Indicators. Measures of service output and/or outcome.

MFMA - The Municipal Finance Management Act - No. 53 of 2003. The principle piece of legislation relating to municipal financial management.

MTREF - Medium Term Revenue and Expenditure Framework. A medium term financial plan, usually 3 years, based on a fixed first year and indicative further two years budget allocations. Also includes details of the previous and current years' financial position.

Net Assets - Net assets are the residual interest in the assets of the entity after deducting all its liabilities. This means the net assets of the municipality equates to the "net wealth" of the municipality, after all assets were sold/recovered and all liabilities paid. Transactions which do not meet the definition of Revenue or Expenses, such as increases in values of Property, Plant and Equipment where there is no inflow or outflow of resources are accounted for in Net Assets.

Operating Expenditure - Spending on the day to day expenses of the Municipality such as salaries and wages.

Rates - Local Government tax based on the assessed value of a property. To determine the rates payable, the assessed rateable value is multiplied by the rate in the rand.

SDBIP - Service Delivery and Budget Implementation Plan. A detailed plan comprising quarterly performance targets and monthly budget estimates.

Strategic Objectives - The main priorities of the Municipality as set out in the IDP. Budgeted spending must contribute towards the achievement of the strategic objectives.

Systems Act - The Local Government: Municipal Systems Act 2000 (Act 32 of 2000).

Unauthorised expenditure - Generally, spending without, or in excess of, an approved budget.

Virement - A transfer of budget.

Vote - One of the main segments of a budget. In Maletswai Municipality this means at function level.

FINANCIAL PLAN - 3 YEAR BUDGET

Section 1 - Mayor's foreword

The Systems Act requires a municipality to include a financial plan, including a 3 year budget, in the annual Integrated Development Plan. In essence this financial plan is a medium term strategic framework on how the municipality plans to deliver services, within financial means.

I am pleased to announce that our MTREF materially complies with the latest budget regulations as well as the requirements of the National Treasury, for which I must thank the Chief Financial Officer and his staff for the tremendous effort.

A significant change to the budget for the prior years is the effect of the water- and sanitation functions on the budget. The Auditor-General, during the 2009 audit cycle, concluded that these functions must be accounted for as an "agency" function. This was consistent with the way it was always treated by the municipality. However, this proved to be incorrect, as only the revenue and receivables should have been disclosed as "agency" functions and the resultant subsidy from the Joe Gqabi District Municipality to be treated as revenue, and all related expenses also to be included in Maletswai Municipality's financial statements. Despite the foregoing, there were still concerns about the correct treatment in terms of GRAP, as well as the financial effect of any changes in the systems applied in the past, and as our officials naturally wanted to protect the interest of the municipality, negotiations on this issue continued for more than a year.

I am pleased to announce that finally clarity has been obtained, including input from the National Treasury and the Accounting Standards Board, and that it was determined that the municipality must still budget for the expenditure related to these functions, as if the municipality is an external service provider to the Joe Gqabi District Municipality. In addition, the new Service Delivery Agreement was also signed and its roles, responsibilities, risks and rewards now clearly determined. These adjustments meant that the water and sanitation functions are now again re-incorporated into the budget of Maletswai Municipality and our Adjustment Budget, also tabled today, already provides for it.

The Council's strategic objective of service delivery includes the continuation of the acceptable levels of service as well as the improvement in those areas where it lacks acceptable levels.

The balancing act is to achieve these objectives with available financial resources, and to always consider the effect of tariff adjustments on the community at large, and specifically the poor. In addition, the municipality did not escape the effect of the global economic downturn, as well as the

recently announced tariff increases by ESCOM, and this makes the achievement of the service delivery objectives so much more difficult.

The forecasted expenditure can be summarised as follows: (R 000)

TYPE	2011/2012	2012/2013	2013/2014
Operating	128,176	137,974	148,990
Capital	30,389	16,359	17,063
TOTAL	158,565	154,333	166,053

We need to recognise the funding role of the National and Provincial Governments, with contributions from these spheres of governments through grants and subsidies being 37% of total expenditure or 36% of total revenue.

An indication of our commitment is that we grant rebates of 34,4% on service charges. In addition to these rebates and discounts, which provides for free basic services to the poor, a further 6.2% of billing is being budgeted for as a contribution to debt impairment. This, together with the funding as mentioned above, are also indicative of the level of unemployment and poverty in the region, and we must assist in National - and Provincial programs to improve this situation within the means of our Constitutional mandates.

National -, Provincial -, District - and local priorities for service delivery must be aligned and this is to a large degree achieved through the Integrated Development Plan process, whereby communities give input into service needs and which is being incorporated into the I.D.P. The different spheres of government then allocate resources to these requirements, but I must emphasise again that it is only to the extent that resources are available.

Our infrastructure development objectives are obviously to have services at acceptable levels to all, and for this purpose the budget for 2010/11 provides for roads - and storm water projects totalling R11.14 million which will also contribute to the national priority of safety.

While we recognise the need for the extension of services through infrastructure development, we must also recognise the need for the maintenance of these infrastructures and to this end we provide in the capital program for replacement of some of our aging vehicles and equipment. However, to provide for the capital is probably not that problematic, but to find the funds to maintain our infrastructure and other assets properly in the operating budget, without overburdening our consumers and ratepayers, is the big concern. It is common knowledge that

the first place where funds are cut when other expenditure items increase to such an extent that a reduction in expenditure is necessary, is on maintenance votes. In this budget our maintenance expenditure equates to 4.2% of operating expenditure, which is in line with national averages, but the pressure on this type of expenditure is increasing every year.

I must also mention the effect of the ESCOM bulk tariff increases and the limitations set by NERSA on the electricity increases to be applied by the municipality. The ESCOM bulk tariff increases for the current year is set at 26, 71%, while the increase allowed for the municipality is 20, 38%.

I believe the municipality has done all in our power to address service delivery requirements within our financial means and would like to thank our community for their inputs into the I.D.P. process, my fellow Councillors for their continued hard work and support as well as the Municipal Manager and his staff for all their efforts.

Section 2 - 3 Year Forecast

Introduction

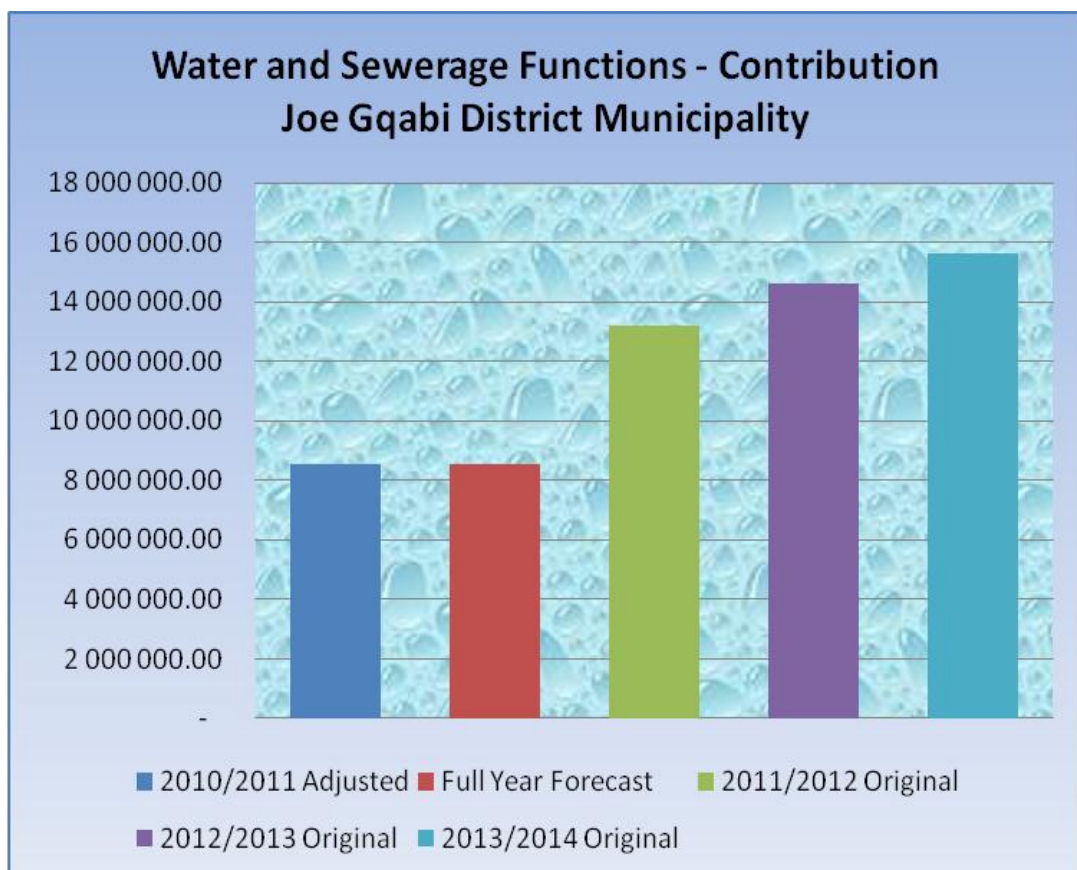
The budget is the second budget of the municipality which is in the formats prescribed in the new Budget Regulations and is therefore significantly different from prior year's budgets formats.

This budget is also the second budget of the municipality that complies with the requirements of Generally Recognised Accounting Practises (GRAP) and is again significantly different from prior year's budgets.

Full budgetary compliance in all aspects of the regulations and GRAP will take time, as systems, and especially obtaining statistical information, needs to be adapted, but already this year much more information is available and incorporated in to this budget.

Effect of the annual budget

A significant change in the budget from last year is the re-incorporation of the budgets for the Water - and Sanitation functions back from Joe Gqabi District Municipality, after it was removed in the 2009 financial year. The budgets as presented here have therefore been "restated" to reflect better comparative information.



The projected forecasts for the MTREF are as follows: (R 000)

OPERATING BUDGET (R 000)

Type	2011/12	2012/13	2013/14
Revenue	156,087	156,956	168,576
Expenditure	128,176	137,974	148,990
Surplus/(Deficit)	27,911	18,983	19,585
Less: Capital Grants	23,534	16,001	16,766
Surplus/Deficit excluding Capital Grants	4,378	2,981	2,819

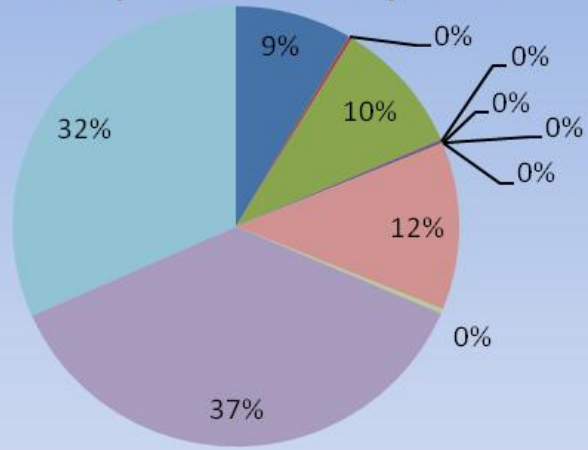
CAPITAL BUDGET (R 000)

Objective	2011/12	2012/13	2013/14
Governance and Admin	2,625	940	3,149
Community and Safety Services	9,814	295	105
Economic Services	14,913	12,890	50
Trading Services	3,037	2,234	13,758
Total	30,389	16,359	17,063

The projected funding of the capital budget is as follows: (R 000)

Funding Source	2011/12	2012/13	2013/14
National Government	23,534	16,001	16,766
Borrowing	4,000	-	-
Own Funds	2,855	358	297
Total	30,389	16,359	17,063

Capital Expenditure by Vote



- Vote1 - Budget and Treasury
- Vote2 - Community and Social Services
- Vote3 - Electricity
- Vote4 - Executive & Council
- Vote5 - Health
- Vote6 - Housing
- Vote7 - Other
- Vote8 - Planning and Development
- Vote9 - Public Safety
- Vote10 - Road Transport
- Vote11 - Sport and Recreation

The summarised results of the MTREF are as follows:

Standard Classification Description	2009/10	2011 Original Budget	2011 Adjusted Budget	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<u>Financial Performance</u>						
Property rates	7 425	7 575	8 700	9 396	9 754	10 534
Service charges	30 729	45 888	56 639	67 592	73 434	79 455
Investment revenue	494	641	355	380	411	443
Transfers recognised - operational	20 313	23 829	22 233	23 576	25 275	26 939
Other own revenue	13 117	15 727	27 606	31 609	32 082	34 438
Total Revenue (excluding capital transfers and contributions)	72 079	93 661	115 533	132 553	140 955	151 810
Employee costs	34 762	41 365	42 790	47 377	51 630	55 761
Remuneration of councillors	–	–	2 635	2 718	2 963	3 200
Depreciation & asset impairment	–	–	–	–	–	–
Finance charges	1 294	871	736	771	813	856
Materials and bulk purchases	21 215	26 957	27 652	34 662	37 781	40 804
Transfers and grants	379	100	100	107	116	125
Other expenditure	22 216	19 905	35 219	42 540	44 671	48 245
Total Expenditure	79 866	89 197	109 133	128 176	137 974	148 990
Surplus/(Deficit)	(7 787)	4 463	6 400	4 378	2 981	2 819
Transfers recognised - capital	17 744	1 049	19 040	23 534	16 001	16 766
Contributions recognised - capital & contributed assets	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	9 957	5 512	25 441	27 911	18 983	19 585
Share of surplus/ (deficit) of associate	–	–	–	–	–	–
Surplus/(Deficit) for the year	9 957	5 512	25 441	27 911	18 983	19 585
<u>Capital expenditure & funds sources</u>						
Capital expenditure	16 799	28 190	27 764	30 389	16 359	17 063
Transfers recognised - capital	17 744	1 049	19 040	23 534	16 001	16 766
Public contributions & donations	–	–	–	–	–	–
Borrowing	–	2 540	3 401	4 000	–	–
Internally generated funds	(945)	24 601	5 323	2 855	358	297
Total sources of capital funds	16 799	28 190	27 764	30 389	16 359	17 063
<u>Financial position</u>						
Total current assets	17 309	18 612	18 612	22 609	29 308	35 891
Total non current assets	145 092	172 701	172 275	202 664	219 023	236 086
Total current liabilities	25 588	47 946	26 730	28 998	33 067	37 348
Total non current liabilities	9 465	10 506	11 367	15 574	15 581	15 361
Community wealth/Equity	127 348	132 860	152 789	180 701	199 683	219 269

Standard Classification Description	2009/10	2011 Original Budget	2011 Adjusted Budget	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<u>Cash flows</u>						
Net cash from (used) operating	11 404	8 131	28 060	32 166	22 645	23 176
Net cash from (used) investing	(16 700)	(27 494)	(27 068)	(30 266)	(16 226)	(16 919)
Net cash from (used) financing	(490)	935	1 796	2 760	(500)	(850)
Cash/cash equivalents at the year end	(2 806)	(21 233)	(17)	4 643	10 562	15 969
<u>Cash backing/surplus reconciliation</u>						
Cash and investments available	(2 225)	(21 233)	(17)	4 643	10 562	15 969
Application of cash and investments	(1 717)	3 003	3 003	2 034	2 764	3 063
Balance - surplus (shortfall)	(507)	(24 236)	(3 021)	2 610	7 798	12 906
<u>Asset management</u>						
Asset register summary (WDV)	10 979	10 979	10 979	10 979	10 979	10 979
Depreciation & asset impairment	-	-	-	-	-	-
Renewal of Existing Assets	6 337	6 337	3 000	5 000	-	-
Repairs and Maintenance	3 056	3 419	4 749	5 383	5 240	5 660

CASH FLOWS

Budgeted cash flows are monitored by the municipality to ensure they are maintained at an acceptable level and ensure sufficient funds for future projects. The upward trends as depicted below are also further evidence of a well managed municipality.

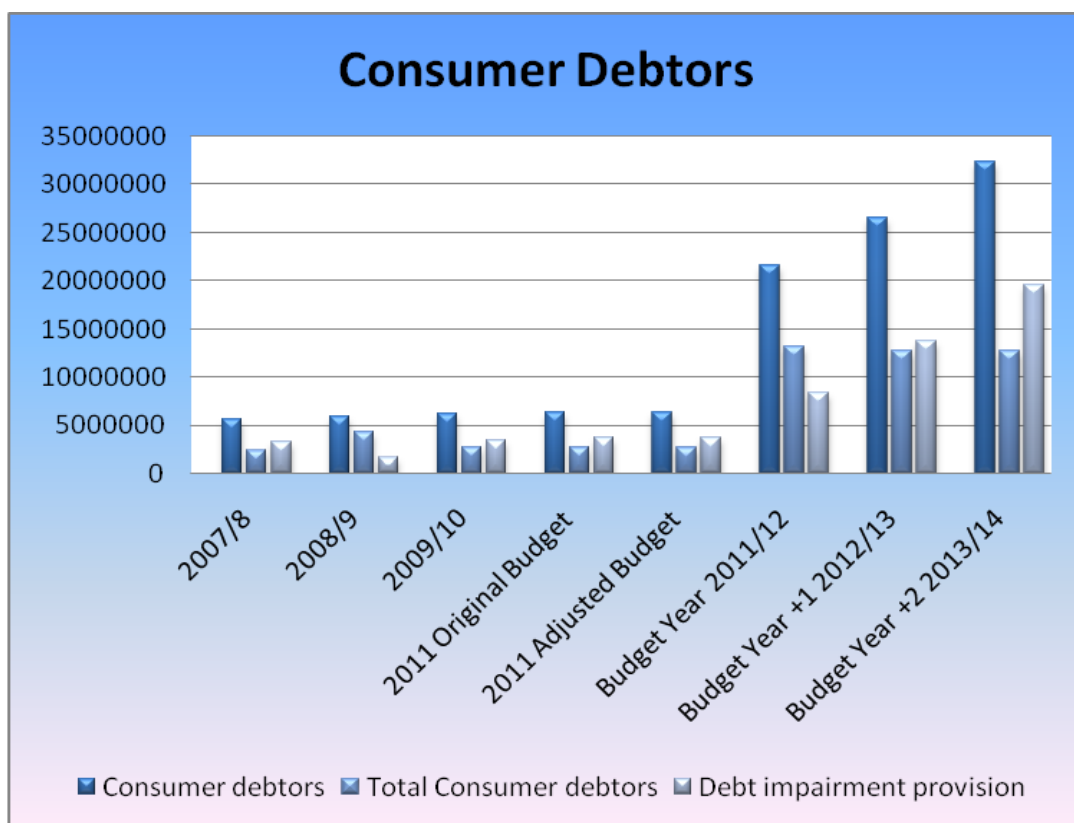
CASH BALANCES	2011/12	2012/13	2013/14
National Government	4 643	10 562	15 969
Total	4 643	10 562	15 969

TARIFFS

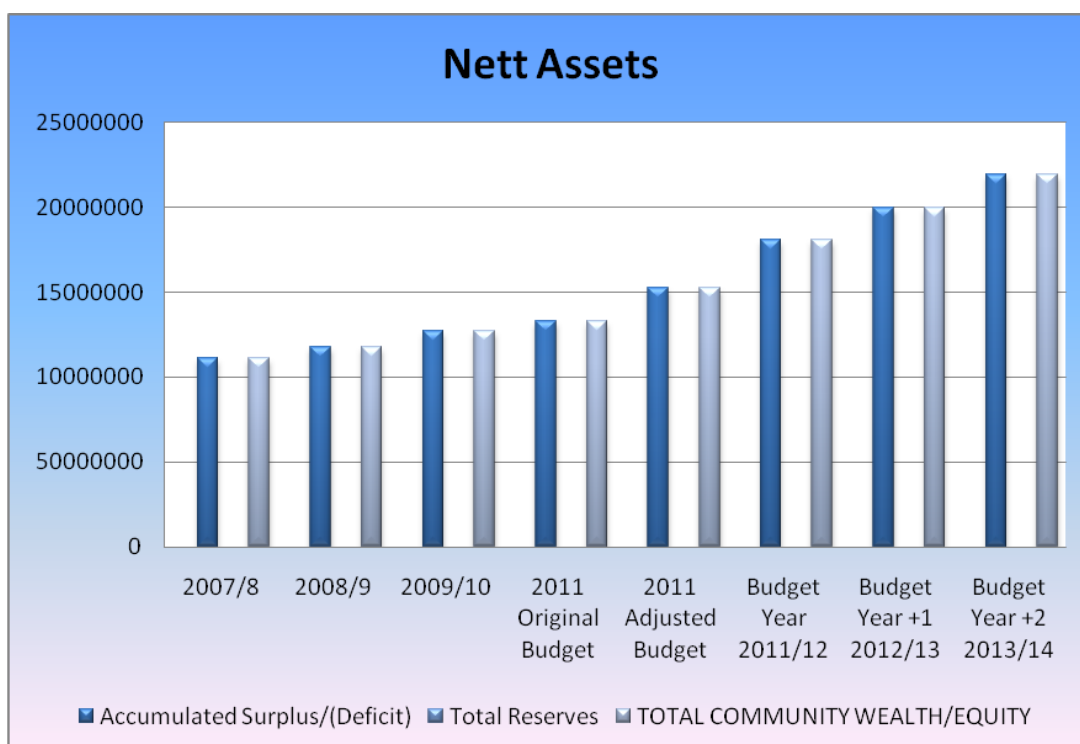
The major tariff adjustments are as follows:

Property Rates		8%
Waste Water		10%
Waste Management		20%
Water		10%
Basic charge		20.38%
Electricity: Conventional units	1 - 50kwh	20.38%
Electricity: Conventional units	51 - 350kwh	20.38%
Electricity: Conventional units	351 - 600kwh	20.38%
Electricity: Conventional units	>600kwh	20.38%
Electricity: Prepaid units	1 - 50kwh	20.38%
Electricity: Prepaid units	51 - 350kwh	20.38%
Electricity: Prepaid units	351 - 600kwh	20.38%
Electricity: Prepaid units	>600kwh	20.38%

Payment levels is decreasing over the past few years, probably to a large degree as a result of the economic meltdown, and strict credit control, together with an understanding of the economic situation, is still paramount.



Net assets are projected to be R 181 million at the end of the budget year and climbing to R219 million in the final year of the forecast. This is mainly as a result of capital expenditure funded from government transfers and the increase in the cash reserves of the municipality.



The Municipality's budget must be seen within the context of the policies and financial priorities of the National, Provincial and district government. In essence, the spheres of Government are partners in meeting the service

delivery challenges faced in Maletswai. Maletswai Municipality alone, however, cannot meet these challenges. It requires support from the other spheres of Government through the direct allocation of resources as well as the achievement of their own policies.

The National Context

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

The following table shows the allocations to Maletswai Municipality as set out in the National Budget Division of Revenue Bill in the MTEF period; and the Provincial allocations:

Description R thousand	2011/12 Medium Term Revenue & Expenditure Framework		
	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
National Government:			
MSIG	790	800	900
Finance Management Grant	800	800	800
EPWP	536	-	-
Provincial Government:			
Spatial Development	272	294	318
District Municipality:			
IDP Fund	75	81	87
Other grant providers:			
LED	57	62	66
Library Fund	822	887	958
Total Operating Transfers and Grants	23 576	25 275	26 939
Capital Transfers and Grants			
National Government:			
Municipal Infrastructure (MIG)	11 141	13 547	14 292
Finance Management	700	700	700
National Electrification Grant	2 632	1 754	1 754
Other grant providers:			
LED	4 461		
Aliwal SpA	4 600		
Total Capital Transfers and Grants	23 534	16 001	16 747
TOTAL RECEIPTS OF TRANSFERS & GRANTS	47 110	41 276	43 685

Assumptions used in the budget

Each year, National Treasury issues a circular to municipalities advising them of the budget parameters within which municipalities should work when preparing their budgets.

The headline CPIX forecast for 2011/12, 2012/13 and 2013/14 is 5,1 percent, 4,3 percent and 4,5 percent respectively. However these figures can change

very fast due to external factors as recently experienced. The current estimate for 2010/11 in the MFMA Circular is 5,2 percent.

These growth parameters apply to tariff increases for property rates, user and other charges raised by municipalities and municipal entities, to ensure that all spheres of government support the national macroeconomic policies, unless it can be shown that external factors impact otherwise. Unfortunately, as explained earlier on, the effect of the ESCOM tariff adjustments *inter alia* forces the municipality to increase tariffs by much more than the CPIX forecasts.

There are no proposed material amendments to the budget related policies.

The budget fully complies with the requirements of the municipality's Funding and Reserves Policy.

The major data and assumptions used in the preparation of the budget are as follows:

Increase in Employee related costs	9.0%
Increase in inflation parameters	5, 1%
Average payment rate	85%

Basic services are provided to a large degree to all the towns in the municipal boundaries, and there is a continuing effort in extending services. The total cost of providing free services, as well as rebates and discounts to the community, is R9 million.

CONCLUSION

The budget is cash - funded while, at the same time, extending within financial means, service delivery and free basic services.

3 Year budget tables

The 3 year projection, which is a requirement of the Systems Act, is set out below.

As mentioned in the Executive Summary the budget changed significantly due to the removal of the Water and Sanitation functions as well as the introduction to GRAP.

The Budget tables are:

Table A1 - Budget Summary

Table A3A - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Table A4 - Budgeted Financial Performance (revenue and expenditure)

Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding

Table A6 - Budgeted Financial Position

Table A7 - Budgeted Cash Flows

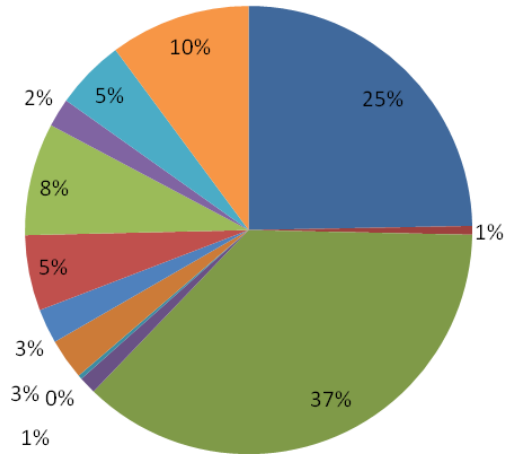
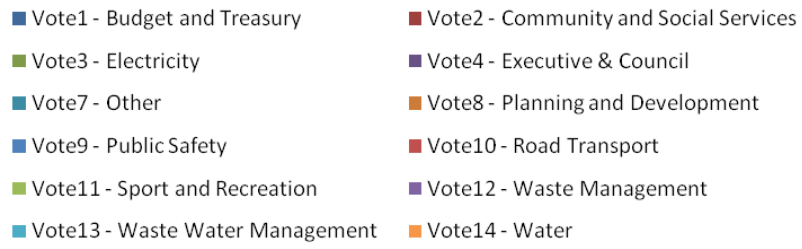
EC143 Maletswai - Table A1 Budget Summary

Description	2011/12 Medium Term Revenue & Expenditure Framework		
	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousands			
<u>Financial Performance</u>			
Property rates	9 396	9 754	10 534
Service charges	67 592	73 434	79 455
Investment revenue	380	411	443
Transfers recognised - operational	23 576	25 275	26 939
Other own revenue	31 609	32 082	34 438
Total Revenue (excluding capital transfers and contributions)	132 553	140 955	151 810
Employee costs	47 377	51 630	55 761
Remuneration of councillors	2 718	2 963	3 200
Depreciation & asset impairment	–	–	–
Finance charges	771	813	856
Materials and bulk purchases	34 662	37 781	40 804
Transfers and grants	107	116	125
Other expenditure	42 540	44 671	48 245
Total Expenditure	128 176	137 974	148 990
Surplus/(Deficit)	4 378	2 981	2 819
Transfers recognised - capital	23 534	16 001	16 766
Surplus/(Deficit) for the year	27 911	18 983	19 585
<u>Capital expenditure & funds sources</u>			
Capital expenditure	30 389	16 359	17 063
Transfers recognised - capital	23 534	16 001	16 766
Borrowing	4 000	–	–
Internally generated funds	2 855	358	297
Total sources of capital funds	30 389	16 359	17 063
<u>Financial position</u>			
Total current assets	22 609	29 308	35 891
Total non current assets	202 664	219 023	236 086
Total current liabilities	28 998	33 067	37 348
Total non current liabilities	15 574	15 581	15 361
Community wealth/Equity	180 701	199 683	219 269
<u>Cash flows</u>			
Net cash from (used) operating	32 166	22 645	23 176
Net cash from (used) investing	(30 266)	(16 226)	(16 919)
Net cash from (used) financing	2 760	(500)	(850)
Cash/cash equivalents at the year end	4 643	10 562	15 969
<u>Cash backing/surplus reconciliation</u>			
Cash and investments available	4 643	10 562	15 969
Application of cash and investments	2 034	2 764	3 063
Balance - surplus (shortfall)	2 610	7 798	12 906

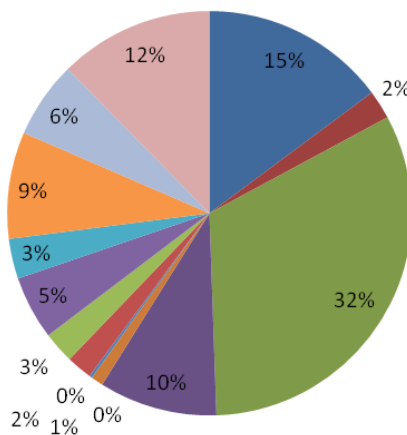
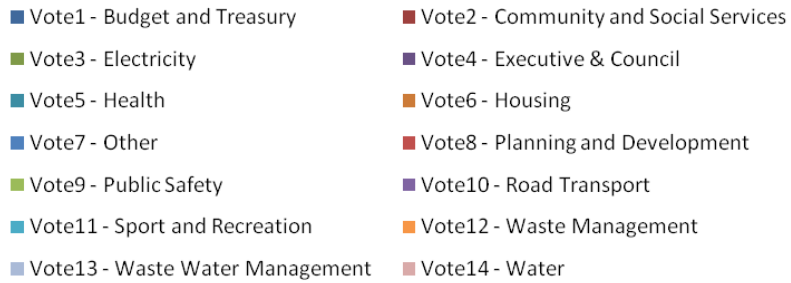
EC143 Maletswai - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description R thousand	2011/12 Medium Term Revenue & Expenditure Framework		
	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Revenue by Vote			
Vote1 - Budget and Treasury	38 555	41 645	44 525
Vote2 - Community and Social Services	989	1 068	1 154
Vote3 - Electricity	57 543	61 389	66 159
Vote4 - Executive & Council	1 953	2 088	2 228
Vote5 - Health	–	–	–
Vote6 - Housing	–	–	–
Vote7 - Other	463	500	540
Vote8 - Planning and Development	4 593	143	154
Vote9 - Public Safety	3 895	4 206	4 543
Vote10 - Road Transport	8 503	14 839	15 707
Vote11 - Sport and Recreation	12 663	1 532	1 654
Vote12 - Waste Management	3 223	3 480	3 759
Vote13 - Waste Water Management	7 873	8 582	9 268
Vote14 - Water	15 834	17 486	18 884
Total Revenue by Vote	156 087	156 956	168 575
Expenditure by Vote to be appropriated			
Vote1 - Budget and Treasury	19 001	20 565	22 210
Vote2 - Community and Social Services	2 949	3 197	3 453
Vote3 - Electricity	41 434	45 124	48 734
Vote4 - Executive & Council	12 122	12 981	14 019
Vote5 - Health	–	–	–
Vote6 - Housing	1 240	1 351	1 459
Vote7 - Other	294	318	343
Vote8 - Planning and Development	2 632	2 024	2 186
Vote9 - Public Safety	3 230	3 512	3 793
Vote10 - Road Transport	6 520	6 481	6 978
Vote11 - Sport and Recreation	4 108	4 462	4 819
Vote12 - Waste Management	10 938	11 894	12 845
Vote13 - Waste Water Management	7 873	8 582	9 268
Vote14 - Water	15 834	17 486	18 884
Total Expenditure by Vote	128 176	137 974	148 990
Surplus/(Deficit) for the year	27 911	18 983	19 585

Revenue by Vote

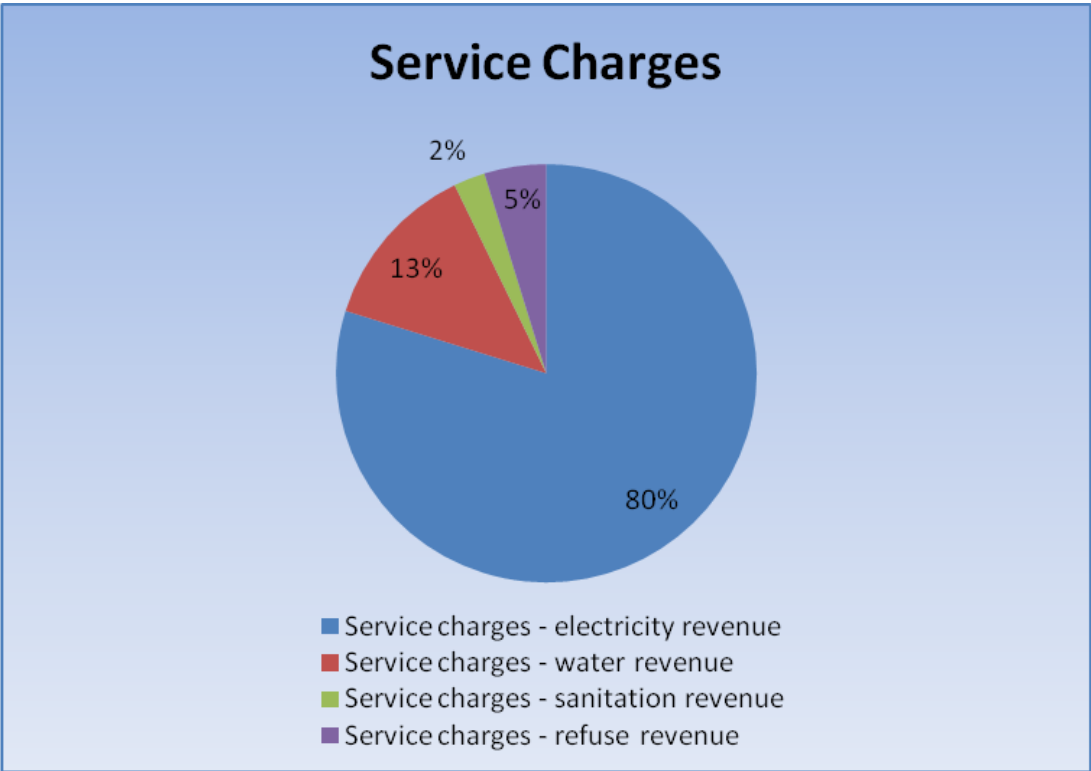
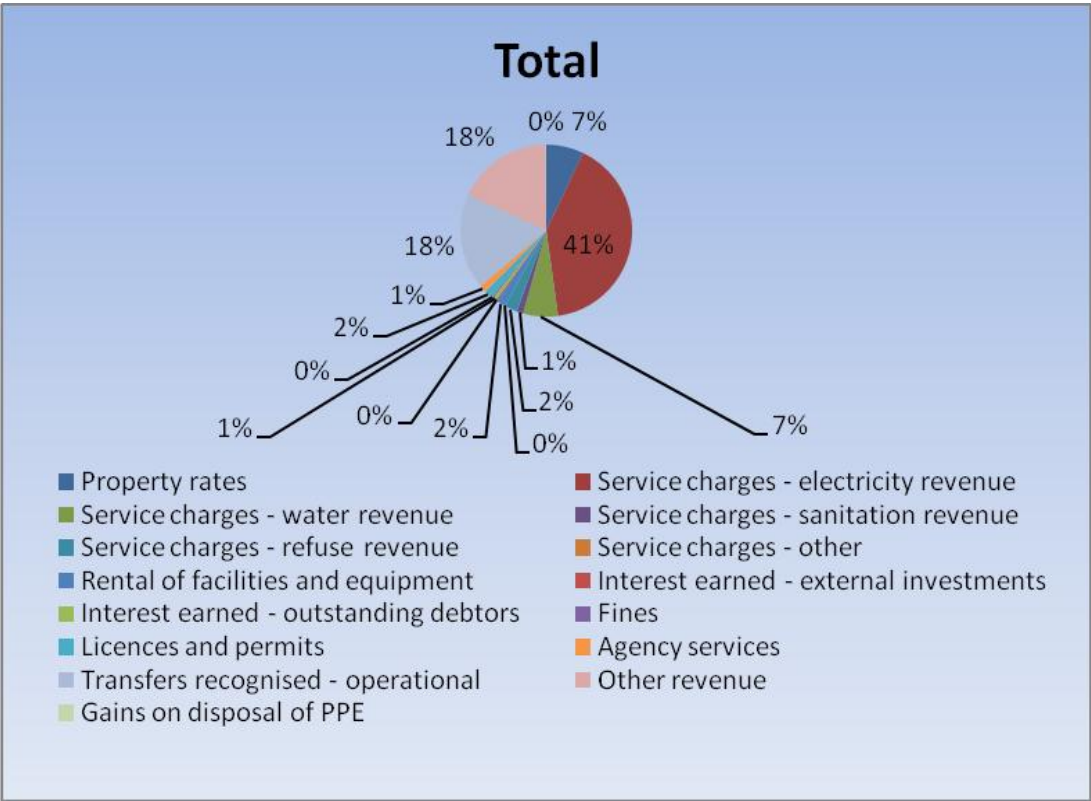


Expenditure by Vote



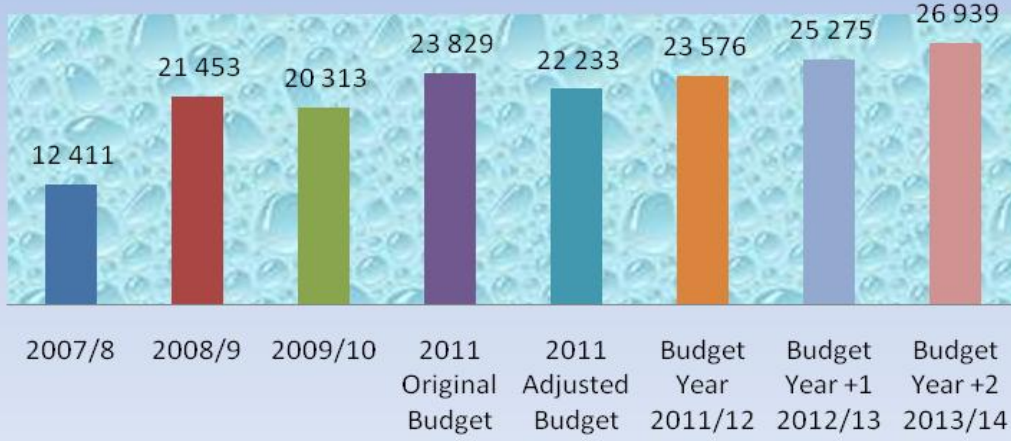
EC143 Maletswai - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	2011/12 Medium Term Revenue & Expenditure Framework		
	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand			
<u>Revenue By Source</u>			
Property rates	9 396	9 754	10 534
Service charges - electricity revenue	53 958	58 604	63 293
Service charges - water revenue	8 777	9 566	10 479
Service charges - sanitation revenue	1 644	1 792	1 935
Service charges - refuse revenue	3 214	3 471	3 749
Service charges - other	–	–	–
Rental of facilities and equipment	2 318	2 523	2 725
Interest earned - external investments	380	411	443
Interest earned - outstanding debtors	803	867	936
Fines	388	419	452
Licences and permits	2 151	2 323	2 509
Agency services	1 796	1 944	2 100
Transfers recognised - operational	23 576	25 275	26 939
Other revenue	24 046	23 891	25 592
Gains on disposal of PPE	107	116	125
Total Revenue (excluding capital transfers and contributions)	132 553	140 955	151 810
<u>Expenditure By Type</u>			
Employee related costs	47 377	51 630	55 761
Remuneration of councillors	2 718	2 963	3 200
Debt impairment	4 739	5 387	5 818
Depreciation & asset impairment	–	–	–
Finance charges	771	813	856
Bulk purchases	34 662	37 781	40 804
Transfers and grants	107	116	125
Other expenditure	37 816	39 301	42 445
Loss on disposal of PPE	(16)	(17)	(19)
Total Expenditure	128 176	137 974	148 990
Surplus/(Deficit)	4 378	2 981	2 819
Transfers recognised - capital	23 534	16 001	16 766
Surplus/(Deficit) for the year	27 911	18 983	19 585



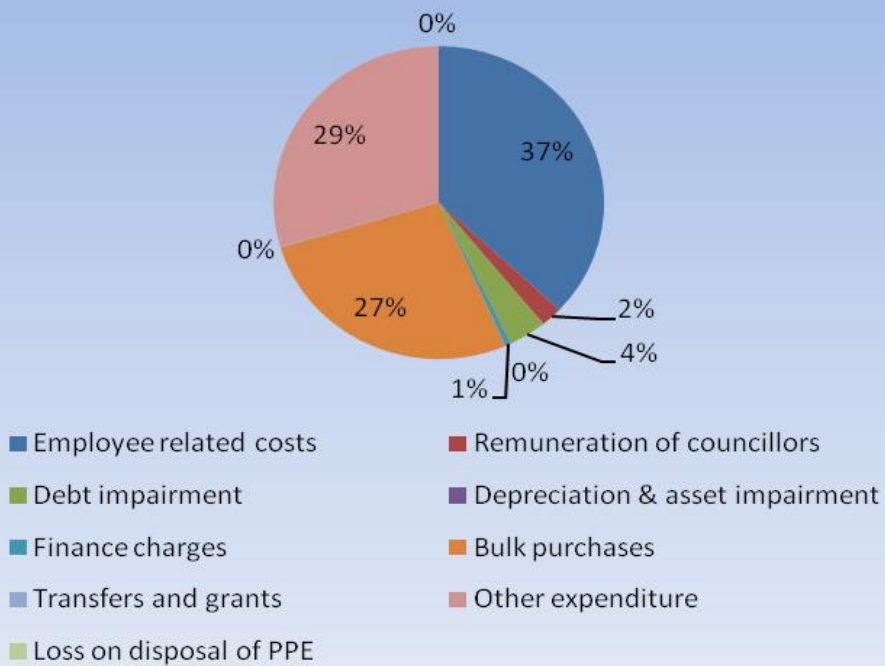
Operational Grants Received

- 2007/8
- 2008/9
- 2009/10
- 2011 Original Budget
- 2011 Adjusted Budget
- Budget Year 2011/12
- Budget Year +1 2012/13
- Budget Year +2 2013/14

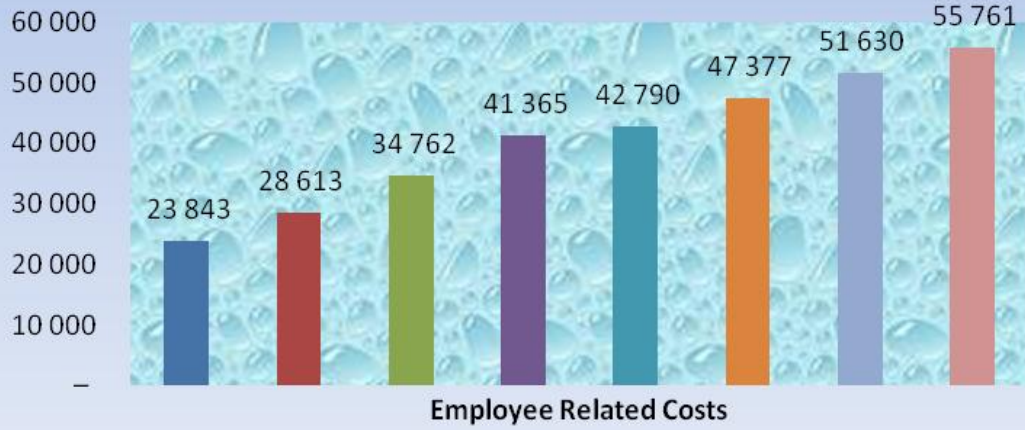
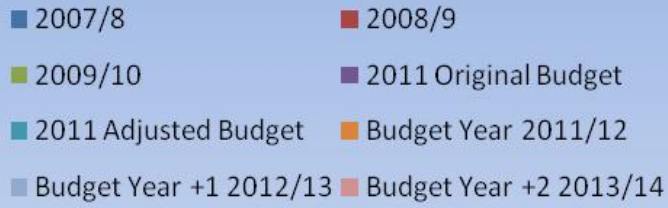


Tranfers Recognised - Operational

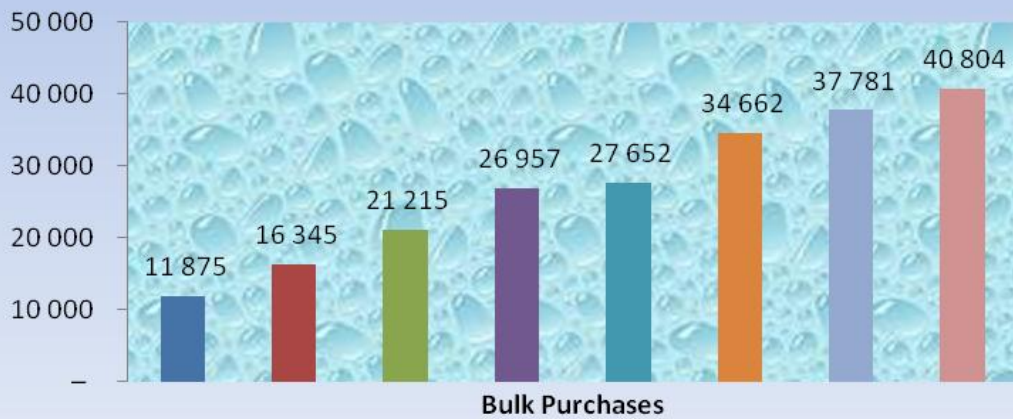
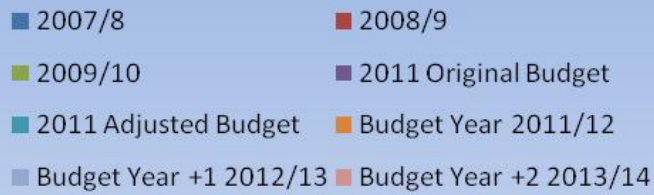
Expenditure Allocations



Employee Related Costs

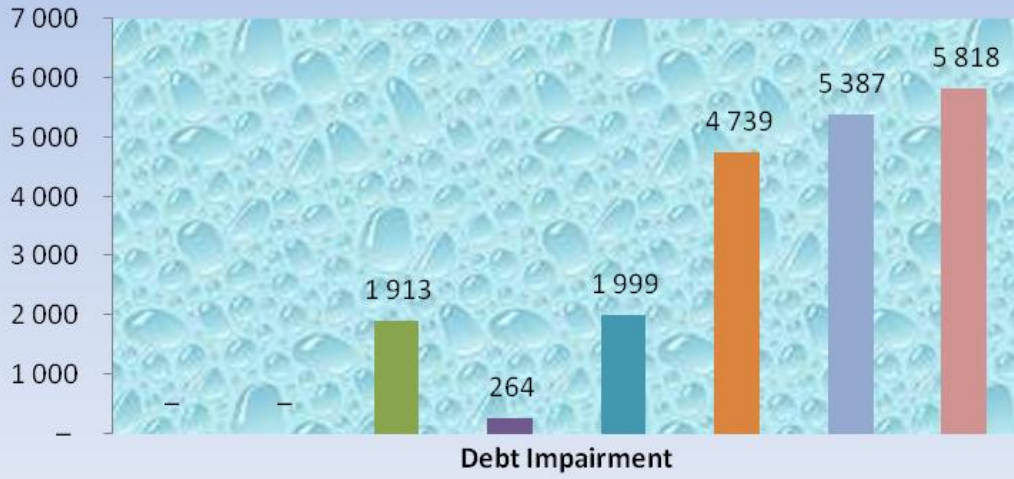


Bulk Purchases



Debt Impairment

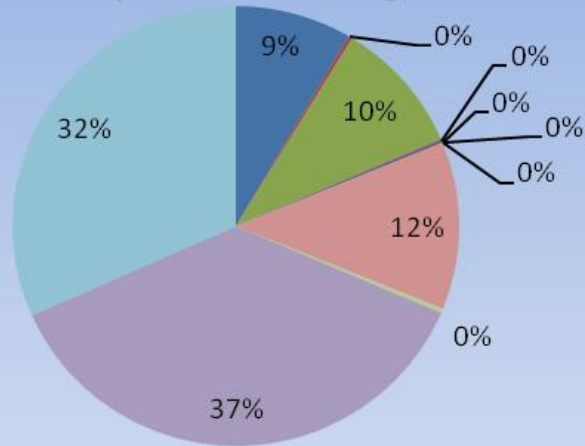
- 2007/8
- 2008/9
- 2009/10
- 2011 Original Budget
- 2011 Adjusted Budget
- Budget Year 2011/12
- Budget Year +1 2012/13
- Budget Year +2 2013/14



EC142 Maletswai - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

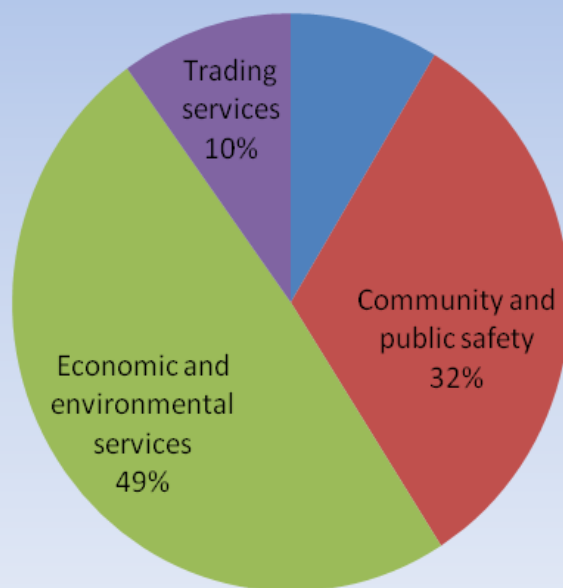
Vote Description	2011/12 Medium Term Revenue & Expenditure Framework		
	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand			
Capital expenditure - Vote			
Single-year expenditure to be appropriated			
Executive & Council	150	161	172
Planning & Development	100	107	114
Corporate Services	850	161	172
Budget & Treasury	450	482	515
Road Transport	18 405	18 886	17 765
Waste Water Management	4 000	8 774	7 236
Community & Social Services	3 200	1 903	15 056
Sport & Recreation	3 962	6 092	-
Electricity	3 061	3 275	3 504
Waste Management	4 996	4 529	1 740
Capital single-year expenditure sub-total	39 173	44 369	46 273
Total Capital Expenditure - Vote	39 173	44 369	46 273
Capital Expenditure - Standard			
Governance and administration	1 450	803	859
Executive and council	150	161	172
Budget and treasury office	450	482	515
Corporate services	850	161	172
Community and public safety	7 162	7 995	15 056
Community and social services	3 200	1 903	15 056
Sport and recreation	3 962	6 092	-
Economic and environmental services	18 505	18 993	17 879
Planning and development	100	107	114
Road transport	18 405	18 886	17 765
Trading services	12 056	16 578	12 479
Electricity	3 061	3 275	3 504
Waste water management	4 000	8 774	7 236
Waste management	4 996	4 529	1 740
Total Capital Expenditure - Standard	39 173	44 369	46 273
Funded by:			
National Government	21 947	26 686	28 153
Internally generated funds	17 227	17 683	18 120
Total Capital Funding	39 173	44 369	46 273

Capital Expenditure by Vote



- Vote1 - Budget and Treasury
- Vote2 - Community and Social Services
- Vote3 - Electricity
- Vote4 - Executive & Council
- Vote5 - Health
- Vote6 - Housing
- Vote7 - Other
- Vote8 - Planning and Development
- Vote9 - Public Safety
- Vote10 - Road Transport
- Vote11 - Sport and Recreation

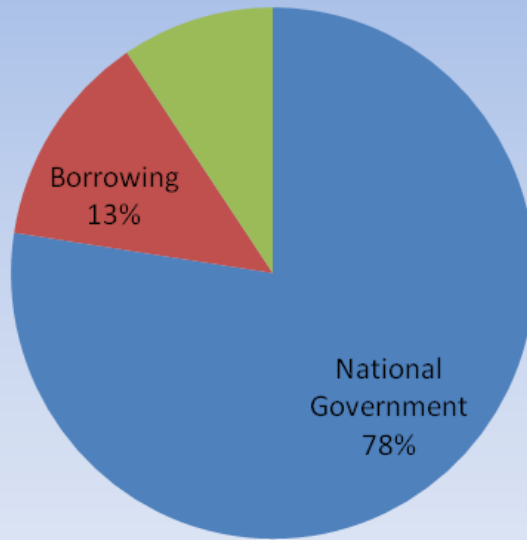
Capital Expenditure by National Priority



Governance
and
administration
9%

Internally
generated
funds
9%

Funding of Capital Budget



EC143 Maletswai - Table A6 Budgeted Financial Position

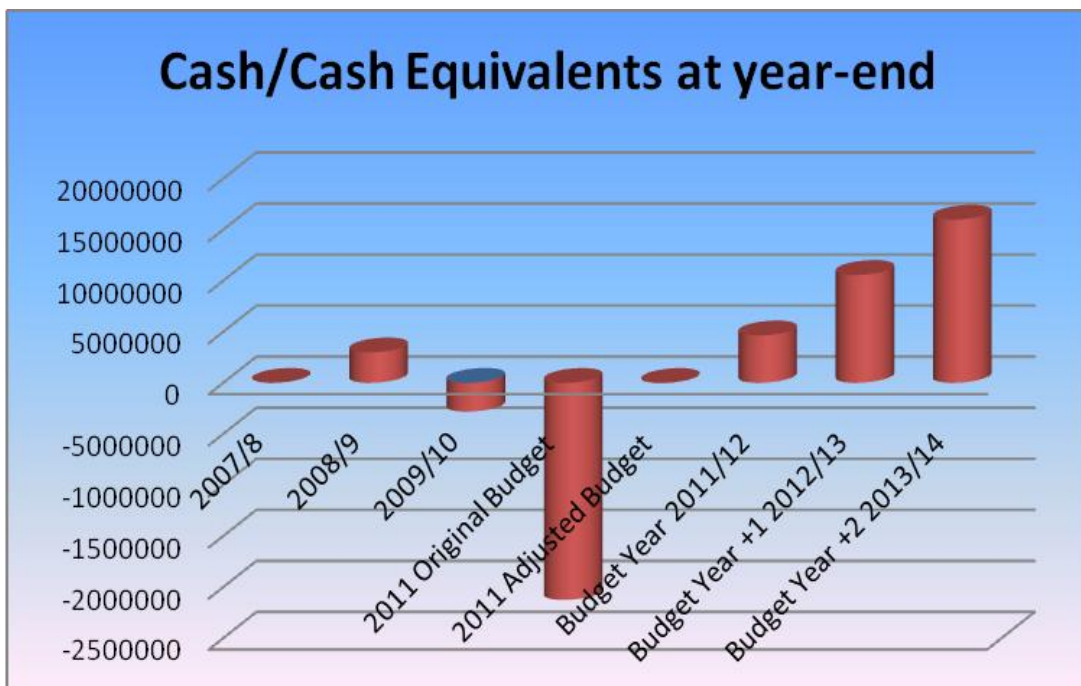
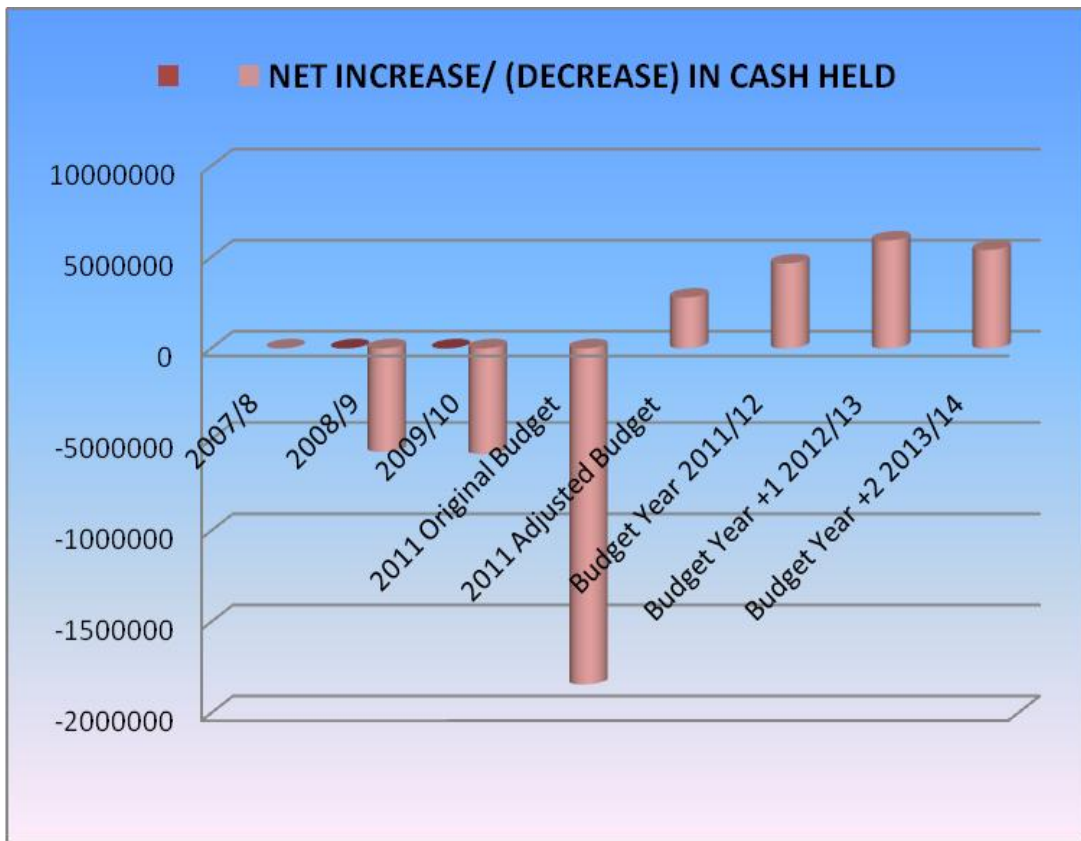
Description	2011/12 Medium Term Revenue & Expenditure Framework			
	R thousand	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
ASSETS				
Current assets				
Cash	500	500	500	
Call investment deposits	4 143	10 062	15 469	
Consumer debtors	13 182	12 763	12 688	
Other debtors	4 771	5 971	7 221	
Inventory	13	13	13	
Total current assets	22 609	29 308	35 891	
Non current assets				
Property, plant and equipment	191 685	208 044	225 107	
Investment property	8 768	8 768	8 768	
Biological	1 118	1 118	1 118	
Intangible	1 094	1 094	1 094	
Total non current assets	202 664	219 023	236 086	
TOTAL ASSETS	225 273	248 332	271 977	
LIABILITIES				
Current liabilities				
Borrowing	800	1 150	1 550	
Consumer deposits	2 100	2 400	2 700	
Trade and other payables	16 403	17 723	19 156	
Provisions	9 695	11 794	13 942	
Total current liabilities	28 998	33 067	37 348	
Non current liabilities				
Borrowing	7 746	6 596	5 046	
Provisions	7 829	8 986	10 315	
Total non current liabilities	15 574	15 581	15 361	
TOTAL LIABILITIES	44 572	48 648	52 708	
NET ASSETS	180 701	199 683	219 269	
COMMUNITY WEALTH/EQUITY				
Accumulated Surplus/(Deficit)	180 701	199 683	219 269	
Reserves	-	-	-	
TOTAL COMMUNITY WEALTH/EQUITY	180 701	199 683	219 269	

CASH FLOWS

Budgeted cash flows are monitored by the municipality to ensure they are maintained at an acceptable level and ensure sufficient funds for future projects. The upward trends as depicted below are also further evidence of a well managed municipality.

EC143 Maletswai - Table A7 Budgeted Cash Flows

Description	2011/12 Medium Term Revenue & Expenditure Framework		
	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand			
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other	103 094	108 120	116 373
Government - operating	23 576	25 275	26 939
Government - capital	23 534	16 001	16 747
Interest	1 183	1 277	1 379
Payments			
Suppliers and employees	(118 342)	(127 100)	(137 281)
Finance charges	(771)	(813)	(856)
Transfers and Grants	(107)	(116)	(125)
NET CASH FROM/(USED) OPERATING ACTIVITIES	32 166	22 645	23 176
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts			
Proceeds on disposal of PPE	123	133	144
Payments			
Capital assets	(30 389)	(16 359)	(17 063)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(30 266)	(16 226)	(16 919)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts			
Increase (decrease) in consumer deposits	200	300	300
Borrowing long term/refinancing	4 000	-	-
Payments			
Repayment of borrowing	(1 440)	(800)	(1 150)
NET CASH FROM/(USED) FINANCING ACTIVITIES	2 760	(500)	(850)
NET INCREASE/ (DECREASE) IN CASH HELD	4 661	5 918	5 407
Cash/cash equivalents at the year begin:	(17)	4 643	10 562
Cash/cash equivalents at the year end:	4 643	10 562	15 969



Financial Performance

Alignment of the annual budget with the Integrated Development Plan, Performance Objectives and Financial Performance Indicators.

The Integrated Development Plan process aims to on a continuing basis, address service delivery needs by identifying new needs or areas of improvement. It is, however, also a known fact that the needs identified by far exceeds the resources, and in particular financial resources, available.

The alignment of the budget with the objectives set in the IDP is as follows:

CAPITAL

Strategic Objective	Goal	2011/12 Medium Term Revenue & Expenditure Framework		
		Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand				
Good Governance	To build an institution capable of effective delivery with sound administration and good governance practices	1 953	2 088	2 228
Sustainable Infrastructure Development	Provide Sustainable Infrastructure Development by improving and reconstructing access roads, other streets and storm water.	8 503	14 839	15 707
Sustainable Basic Services	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing sustainable electricity.	57 543	61 389	66 159
	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing sustainable quality water.	15 834	17 486	18 884
	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing high quality sewerage and sanitation services.	7 873	8 582	9 268
	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing high quality waste management services.	3 223	3 480	3 759
	Provide support services to all departments and contribute to the delivery of sustainable basic service delivery	463	500	540
Social Development	To create a healthy and sustainable environment by improving social services and the maintenance of public facilities and buildings.	989	1 068	1 154
	To create and maintain public areas, sportsfields and resorts for the benefit of the community.	12 663	1 532	1 654
Financial Viability	To create an environment of effective, accountable and viable financial management with reliable information technology and accurate database by fully implementting all MFMA regulations and reforms	38 555	41 645	44 525
	To create an environment of effective, accountable and viable financial management with reliable information technology and accurate database by fully implementting all MFMA regulations and reforms	4 593	143	154
Safety & Security	To create a safe and secure environment by providing traffic and related services.	3 895	4 206	4 543
		156 087	156 956	168 575

Strategic Objective	Goal	2011/12 Medium Term Revenue & Expenditure Framework		
		Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand	REVENUE			
Good Governance	To build an institution capable of effective delivery with sound administration and good governance practices	12 122	12 981	14 019
Sustainable Infrastructure Development	Provide Sustainable Infrastructure Development by improving and reconstructing access roads, other streets and storm water.	6 520	6 481	6 978
Sustainable Basic Services	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing sustainable electricity.	41 434	45 124	48 734
	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing sustainable quality water.	15 834	17 486	18 884
	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing high quality sewerage and sanitation services.	7 873	8 582	9 268
	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing high quality waste management services.	10 938	11 894	12 845
	Provide support services to all departments and contribute to the delivery of sustainable basic service delivery	294	318	343
Housing	The allocation of sufficient funds to provide housing within the municipal area	1 240	1 351	1 459
Social Development	To create a healthy and sustainable environment by improving social services and the maintenance of public facilities and buildings.	2 949	3 197	3 453
	To create and maintain public areas, sportsfields and resorts for the benefit of the community.	4 108	4 462	4 819
Financial Viability	To create an environment of effective, accountable and viable financial management with reliable information technology and accurate database by fully implementing all MFMA regulations and reforms	19 001	20 565	22 210
	To create an environment of effective, accountable and viable financial management with reliable information technology and accurate database by fully implementing all MFMA regulations and reforms	2 632	2 024	2 186
Safety & Security	To create a safe and secure environment by providing traffic and related services.	3 230	3 512	3 793
Total Revenue (excluding capital transfers and contributions)		128 176	137 974	148 990

Strategic Objective	Goal	2011/12 Medium Term Revenue & Expenditure Framework		
		Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand	OPERATING EXPENDITURE			
Good Governance	To build an institution capable of effective delivery with sound administration and good governance practices	75	80	80
Sustainable Infrastructure Development	Provide Sustainable Infrastructure Development by improving and reconstructing access roads, other streets and storm water.	11 180	12 820	13 523
Sustainable Basic Services	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing sustainable electricity.	2 987	2 184	2 184
	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing high quality waste management services.	50	50	50
Housing	The allocation of sufficient funds to provide housing within the municipal area	25	25	25
Social Development	To create a healthy and sustainable environment by improving social services and the maintenance of public facilities and buildings.	83	105	105
	To create and maintain public areas, sportsfields and resorts for the benefit of the community.	9 606	65	65
Financial Viability	To create an environment of effective, accountable and viable financial management with reliable information technology and accurate database by fully implementing all MFMA regulations and reforms	2 550	860	860
	To create an environment of effective, accountable and viable financial management with reliable information technology and accurate database by fully implementing all MFMA regulations and reforms	3 733	70	70
Safety & Security	To create a safe and secure environment by providing traffic and related services.	100	100	100
		30 389	16 359	17 063

EC143 Maletswai - Supporting Table SA8 Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2011/12 Medium Term Revenue & Expenditure Framework		
		Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<u>Borrowing Management</u>				
Borrowing to Asset Ratio	Total Long-Term Borrowing/Total Assets	3.4%	2.7%	1.9%
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	1.7%	1.2%	1.3%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	-17.0%	0.0%	0.0%
<u>Safety of Capital</u>				
Debt to Equity	Loans, Creditors, Overdraft & Tax Provision/ Funds & Reserves	24.7%	24.4%	24.0%
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%
<u>Liquidity</u>				
Current Ratio	Current assets/current liabilities	0.8	0.9	1.0
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.8	0.9	1.0
Liquidity Ratio	Monetary Assets/Current Liabilities	0.2	0.3	0.4
<u>Revenue Management</u>				
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing	98.9%	95.7%	94.6%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	13.5%	13.3%	13.1%
<u>Other Indicators</u>				
Employee costs	Employee costs/(Total Revenue - capital revenue)	35.7%	36.6%	36.7%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	20.2%	21.5%	21.7%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	0.6%	0.6%	0.6%
<u>IDP regulation financial viability indicators</u>				
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	52.5	45.7	49.4
ii.O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	22.6%	21.9%	21.5%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	0.6	1.3	1.8

Overview of budget related policies

The detailed policies are not included in this budget documentation. However they are available at the Council offices in 19 Murray Street Lady Grey, for viewing as well as on the Internet at www.maletswai.gov.za

Name of Policy	Type	Date of Council adoption (if already done)	Purpose / Basic areas covered by Policy	Summary of changes	Responsible Manager
REVENUE RELATED					
Tariff	Unchanged	May 2010 (with previous budget)	Setting criteria for establishing service tariffs	N/A	CFO
Rates	Unchanged	May 2010 (with previous budget)	Setting criteria for establishing rates tariffs	N/A	CFO
Credit control	Unchanged	May 2010 (with previous budget)	Principles and guidelines to be followed with respect to arrear consumer debt control	N/A	CFO
BUDGET AND EXPENDITURE					
Investment	Unchanged	May 2010 (with previous budget)	Guideline of procedures to be followed when investing or lending money	N/A	CFO
Borrowing and Raising of Debt	Unchanged	May 2010 (with previous budget)	To ensure that the Municipality's borrowing practices at all times comply with the relevant laws and best practices.	N/A	CFO
Cash Management and Payment of Creditors	Unchanged	May 2010 (with previous budget)	To ensure that the Municipality has a sound cash management and payment system	N/A	CFO
Supply chain management	Unchanged	May 2010 (with previous budget)	Dictates procedures for the procurement of goods and services	N/A	CFO
Funding and Reserves Policy	New	May 2010 (with previous budget)	Sets guidelines for budgeting	New	CFO

Overview of budget assumptions

Budget Assumptions

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

External Factors:

There is no real growth in the municipal area, with the number of people, as well as the number of households, remaining fairly consistent.

Job opportunities are limited, and the National budget identified employment creation as a priority and suggests that municipal capital and maintenance projects should seek to assist in this manner, by implementing labour intensive projects within financial means.

General inflation outlook and its impact on the municipal activities

General inflation (CPIX) is estimated at 5.1% for the 2011/12 financial year. This of course lends to expectations that municipal tariffs should increase by more or less the same percentage, which is impossible due to a wage increase settlement at national level of inflation plus 2% as well as the increase in bulk electricity charges from ESCOM, and of course the full implementation of GRAP requirements such as depreciation charges and Non - current Employee Benefits and other provisions. This budget and the proposed tariff increases therefore exceed the inflation outlook for these reasons.

	2011/12	2012/13	2013/14
General inflation	5,1%	4,32%	4,5%

Interest rates for borrowing and investment of funds

The following assumptions are built into the MTREF;

	2011/12	2012/13	2013/14
Average Interest Rate - New Borrowing	9,5%	9,5%	9,5%
Average Interest Rate - Investments	6%	6%	6%

Rates, tariffs, charges and timing of revenue collection

The rates, tariffs and charges for the 2011/12 budget are included in annexure 2.

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

	2011/12	2012/13	2013/14
Rates	8%	8%	8%
Water	10%	10%	10%
Sewerage	10%	8%	8%
Sanitation	10%	8%	8%
Refuse	20%	20%	20%
Electricity - monthly consumption tariff	20.38%	20.38%	20.38%

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

Rates and annual charges	Annual and monthly billing in July. Interim billing throughout the year as required. Revenue foregone recognised in July.
Consumption Tariffs	Monthly billing. On-going prepayment meters. Seasonal fluctuations.
Charges	Generally steady state throughout the financial year with seasonal fluctuations.

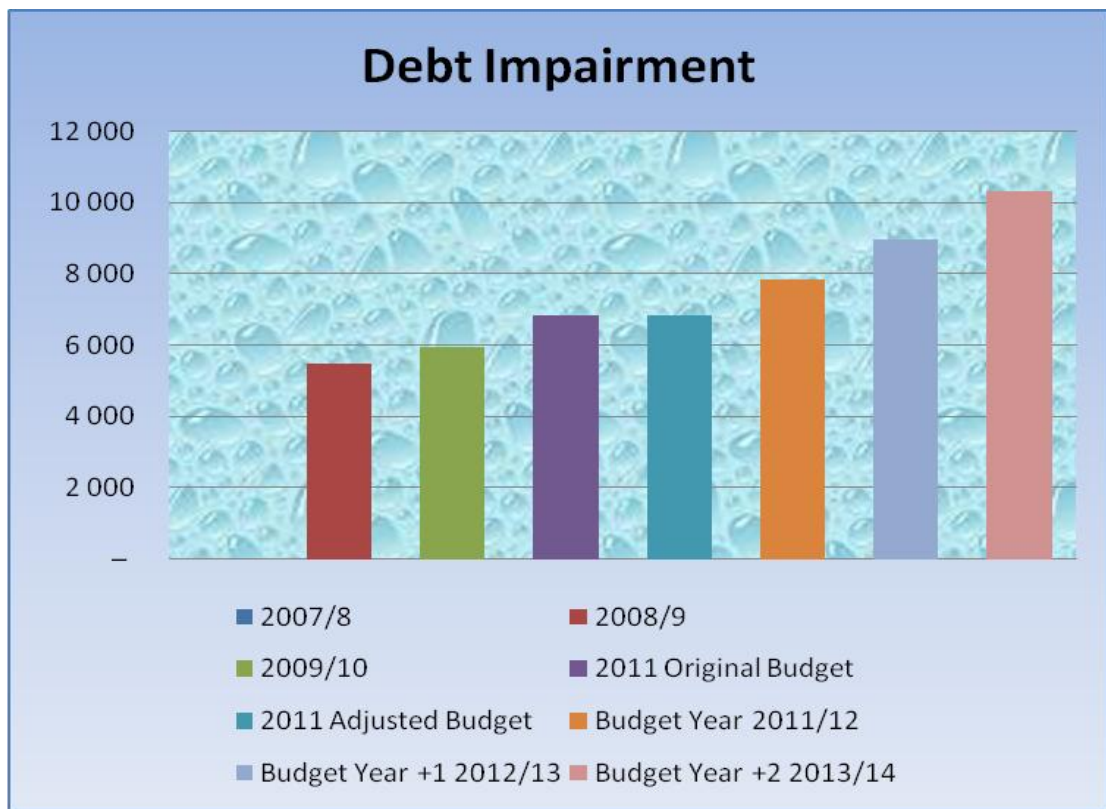
Collection rates for each revenue source and customer type

Furthermore, its policy on indigent support and social rebates means that many households who would normally struggle to pay their accounts receive free or subsidised basic services thereby keeping them free of the burden of municipal debt.

Nevertheless, there will always be an element of the total amount billed that will remain uncollected. The Municipality is the same as any other business in this regard. Adequate provision has to be made in the budget for any bad debts based on assumptions on collection rates. The bad debt contribution also increases substantially against prior budgets due to the re-incorporation of the water and sanitation functions. This additional shortfall in cash collected is, however, being refunded by the Joe Gqabi District Municipality through the payment of the service delivery budgets.

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

	R '000	2011/12	2012/13	2013/14
Provision for bad and doubtful debts		8,412	13,800	19,618
Assumed collection rate (service charges)		85%	85%	85%
Assumed collection rate (assessment rates)		85%	85%	85%



Price movements on specific items

The bulk purchases from ESCOM 2010/11 - R26,957m):

	R '000	2011/12	2012/13	2013/14
Eskom		33,912	36,564	39,921

Average salary increases

The MTREF includes the following average percentage increases in salaries and wages and for Councillors' allowances:

	2011/12	2012/13	2013/14
Councillors	8, 5%	9%	8%
Senior Managers	9%	9%	9%
Administrative, professional, technical, clerical & manual	9%	9%	8%
Medical aid contributions	9%	9%	8%

Industrial relations climate, reorganisation and capacity building

The ability of the Municipality to deliver quality services is dependent on its staff and the ability to provide services to the Maletswai population at a viable level. Failure by the Municipality to invest in its staff to ensure that the capacity and skills exist to meet the challenges being faced by Maletswai will ultimately mean a failure to deliver services.

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

R '000	2011/12	2012/13	2013/14
Training Budget	400	432	467

Trends in population and households (growth, decline, stable)

Population growth trends predict a population of over 80, 000 at the end of the 3 year budget period.

Changing demand characteristics (demand for services)

Maletswai has to respond to changing demand for services that can occur through a number of reasons such as population migration, changing demographic profile, technological changes, and major infrastructure development.

The introduction of wireless technology in Maletswai has made the internet available to many more people making on-line interaction with the Municipality possible, including the payment of municipal accounts. The selling of prepaid electricity by all outside vendors assisted consumers to purchase prepaid electricity after hours and over weekends by means of the Syntell system

The growth of formal housing in prior years has impacted on the demand for services and challenges the Municipality in how services are delivered.

Trends in demand for free or subsidised basic services

Maletswai's criteria for supporting free or subsidised basic services are set out in the indigent support policy. The Government allocates revenue via the Division of Revenue Act (DORA) in the form of the Equitable Share Grant with the primary aim of assisting municipalities with the costs of providing free or subsidised basic services.

Impact of national, provincial and local policies

Maletswai sees itself as working in partnership with national, provincial and district municipality spheres of Government in meeting the priority service needs of its people.

Ability of the municipality to spend and deliver on the programmes

The following table shows the trend of spending against budget for the capital programme since 2007/08:

R '000	2007/08	2008/09	2009/10
Capital Budget (adjusted)	22,289	24,098	21, 918
Actual Spending	9,913	21,536	21, 796
%	44%	89%	99%

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

The SDBIP includes monthly cash flows of expenditure and is used as the basis for budget monitoring.

Implications of restructuring and other major events into the future

The budget does not include any provision for the establishment of a Regional Electricity Distributor for Maletswai as there is still considerable uncertainty as to how and when this would operate.

Funding compliance

The budget is cash - funded which is first indicator of a “credible” budget.

Funding levels are unacceptable at 2 months cash - resources, which is an indication of these economic times, and is insufficient to cover all requirements of the funding and reserves policy.

There is a huge increase in tariffs above the CPIX forecast, mainly as a result of the effect of the electricity increases. Other increases, set at about 10%, is in order not to reduce maintenance programs, but even these programs are affected negatively due to the increase in bulk charges and the cap on an increase in electricity tariffs set by NERSA.

Revenue from grants exceeds 100% of current grant receipts due to unspent grants still being implemented and carried forward.

Overview of budget funding

Funding the Budget

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

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

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

A Credible Budget

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

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

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

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

Fiscal Overview of Maletswai Municipality

Over the past financial years via sound and strong financial management, Maletswai Municipality has moved internally to a position of relative financial stability. There is also a high level of compliance with the Municipal Finance Management Act and other legislation directly affecting financial management.

As mentioned the switch over to GRAP has had huge ramifications not least amongst the professional staffing at the local government level. Maletswai municipality cannot afford the salaries that are a prerequisite to GRAP. There is already a dearth of qualified accountants in South Africa and the complexities that are GRAP in local government are such that outside of the metropolitan areas it is highly unlikely that qualified accountants are going to be available to work at the salaries on offer internally and Maletswai has therefore taken steps to manage the situation externally.

Long term financial planning

The municipality's financial position is sound and this budget further ensures that it stays sound. Long-term borrowing is limited and the cash position is strong.

The municipality plans to continue exercising strict financial management and ensuring a cash flow which meets the requirements.

Due to the fact that the majority of capital expenditure from own sources be funded by way of own cash, the municipality must ensure that the principle of "the user pays for the use of the assets" be applied in its long -term financial strategy. It is for this reason that the municipality provided for cash - backed reserves, which consist of Employee Benefits provisions, the cost of replacing the existing valuation roll and contributions to the Capital Replacement Reserve with the idea being a contribution at least equal to the depreciation charges on those assets being used.

Sources of funding

Interest earned from investments is applied to the income and expenditure account to help fund the operating budget. The following tables summarises the budgeted interest over the MTREF;

R '000	2011/12	2012/13	2013/14
Investment Interest received	375	404	437
Loan interest paid	270	270	270

Contributions and donations

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

Sale of assets

The Municipality is in the process of reviewing its land and asset holdings as part of its longer term financial strategy. Major asset sales are therefore, excluded from the MTREF at this stage.

Borrowing

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

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

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

The ratios as set out in the Cash and Management Investment policy are used to establish prudential levels of borrowing in terms of affordability and the overall indebtedness of the Municipality.

Based on these measures of affordability, the Municipality has made no budgeted provisions for new borrowing for capital expenditure over the MTREF.

Expenditure on allocations and grant programmes

Grant allocations

National- and Provincial Governments provide funding to assist the municipality to achieve its developmental- and service delivery goals. In addition, the Constitution requires all spheres of government to assist each other to achieve goals set at National- or Provincial level. Local economic development and employment opportunities are high on the agenda of the national government, and the municipality, again within financial means, as well as revenue from government grants, aims to assist as far as possible in achieving these goals.

Details of each grant are shown in the schedule that follows:

National and Provincial Grant Allocations 2011/12 to 2013/14

Name of Grant	Operating / Capital	Allocating Authority / Department	Amount 2010/11 R'000	Indicative 2011/12 R'000	Indicative 2012/13 R'000	Purpose of the Grant
Library Services	Operating	Province/ Cultural Affairs and Sport	822	887	958	To enable public libraries to render an improved service by addressing staffing shortages.
Local Government Financial Management Grant (FMG)	Operating	National / National Treasury (National Vote 7)	800	800	800	To promote and support reforms in financial management by building the capacity in municipalities to implement the Municipal Finance Management Act.
Local Government Financial Management Grant (FMG)	Capital	National / National Treasury (National Vote 7)	700	700	700	To promote and support reforms in financial management by building the capacity in municipalities to implement the Municipal Finance Management Act.
Municipal Systems Improvement Programme Grant (MSIG)	Operating	National / Provincial and Local Government (National Vote 29)	790	800	900	To assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems.
Integrated National Electrification Programme	Capital	Provincial	3 000	2 000	2 000	To assist the municipality with the electrification of impoverished areas within the region.

Equitable Share	Operating	National	20 224	22 351	23 809	The equitable share of National Revenue in accordance with the requirements of the Constitution
EPWP Incentive Grant	Operating	National	536	-	-	Assist in creating employment opportunities on extended public works projects
MIG	Capital	National	12 614	15 336	16 180	Capital projects on roads and waste management

Allocations and grants made by the Municipality

Allocations Made by the Municipality

The municipality makes an annual grant to Maletswai Tourism.

R '000	2011/12	2012/13	2013/14
Institutions	107	116	125