

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY



BUDGET 2009/10 – 2011/12

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EXECUTIVE MAYOR'S BUDGET STATEMENT

[Will be inserted when the Budget is submitted for final approval to Council on 11 June 2009]

REPORT BY THE CHAIRPERSON: BUDGET AND TREASURY

[Will be inserted when the Budget is submitted for final approval to Council on 11 June 2009]

DRAFT RESOLUTIONS FOR APPROVAL BY THE COUNCIL AT THE MEETING SCHEDULED FOR 11 JUNE 2009

(a) The Executive Mayor recommends that the Council resolves that:

1. The annual budget of the Nelson Mandela Bay Municipality for the financial year 2009/10 and indicative allocations for the two projected outer years 2010/11 and 2011/12; and the multi-year and single year capital appropriations be approved, in accordance with Section 24 of the Municipal Finance Management Act, 56 of 2003, as set-out in the following tables:
 - 1.1 Budgeted Financial Performance (revenue and expenditure by standard classification) [Page 24]
 - 1.2 Budgeted Financial Performance (revenue and expenditure by municipal vote) [Page 25]
 - 1.3 Budgeted Financial Performance (revenue by source and expenditure by type) [Page 26]
 - 1.4 Multi-year and single year capital appropriations by municipal vote and standard classification and associated funding by source [Page 42]
2. The budgeted financial position, budgeted cash flows and cash-backed reserve/accumulated surplus, asset management and basic service delivery targets be noted, as set-out in the following tables:
 - 2.1 Budgeted Financial Position [Page 47]
 - 2.2 Budgeted Cash Flows [Page 48]
 - 2.3 Cash backed reserves and accumulated surplus reconciliation [Page 49]
 - 2.4 Asset Management [Page 50]
 - 2.5 Basic service delivery measurement [Page 52]
3. The draft revised Integrated Development Plan (IDP) be approved as reflected elsewhere in the agenda.
4. The proposed amendments to the draft rates policy be approved, in accordance with Section 5 of the Municipal Property Rates Act, 6 of 2004 (see report elsewhere in the agenda).
5. With regard to primary health care services, the Municipal Manager report on the progress made towards concluding a Delegation Agreement with the Provincial Government for the future provision of primary health care services, specifying the required services/service standards and indicating the level of financial contribution by the Municipality.
6. Administrative costs ("hidden costs") amounting to R4 513 760 relating to the provision of housing, be funded from the RSC levy income replacement, and that the current funding from the RSC levy income replacement be phased out over a maximum period of 5 years that commenced in the 2008/09 financial year, i.e. a reduction of 20% per annum.

7. Tariffs be increased as follows with effect from 1 July 2009:

Property rates	-	10%
Water	-	11%
Sanitation	-	9%
Electricity	-	26.50%
Refuse	-	10%

8. The Municipal Manager, in conjunction with the relevant Executive Directors report on their respective project plans, including the capacity to implement the draft 2009/10 to 2011/12 Capital Budget and Programme, so as to ensure the achievement of a minimum spending level of 95%.
9. In accordance with Section 19 of the Municipal Finance Management Act, the affected Executive Directors submit comprehensive reports in relation to new projects, *inter alia*, dealing with the total project costs, funding sources, future operating budget implications and associated tariff implications, before Council finally approves the implementation of any new project.
10. The Chief Financial Officer raises new external loan financing in the amount of R745 million, to finance the infrastructural development reflected in the 2009/10 Capital Budget.
11. The Chief Financial Officer report fully on the associated financial implications relating to the potential level and availability of external loan financing to support the 2010/11 (year 2) and 2011/12 (year 3) of the draft Capital Programme.
12. The budget of the municipal entity (MBDA) be adopted as set out in section 1.8.5 of the budget framework document.
13. The Municipal Manager obtain written confirmation from the Provincial Government as to the transfers to be allocated for health, housing, transportation and library services for the 2009/10 to 2011/12 financial years, and that the possibility of a Metro delegation engaging the Provincial Government in this regard be considered.
14. The matters as set out in section 1.7.2 of the budget framework document, be monitored and evaluated on an ongoing basis.
15. The Executive Mayor and Municipal Manager urgently engage National and Provincial Government with a view to securing more funds to minimise the impact of the operations of 2010 projects on the rates account.
16. The implementation of other income generating mechanisms such as the introduction of tourism levies and outdoor advertising charges in order to alleviate the pressure on the rates account, be accelerated.

1. 2009/10 TO 2011/12 BUDGET

This section contains an Executive Summary of the Nelson Mandela Bay Metropolitan Municipality's Budget followed by a more detailed explanation of its Operating and Capital components over the next three years.

1.1 EXECUTIVE SUMMARY

The 2009/10 to 2011/12 Budget preparation commenced in August 2008 after Council approved a timetable for the IDP and Budget preparation process.

The Budget comprises both Operating and Capital Budgets, which is a requirement of the Constitution and the Municipal Finance Management Act (MFMA). The capital budget generally contain new or replacement assets such as roads, vehicles, buildings, etc. The Operating Budget, which is by far the largest component of the Budget, includes the provision of services, such as health, water, refuse collection, etc.

Sections 1.8 and 1.9, present an overview of the Operating and Capital Budgets respectively, with high level tables, which provide an overall consolidated picture of the Municipality's finances. The municipality has generally maintained a sound financial position, as evidenced by its favourable credit rating.

One of the objectives of the budget timetable is to ensure integration between the development of the Integrated Development Plan (IDP) and the Budget. The IDP is the strategic plan of the Municipality and it is critical that the Budget enables the achievement of the IDP objectives. Table 1 illustrates the link between the IDP and Budget.

The assumptions and principles applied in the development of this Budget are mainly based upon guidelines received from National Treasury (expenditure growth) and other external bodies such as the National Electricity Regulator of South Africa (NERSA), South African Local Government Bargaining Council, Department of Water Affairs and Forestry (DWAF), major service providers, etc. The IDP's strategic focus areas informed the development of the Budget, in addition to assessing the relative capacity to implement the Budget, taking affordability considerations into account. The aforementioned guidelines were considered appropriate to inform the development of the Budget.

The Operating Budget totals R5.3 billion, which funds the continued provision of services provided by the Municipality.

The major expenditure items are employee costs (28%), bulk electricity and water purchases (24%), general expenses (22%), repairs and maintenance (8.6%) and depreciation (8.6%).

Funding is obtained from various sources, the major sources being service charges such as electricity, water, sanitation and refuse collection and disposal (48%), property rates (15%), grants and subsidies received from National and Provincial Governments (26%).

In order to support the 2009/10 Operating Budget, the following increase in rates and service charges have been proposed, with effect from 1 July 2009:

Property rates	-	10%
Water	-	11%
Sanitation	-	9%
Electricity	-	26.50%
Refuse	-	10%

A provision of R44 million has been set aside to cover potential bad debts arising from property rates and service charges not collected. This is based upon a level of payment of debtors' accounts averaging 98%.

In the past as a result of limited funds, a number of important issues such as addressing maintenance backlogs, making adequate contributions to provision and reserves, staffing requirements, etc. were not fully covered. However strategies to address these issues were undertaken and as at 30 June 2008 all of the provisions were at their required levels. In relation to staffing requirements, budget provisions are set aside on an annual basis, in order to fill vacant positions critical to service delivery. In relation to maintenance backlogs, the full extent of the backlogs, has been determined. The 2009/10 Budget does make provision for increased allocations to deal with the maintenance of infrastructure.

The Assistance to the Poor Programme currently, provides the following benefits to poor households in the Metro:

- Free 8kl of water
- Free basic sanitation
- Free 75 kwh Electricity
- Free basic refuse removal
- Property rates subsidy
- Environmental charges

Out of approximately 275 000 households, some 107 954 households receive the aforementioned assistance listed above. The total cost of free basic services currently amounts to R365 million and is anticipated to increase to R526 million in 2011/12, with about 140 000 households benefiting.

The Capital Budget totals R2.344 billion and this is funded mainly through revenue from operations (13%), Government grants (55%) and external loans (32%). Grants and subsidies are mainly earmarked for the sanitation and water infrastructure and transportation projects.

It is to be noted that new external loan financing in the amount of R745 million will be raised to support the 2009/10 Capital Budget. The proposed amount of new external loan financing is significantly influenced by the need to rehabilitate water, sanitation, electricity and roads infrastructure. Furthermore, it has been possible to accommodate the consequential loan servicing costs, without negatively impacting on the proposed tariff increases.

Budget provisions to assist in attending to the rehabilitation of infrastructure, is also provided for. The full extent of the required rehabilitation of infrastructure, has been determined.

Section 5 provides a summary of the capital projects included in the Capital Budget.

The Budget related policies as outlined in section 2 have been adhered to in the development of the Budget, whilst continuous monitoring of budget performance is possible through Key Performance Indicators (section 3) and the Service Delivery and Budget Implementation Plan.

1.2 HIGH LEVEL PERFORMANCE OBJECTIVES FOR 2009/10

The more significant performance objectives, which informed the preparation of the Budget, will be included as part of the final budget submission.

1.3 MUNICIPAL FINANCE MANAGEMENT ACT (MFMA) AND RELATED LEGISLATION

Below are the legislative requirements that guide the budget preparation process:

Municipal Structures Act

The Municipal Structures Act (No. 117 of 1998) as amended, under section 56: Functions and Powers of Executive Mayor, states that the Executive Mayor shall-

- “(a) identify the needs of the municipality;
- (b) Review and evaluate those needs in order of priority;
- (c) recommend to the municipal Council strategies, programmes and services to address priority needs through the integrated development plan and estimates of revenue and expenditure, taking into account any applicable national and provincial development plans; and
- (d) Recommend or determine the best methods, including partnership and other approaches, to deliver those strategies, programmes and services to the maximum benefit of the community.”

Legislation also requires municipalities to compile operating and capital budgets on an annual basis. The operating and capital budgets must balance (i.e. may not reflect a deficit) and must be prepared in accordance with the integrated development plan.

Municipal Finance Management Act

Section 16 (2) of the Municipal Finance Management Act No. 56 of 2003, (MFMA) dealing with legislative compliance regarding the tabling of the annual budget states inter alia that:

“.., the Mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.

Section 21(1) of the MFMA, which deals with the Budget preparation process, stipulates that the Executive Mayor must-

- “(a) co-ordinate the processes for preparing the annual budget and for reviewing the municipality’s integrated development plan and budget-related policies to ensure that the tabled budget and any revisions of the integrated development plan and budget-related policies are mutually consistent and credible;
- (b) at least 10 months before the start of the budget year, table in the municipal council a time schedule outlining key deadlines for-
 - (i) the preparation, tabling and approval of the annual budget;
 - (ii) the annual review of-
 - (aa) the integrated development plan in terms of Section 34 of the Municipal Systems Act; and
 - (bb) the budget related policies
 - (iii) The tabling and adoption of any amendments to the integrated development plan and the budget related policies; and
 - (iv) Any consultative processes forming part of the processes referred to in sub-paragraphs (i), (ii) and (iii).

The approval of the Budget is regulated by Section 24 of the MFMA, which states as follows-

- (1) The municipal council must at least 30 days before the start of the budget year consider approval of the annual budget;
- (2) An annual budget-
 - (a) must be approved before the start of the budget year;
 - (b) must be approved together with the adoption by the council of the resolutions as may be necessary for-
 - (i) imposing any municipal tax for the budget year;
 - (ii) setting any municipal tariffs for the budget year;
 - (iii) approving measurable performance objectives for each vote in the budget;
 - (iv) approving any changes to the municipality’s integrated development plan; and approving any changes to the municipality’s budget-related policies.”

Below a discussion of the Municipality's progress relating to the implementation of the MFMA:

Implementation of the MFMA

The municipality has been implementing the provisions of the MFMA in accordance with a documented Implementation Plan. The municipality monitors its implementation status on an ongoing basis through reporting via its Committees, including the following:

- The Municipal Manager's Management Team includes all Executive Directors, which meets fortnightly and attends to MFMA issues requiring attention.
- The Budget and Treasury Committee – a standing committee of the Council, which meets every six weeks. The committee considers specific MFMA implementation issues and reports via the Mayoral Committee to Council.
- Meetings between the Municipal Manager, COO and CFO to discuss MFMA implementation issues, as and when necessary. Issues requiring attention are monitored so that actions are taken to ensure compliance.

The following reflects the status of implementation of some of the key MFMA areas:

IDP

The IDP review process is in progress and a draft 2009/10 IDP has been developed. The IDP includes specific deliverables that forms the basis for the Budget and SDBIP.

Budget

The annual budget document has been developed taking the MFMA and National Treasury (NT) requirements into account. Budgets are being tabled and approved within the required legislated timeframes.

Budget Reporting Formats

As part of its budget reforms, National Treasury released a budget formats guide. This budget formats guide has been imposed through Budget and Reporting Regulations, which specifies the required tables to be published as part and parcel of a municipality's budget report.

The objectives of the budget formats reforms are as follows:

- To ensure that municipal budget and financial reporting formats support the other financial management reforms introduced by the MFMA;
- To improve the local government spheres' ability to deliver basic services by –
 - addressing issues of financial sustainability; and
 - facilitating informed policy choices and medium term planning of service delivery.

- To formalise the norms and standards governing municipal budget and financial reporting formats, so as to improve the credibility, sustainability, transparency, accuracy, and reliability of budgets and in-year reports of municipalities and municipal entities.

A description of the purpose and relevance of each budget table is provided further in this report.

SDBIP

The 2009/10 draft SDBIP document has been developed, taking the MFMA and National Treasury requirements into account. This document contains the specific performance measures relating to the IDP objectives, which are incorporated into the Budget. The content of the SDBIP is reflected in the Municipal Manager and the Executive Directors' performance contracts. It will also be included in the performance scorecards of the Directors and Assistant Directors.

Annual Report

The Annual Report has been developed taking the MFMA and NT requirements into account. The 2007/08 Annual Report was tabled on 22 January 2009, which was before the legislated deadline.

The 2007/08 annual financial statements represented a major improvement over the 2006/07 financial statements. The Auditor-General (AG) issued an unqualified audit opinion for the 2007/08 financial year.

Oversight Report

For 2007/08, the Speaker has lead the oversight process, which complies with the MFMA and NT guidance with an Oversight Committee. On 19 March 2009, the Council adopted its 2007/08 Oversight Report.

In-Year Reporting

The municipality submits the various reports required to the Executive Mayor, Council, and NT on an ongoing basis, in accordance with the MFMA.

Supply Chain Management Policy (SCM)

A Supply Chain Management Policy has been adopted and implemented in accordance with the MFMA and NT requirements.

All the required committee structures are in place and are functioning effectively. Whilst the municipality is working at making these new processes operate more efficiently and effectively, it is considered that the municipality is currently complying with the MFMA and NT guidelines.

Budget and Treasury

A Budget and Treasury Office has been established in accordance with the MFMA and NT requirements, consisting of a CFO and municipal officials reporting to the CFO.

Audit Committee

An Audit Committee, consisting of three members, has been established and meets on a quarterly basis.

Internal Audit Function

The municipality has an Internal Audit sub-directorate reporting to the Chief Operating Officer and operating in accordance with an audit plan.

In relation to the 2009/10 financial year and beyond, the municipality plans to focus on the following high priority areas:

- Maintaining the unqualified audit opinion expressed by the Auditor-General (AG) in relation to the 2007/08 Financial Statements. An action plan has been developed to address any shortcomings. Implementation of the plan is monitored by the Municipal Manager in the first instance.
- Further strengthening of the integration and linkages between the IDP, Budget, SDBIP and Annual Report.

1.4 BUDGET PROCESS OVERVIEW

The Budget process started in August 2008 after the approval of a timetable and strategy to guide the preparation of the 2009/10 to 2011/12 Operating and Capital Budgets.

The timetable provided broad timeframes for the IDP and Budget preparation process. It allows for consultation with stakeholders, such as the elected public representatives, Ward Committees, employees of the Municipality, Civil Society, State departments, other municipalities, business and labour, during April/May 2009. The main aims of the timetable are to ensure that a revised IDP and a balanced Budget was tabled in March 2009. The Budget was tabled by the Executive Mayor at a Council meeting held on 19 March 2008, following which it was submitted to NT as well as being subjected to a consultation process with stakeholders, such as the elected public representatives, Ward Committees, employees of the Municipality, Civil Society, other municipalities, business, labour, National and Provincial Governments.

The consultation will take the form of a series of public meetings in the various wards (clustering certain wards) under the direction and leadership of the Executive Mayor and her Mayoral Committee. Taking the inputs of the aforementioned consultations into account, the Executive Mayor will table the IDP and Budget for final approval at a Council meeting to be held on 28 May 2009.

The Service Delivery and Budget Implementation Plan is the mechanism that ensures that the IDP and the Budget is aligned.

The draft budget was also considered by the Budget Task Team. The Task Team consists of Councillors of the Budget and Treasury Committee, whilst being chaired by the Portfolio Councillor. The main objective of the Budget Task Team was to ensure that the budget is maintained within the affordability levels, taking the IDP deliverables into account. The capacity to spend the Budget by the relevant Directorates was highlighted as a key challenge, in addition to the affordability of the Budget.

1.5 ALIGNMENT OF BUDGET WITH IDP

The Integrated Development Plan (IDP) determines and prioritises the needs of the community.

The 2009/10 to 2011/12 Operating and Capital Budgets were prepared in accordance with the IDP. The key strategic focus areas of the IDP are as follows:

- Municipal transformation and development
- Service delivery and infrastructure development
- Local economic development
- Financial sustainability and viability
- Good governance and public participation

The abovementioned strategic focus areas informed the preparation of the Budget.

After the tabling of the budget, a series of meetings will be held throughout the municipal area to consult with the elected public representatives, Ward Committees, employees of the Municipality, Civil Society, business, labour, National and Provincial Governments on how the draft budget addresses the IDP priorities and objectives. The feedback flowing from these meetings will be referred to the relevant Directorates for their attention.

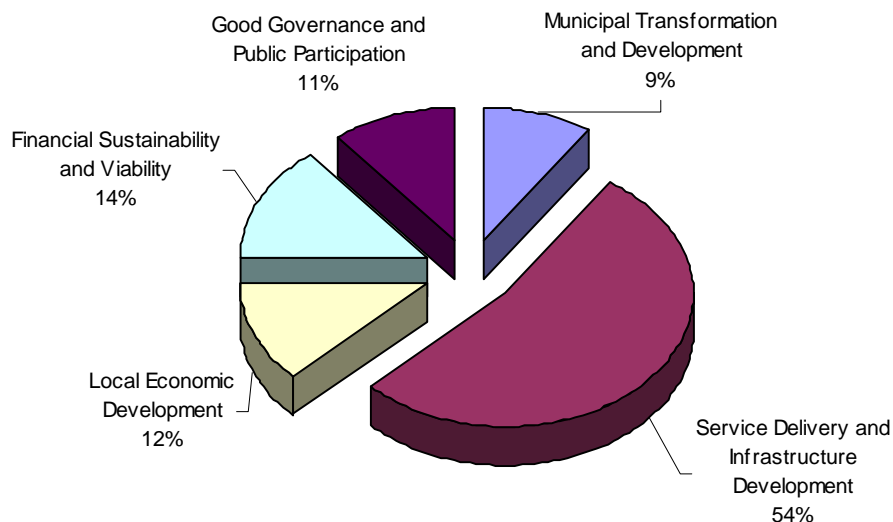
The linking of capital projects to the IDP priorities has been relatively simple, whilst the difficulty in the past has been to link the Operating budget to the IDP. This is now facilitated through the Service Delivery and Budget Implementation Plan (SDBIP).

Below is a table, which illustrates the link between the Budget and the IDP.

TABLE 1: BUDGET ALLOCATION ACCORDING TO IDP PRIORITIES

	Municipal Transformation and Development	Service Delivery and Infrastructure Development	Local Economic Development	Financial Sustainability and Viability	Good Governance and Public Participation	Total
	R '000	R '000	R '000	R '000	R '000	R '000
2009/10 Budget						
Capital Expenditure	184,411	1,652,594	391,873	46,103	69,154	2,344,135
Operating Expenditure	528,768	2,428,024	544,638	1,013,057	765,090	5,279,577
Total	713,179	4,080,518	936,511	1,059,160	834,244	7,623,712
2010/11 Budget						
Capital Expenditure	48,641	1,297,097	210,778	29,185	35,670	1,621,371
Operating Expenditure	558,650	2,951,008	582,009	1,160,868	814,168	6,066,703
Total	607,291	4,248,105	792,787	1,190,053	849,838	7,688,074
2011/12 Budget						
Capital Expenditure	48,834	1,169,058	184,978	28,117	48,834	1,479,821
Operating Expenditure	597,756	3,140,443	622,750	1,241,948	891,774	6,494,671
Total	646,590	4,309,501	807,728	1,270,065	940,608	7,974,492

2009/10 Expenditure by IDP Priorities



1.6 BUDGET STRATEGY & ASSUMPTIONS

Budget Strategy

On 16 October 2008, Council adopted the following as a budget strategy to guide the compilation of the 2009/10 to 2011/12 Operating and Capital budgets:

- (a) That the annual increases for the 2009/10 to 2011/12 draft Operating Budget be limited to the following and be reviewed during the process, if considered necessary:
 - The overall increase in operating expenditure be limited to 8% plus 2% for growth.
 - The overall increase in human resource costs be limited to 10%, pending the finalisation of an agreement by the SALGBC in this regard.
 - Increase in bulk purchase of power costs be limited to 25%.
 - Increase in Repairs and Maintenance expenditure be limited to 12%.
 - Rates and tariff escalations be limited to 8% plus 2% for growth in the consumer base.
 - Electricity Tariff increases be limited to 20%.
- (b) That the present method of appropriating income to the Capital Replacement Reserve be maintained in the 2009/10 to 2011/12 budget compilation as directed by the funding policy.
- (c) That the priority and levels of Provisions and Reserves be reviewed, in conjunction with the preparation of the 2009/10 to 2011/12 Operating Budgets.
- (d) That the overall capital expenditure level affecting tariffs be provisionally set at R100 million, R126,1 million and R138,7 million for the 2009/10, 2010/11 and 2011/12 financial years respectively.
- (e) That Executive Directors, in the preparation of their Capital Budgets, indicate their delivery capacity and propose solutions to avoid underspending of the Capital Budget.

Budget assumptions

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

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

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

- The priorities and targets in relation to the key strategic focus areas as determined in the IDP.
- The level of property rates and tariff increases to take into account the need to address maintenance and infrastructural backlogs, including the expansion of services.
- An assessment of the relative capacity to implement the Budget.
- No budget allocation has been made to programmes and projects, unless the respective programme and project plans have been submitted by the relevant Executive Directors.
- The need to enhance the municipality's revenue base.

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

TABLE 2: FINANCIAL TARGETS

	2009/10	2010/11	2011/12
Income	%	%	%
Water Tariff Increase	11.0	11.0	11.0
Sanitation Tariff Increase	9.0	9.0	9.0
Refuse Tariff Increase	10.0	10.0	10.0
Property Rates Increase	10.0	11.5	11.5
Electricity Tariff Increase	26.5	26.5	26.5
Growth in revenue base (on average)	2.0	2.0	2.0
Revenue collection rates	98.0	98.0	98.0
Expenditure			
Total Expenditure Increase allowed (excluding repairs and maintenance)	11.0	8.0	8.0
Salary increase	12.0	10.0	10.0
Increase in repairs and maintenance	22.3	12.0	12.0
Increase in bulk purchase of power costs	34.0	34.0	34.0

1.7 FUNDING OF THE BUDGET

Fiscal Overview

1.7.1 2007/08 Actual and 2008/09 Projected Financial Performance

The municipality's financial performance and position appears to be sound for the following reasons:

- Budgets are balanced, being funded from the current financial year's revenues – to date the prior year's cash backed surpluses have not been used to support the Operating Budget.
- The municipality operates within its annual budget, as approved by Council.
- The municipality maintains a positive cash and investments position.
- Consistently high revenue collection rates being achieved.

- The municipality has maintained a favourable credit rating.

1.7.1.1 Operating Budget

In the 2007/08 financial year expenditure in the amount of R3.5 billion was fully funded from the municipality's revenues. A similar performance is projected for 2008/09, with R4.2 billion of expenditure being funded by revenue of R4.5 billion leaving a budgeted surplus of R0.3 billion which is appropriated in the Statement of Changes in Net Assets. For both financial years, the current financial year's revenues were sufficient to cover the operating expenditures.

In May 2009 it was reported to the Budget and Treasury Standing Committee that the average revenue collection rate was 91% of the current financial year's billings, as at the end of March 2009. The collection rate of 98% on which the 2009/10 Operating Budget is based, is in line with the IDP target. It will assist the municipality in maintaining its financial position to support the mid-term plan in this Budget.

1.7.1.2 Capital Budget

The actual capital budget spending in 2007/08 amounted to R1,896 billion, of which R1,336 billion was funded from National and Provincial Government grants, R101 million from external loans and the remaining R459 million was funded from Council's internal sources.

For 2008/09, the Capital budget decreased by approximately R178 million (8,4%) to R1,951 billion, compared to the original 2007/08 budget of R2,129 billion.

1.7.2 Mid Term Outlook – 2009/10 to 2011/12

Operating Budget

The operating budget amounts to R5.3 billion for the 2008/09 and 2009/10 financial years. It then increases to R6.1 billion in 2010/11, and finally to R6.5 billion in 2011/12. This growth is mainly in the following areas:

- Increased spending attributable to addressing maintenance backlogs in infrastructure.
- Increased spending on employee related costs.
- Increased spending attributable to bulk purchasing costs for electricity and water.
- Increased servicing costs relating to borrowing.

Capital Budget

Over the next three financial years, 2009/10 to 2011/12, capital spending is projected at R2,344 billion in 2009/10 and then decline by approximately 36% to R1,480 billion in 2011/12.

The projected spending level in 2009/10 is approximately R393 million higher than the 2008/09 level. The increased projected spending level is mainly as a result of the approximately R429 million anticipated spending on the 2010 World Cup Transportation

Infrastructure in 2009/10, compared to R338 million in 2008/09. Increased budgetary provisions have also been made for water and sanitation infrastructure of R466 million in 2009/10, compared to R270 million in 2008/09.

Spending projections then declines in 2010/11 and 2011/12 of this Budget to approximately R1,621 billion and R1,480 billion respectively.

Loan Debt

In line with the anticipated budget performance, as explained above, and taking the National and Provincial Government grant allocations into account, the Municipality will continue to fund each financial year's Operating budget with current revenues, but will be required to consider the raising of significant amounts of external loans to fund the Capital budget. New external loans amounting to R745 million will be taken up for the 2009/10 financial year to support infrastructural spending programmes. With regards to the 2010/11 to 2011/12 financial years, it is the intention to review the need for and the extent of external loan financing in line with affordability considerations for these outer two years.

Financial Ratios

The current and projected financial picture is reflected in the various ratios, monitored by the municipality on a monthly basis. Ratios such as levels of cash, loan debt, debtors to total revenue, etc. – are expected to improve slightly from their current levels over the mid-term outlook of this Budget.

Ongoing issues requiring monitoring and evaluation

The municipality is closely monitoring certain issues that could have a significant financial impact on future budgets. If one or more of them require substantial resources beyond what is included in the mid-term budget, the municipality will have to adjust its spending plans to maintain its financial position. Many of the items listed below could have major and permanent impacts on the operating budget, and would therefore require permanent increases in revenue, or commensurate reductions in other services. Consequently, they should be carefully monitored and evaluated:

- Maintenance backlogs in respect of Council's assets – adequacy of budgetary provisions;
- Levels of provisions and reserves, e.g. Post Retirement Benefits Provision;
- Staffing requirements and the impact on the personnel expenditure target;
- Salary negotiations still underway (final salary increases not yet determined);
- Acceptance and implementation of unfunded mandates; e.g. provision of Housing, Health, Roads and Library Services;
- Final level of bulk electricity tariff increases;

- Establishment of REDS;
- Maintenance of current collection rates;
- Reviewing and enhancing the level of the Capital Replacement Reserve, to ensure that the Municipality is able to cover the purchase of new and replacement assets;
- 2010 FIFA World Cup Budget requirements (a report in this regard appears elsewhere in the agenda);
- Implementation of results emanating from the Task Job Evaluation System;
- Funding of a Municipal Police Service;
- Financial implications associated with the raising of external loan financing.

1.8 BUDGET SUMMARY

The aim of the Budget Summary is to 'provide a concise overview of the proposed budget from all of the major financial perspectives (operating expenditure, capital expenditure, financial position and cash flow, and MFMA funding compliance). The table provides a 'snapshot view' of the amounts to be approved by Council within the context of operating performance, resources utilised for capital expenditure, financial position, cash and funding compliance.

Taking the aforementioned budget strategy, assumptions and principles into consideration the 2009/10 to 2011/12 Budget was arrived at as follows:

Schedule A1 Table A1: Budget Summary

Description	2005/06	2006/07	2007/08	Current Year 2008/09				2009/10 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2009/10	Budget Year +1 2010/11	Budget Year +2 2011/12
Financial Performance										
Property rates	498,867	533,190	587,887	684,187	688,808	688,808	688,808	774,525	840,043	901,889
Service charges	1,573,736	1,653,138	1,795,796	2,104,608	2,148,097	2,148,097	2,148,097	2,566,236	3,016,126	3,544,379
Investment revenue	124,735	141,706	183,781	172,154	172,154	172,154	172,154	185,926	200,799	216,863
Transfers recognised - operational	365,457	884,071	760,337	1,302,478	1,104,768	1,104,768	1,104,768	1,398,577	1,596,665	1,414,223
Other own revenue	569,971	416,185	317,226	1,068,479	334,527	334,527	334,527	354,314	413,069	417,317
Total Revenue (excluding capital transfers and contributions)	3,132,766	3,628,290	3,645,027	5,331,905	4,448,353	4,448,353	4,448,353	5,279,577	6,066,703	6,494,672
Employee costs	932,818	1,497,259	1,264,407	1,348,952	1,310,781	1,310,781	1,310,781	1,479,386	1,631,790	1,787,819
Remuneration of councillors	29,325	35,336	37,825	40,964	42,101	42,101	42,101	46,311	50,942	56,036
Depreciation & asset impairment	192,017	266,588	283,295	342,209	336,657	336,657	336,657	451,991	549,740	628,967
Finance charges	27,252	63,264	65,071	139,961	120,601	120,601	120,601	162,371	153,934	145,314
Materials and bulk purchases	858,910	971,470	1,049,801	1,316,533	1,346,869	1,346,869	1,346,869	1,684,046	2,006,790	2,429,715
Transfers and grants	41,108	43,900	56,254	43,520	36,114	36,114	36,114	102,032	124,100	156,553
Other expenditure	1,030,235	670,230	746,069	1,195,443	1,011,742	1,011,742	1,011,741	1,258,207	1,348,317	1,103,707
Total Expenditure	3,111,665	3,548,047	3,502,721	4,427,582	4,204,864	4,204,864	4,204,864	5,184,835	5,865,613	6,308,111

Surplus/(Deficit)	21,101	80,242	142,306	904,323	243,488	243,488	243,489	95,232	201,090	186,561
Transfers recognised - capital	-	-	-	-	-	-	-	-	-	-
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	21,101	80,242	142,306	904,323	243,488	243,488	243,489	95,232	201,090	186,561
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	21,101	80,242	142,306	904,323	243,488	243,488	243,489	95,232	201,090	186,561
Capital expenditure & funds sources										
Capital expenditure	631,495	975,344	1,896,545	1,951,352	2,797,395	2,797,395	2,797,395	2,344,135	1,621,371	1,479,820
Transfers recognised - capital	348,343	534,217	1,367,774	853,699	1,643,032	1,643,032	1,643,032	1,262,683	773,925	753,996
Public contributions & donations	22,290	16,018	11,239	22,418	23,348	23,348	23,348	42,060	41,028	41,486
Borrowing	-	130,865	100,710	561,295	563,075	563,075	563,075	745,201	673,476	557,750
Internally generated funds	260,862	294,244	416,821	513,939	567,939	567,939	567,939	294,191	132,942	126,587
Total sources of capital funds	631,495	975,344	1,896,544	1,951,352	2,797,395	2,797,395	2,797,395	2,344,135	1,621,371	1,479,820
Financial position										
Total current assets	-	2,547,590	2,796,602	2,751,723	2,092,503	2,092,503	2,092,503	2,138,849	2,686,247	3,239,118
Total non current assets	-	4,201,375	7,158,650	7,104,938	7,254,684	7,254,684	7,254,684	8,611,524	9,429,858	9,887,298
Total current liabilities	-	1,523,228	1,961,484	1,951,960	1,754,362	1,754,362	1,754,362	1,700,982	1,677,784	1,639,959
Total non current liabilities	-	2,108,078	3,381,974	4,118,011	3,703,491	3,703,491	3,703,491	5,042,309	5,797,378	6,153,999
Community wealth/Equity	-	3,117,658	4,611,793	3,786,690	3,889,334	3,889,334	3,889,334	4,007,081	4,640,943	5,332,459
Cash flows										
Net cash from (used) operating	-	973,638	710,918	1,009,386	1,035,209	1,035,209	1,035,209	1,154,952	1,434,016	1,529,990
Net cash from (used) investing	-	(977,313)	(1,849,705)	(1,727,864)	(2,209,579)	(2,209,579)	(2,209,579)	(1,875,034)	(1,296,906)	(1,183,746)
Net cash from (used) financing	-	141,707	1,347,723	781,343	446,336	446,336	446,336	728,105	366,273	178,253
Cash/cash equivalents at the year end		1,698,139	1,907,076	1,969,941	1,179,042	1,179,042	1,179,042	1,187,065	1,690,448	2,214,945
Cash backing/surplus reconciliation										
Cash and investments available	-	1,715,781	1,927,120	1,992,387	1,201,488	1,201,488	1,201,488	1,210,633	1,715,195	2,240,929
Application of cash and investments	-	1,500,685	1,829,467	1,476,472	996,263	996,263	996,263	849,657	700,131	573,024
Balance - surplus (shortfall)		215,096	97,653	515,915	205,225	205,225	205,225	360,976	1,015,064	1,667,905
Asset management										
Asset register summary (WDV)	-			141,530	141,530	141,530	141,530	141,530	138,699	135,925
Depreciation & asset impairment	-			342,209	336,657	336,657	336,657	451,991	549,740	628,967
Renewal of Existing Assets	-	-	-	180,957	225,563	225,563	225,563	292,960	235,189	207,608
Repairs and Maintenance	-	-	-	367,610	390,363	390,363	390,363	449,708	469,782	515,053
Free services										
Cost of Free Basic Services provided		128,781	154,961	246,544	191,776	191,776	191,776	216,810	245,998	280,625
Revenue cost of free services provided		154,694	183,818	281,710	231,313	231,313	231,313	259,510	292,114	330,397
Households below minimum service level										
Water:	-	32,300	34,380	34,380	34,380	34,380	-	-	-	-
Sanitation/sewerage:	-	41,000	39,000	39,000	39,000	39,000	39,000	21,600	19,440	17,495
Refuse:	-	7,900	8,000	8,298	8,298	8,298	8,298	8,500	8,670	9,500

1.8.1 CONSOLIDATED FINANCIAL PERFORMANCE 2009/10 TO 2011/12

The 'standard classification' refers to a modified Government Finance Statistics (GFS) reporting structure. The aim of the standard classification approach is to ensure that all municipalities approve a budget in one common format, to facilitate comparison across all municipalities.

Below is the budgeted financial performance by standard classification:

Schedule A1 - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	2005/06	2006/07	2007/08	Current Year 2008/09			2009/10 Medium Term Revenue & Expenditure Framework		
	R thousand Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2009/10	Budget Year +1 2010/11	Budget Year +2 2011/12
Revenue - Standard									
<i>Municipal governance and administration</i>	1,101,063	1,156,530	1,179,452	1,537,385	1,358,346	1,358,346	1,539,253	1,750,439	1,821,613
Executive and council	12,443	21,229	25,083	286,995	22,553	22,553	76,467	58,315	25,268
Budget and treasury office	1,077,168	1,130,155	1,149,838	1,240,516	1,316,651	1,316,651	1,452,711	1,681,550	1,785,232
Corporate services	11,452	5,146	4,531	9,874	19,142	19,142	10,075	10,574	11,113
<i>Community and public safety</i>	377,048	347,163	275,669	758,726	473,566	473,566	638,470	693,678	443,043
Community and social services	56,231	57,357	59,012	61,114	70,832	70,832	163,387	155,268	188,961
Sport and recreation	26,727	48,258	22,842	22,871	27,061	27,061	28,743	28,269	28,806
Public safety	54,927	46,318	49,815	55,363	74,160	74,160	75,380	81,405	87,915
Housing	182,620	126,812	73,195	543,682	216,381	216,381	291,518	342,884	44,568
Health	56,543	68,418	70,805	75,696	85,133	85,133	79,442	85,851	92,792
<i>Economic and environmental services</i>	56,152	76,141	53,466	379,794	72,483	72,483	76,429	106,355	119,729
Road transport	39,512	58,154	36,054	349,130	51,874	51,874	65,674	94,786	107,282
Environmental protection	16,640	17,987	17,412	30,664	20,609	20,609	10,755	11,568	12,448
<i>Trading services</i>	1,598,503	2,048,456	2,136,440	2,656,000	2,543,957	2,543,957	3,025,425	3,516,232	4,110,286
Electricity	960,323	1,295,817	1,297,176	1,618,357	1,609,380	1,609,380	1,979,897	2,378,175	2,858,765
Water	286,399	332,047	386,052	505,658	425,819	425,819	485,293	524,728	577,547
<i>Water Distribution</i>	286,399	332,047	386,052	505,658	425,819	425,819	485,293	524,728	577,547
Waste water management	226,996	287,124	306,132	369,330	330,954	330,954	369,686	408,175	453,223
Waste management	124,785	133,468	147,080	162,655	177,804	177,804	190,548	205,154	220,751
Total Revenue - Standard	3,132,766	3,628,290	3,645,027	5,331,905	4,448,352	4,448,352	5,279,577	6,066,703	6,494,671
Expenditure - Standard									
<i>Municipal governance and administration</i>	530,230	982,874	708,077	691,918	845,345	845,345	1,032,489	1,085,077	1,126,284
Executive and council	72,146	119,092	135,464	158,087	206,090	206,090	306,823	232,038	204,058
Budget and treasury office	344,637	756,093	461,813	369,571	466,615	466,615	520,439	637,561	686,684
Corporate services	113,447	107,689	110,800	164,260	172,640	172,640	205,227	215,478	235,542
<i>Community and public safety</i>	629,488	666,486	742,232	1,199,277	910,301	910,301	1,133,809	1,270,440	1,078,503
Community and social services	76,412	78,257	81,258	82,820	84,895	84,895	157,118	184,448	225,890
Sport and recreation	102,179	128,472	155,797	136,048	137,014	137,014	163,018	179,011	193,434
Public safety	184,798	204,652	237,878	241,996	261,218	261,218	306,682	331,158	359,199
Housing	183,822	166,414	172,297	629,708	309,175	309,175	384,978	443,580	154,988
Health	82,277	88,691	95,002	108,705	118,000	118,000	122,012	132,244	144,992
<i>Economic and environmental services</i>	262,224	313,553	298,459	384,315	304,472	304,472	482,410	569,778	639,144
Road transport	175,253	210,877	188,738	270,825	189,410	189,410	287,805	356,860	406,203
Environmental protection	86,971	102,676	109,721	113,490	115,062	115,062	194,605	212,918	232,941
<i>Trading services</i>	1,689,723	1,585,134	1,753,953	2,152,071	2,144,746	2,144,746	2,535,637	2,940,319	3,464,180
Electricity	1,102,131	940,575	985,148	1,358,585	1,320,298	1,320,298	1,659,805	1,991,141	2,415,996
Water	221,279	246,323	282,330	320,593	317,190	317,190	372,906	399,833	444,287

Waste water management	190,891	191,377	215,993	263,545	275,101	275,101	316,010	346,502	383,505
Waste management	175,422	206,859	270,482	209,348	232,157	232,157	186,916	202,843	220,392
Total Expenditure - Standard	3,111,665	3,548,047	3,502,721	4,427,581	4,204,864	4,204,864	5,184,345	5,865,614	6,308,112
Surplus/(Deficit) for the year	21,101	80,243	142,306	904,324	243,489	243,489	95,232	201,090	186,560

The purpose of the format in which the budget is presented below, is to enable the Council to enforce a vote in accordance with the municipality's organisational structure, so as to assign responsibility for the revenue and expenditure recorded against these votes to the Municipal Manager and Executive Directors concerned.

Below is a classification of operating revenue and expenditure by 'vote'. A 'vote' is defined as one of the main segments into which a budget of a municipality is divided into, for the appropriation of funds.

Schedule A1Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	2005/06	2006/07	2007/08	Current Year 2008/09			2009/10 Medium Term Revenue & Expenditure Framework		
	R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2009/10	Budget Year +1 2010/11
<u>Revenue by Vote</u>									
Budget and Treasury	1,077,168	1,130,155	1,149,838	1,240,516	1,316,651	1,316,651	1,452,711	1,681,550	1,785,232
Public Health	197,968	219,873	235,297	269,015	283,546	283,546	280,745	302,574	325,990
Housing and Land	182,620	126,812	73,195	543,682	216,381	216,381	291,518	342,884	44,568
Economic Development and Recreational Services	82,958	105,615	81,854	83,985	97,893	97,893	192,130	183,537	217,767
Corporate Services	11,452	5,146	4,531	9,874	19,142	19,142	10,075	10,574	11,113
Infrastructure and Engineering	39,512	58,154	13,556	334,898	22,141	22,141	65,674	94,786	107,282
Water Service	286,399	332,047	386,052	505,658	425,819	425,819	485,293	524,728	577,547
Sanitation Service	226,996	287,124	306,132	369,330	330,954	330,954	369,686	408,175	453,223
Electricity and Energy	960,323	1,295,817	1,297,176	1,618,357	1,609,380	1,609,380	1,979,897	2,378,175	2,858,765
Executive and Council	12,443	20,846	23,231	272,294	5,279	5,279	4,058	2,882	1,709
Safety and Security	54,927	46,318	49,815	55,363	74,160	74,160	75,380	81,405	87,915
2010 World Cup Office	-	383	1,852	14,701	17,274	17,274	50,839	34,779	1,167
Strategic Programmes Directorate	-	-	22,498	14,232	29,733	29,733	21,570	20,654	22,392
Total Revenue by Vote	3,132,768	3,628,289	3,645,026	5,331,905	4,448,353	4,448,353	5,279,577	6,066,703	6,494,671
<u>Expenditure by Vote to be appropriated</u>									
Budget and Treasury	344,637	756,093	461,813	369,571	466,615	466,615	520,439	637,561	686,684
Public Health	344,670	398,226	475,205	429,958	465,219	465,219	503,533	548,004	598,325
Housing and Land	183,822	166,414	172,297	629,708	309,175	309,175	384,978	443,580	154,988
Economic Development and Recreational Services	178,591	206,729	237,055	220,453	221,909	221,909	320,136	363,459	419,324
Corporate Services	113,447	107,689	110,800	164,260	172,640	172,640	205,582	215,869	235,542
Infrastructure and Engineering	175,253	210,877	166,240	256,593	189,411	189,411	287,805	356,860	406,203
Water Service	221,279	246,323	282,330	320,593	317,190	317,190	372,906	399,833	444,287
Sanitation Service	190,891	191,377	215,993	263,545	275,101	275,101	316,010	346,502	383,505
Electricity and Energy	1,102,131	940,575	985,148	1,358,585	1,321,978	1,321,978	1,659,805	1,991,141	2,415,996
Executive and Council	72,146	118,709	131,634	139,937	153,824	153,824	170,696	166,039	179,606
Safety and Security	184,798	204,652	237,878	241,996	261,250	261,250	306,682	331,158	359,199
2010 World Cup Office	-	383	3,830	18,150	20,852	20,852	114,209	44,978	2,101
Strategic Programmes Directorate	-	-	22,498	14,232	29,701	29,701	21,563	20,630	22,351
Total Expenditure by Vote	3,111,665	3,548,050	3,502,721	4,427,581	4,204,864	4,204,864	5,184,345	5,865,613	6,308,111
Surplus/(Deficit) for the year	21,102	80,239	142,305	904,324	243,488	243,488	95,232	201,089	186,559

The Financial Performance Budget is required to be approved concurrently by revenue source and expenditure type, so as to ensure consistency with annual reporting format requirements. A key aim is to facilitate comparison between the annual results and the original budget, so as to assess performance.

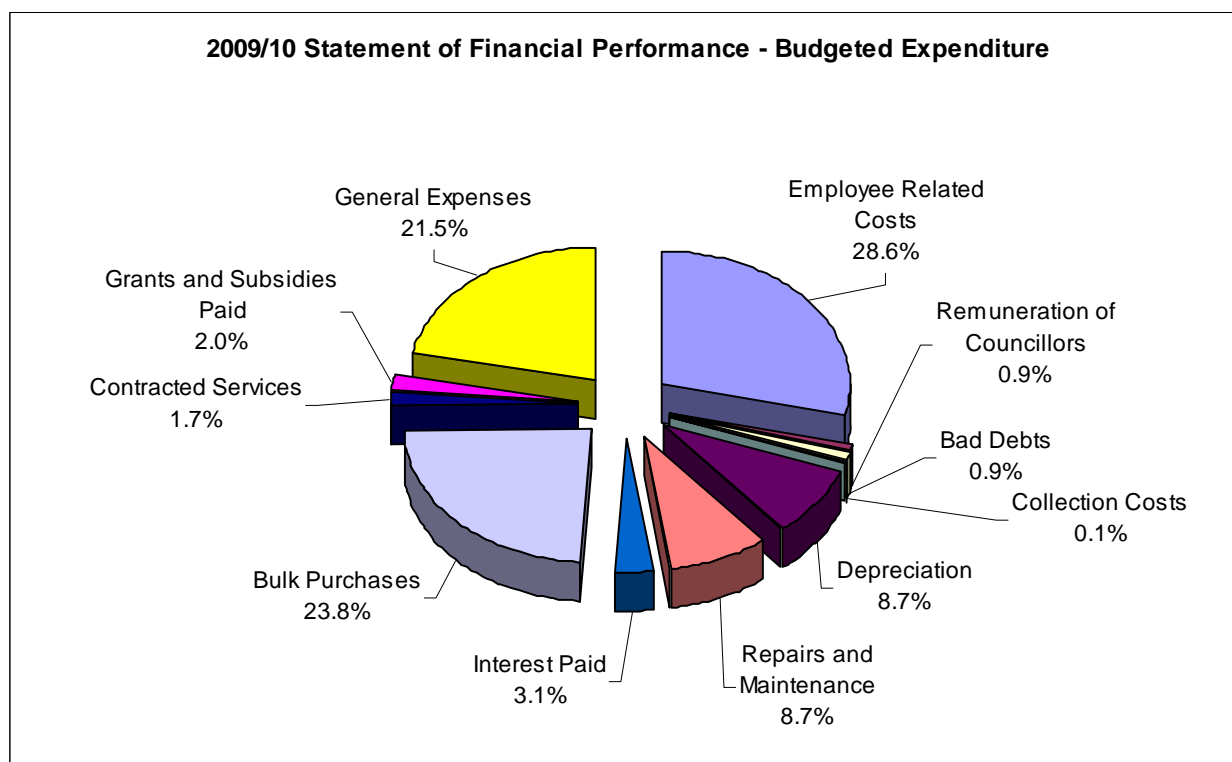
The following table reflect the budgeted financial performance by expenditure and income categories:

Schedule A1Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	2005/06	2006/07	2007/08	Current Year 2008/09				2009/10 Medium Term Revenue & Expenditure Framework		
	R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2009/10	Budget Year +1 2010/11
Revenue By Source										
Property rates	498,867	533,190	587,887	684,187	688,808	688,808	688,808	774,525	840,043	901,889
Service charges - electricity revenue	1,037,157	1,119,759	1,196,832	1,487,285	1,506,414	1,506,414	1,506,414	1,852,194	2,222,613	2,667,113
Service charges - water revenue	287,596	265,345	306,475	315,029	334,351	334,351	334,351	367,052	412,938	456,399
Service charges - sanitation revenue	167,479	185,314	203,096	209,572	210,997	210,997	210,997	238,227	263,498	294,806
Service charges - refuse revenue	81,504	82,720	89,393	92,722	96,336	96,336	96,336	108,763	117,078	126,061
Rental of facilities and equipment		14,046	12,953	15,033	17,258	17,258	17,258	18,417	19,825	21,411
Interest earned - external investments	124,735	141,706	183,781	172,154	172,154	172,154	172,154	185,926	200,799	216,863
Interest earned - outstanding debtors	78,361	77,368	89,639	86,147	104,223	104,223	104,223	114,121	125,124	137,389
Fines	13,227	17,369	19,434	35,363	46,729	46,729	46,729	50,384	54,415	58,768
Licences and permits	57,509	6,409	7,142	7,168	7,263	7,263	7,263	7,828	8,455	9,131
Agency services	-	1,201	1,093	1,059	1,006	1,006	1,006	1,107	1,207	1,307
Transfers recognised - operational	365,457	884,071	760,337	1,302,478	1,104,768	1,104,768	1,104,768	1,398,577	1,596,665	1,414,223
Other revenue	419,962	299,197	186,485	923,686	158,041	158,041	158,041	162,450	204,036	189,303
Gains on disposal of PPE	912	594	482	23	7	7	7	7	8	8
Total Revenue (excluding capital transfers and contributions)	3,132,766	3,628,290	3,645,027	5,331,905	4,448,353	4,448,353	4,448,353	5,279,577	6,066,703	6,494,672
Expenditure By Type										
Employee related costs	932,818	1,497,259	1,264,407	1,348,952	1,310,781	1,310,781	1,310,781	1,479,386	1,631,790	1,787,819
Remuneration of councillors	29,325	35,336	37,825	40,964	42,101	42,101	42,101	46,311	50,942	56,036
Debt impairment	7,926	41,632	60,821	48,120	44,116	44,116	44,116	44,839	45,735	49,394
Depreciation & asset impairment	192,017	266,588	283,295	342,209	336,657	336,657	336,657	451,991	549,740	628,967
Finance charges	27,252	63,264	65,071	139,961	120,601	120,601	120,601	162,371	153,934	145,314
Bulk purchases	601,177	663,872	719,788	948,923	956,506	956,506	956,506	1,234,408	1,537,082	1,914,662
Other materials (Repairs)	257,733	307,599	330,013	367,610	390,363	390,363	390,363	449,638	469,708	515,053
Contracted services	-	64,062	78,207	70,270	80,190	80,190	80,190	86,213	92,602	99,481
Transfers and grants	41,108	43,900	56,254	43,520	36,114	36,114	36,114	102,032	124,100	156,553
Other expenditure	1,022,309	547,387	562,159	1,077,054	887,436	887,436	887,436	1,127,155	1,209,980	954,832
Loss on disposal of PPE		17,149	44,882	-	-	-	-	-	-	-
Total Expenditure	3,111,665	3,548,047	3,502,721	4,427,582	4,204,864	4,204,864	4,204,864	5,184,345	5,865,613	6,308,111
Surplus/(Deficit)	21,101	80,242	142,306	904,323	243,488	243,488	243,489	95,232	201,090	186,561
Surplus/(Deficit) after capital transfers & contributions	21,101	80,242	142,306	904,323	243,488	243,488	243,489	95,232	201,090	186,561
Surplus/(Deficit) after taxation	21,101	80,242	142,306	904,323	243,488	243,488	243,489	95,232	201,090	186,561
Attributable to minorities										
Surplus/(Deficit) attributable to municipality	21,101	80,242	142,306	904,323	243,488	243,488	243,489	95,232	201,090	186,561

Share of surplus/ (deficit) of associate										
Surplus/(Deficit) for the year	21,101	80,242	142,306	904,323	243,488	243,488	243,489	95,232	201,090	186,561

The graph below reflects the expenditure components of the budgeted statement of financial performance.



Below is a discussion of the expenditure components of the Budgeted Statement of Financial Performance:

1.8.2 Employee Costs

The 2009/10 draft budget provides for annual increments, where applicable, and a general increase of 12%. An agreement, in relation to salary increases, is in the process of being negotiated between SALGA and the Trade Unions.

The budget provision of R1.485 billion represents an increase of 13.0% over the 2008/09 budget.

The total number of vacancies to be filled was to be determined on a corporate basis at the time the budget process commenced in August 2008. The annual cost of vacancies at the end of August 2008 amounted to R116.7 million, which is R19.5 million more than the original annual budget provision for vacancies to be filled in the 2008/09 Operating Budget.

Council's target for 2009/10 is to restrict personnel costs to 29% of total income. Personnel costs in the 2009/10 Budget represent 28% of income i.e. 1% below the target.

The following table reflects the Restructuring Grant targets, which Council has agreed to meet as part of the grant conditions:

TABLE 7: PERSONNEL COSTS TO OPERATING REVENUE

Grant Targets	June 2009	June 2010	June 2011	June 2012
Personnel Costs to Total Annual Operating Revenue	% 29	% 29	% 29	% 29

In order to contain personnel costs and ensure effective utilisation of available budgetary provisions, the Municipal Manager currently authorises the filling of critical vacancies, based upon the consideration of motivations received from the relevant Executive Directors. A task team, consisting of the Executive Director: Corporate Services, the Chief Financial Officer and the Chief Operating Officer, considers requests for the filling of critical vacancies in the context of the overall organisational requirements, and accordingly makes recommendations to the Municipal Manager for final approval.

The summary of the annual salaries and allowances for Councillors and Staff are as follows:

TABLE 8: SUMMARY OF TOTAL SALARIES AND ALLOWANCES

SUMMARY OF TOTAL SALARIES AND ALLOWANCES	Audited Actual	Adjustments Budget	Budget Year	Budget Year	Budget Year
	2007/08	2008/09	2009/10	2010/11	2011/12
Councillors					
Basic Salary	36 664 957	40 810 150	44 891 180	49 380 320	54 318 370
Allowances	1 159 670	1 290 820	1 419 900	1 561 890	1 718 080
Municipal Manager and Senior Managers					
Remuneration Packages	11 043 095	14 304 030	15 838 160	17 380 440	17 676 720
Note: Remuneration Packages are structured according to individual needs.					
Other Municipal Staff					
Basic Salary	777 629 798	935 507 260	1 079 950 840	1 193 079 850	1 310 893 090
Pension Contributions	266 267 844	111 905 480	124 706 080	136 578 790	149 551 500
Medical Aid	70 613 493	108 478 670	116 177 480	130 594 540	148 122 050
Allowances	83 418 323	95 762 530	95 687 880	104 927 730	106 700 740
Overtime	55 434 354	44 822 660	47 025 680	49 228 470	54 874 940
Total Salaries and Allowances	1 302 231 535	1 352 881 600	1 525 697 200	1 682 732 030	1 843 855 490

	Number	Salary per Councillor-per annum R	Total Salary R	Cell/Telephone Allowance R
Speaker				
Full-time	1	768 999	768 999	17 902
Executive Mayor / Mayor				
Full-time	1	961 251	961 251	35 844
Deputy Executive Mayor / Mayor				
Full-time	1	768 999	768 999	17 902
Councillors determined as part time in terms of section 20 of Act 117 of 98	107	336 436	35 998 737	1 195 044
Councillors designated as fulltime in terms of section 18(4) of Act 117 of 98	10	730 937	7 209 370	179 020

SUMMARY OF PERSONNEL NUMBERS	Audited Actual	Budget Year	Budget Year	Budget Year	Budget Year
	2007/08	2008/09	2009/10	2010/11	2011/12
Councillors	120	120	120	120	120
Senior Managers	12	12	12	12	12
Other Managers	81	81	95	95	95
Technical/Professional Staff	897	897	939	939	939
Other Staff	5580	5580	5538	5538	5538

REMUNERATION PACKAGES OF MUNICIPAL MANAGER AND EXECUTIVE DIRECTORS						
	A	B	C	C/A		
	BUDGET	EXPECTED	BUDGET	INCREASE /	BUDGET	BUDGET
	2008/09	2008/09	2009/10	(DECREASE)	2010/11	2011/12
Municipal Manager						
Salary	1 034 210	1 086 180	1 195 780	15.62%	1 315 360	1 446 890
Bonus	206 840	145 190	159 710	(22.79)%	175 680	193 250
TOTAL	1 241 050	1 231 370	1 355 490	9.22%	1 491 040	1 640 140
Senior Managers						
Number	12	12	12		12	12
Salary	11 702 050	11 702 050	13 106 300	12.00%	14 230 950	14 384 060
Bonus	1 370 610	1 370 610	1 376 370	0.01%	1 658 450	1 652 520
TOTAL	13 072 660	13 072 660	14 482 670	10.79%	15 889 400	16 036 580
GRAND TOTAL	14 313 710	14 304 030	15 838 160	10.65%	17 380 440	17 676 720

Remuneration packages are structured according to individual needs. The total remuneration packages increased by 10.65% from R14 313 710 in 2008/09 to R15 838 160 in 2009/10.

1.8.3 Bulk Purchases

1.8.3.1 Electricity

Purchase of Power has increased from R915.8 million in 2008/09 to R1 184 million in 2009/10, an increase of 29.28%. Included in the aforementioned, is an amount of R34.3 million in respect of steamraising supplies.

National Treasury advised municipalities to budget for a 34% increase in tariffs for the 2009/10 financial year. The 2009/10 budget accordingly allows for a 34% increase for bulk power purchases from Eskom. It has been estimated that energy consumption levels will reflect a negative growth of 4%, attributable to the following:

- Significant increases in electricity prices;
- Consumer awareness of the need to conserve energy;
- The implementation of energy conservation measures; and
- The down turn in the economy and its consequential impact on industry.

1.8.3.2 Water

The bulk purchase of water increased by R14 449 420 (40%) from R 36 160 000 in 2008/09 to R 50 609 420 in 2009/10, as follows:

	2008/09	2009/10	%
DWAF	34 808 000	48 662 070	39,8
Water Resource Management charge	1 632 691	1 982 750	21,4
Raw Water charge	14 631 214	17 931 180	22,6
Consumptive charges (includes Return on Assets charge, Depreciation and Operation & Maintenance charges)	18 544 095	28 748 140	55,0
Gamtoos Irrigation Board	1 069 000	1 261 420	18,0
Sundays River Irrigation Board	283 000	685 930	142,4
Total	36 160 000	50 609 420	40,0

The total budget provision of R 50 609 420 includes an estimated 3% growth in water consumption, which is also influenced by the fact that the water tariffs were finally equalised in 2007/08.

1.8.4 Repairs and Maintenance

Repairs and maintenance (buildings, grounds, sewers, road works, pipelines and motor vehicles) amount to R 449 708 220 for the year, compared to R 367 609 670 for 2008/09, resulting in a 22.3% increase in Repairs and Maintenance.

1.8.4.1 Maintenance Backlogs

ASSESSMENT OF THE CURRENT INFRASTRUCTURAL MAINTENANCE BACKLOGS

The extent of backlogs, as determined by the various Directorates, are as follows:

OPERATING BUDGET REQUIREMENTS

	Total Operational Maintenance Backlog	Annual Requirement to eliminate Backlog	Operating Budget 2009/10
Water	316,723,100	63,344,620	70,443,380
Water Pump Stations	9,518,500	1,903,700	1,416,690
Water Reticulation	114,315,105	22,863,021	44,374,040
Water Treatment Works	24,531,980	4,906,396	8,401,220
Reservoirs, Water Towers, Break Pressure Tanks	12,167,515	2,433,503	469,210
Dams	14,350,000	2,870,000	1,382,670
Bulk Water Supply Mains	141,840,000	28,368,000	14,399,550
Sanitation	311,925,430	106,287,074	105,897,040
Waste Water Treatment Works	80,391,970	16,078,394	16,217,950
Sewage Pump Stations	85,193,500	17,038,700	23,760,390
Sewerage Network	146,339,960	73,169,980	65,918,700
Roads & Stormwater	364,547,800	72,909,560	68,484,810
Subsidised Roads	28,695,600	5,739,120	4,577,330
Non - Subsidised Roads	193,105,400	38,621,080	36,307,390
Rehabilitation of Stormwater Facilities	142,746,800	28,549,360	27,600,090
TOTAL	993,196,330	242,541,254	244,825,230

CAPITAL BUDGET REQUIREMENTS

	Total Capital Maintenance Backlog	Annual Requirement to eliminate Backlog	Capital Budget 2009/10
Water	1,594,111,460	318,822,292	67,500,000
Water Pump Stations	75,302,500	15,060,500	8,000,000
Water Reticulation	1,249,850,085	249,970,017	3,050,000
Water Treatment Works	56,298,500	11,259,700	22,300,000
Reservoirs, Water Towers, Break Pressure Tanks	90,550,375	18,110,075	18,150,000
Dams	3,910,000	782,000	4,000,000

Bulk Water Supply Mains	118,200,000	23,640,000	12,000,000
Sanitation	659,038,845	131,807,769	58,678,900
Waste Water Treatment Works	143,902,500	28,780,500	14,871,000
Sewage Pump Stations	29,263,040	5,852,608	9,040,000
Sewerage Network	485,873,305	97,174,661	34,767,900
Roads & Stormwater	1,871,431,530	374,286,306	224,400,000
Rehabilitation of Tar Roads and Tarring of Gravel Roads	1,511,831,530	302,366,306	146,000,000
Resurfacing of Subsidised Tar Roads	53,400,000	10,680,000	10,700,000
Resurfacing of Non-Subsidised Tar Roads	131,200,000	26,240,000	26,200,000
Rehabilitation of Stormwater Facilities	175,000,000	35,000,000	41,500,000
Electricity and Energy	539,535,000	58,675,000	20,890,000
Major Substations	51,285,000	10,257,000	3,600,000
Distribution Substations	278,250,000	30,917,000	4,090,000
HV Overhead Lines	82,000,000	6,834,000	8,000,000
Rural and LV Lines	128,000,000	10,667,000	5,200,000
TOTAL	4,664,116,835	883,591,367	371,468,900

Infrastructure and Engineering

The Municipality has implemented various management systems over the past four years to determine the status of roads and stormwater infrastructure maintenance backlogs.

In 2004, the Infrastructure and Engineering Directorate embarked on a programme to develop and implement a Roads Management System (RMS)

The RMS is now in its fourth year of operation and represents a sound basis for recording the current road network and its condition, allowing the Directorate to extract accurate data from the system in order to undertake maintenance and upgrading planning.

Water Services

The Municipality has implemented a water asset management system that manages water infrastructure in order to ensure optimum utilisation and to determine the capital and maintenance requirements.

Regular assessments and updating of the Water Management System allows for accurate reporting of maintenance backlogs, for both operating and capital budgets.

Sanitation Services

The Municipality has implemented a sanitation asset management system that manages sanitation infrastructure in order to ensure optimum utilisation and to determine the capital and maintenance requirements.

Regular assessments and updating of the Sanitation Management System allows for accurate reporting of maintenance backlogs, for both operating and capital budgets.

Electricity

The Municipality has implemented an electricity asset management system that manages energy infrastructure in order to ensure optimum utilisation and to determine the capital and maintenance requirements.

1.8.5 Allocations made by the Municipality

The significant allocations are discussed below.

1.8.5.1 Entity's Budget

The Mandela Bay Development Agency (MBDA) is a special purpose development company established by the municipality in 2003. Its mandate is for the renewal and revitalization of business nodes within the entire Nelson Mandela Bay area, such as the Port Elizabeth "inner city" with a focus on emerging areas such as the Motherwell CBD and also Uitenhage and Despatch.

MBDA is in a process of converting into the fully-fledged municipal entity. Its governance arrangements and accountability will continue to be regulated through a contractual arrangement.

TABLE 9: BUDGET - MUNICIPAL ENTITY

ENTITIES	ADJUSTMENTS BUDGET 2008/09	BUDGET 2009/10	BUDGET 2010/11	BUDGET 2011/12
Mandela Bay Development Agency Revenue				
Municipality's Contribution: Operating	13,620,150	14,884,700	16,075,480	17,361,520
Municipality's Contribution: Capital		62,000,000	81,000,000	110,000,000
Total Revenue	13,620,150	76,884,700	97,475,480	127,361,520
Total Expenditure	13,620,150	76,884,700	97,475,480	127,361,520
Surplus	0	0	0	0

Detailed below are the capital projects to be implemented by the MBDA on behalf of the Municipality:

Capital Projects	Budget 2009/10	Budget 2010/11	Budget 2011/12
Govan Mbeki Environmental Upgrade Phase 1			
Govan Mbeki Environmental Upgrade Phase 2	10,000,000	7,000,000	
Parliament Street Environmental Upgrade	1,000,000		
Strand Street Environmental Upgrade	18,500,000	24,000,000	30,000,000
Donkin Reserve Environmental Upgrade	10,000,000	15,000,000	20,000,000
Sewer Relining – Russel to Manchester Street	3,000,000		
Uitenhage Market Square Upgrade	15,000,000	10,000,000	
Bird Street/Western Road Upgrade	5,000,000	15,000,000	15,000,000
Rink Street/Art Gallery Upgrade		4,000,000	25,000,000
Vuyisani Mini Square Upgrade		2,000,000	10,000,000
Acquisition/Development of Immovable Assets	1,500,000	4,000,000	10,000,000
Total Capital Funding Requirements	64,000,000	81,000,000	110,000,000

1.8.5.2 Allocations to Other Organisations

The Municipality makes contributions to the following two organizations, in order to support their operations:

- Uitenhage-Despatch Development Initiative (UDDI) – The UDDI manages projects to improve the economic revitalisation of the aforementioned urban centres.
- In December 2007, Council resolved that UDDI retains its current structure and operational framework and that issues of accountability with regard to funding (MFMA sec 67) and strategic direction be regulated through contractual provisions.

The Municipality's budgeted contributions to UDDI are:

- 2008/09 Adjustments Budget – R2 841 720
 - 2009/10 – R3 012 220
 - 2010/11 – R3 192 950
 - 2011/12 – R3 448 390
- Nelson Mandela Bay Tourism (NMBT) – The NMBT manages a variety of recreational and entertainment events on behalf of the municipality to promote tourism and recreational opportunities.
 - In December 2007, Council resolved that NMBT retains its current structure and operational framework and issues of accountability with regard to funding (MFMA sec 67) and strategic direction be regulated through contractual provisions.

The Municipality's budgeted contributions to the NMBT's ongoing operations are as follows:

- 2008/09 Adjustments Budget – R11 776 030
- 2009/10 – R12 624 330
- 2010/11 – R13 634 280
- 2011/12 – R14 725 030

The Municipality also contributes to the direct costs of events (e.g., Splash Festival, Ironman Triathlon, Summer Season etc.) as they are staged. The following are the projected contributions for these events – these amounts change depending on the needs for a particular financial year.

- 2008/09 Adjustments Budget – R15 000 000
- 2009/10 – R15 000 000
- 2010/11 – R15 000 000
- 2011/12 – R15 000 000

1.8.6 Sources of Funding

The Municipality receives its funding from many sources including property rates, services charges and government grants. The following table identifies the sources of funding for the past financial year 2007/08, the current financial year 2008/09 and the projected budgets for 2009/10 to 2011/12.

Description	2005/06	2006/07	2007/08	Current Year 2008/09				2009/10 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome
Revenue By Source										
Property rates	498,867	533,190	587,887	684,187	688,808	688,808	688,808	774,525	840,043	901,889
Service charges - electricity revenue	1,037,157	1,119,759	1,196,832	1,487,285	1,506,414	1,506,414	1,506,414	1,852,194	2,222,613	2,667,113
Service charges - water revenue	287,596	265,345	306,475	315,029	334,351	334,351	334,351	367,052	412,938	456,399
Service charges - sanitation revenue	167,479	185,314	203,096	209,572	210,997	210,997	210,997	238,227	263,498	294,806
Service charges - refuse revenue	81,504	82,720	89,393	92,722	96,336	96,336	96,336	108,763	117,078	126,061
Rental of facilities and equipment		14,046	12,953	15,033	17,258	17,258	17,258	18,417	19,825	21,411
Interest earned - external investments	124,735	141,706	183,781	172,154	172,154	172,154	172,154	185,926	200,799	216,863
Interest earned - outstanding debtors	78,361	77,368	89,639	86,147	104,223	104,223	104,223	114,121	125,124	137,389
Fines	13,227	17,369	19,434	35,363	46,729	46,729	46,729	50,384	54,415	58,768
Licences and permits	57,509	6,409	7,142	7,168	7,263	7,263	7,263	7,828	8,455	9,131
Agency services	–	1,201	1,093	1,059	1,006	1,006	1,006	1,107	1,207	1,307
Transfers recognised - operational	365,457	884,071	760,337	1,302,478	1,104,768	1,104,768	1,104,768	1,398,577	1,596,665	1,414,223
Other revenue	419,962	299,197	186,485	923,686	158,041	158,041	158,041	162,450	204,036	189,303
Gains on disposal of PPE	912	594	482	23	7	7	7	7	8	8
Total Revenue (excluding capital transfers and contributions)	3,132,766	3,628,290	3,645,027	5,331,905	4,448,353	4,448,353	4,448,353	5,279,577	6,066,703	6,494,672

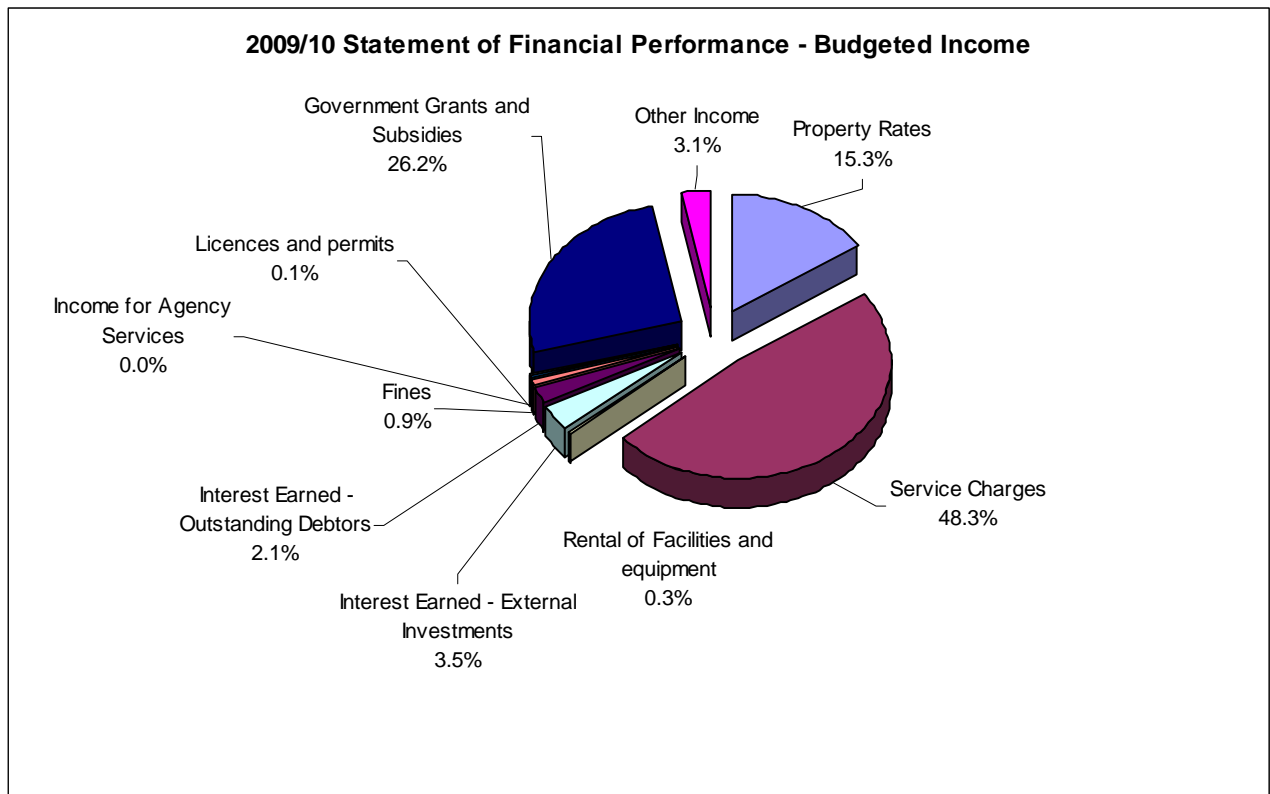
It is evident from the above, that Electricity service charges and Property Rates constitute the largest components of the Municipality's revenue. Grants and Subsidies(Transfers recognised) also constitute a major component of total revenue.

Service Charges

The creation of the Nelson Mandela Bay Metropolitan Municipality consolidated three municipalities, each with a different set of tariffs. Strategies have been developed and

implemented whereby all tariffs for electricity, water, sanitation and refuse have now been equalized.

Below is a graph reflecting the revenue components of the budgeted statement of financial performance.



Subsidies

Income from subsidies is comprised of the following:

TABLE 11 INCOME FROM SUBSIDIES

	2008/09 Budget	2009/10 Budget
Description		
Flood Relief Project (NDR)	-	1 000 000
Grants and Donations: Special Projects	1 496 640	1 856 850
Metropolitan Transport Fund	3 430 000	3 704 400
Metropolitan Transport Fund - Planning	3 198 000	3 450 000
Metropolitan Transport Fund - Preliminary Design	445 200	
Municipal Infrastructure Grant	632 950	3 015 950
Provincial (Library and ATTIC)	18 211 370	9 969 700
DME Subsidy - Special projects	-	30 000 000

Subsidy for MURP	-	1 000 000
Top Structures Funded	505 211 000	250 000 000
Government Grant Revenue - Depreciation	-	122 259 650
Donor Management Services	-	2 000 000
SALA/IDA Funded Projects	552 500	
Provincial Health Grant	70 591 240	72 712 790
Bed & Breakfast Facilities(Motherwell)	1 241 210	
E-Share ATTP	364 154 000	456 625 000
Financial Management Grant	1 561 870	1 560 060
RSC Levies Replacement	317 051 000	370 500 000
Water Demand Management - DWAF	-	16 500 000
2010 Soccer World Cup Stadium	1 057 190	1 166 130
2010 World Cup Operating Grant	13 644 220	48 506 280
EU Grant Funding	-	2 750 000
Total	1 302 478 390	1 398 576 810

The increased Intergovernmental financial support (equitable share) is being utilised to support Indigent consumers in the payment of municipal services' accounts.

The Metro has also been granted funding through the Department of Minerals and Energy for energy efficiency and intelligent metering projects as follows:

2009/10	R30 million
2010/11	R36 million
2011/12	R45 million

It is envisaged that this funding can be best utilised on projects such as:

- Energy efficiency in municipal buildings
- Demand Side Management of municipal plant operations
- Energy efficient street lighting

Investment Income

Interest earned on investments will amount to approximately R185.9 million in 2009/10, compared to R172.1 million in 2008/09, and is therefore an important source of funding for the Municipality.

Section 2 refers to the Investment Policy, which ensures that the Municipality receives an optimum return on its investments with minimal risk.

The following tables identify the type of investments held and the relevant maturity particulars.

TABLE 12: INVESTMENT PARTICULARS BY TYPE

INVESTMENT PARTICULARS BY TYPE	Audited Actual	Forecast	Budget Year	Budget Year	Budget Year
	2007/08	2008/09	2009/10	2010/11	2011/12
Investment Type					
RSA GOVERNMENT STOCK (DEPT. OF FINANCE)					
DEPOSITS WITH BANKS	1 258 859 289	1 435 952 257	1 675 219 633	1 809 237 539	1 953 976 780
ABSA LEASEBACK AGREEMENT				-	-
SANLAM SHARES	746 551	791 344	838 824	889 154	942 503
UAL LONGTERM INVESTMENT					
TOTAL INVESTMENTS	1 259 605 840	1 436 743 601	1 676 058 457	1 810 126 693	1 954 919 283

TABLE 13: INVESTMENT PARTICULARS BY MATURITY

<u>Name of Institution / Investment</u>	Period of Investment	Type of Investment	Expiry date of Investment	Monetary Value	Interest to be Realised
2009 / 2010					
DEPOSITS WITH BANKS	1 - 12 Months	Fixed Term	Various	1 675 219 633	185 912 160
				1 675 219 633	185 912 160
2010 / 2011					
DEPOSITS WITH BANKS	1 - 12 Months	Fixed Term	Various	1 809 237 539	200 785 170
				1 809 237 539	200 785 170
2011 / 2012					
DEPOSITS WITH BANKS	1 - 12 Months	Fixed Term	Various	1 953 976 780	216 848 010
				1 953 976 780	216 848 010

Health Services

At a National Health Council meeting held in November 2005 it was resolved that the provision of Primary Health Care (PHC) services in Metropolitan areas be negotiated between the respective Metros and the Provincial government concerned, based on an agreement to co-fund the service.

In March 2007, the Executive Mayor, agreed to the principle of co-funding, forming the basis of the negotiations with the East Cape Department of Health (ECDOH) pertaining to the continued rendering of PHC services as from 1 July 2007 until the function is formally devolved to the Metro with full Provincial funding after a period of 5 years. The contribution from the Rate and General Fund, as provided in the Original 2007/08 Operating Budget for Health, will form the basis of Council's contribution and will increase only in line with the annually approved target levels, approved by Council, during the five years.

A District Health Services Task Team was established in September 2008 to cost the PHC service in the Metro Health District based on National and Provincial norms and standards, i.e. the PHC Package and PHC costing model. The Task Team has compiled its report, which will form the basis of further negotiations for the rendering of Primary Health Care Service. This report will form the basis for funding in the 2009/10 to 2011/12 financial years, whilst specific areas identified by the Task Team, such as personnel and operating costs for new health facilities (NMBM 3 Year Capital Programme), additional funding for critical PHC vacancies, etc. will be incorporated into the Service Level Agreement for the 2009/10 financial year.

TABLE 14: SUPPORT FROM RATES INCOME

	ACTUAL 2007/08	BUDGET 2008/09	BUDGET 2009/10	BUDGET 2010/11	BUDGET 2011/12
Net Expenditure	93 458 524	105 079 680	118 357 720	128 330 930	140 799 590
Less: Provincial Financial Contribution	66 168 931	75 557 320	78 682 490	85 074 070	91 989 550
Support from Rate and General	27 289 593	29 522 360	39 675 230	43 256 860	48 810 040
% Variance (year after year)		8.18%	34.39%	9.03%	12.84%

1.8.7 Provisions

Leave Pay Provision

As at 30 June 2008, the balance of the Leave Pay Provision amounted to R106.3 million and was sufficient to meet the leave pay liability at that stage.

Post-Retirement Benefits Provision

Post Retirement liabilities arising from future medical aid premiums of retirees and ill health retirees' and ex gratia pensions are currently fully provided for. An actuarial valuation conducted in the 2007/08 financial year of the Metro's post retirement liabilities, indicated that the liability amounts to R725 million. As at 30 June 2008, the Post Retirement Benefits Provision was sufficient to meet the post retirement liability at that stage.

The 2009/10 Operating Budget provides for a contribution of R45.8 million to this Provision.

Provision for Doubtful Debts

In accordance with GRAP the probability of certain debtors not paying their rates and service charges must be recognised in a Provision for Doubtful Debts. This budget includes a contribution of R44 million, based on a level of payment of debtors' accounts averaging 98%.

As at 30 April 2008, the level of the arrear debt in excess of 90 days stood at R544 074 231.

The projected position of the provision is reflected in the Table below.

Doubtful Debts Provision	
	R
Balance as at 30 April 2009	557 350 543
Add 2008/09 Revised Contribution	44 115 570
Less: 2008/09 Actual Bad Debts written off	187 464 704
Projected balance as at 30 June 2009	414 001 409
Provision required in terms of Council policy; i.e. 100% of arrears in excess of 90 days as at 30 April 2009	544 074 231

The aforementioned table indicates that the level of the Doubtful Debts Provision was inadequate to cover the arrears in excess of 90 days as at 30 April 2008.

Continued implementation of effective measures to stem further growth in non-payment is planned.

1.8.8 Amounts charged out

This category includes all interdepartmental charges such as motor vehicle and plant hire charges, supervision and administration charges on capital projects and charge-outs from the Budget and Treasury and Corporate Services Directorates. Personnel costs comprise the bulk of amounts charged out to other directorates. Amounts charged out increased by 5% over the 2008/09 Budget.

1.9 CAPITAL BUDGET – 2009/10 TO 2011/12

Below is an overview of the 2009/10 to 2011/12 Capital Budget and Programme.

1.9.1 Statutory Requirements Specific to the Capital Budget

The mechanism through which the needs of the Municipality are identified and priorities set is the Integrated Development Plan (IDP). The Capital Budget must then accordingly be allocated to cover the higher priority projects in the IDP.

The Municipal Finance Management Act (Act 56 of 2003), state that:

“19.1 A Municipality may spend money on a capital project only if: -

- (a) the money for the project, excluding the cost of feasibility studies conducted by or on behalf of the Municipality, has been appropriated in the capital budget;
 - (b) the project, including the total cost, has been approved by the council;
 - (d) the sources of funding have been considered, are available and have not been committed for other purposes.
- 19.2 Before approving a capital project in terms of section 19 (1) (b), the council of a municipality must consider-
- (a) the project cost covering all financial years until the project is operational; and
 - (b) the future operational costs and revenue on the project, including municipal tax and tariff implications.

Furthermore, the Financial Management Policies, state that:

“1.4.1 Every *Executive Director* shall, in respect of the activities of the Business Unit, in consultation with the *Chief Financial Officer*, prepare:

-

- (b) a draft Capital Budget in respect of the ensuing financial year and a draft Capital Programme for the following two financial years, based on the following principles:
 - (i) Year Two of the current Capital Programme shall become Year One of the next year’s Budget and Year Three of the current Capital Programme shall become Year Two.
 - (ii) New projects shall enter the Capital Budget and Programme in Year Three.
 - (iii) Special circumstances, as determined by the Executive Mayor must exist for a project to enter the Capital Budget in any other way.”

1.9.2 Capital Budget Summary

Taking the aforementioned constraints into account the following capital budget was arrived at.

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

Table A5 seeks to meet three requirements, namely it shows:

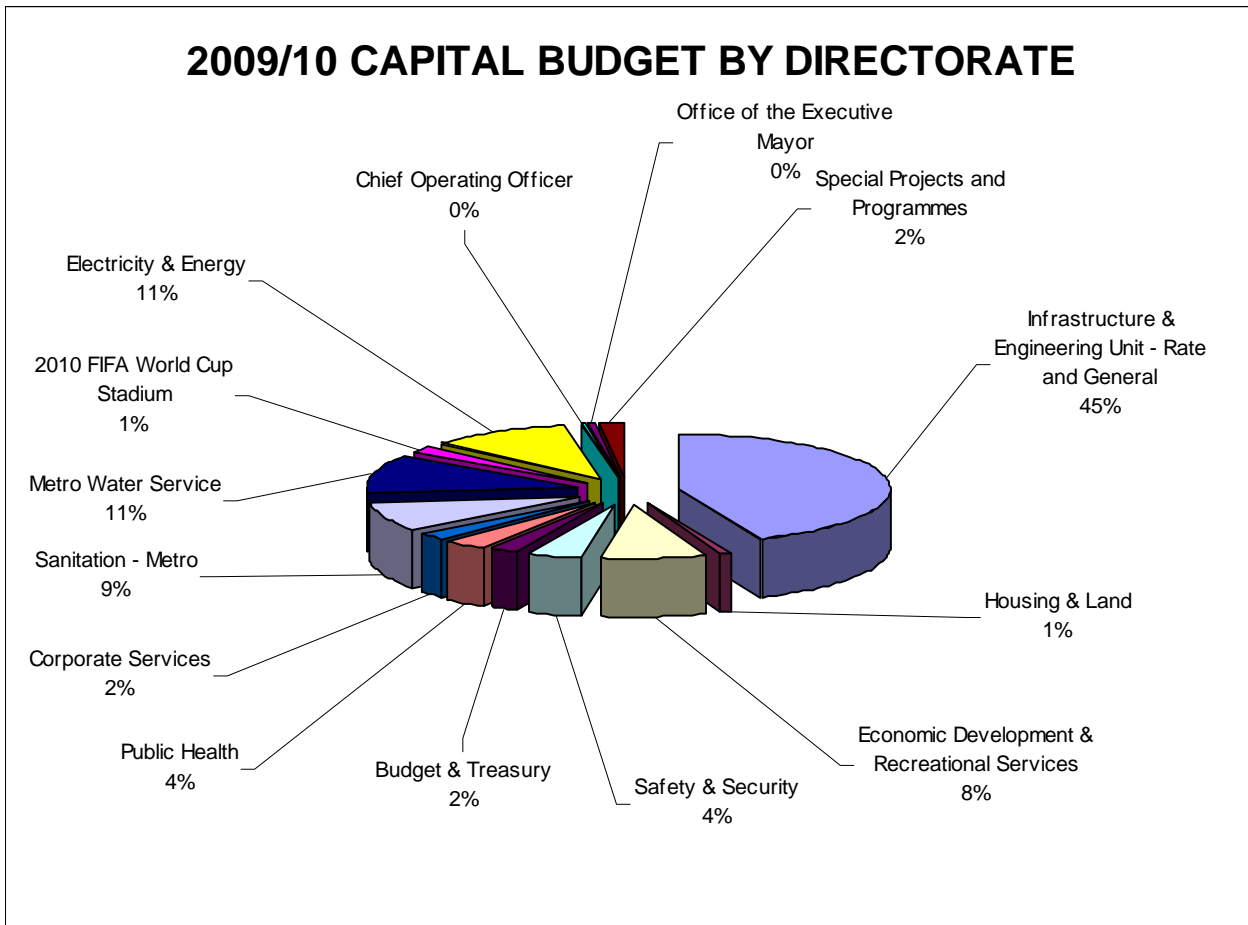
- capital expenditure by municipal vote;
- capital expenditure by standard classification; and
- the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial governments that fund the capital budget.

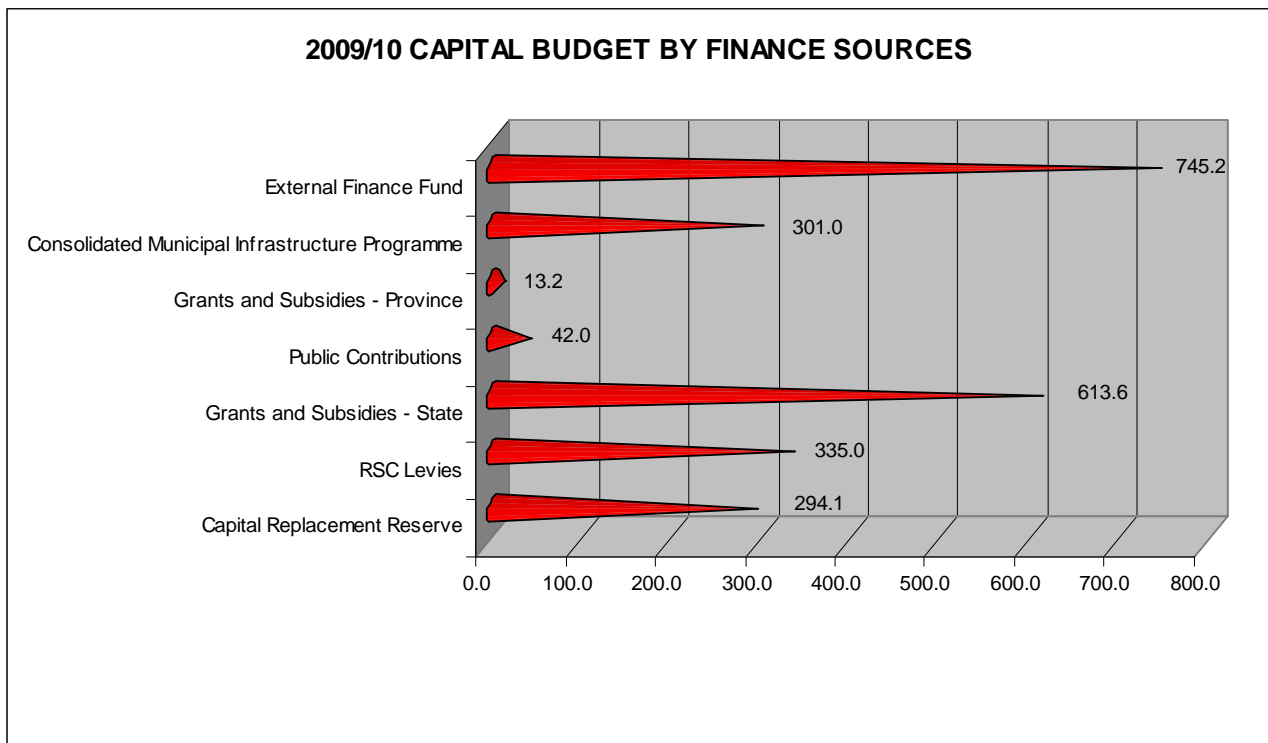
Schedule A1 Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	2005/06	2006/07	2007/08	Current Year 2008/09				2009/10 Medium Term Revenue & Expenditure Framework		
	R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2009/10	Budget Year +1 2010/11
Capital expenditure - Vote										
Multi-year expenditure to be appropriated										
Budget and Treasury	24,737	72,085	84,577	17,200	27,306	27,306	27,306	52,170	35,652	18,250
Public Health	31,300	35,528	56,544	74,837	94,182	94,182	94,182	83,745	56,685	70,567
Housing and Land	14,623	19,818	14,079	42,000	57,683	57,683	57,683	18,500	27,000	2,000
Economic Development and Recreational Services	127,621	38,310	75,729	138,119	164,809	164,809	164,809	191,828	35,500	23,500
Corporate Services	18,959	21,621	48,893	61,200	69,411	69,411	69,411	53,800	43,900	36,250
Infrastructure and Engineering	150,395	207,732	348,280	650,130	907,170	907,170	907,170	1,022,595	599,584	691,269
Water Service	53,944	77,897	118,511	171,175	188,807	188,807	188,807	268,730	279,694	204,538
Sanitation Service	77,988	110,346	99,266	109,910	111,993	111,993	111,993	200,299	210,855	152,370
Electricity and Energy	110,089	197,857	227,425	257,520	257,520	257,520	257,520	257,593	257,802	237,926
Executive and Council	-	664	304	15,650	15,650	15,650	15,650	17,200	10,500	10,000
Safety and Security	21,839	22,119	34,301	43,410	44,256	44,256	44,256	97,407	37,200	31,850
2010 World Cup Office	-	156,947	787,200	370,000	843,000	843,000	843,000	32,685	12,000	-
Strategic Programmes Directorate	-	14,420	1,435	200	15,607	15,607	15,607	47,483	15,000	1,300
Total Capital Expenditure - Vote	631,495	975,344	1,896,545	1,951,352	2,797,395	2,797,395	2,797,395	2,344,135	1,621,371	1,479,820
Capital Expenditure - Standard										
Governance and administration	43,697	94,370	133,773	94,050	112,367	112,367	112,367	123,170	90,052	64,500
Executive and council	-	664	304	15,650	15,650	15,650	15,650	17,200	10,500	10,000
Budget and treasury office	24,737	72,085	84,577	17,200	27,306	27,306	27,306	52,170	35,652	18,250
Corporate services	18,959	21,621	48,893	61,200	69,411	69,411	69,411	53,800	43,900	36,250
Community and public safety	195,383	115,775	180,654	298,366	360,930	360,930	360,930	391,480	156,385	127,917
Community and social services	127,621	38,310	75,729	138,119	164,809	164,809	164,809	191,828	35,500	23,500
Sport and recreation										
Public safety	21,839	22,119	34,301	43,410	44,256	44,256	44,256	97,407	37,200	31,850
Housing	14,623	19,818	14,079	42,000	57,683	57,683	57,683	18,500	27,000	2,000
Health	31,300	35,528	56,544	74,837	94,182	94,182	94,182	83,745	56,685	70,567
Economic and environmental services	150,395	222,152	349,715	650,330	922,777	922,777	922,777	1,070,078	614,584	692,569
Planning and development	-	14,420	1,435	200	15,607	15,607	15,607	47,483	15,000	1,300
Road transport	150,395	207,732	348,280	650,130	907,170	907,170	907,170	1,022,595	599,584	691,269
Environmental protection										
Trading services	242,021	543,047	1,232,402	908,605	1,401,321	1,401,321	1,401,321	759,307	760,351	594,834
Electricity	110,089	197,857	227,425	257,520	257,520	257,520	257,520	257,593	257,802	237,926
Water	53,944	77,897	118,511	171,175	188,807	188,807	188,807	268,730	279,694	204,538
Waste water management	77,988	110,346	99,266	109,910	111,993	111,993	111,993	200,299	210,855	152,370
Waste management										
Other	-	156,947	787,200	370,000	843,000	843,000	843,000	32,685	12,000	-
Total Capital Expenditure - Standard	631,495	975,344	1,896,545	1,951,352	2,797,395	2,797,395	2,797,395	2,344,135	1,621,371	1,479,820
Funded by:										
National Government	341,902	488,099	1,318,148	821,937	1,585,935	1,585,935	1,585,935	1,244,463	724,665	716,076
Provincial Government	6,441	46,118	49,626	27,262	57,097	57,097	57,097	13,220	9,260	12,920
District Municipality										
Other transfers and grants				4,500				5,000	40,000	25,000
Transfers recognised - capital	348,343	534,217	1,367,774	853,699	1,643,032	1,643,032	1,643,032	1,262,683	773,925	753,996
Public contributions & donations	22,290	16,018	11,239	22,418	23,348	23,348	23,348	42,060	41,028	41,486
Borrowing	-	130,865	100,710	561,295	563,075	563,075	563,075	745,201	673,476	557,750
Internally generated funds	260,862	294,244	416,821	513,939	567,939	567,939	567,939	294,191	132,942	126,587

Total Capital Funding	631,495	975,344	1,896,544	1,951,352	2,797,395	2,797,395	2,797,395	2,344,135	1,621,371	1,479,820
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The graphs below reflect the 2009/10 Capital Budget by Directorate and finance source.





1.9.3 Capital Replacement Reserve (CRR)

The table below indicates the proposed spending levels, compared to the available funding in the CRR.

TABLE 16: CAPITAL REPLACEMENT RESERVE PROJECTION

Capital Replacement Reserve(CRR) Projection	2008/09 R'000	2009/10 R'000	2010/11 R'000	2011/12 R'000
CRR Opening Balance	786 403	440 217	289 961	331 919
Contributions via Operating Budget	221 753	143 935	174 900	191 658
Available CRR Balance	1 008 156	584 152	464 861	523 577
Withdrawal in terms of draft Capital Budget	-567 939	-294 191	-132 942	-126 587
CRR Closing Balance	440 217	289 961	331 919	396 990

The CRR projection has been based on the principle that part of the current contributions made via the Operating Budget be ring-fenced to support the servicing of external loan financing, so as to minimise the impact on future tariff increases. This is reflected in the declining contributions to the CRR via the Operating Budget.

The aforementioned table indicates that the CRR level has actually reduced (no growth) from the 2008/09 balance of R440,2 million to the balance of R397 million in 2011/12. This

indicates that actions will have to be undertaken to ensure the future sustainability of the CRR.

1.9.4 RSC Levies Replacement (Fuel Levy)

The 2009/10 Draft Operating Budget indicates that an amount of R288,1 million will be available for financing capital items. Although RSC Levies was phased out on 30 June 2006, National Treasury has allocated a replacement source of funding. The proposed allocations for the RSC Levies Replacement, in terms of the 2009 Division of Revenue Act, are as follows:

TABLE 17: RSC LEVIES REPLACEMENT

	2008/09 R'000	2009/10 R'000	2010/11 R'000	2011/12 R'000
RSC Levies Replacement	317 051	370 500	413 500	442 500

This aforementioned amount (R288,1 million) represents the balance available after taking into account items budgeted for in the 2009/10 Draft Operating Budget.

TABLE 18: RSC LEVIES REPLACEMENT DISTRIBUTION

	2008/09	2009/10
	R'000	R'000
Budgeted levies replacement income for the year	317 051	370 500
Less : Contribution to Housing and Land Directorate (Administrative expenses)	5 642	4 514
Total available Levies Replacement	R 311 409	R 365 986
Less: Total expenditure per Draft Operating Budget	R 73 462	177 997
Total available for Capital Budget	R 237 947	R 187 989

1.9.5 Grants and Subsidies

It is considered important that only projects for which grant and subsidy funding has been secured, be included in the 2009/10 to 2011/12 Capital Budget. Subsequent to the approval of the Capital Budget by Council, it can still be amended should additional grant and subsidy funds become available at a later stage.

Upon the analysis of the proposed projects, the following are the major items in the Capital Budget earmarked for funding from Grants and Subsidies:

TABLE 19: CAPITAL GRANTS AND SUBSIDIES: MAJOR ALLOCATIONS

Project Title	Budget: 2009/10 R'000	Budget: 2009/10 R'000	Budget: 2011/12 R'000
2010 Public Transport Facilities and Infrastructure	429,860	76,504	275,439
Njoli Square Redevelopment	60,000	40,000	4,000
New Motherwell to Perseverance Pipeline	20,000	2,000	
Churchill Pipeline Upgrade	36,000	30,000	30,000
Nooitgedagt/Coega Low Level System	10,000	25,000	40,000
Replacement of KwaNobuhle Reservoir	18,000	4,000	
Rudimentary Services: Sanitation	30,000	15,000	15,000
Provision of Sidewalks and Cycle Tracks	30,000	30,000	30,000
Jagtlakte Bulk Sewerage	2,000	15,000	10,000
Motherwell North Bulk Sewerage	20,000	30,000	15,000
Access Road to Chatty Developments	15,000	15,000	1,000
	R 670 860	R 282 504	R 420 439

1.9.6 New Borrowings

The following loans are being considered for the funding of various infrastructure projects, subject to affordability considerations.

TABLE 20: BORROWINGS

Service	Budget 2009/10 R'000	Budget 2009/10 R'000	Budget 2011/12 R'000
Loans			
- Electricity	205 257	198 996	180 450
- Water	145 400	134 100	115 700
- Sanitation	126 464	112 725	86 020
- Rates Service	268 080	227 654	175 580
Total Borrowings	745 201	673 475	557 750

In relation to the 2009/10 Budget , the Municipality intends raising new loan financing in the amount of R745 million to support its Capital Budget. With regards to the 2010/11 (year 2) and 2011/12 (year 3) Budgets, it is the intention to review the need for and extent of required borrowings, taking affordability considerations into account.

The following repayment schedule will result from the aforementioned borrowing:

TABLE 21: REPAYMENT OF BORROWING

Service	Budget 2009/10 R'000	Budget 2010/11 R'000	Budget 2011/12 R'000
Repayment			
- Electricity	20 381	49 178	75 311
- Water	14 438	34 170	51 170
- Sanitation	12 557	29 340	42 505
- Rates Service	26 619	60 783	87 353
Total Repayments	73 995	173 471	256 339

The aforementioned preliminary borrowing levels was primarily determined, after taking into account all available funding that could support the Capital Budget.

1.10 Budgeted Financial Statements

The financial statements below identify the financial viability of the Municipality. It is evident from this statement that value of the Municipality is increasing and liquidity although appropriate at this point of time, will require monitoring in particular with the level of creditors carried.

1.10.1 Table A6 Budgeted Financial Position

The table presents Assets less Liabilities as Community Wealth. The order of items within each group is also aligned to the convention of showing items in order of liquidity; i.e. assets readily converted to cash or liabilities immediately required to be met from cash appear first.

Schedule A1 Table A6 Budgeted Financial Position

Description	2006/07	2007/08	Current Year 2008/09				2009/10 Medium Term Revenue & Expenditure Framework			
			Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2009/10	Budget Year +1 2010/11
ASSETS										
Current assets										
Cash	215,432	67,514	230,488	48,396	48,396	48,396	50,816	53,365	56,024	
Call investment deposits	1,482,709	1,839,564	1,739,453	1,130,646	1,130,646	1,130,646	1,136,249	1,637,083	2,158,921	
Consumer debtors	602,336	623,528	609,914	672,163	672,163	672,163	724,592	781,110	817,976	
Other debtors	163,574	174,560	87,674	157,104	157,104	157,104	141,394	127,254	114,529	
Current portion of long-term receivables	2,106	1,456	2,022	2,022	2,022	2,022	1,982	1,943	1,901	
Inventory	81,433	89,980	82,172	82,172	82,172	82,172	83,816	85,492	89,767	
Total current assets	2,547,590	2,796,602	2,751,723	2,092,503	2,092,503	2,092,503	2,138,849	2,686,247	3,239,118	
Non current assets										
Long-term receivables	70,224	98,807	67,468	67,468	67,468	67,468	66,119	64,796	63,499	
Investments	17,640	20,043	22,446	22,446	22,446	22,446	23,568	24,747	25,984	
Investment property										
Investment in Associate										
Property, plant and equipment	3,966,146	6,773,741	6,873,494	7,023,240	7,023,240	7,023,240	8,383,138	9,204,390	9,664,609	
Agricultural										
Biological										
Intangible	147,365	266,059	141,530	141,530	141,530	141,530	138,699	135,925	133,206	
Other non-current assets										
Total non current assets	4,201,375	7,158,650	7,104,938	7,254,684	7,254,684	7,254,684	8,611,524	9,429,858	9,887,298	
TOTAL ASSETS	6,748,965	9,955,252	9,856,661	9,347,187	9,347,187	9,347,187	10,750,373	12,116,105	13,126,416	
LIABILITIES										
Current liabilities										
Bank overdraft										
Borrowing	18,764	56,438	93,547	93,547	93,547	93,547	215,523	305,693	381,752	
Consumer deposits	86,591	94,494	96,384	96,384	96,384	96,384	98,312	100,278	102,283	
Trade and other payables	1,375,940	1,684,387	1,629,557	1,431,959	1,431,959	1,431,959	1,248,051	1,125,762	1,002,571	
Provisions	41,933	126,164	132,472	132,472	132,472	132,472	139,096	146,051	153,353	
Total current liabilities	1,523,228	1,961,484	1,951,960	1,754,362	1,754,362	1,754,362	1,700,982	1,677,784	1,639,959	
Non current liabilities										
Borrowing	221,311	450,706	977,596	920,234	920,234	920,234	1,449,912	1,814,445	1,990,443	
Provisions	1,886,768	2,931,268	3,140,415	2,783,257	2,783,257	2,783,257	3,592,397	3,982,933	4,163,556	
Total non current liabilities	2,108,079	3,381,974	4,118,011	3,703,491	3,703,491	3,703,491	5,042,309	5,797,378	6,153,999	
TOTAL LIABILITIES	3,631,306	5,343,459	6,069,971	5,457,853	5,457,853	5,457,853	6,743,291	7,475,162	7,793,958	
NET ASSETS	3,117,659	4,611,793	3,786,690	3,889,334	3,889,334	3,889,334	4,007,081	4,640,943	5,332,459	
COMMUNITY WEALTH/EQUITY										
Accumulated Surplus/(Deficit)	1,077,703	2,415,848	2,191,001	2,309,983	2,309,983	2,309,983	2,471,326	3,183,801	3,876,839	
Reserves	2,039,955	2,195,945	1,595,689	1,579,351	1,579,351	1,579,351	1,535,755	1,457,142	1,455,620	
Minorities' interests										
TOTAL COMMUNITY WEALTH/EQUITY	3,117,658	4,611,793	3,786,690	3,889,334	3,889,334	3,889,334	4,007,081	4,640,943	5,332,459	

1.10.2 Table A7 Budgeted Cash Flows

Table A7 includes, some specific features:

- Clear separation of receipts and payments within each cash flow category
- Clear separation of capital and operating receipts from Government, and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt)

Schedule A1 Table A7 Budgeted Cash Flows

Description	2006/07	2007/08	Current Year 2008/09				2009/10 Medium Term Revenue & Expenditure Framework			
			R thousand	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2009/10
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Ratepayers and other	2,275,813	2,706,383	2,986,108	3,010,119	3,010,119	3,010,119	3,513,762	4,066,587	4,636,834	
Government - operating	884,071	760,337	1,302,478	1,104,768	1,104,768	1,104,768	1,398,577	1,596,665	1,414,223	
Government - capital										
Interest	219,074	273,420	256,578	274,292	274,292	274,292	297,764	323,421	351,504	
Dividends										
Payments										
Suppliers and employees	(2,342,055)	(2,964,152)	(3,395,817)	(3,233,369)	(3,233,369)	(3,233,369)	(3,925,254)	(4,429,510)	(4,756,320)	
Finance charges	(63,264)	(65,071)	(139,961)	(120,601)	(120,601)	(120,601)	(129,897)	(123,147)	(116,251)	
Transfers and Grants										
NET CASH FROM/(USED) OPERATING ACTIVITIES	973,638	710,918	1,009,386	1,035,209	1,035,209	1,035,209	1,154,952	1,434,016	1,529,990	
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE	594	482	23	7	7	7	7	8	8	
Decrease (Increase) in non-current debtors										
Decrease (increase) other non-current receivables	(23,635)	(27,933)	30,733	30,733	30,733	30,733	1,389	1,362	1,339	
Decrease (increase) in non-current investments	(1,685)	(2,403)	(2,403)	(2,403)	(2,403)	(2,403)	(1,122)	(1,179)	(1,237)	
Payments										
Capital assets	(952,588)	(1,819,851)	(1,756,217)	(2,237,916)	(2,237,916)	(2,237,916)	(1,875,308)	(1,297,097)	(1,183,856)	
NET CASH FROM/(USED) INVESTING ACTIVITIES	(977,313)	(1,849,705)	(1,727,864)	(2,209,579)	(2,209,579)	(2,209,579)	(1,875,034)	(1,296,906)	(1,183,746)	
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans	390,577	1,110,754	140,681	-	-	-	-	-	-	
Borrowing long term/refinancing	(236,062)	285,504	732,319	537,993	537,993	537,993	745,000	670,000	558,000	
Increase (decrease) in consumer deposits	5,956	7,903	1,890	1,890	1,890	1,890	4,628	1,966	2,005	
Payments										
Repayment of borrowing	(18,764)	(56,438)	(93,547)	(93,547)	(93,547)	(93,547)	(21,523)	(305,693)	(381,752)	
NET CASH FROM/(USED) FINANCING ACTIVITIES	141,707	1,347,723	781,343	446,336	446,336	446,336	728,105	366,273	178,253	
NET INCREASE/ (DECREASE) IN CASH HELD	138,032	208,936	62,865	(728,034)	(728,034)	(728,034)	14,733	503,383	524,497	
Cash/cash equivalents at the year begin:	1,560,107	1,698,139	1,907,076	1,907,076	1,907,076	1,907,076	1,179,042	1,187,065	1,690,448	
Cash/cash equivalents at the year end:	1,698,139	1,907,076	1,969,941	1,179,042	1,179,042	1,179,042	1,187,065	1,690,448	2,214,945	

1.10.3 Table A8 Cash backed reserves/accumulated surplus reconciliation

The underlying purpose of the table is to reflect the predicted cash and investments that are available at the end of a particular budget year and how those funds were used. A surplus would indicate that sufficient cash and investments was available to meet commitments, whilst a shortfall would indicate inadequate cash and investments was available to meet commitments.

Schedule A1 Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	2006/07	2007/08	Current Year 2008/09				2009/10 Medium Term Revenue & Expenditure Framework			
	R thousand	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2009/10	Budget Year +1 2010/11	Budget Year +2 2011/12
<u>Cash and investments available</u>										
Cash/cash equivalents at the year end	1,698,139	1,907,076	1,969,941	1,179,042	1,179,042	1,179,042	1,187,065	1,690,448	2,214,945	
Other current investments > 90 days	2	2	(0)	(1)	(1)	(1)	(0)	0	(0)	
Non current assets - Investments	17,640	20,043	22,446	22,446	22,446	22,446	23,568	24,747	25,984	
Cash and investments available:	1,715,781	1,927,120	1,992,387	1,201,488	1,201,488	1,201,488	1,210,633	1,715,195	2,240,929	
<u>Application of cash and investments</u>										
Unspent conditional transfers	466,726	637,978	760,194	562,596	562,596	562,596	396,075	282,306	167,550	
Unspent borrowing	-	-	-	-	-	-	-	-	-	
Statutory requirements	10,213	11,382	-	11,382	11,382	11,382	11,951	12,549	13,176	
Other working capital requirements	804,727	878,015	1,080,160	615,289	615,289	615,289	427,342	239,521	89,384	
Other provisions	(466,726)	(637,978)	(760,194)	(562,596)	(562,596)	(562,596)	(396,075)	(282,306)	(167,550)	
Long term investments committed	-	-	-	-	-	-	-	-	-	
Reserves to be backed by cash/investments	685,745	940,070	396,312	369,592	369,592	369,592	410,364	448,061	470,464	
Total Application of cash and investments:	1,500,685	1,829,467	1,476,472	996,263	996,263	996,263	849,657	700,131	573,024	
Surplus(shortfall)	215,096	97,653	515,915	205,225	205,225	205,225	360,976	1,015,064	1,667,905	

1.10.4 Table A9 Asset Management

This table provides a summarised version of the capital programme divided into new assets and renewal of existing assets and also reflects the relevant asset categories. The associated repairs and maintenance and depreciation is also reflected.

It also provides an indication of the resources deployed for maintaining and renewing existing assets, as well as the extent of asset expansion.

Schedule A1 Table A9 Asset Management

Description	Current Year 2008/09			2009/10 Medium Term Revenue & Expenditure Framework		
	R thousand	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2009/10	Budget Year +1 2010/11
CAPITAL EXPENDITURE						
<u>Total New Assets</u>	1,738,341	2,520,806	2,520,806	1,984,340	1,345,233	1,246,262
<i>Infrastructure - Road transport</i>	554,880	792,415	792,415	906,295	491,864	604,509
<i>Infrastructure - Electricity</i>	237,020	237,020	237,020	235,253	238,052	218,176
<i>Infrastructure - Water</i>	146,285	144,876	144,876	168,500	208,500	130,850
<i>Infrastructure - Sanitation</i>	67,393	63,416	63,416	149,759	174,330	124,960
<i>Infrastructure - Other</i>	74,765	74,765	74,765	18,308	19,347	28,225
Infrastructure	1,080,344	1,312,493	1,312,493	1,478,116	1,132,093	1,106,721
Community	534,697	1,052,133	1,052,133	357,755	98,527	79,028
Heritage assets	4,000	9,850	9,850	2,800	1,000	-
Investment properties	42,000	57,683	57,683	18,500	27,000	2,000
Other assets	30,550	35,170	35,170	76,849	35,711	20,163
Agricultural Assets	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-
Intangibles	46,750	53,477	53,477	50,320	50,902	38,350
<u>Total Renewal of Existing Assets</u>	180,957	225,563	225,563	292,960	235,189	207,608
<i>Infrastructure - Road transport</i>	95,250	114,755	114,755	121,300	107,720	86,760
<i>Infrastructure - Electricity</i>	18,300	18,300	18,300	20,890	19,750	19,750
<i>Infrastructure - Water</i>	24,890	43,931	43,931	100,230	71,194	73,688
<i>Infrastructure - Sanitation</i>	42,517	48,577	48,577	50,540	36,525	27,410
<i>Infrastructure - Other</i>	-	-	-	-	-	-
Infrastructure	180,957	225,563	225,563	292,960	235,189	207,608
Community	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Agricultural Assets	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-
Intangibles	-	-	-	-	-	-
<u>Total Capital Expenditure</u>						
<i>Infrastructure - Road transport</i>	650,130	907,170	907,170	1,027,595	599,584	691,269
<i>Infrastructure - Electricity</i>	255,320	255,320	255,320	256,143	257,802	237,926
<i>Infrastructure - Water</i>	171,175	188,807	188,807	268,730	279,694	204,538
<i>Infrastructure - Sanitation</i>	109,910	111,993	111,993	200,299	210,855	152,370
<i>Infrastructure - Other</i>	74,765	74,765	74,765	18,308	19,347	28,225
Infrastructure	1,261,301	1,538,056	1,538,056	1,771,076	1,367,282	1,314,329
Community	534,697	1,052,133	1,052,133	357,755	98,527	79,028
Heritage assets	4,000	9,850	9,850	2,800	1,000	-

Investment properties	42,000	57,683	57,683	18,500	27,000	2,000
Other assets	30,550	35,170	35,170	76,849	35,711	20,163
Agricultural Assets	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-
Intangibles	46,750	53,477	53,477	50,320	50,902	38,350
TOTAL CAPITAL EXPENDITURE - Asset class	1,919,298	2,746,369	2,746,369	2,277,300	1,580,421	1,453,870
ASSET REGISTER SUMMARY - PPE (WDV)						
<i>Infrastructure - Road transport</i>						
<i>Infrastructure - Electricity</i>						
<i>Infrastructure - Water</i>						
<i>Infrastructure - Sanitation</i>						
<i>Infrastructure - Other</i>						
Infrastructure	-	-	-	-	-	-
Community						
Heritage assets						
Investment properties	-	-	-	-	-	-
Other assets						
Agricultural Assets	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-
Intangibles	141,530	141,530	141,530	141,530	135,925	133,206
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	141,530	141,530	141,530	141,530	135,925	133,206
EXPENDITURE OTHER ITEMS						
<u>Depreciation & asset impairment</u>	342,209	336,657	336,657	451,991	549,740	628,967
<u>Repairs and Maintenance by Asset Class</u>	367,610	390,363	390,363	449,708	469,782	515,053
Infrastructure	367,610	390,363	390,363	449,708	469,782	515,053
Community	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
TOTAL EXPENDITURE OTHER ITEMS	709,819	727,020	727,020	901,699	1,019,522	1,144,020
<i>% of capital exp on renewal of assets</i>	10.4%	8.9%	8.9%	14.8%	17.5%	16.7%
<i>Renewal of Existing Assets as % of deprecn"</i>	52.9%	67.0%	67.0%	64.8%	42.8%	33.0%
<i>R&M as a % of PPE</i>	5.3%	5.6%	5.6%	5.4%	5.1%	5.3%

1.10.5 Table A10 Basic service delivery measurement

This table provides basic service delivery information that the municipality approves basic service delivery targets aligned to national priorities.

Schedule A1 Table A10 Basic Service Delivery Measurement

Description	2005/06	2006/07	2007/08	Current Year 2008/09			2009/10 Medium Term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2009/10	Budget Year +1 2010/11	Budget Year +2 2011/12
Household service targets (000)									
<u>Water:</u>									
Piped water inside dwelling		214	225	211	211	211	265	294	322
Piped water inside yard (but not in dwelling)		5	6	6	6	6	-	-	-
Using public tap (at least min.service level)		28	29	29	29	29	65	52	42
Other water supply (at least min.service level)									
<i>Minimum Service Level and Above sub-total</i>	-	248	260	246	246	246	330	347	364
Using public tap (< min.service level)									
Other water supply (< min.service level)									
No water supply		32	34	34	34	34	-	-	-
<i>Below Minimum Service Level sub-total</i>	-	32	34	34	34	34	-	-	-
Total number of households	-	280	294	280	280	280	330	347	364
<u>Sanitation/sewerage:</u>									
Flush toilet (connected to sewerage)		212	231	217	217	217	256	280	303
Flush toilet (with septic tank)		0	0	0	0	0	3	3	3
Chemical toilet		-	-	-	-	-	-	-	-
Pit toilet (ventilated)		-	-	-	-	-	-	-	-
Other toilet provisions (> min.service level)			0						
<i>Minimum Service Level and Above sub-total</i>	-	213	231	217	217	217	260	283	307
Bucket toilet		41	39	39	39	39	22	19	17
Other toilet provisions (< min.service level)									
No toilet provisions									
<i>Below Minimum Service Level sub-total</i>	-	67	63	63	63	63	70	63	57
Total number of households	-	254	270	256	256	256	281	303	324
<u>Energy:</u>									
Electricity (at least min.service level)		42	39	37	37	38	36	35	34
Electricity - prepaid (min.service level)		206	218	227	227	227	232	236	241
<i>Minimum Service Level and Above sub-total</i>	-	248	257	264	264	265	268	271	275
Electricity (< min.service level)									
Electricity - prepaid (< min. service level)									
Other energy sources									
<i>Below Minimum Service Level sub-total</i>	-	-	-	-	-	-	-	-	-
Total number of households	-	248	257	264	264	265	268	271	275
<u>Refuse:</u>									
Removed at least once a week	175	186	174	170	170	170	175	180	186
<i>Minimum Service Level and Above sub-total</i>	175	186	174	170	170	170	175	180	186
Removed less frequently than once a week	7	8	8	7	7	7	9	9	10
Using communal refuse dump	-	-	-	-	-	-	-	-	-
Using own refuse dump	-	-	-	-	-	-	-	-	-
Other rubbish disposal	-	-	-	-	-	-	-	-	-
No rubbish disposal	1	1	1	1	1	1	-	-	-
<i>Below Minimum Service Level sub-total</i>	84	89	102	105	105	105	107	110	113
Total number of households	183	194	182	178	178	178	184	189	195

<u>Households receiving Free Basic Service</u>									
Water (6 kilolitres per household per month)	94	90	98	108	108	108	115	120	129
Sanitation (free minimum level service)	94	90	98	108	108	108	115	120	129
Electricity/other energy (50kwh per household per month)	90	94	98	99	99	99	105	110	117
Refuse (removed at least once a week)	94	72	77	80	80	80	85	90	95
<u>Cost of Free Basic Services provided (R'000)</u>									
Water (6 kilolitres per household per month)	21,167	32,363	38,991	65,518	42,114	42,114	45,483	49,112	53,051
Sanitation (free sanitation service)	47,757	48,537	52,664	63,051	57,141	57,141	61,998	66,958	72,314
Electricity/other energy (50kwh per household per month)	23,747	24,100	38,862	85,694	52,691	52,691	66,313	83,471	105,086
Refuse (removed once a week)	22,368	23,781	24,444	32,281	39,830	39,830	43,016	46,457	50,174
Total cost of FBS provided (minimum social package)	115,039	128,781	154,961	246,544	191,776	191,776	216,810	245,998	280,625
<u>Revenue cost of free services provided (R'000)</u>									
Property rates (R15 000 threshold rebate)	23,766	25,913	28,857	35,166	39,537	39,537	42,700	46,116	49,805
Property rates (other exemptions, reductions and rebates)									
Water	21,167	32,363	38,991	65,518	42,114	42,114	45,483	49,112	53,051
Sanitation	47,757	48,537	52,664	63,051	57,141	57,141	61,998	66,958	72,314
Electricity/other energy	23,747	24,100	38,862	85,694	52,691	52,691	66,313	83,471	105,086
Refuse	22,368	23,781	24,444	32,281	39,830	39,830	43,016	46,457	50,141
Total revenue cost of free services provided (total social package)	138,805	154,694	183,818	281,710	231,313	231,313	259,510	292,114	330,397

2. BUDGET RELATED POLICIES

Financial Management Policies

The financial management policies were approved by Council on 7 December 2006.

These policies cover budget principles and processes, including Adjustment Budgets. In addition, the following areas are addressed.

- Medium Term Income and Expenditure Framework
- Income
- Supply Chain Management
- Creditors and Payments
- Goods and Materials
- Operating and Capital Expenditure
- Credit Rating
- Salaries, Wages and Allowances
- Loans
- Risk Management and Insurance
- Accounting
- Audit Matters
- Asset Management

Cash Management and Investments Policy

Cash Management and Investments Policy which complies with the Municipal Finance Management Act, was approved in December 2005.

The objective of this policy is to ensure that cash resources are managed efficiently and effectively and that the Municipality receives an optimum yield at minimal risk.

The Chief Financial Officer is responsible for managing municipal investments and ensuring that a detailed investment register is maintained.

Permitted investments are identified and must be made by the Municipality through the exercise of due care.

Additional issues covered are:

- Prohibition of payment of commissions
- Reporting requirements
- Diversification of investments
- Accounting for trust funds; and
- Establishment of an Investment Panel

Revenue Management and Customer Care Policy

This policy addresses:

- Applications for the supply of municipal services, service agreements, deposits, screening, payment for services supplied and billing
- Assessment Rates
- Non-payment of Municipal Accounts
- Metering equipment and metering of services
- Miscellaneous provisions.

The aim of the policy is to achieve the active participation of the community in Revenue Management and to ensure efficient, effective and transparent dealings with its customers.

Tariff Policy

The Tariff Policy promotes the goals of equity, sustainability and efficiency and it is aligned with the Revenue Management and Customer Care Policy.

It includes the following requirements:

- Setting of tariffs will be transparent
- Community consultation and education form part of the tariff setting process
- Full cost is the basis for setting of tariffs
- The cost recovery mechanism and any subsidization of tariffs will be fully disclosed
- Where practical tariffs will be consumption based and all usage metered.

Supply Chain Management Policy

The Supply Chain Management Policy is structured as per the National Treasury Guideline Circular No. 22.

It addresses Demand, Acquisition, Logistics, Disposal, Risk and Performance Management.

Covered is the range of procurement processes and the procurement treatment for various values of goods and services.

The committee system maintained by the Municipality i.e. Specification Committee, Evaluation Committee and Adjudication Committee is recommended in this Circular.

This Policy also addresses:

- Process for competitive bidding
- Appointment of consultants
- Unsolicited bids
- Abuse in the supply chain management system.

3. KEY FINANCIAL PERFORMANCE INDICATORS

The following financial indicators identify medium term projections against past performance.

These indicators and others will be monitored throughout the financial years covered by the Budget.

TABLE 27: KEY PERFORMANCE INDICATORS

Financial Indicators	Basis of Calculation	2007/08	2008/09	2009/10	2010/11	2011/12
Borrowing Management						
Borrowing to Asset Ratio	Total Long Term Borrowing/Total Assets	0.05:1	0.10:1	0.13:1	0.15:1	0.15:1
Capital Charges to Operating Income	Interest and Principal Paid/Operating Expenditure	1.55%	1.75%	4.08%	5.04%	5.88%
Safety of Capital						
Debt to Equity	Loans, Accounts Payable & Tax Provision/Funds & Reserves	0.36	0.54	0.65	0.66	0.62
Gearing	Funds & Reserves/Long Term Borrowing	10.23:1	3.87:1	2.76:1	2.56:1	2.68:1
Liquidity						
Current Ratio	Current Assets/Current Liabilities	1.43:1	1.41:1	1.26:1	1.60:1	1.98:1
Revenue Management						
Outstanding Debtors to Revenue	Total Outstanding Debtors/Annual Revenue	17%	11%	14%	13%	13%