

INXUBA YETHEMBA MUNICIPALITY



BUDGET 2009/2010 – 2011/2012

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SECTION -1. MAYORAL SPEECH

Speaker
The Executive Mayor
Members of the Mayoral Committee
Councillors
Municipal Manager
Managers
Officials
Members of the Public

Ladies and Gentleman

Through the prescription of Chapter 7, Section 59(1)(a) on Delegation of Mayoral Powers and Duties, we are today presenting the 2008/09 annual budget.

The budget tabled today has been one of the hardest and most complex budgets to collate in the past eight years.

Our challenged cash flow situation, the seemingly endless rise in inflation, the ESKOM increase and the introduction of our new General Valuation Roll have all merged to impact upon the financial health of our Municipality.

The Greater Inxuba Yethemba Municipality spans a vast area and holds a number of technical challenges. Our fragile infrastructure needs serious investigation.

Unfortunately IYM is not in a position to borrow money to address the needs of our infrastructure. IYM can only hope that our constant pleas to provincial government will be heard and that other spheres of government will make a real and meaningful contribution to the sustainability of local government. IYM, like many other rural local authorities, is just not in a position to maintain even the essential infrastructure. Financial intervention from the other spheres of government is the only chance of IYM being placed on a meaningful and sustainable footing.

I must be frank and we must face the facts: From a financial perspective, IYM is weak, in the sense that it is heavily geared and heavily dependant upon its domestic sector. IYM comprises of domestic towns with very little scope for cross-subsidisation from the business sector. Thus any increase in tariffs impact directly upon domestic consumers and almost immediately upon the municipality's cash flow. Increased taxation means increased non-payment. The 2008 Eskom increases that were forced on IYM caused irreversible damage to IYM's cash flow, and this year we are facing the same situation.

LADIES AND GENTLEMEN, WE ARE A POOR MUNICIPALITY. STATISTICS DO NOT FAVOUR US, BUT BY A MIRACLE WE SURVIVE.

On Tuesday the 26 May 2009, an official announcement was made: South Africa is in a recession for the first time in 17 years. Inxuba Yethemba cannot escape this reality.

IYM will definitely feel the impact of the recession during the remainder of the current financial year, it will impact upon the budget in the financial year which lies before us and it is going to impact even more markedly on the 2009/10 budget and beyond. This economic situation will affect service delivery as less money is available. We shall be obliged to "cut our garment according to the cloth".

The ESKOM issue is beyond Council's control but the fact cannot be ignored that most of our residents will be paying for ESKOM's woes by means of accounts sent out in our name. It is a fact that IYM is going to be affected by non-payment, with the resultant cash flow problems, it is IYM Municipality that will be criticised for reduced service delivery if residents cannot afford the ESKOM increases and it is Inxuba Yethemba Municipality that will be serving notices on residents when they cannot pay their Council bills.

In short, IYM simply cannot afford to continue to operate services which require huge capital infrastructure when we do not have the population base to fund them. These services such as water

and electricity can no longer be regarded as local and must be regionalised to maximise economies of scale.

GENERAL VALUATION ROLL:

The purpose of the Municipal Property Rates Act is "to make provision for fair and equitable valuation methods of properties" and the preamble of this legislation states "it is essential that municipalities exercise their power to impose rates ... that not only enhances certainty, uniformity and simplicity across the nation, but also takes into account historical imbalances and the rates burden on the poor".

The previous legislation regarding rates dates back to 2001 and was administered in terms of an Ordinance governing the old Cape Province and was based upon both land and improvements. The movement to one rate based on "fair and market value" immediately caused payment shifts. The fact that the Council has not performed interim valuations for the past eight years has not made it easier. The average valuation rate with regard to residential property has trebled. Unfortunately this has resulted in huge swings both upwards and downwards. Increases greater than the average, usually have an explanation.

Emanating from the above, the effect of the boom in the property market which took place approximately two years ago will need to be taken into account and those residents who have made improvements to their properties since 2001 will probably feel the greatest impact of the new valuation roll.

The weak position of our pensioners in an economic downturn is of paramount concern. Inflation, high interest rates, Eskom and the new Valuation Roll will have negative effects on all, but the biggest impact will be felt by our pensioners who have fixed incomes. Council has made all possible efforts to accommodate these groups of consumers when determining the tariffs.

BUDGET 2009/2010

Councillors, Ladies and Gentlemen, I now turn your attention to the Budget for 2009-2010.

CAPITAL BUDGET

The proposed capital budget totals R36,003 million with the main expenditures being R17,5 million for water, R6,5 million for Electricity, R9,9 million for roads. The majority of the projects are funded by means of MIG grant funding. R13,720 million will be administrated by IYM and R17,562 million will be administrated by CHDM. Funds have not yet been secured for the remaining R4,721 million.

OPERATING EXPENDITURE

The Operating budget for the forthcoming year will total some R133 million, an increase of 30,96% on the adjustment budget of January 2009. The major expenditure items are salaries (R54,7 million) up by 14,02%, general expenses (R41,57 million) up by 50,64% and repairs and maintenance (R9,9 million) up by 178%.

The salary increase results from the 10% budgetary provision for salaries.

Our expenditure is focussed on the community but in a manner that attempts to make the best utilisation of our limited resources.

OPERATING INCOME

Income from property rates is budgeted at R8,2 million. This is based on an increase of 8% in income generated from assessment rates.

Service, like electricity, water, sewerage and refuse tariffs will increase by 34% (9% + 25%), 0%, 0% and 8% respectively.

FUNDING THE OPERATING BUDGET

This has been discussed earlier under the issue of the General Valuation.

For the first time ever, all properties in the municipality have been valued and all property owners will be liable for assessment rates. Property ownership brings many benefits and responsibilities not least of which is the owner's responsibility to the community by means of paying their municipal taxes and charges. This step of bringing all property owners into the tax system is a major move towards normalising and harmonising the fiscal base of IYM

The salient features of the new rates are reflected in Annexure 2.

CONCLUSION

At the outset it was said that this has been the most complex budget in many years. As the budget and the General Valuation Roll are intrinsically linked, this has become the most discussed and transparent budget I have known

I should like to share some of the statistics:

- Meetings were held in all the wards and other stakeholders such as local businesses. The Farming community which has become a new stakeholder in IYM's budget processes has been included in the consultative process regarding the new rates tariffs.

The feedback from the public was extremely useful and some of their inputs have been included in the budget.

Approximately 700 residents attended the various consultative meetings on Rates and the Budget.

No major complaints have been received regarding the management of the public participation process and bears testament to our customer care efforts. I wish to pay particular thanks to all our staff involved in the process.

Unfortunately, the final budget tabled before us is not one which will make everyone happy, but in the circumstances that is hardly surprising. However, this budget will, I believe, provide a much-needed buffer against future economic downturns and allow us to take service delivery forward as opposed to sticking our heads in the sand and allowing the poor economy to swamp us. It is a pragmatic, sensible and pro-active budget.

In closing, I must thank my fellow Councillors and all the individuals and groupings that have taken the time to input into this budget - if only we could have this level of cooperation every year! My thanks to the Municipal Manager and his staff for their hard work and dedication and my thanks to the Finance staff who put the whole process together.

Madam Speaker, I am pleased to recommend to Council the budget for the financial year 2009/10 for adoption.

SECTION -2. BUDGET RETLATED RESOLUTIONS

09/57 APPROVAL OF BUDGET : 2009 / 2010

RESOLVED

1. THAT, in line with section 16 of the MFMA, the consolidated operating and capital budget as set out in the Annexure 1, 2 and 3 are adopted in principle by Council as follows:

Financial Year

	Operating Budget	Capital Budget	Cash Budget
2009/2010	R133,115,666	R36,006,294	R103,715,381
2010/2011	R143,099,341	R27,810,860	
2011/2012	R153,831,792	R32,024,000	

2. THAT Council approves the fees, tariffs and rates in principle effective from the 1 July 2009 as per annexure 2 in terms of Section 17(3) and 23 of the MFMA. (Electricity tariffs are subject to determination by NER and water and sewage be CHDM.
3. THAT Council charge interest on arrear municipal accounts at prime rate plus 1% per annum on all accounts outstanding longer than 7 days after the due date in terms of the provincial Gazette 4755 of 26 July 1992 read with section 64(2)(g) of the MFMA of 2003 but that no interest be charges on arrear accounts of registered indigents.
4. THAT it be noted that budgetary provision for a 10% salary increase has been made across the board although the negotiation process has not yet been completed.
5. THAT the subsidy policy remains as presently applicable, i.e. 100% subsidy in respect of refuse, sewerage and water availability with a 50 kwh electricity and 6 kilolitre water free for households earning less that R1 500,00 per month.
6. THAT the registration of indigents commences in July 2007 and takes place continuously thereafter.
7. THAT where two persons in a household receive old age pensions, this be treated as a special case and evaluated on merit by a committee comprising the Chairperson : Finance, the CFO and the Municipal Manager.
8. THAT the CFO tables all the amended Finance Policies to the Council Meeting scheduled for 11 June 2009 for approval.

SECTION -3. CHIEF FINANCE OFFICER'S INTRODUCTION

During the past two financial years the municipality was faced with fuel and electricity price increments beyond imagination. If we thought that the circumstances surrounding the budgets of 2007/2008 and 2008/2009 were the most complex and difficult in recent memory, we were wrong. The circumstances facing the 2009/2010 budget have been far more complicated. We are faced with the following challenges:

- The implementation of the new property valuation roll in terms of the Property Rates Act 6 of 2004.
- Uncertainty around the salary increment
- And an enormous Eskom increase.

This time last year, we were very uncertain about the impact of the Eskom increase. The result was that it hit IYM very hard directly both in terms of cash flow and increased debtors. Sadly there does not seem to be any alleviation in the forthcoming financial year and I fully expect that the cumulative effect from Eskom will lead a number of local authorities needing to be bailed out by National Treasury. IYM so far has managed to stay afloat, but only just, and to the detriment of maintenance and service delivery.

The reality for IYM, in an economy such as ours, which is a domestically driven economy; even a minor downturn will have a seriously negative multiplier effect on the municipality in terms of cash flow.

IYM's ageing infrastructure puts pressure on the already limited cash flow. Investment in the infrastructure is needed but unfortunately IYM's tax base cannot afford these capital outlays. The time has come for national government to make real and meaningful contribution to the sustainability local government, commencing with a proper restructuring process, and by that I mean removing the heavy infrastructure and heavy capital components of local government, bringing in economies of scale as to how those services are managed and, by extension, then placing them on a footing that becomes meaningful and sustainable. This exercise will stop the perennial and increasingly irrelevant debate regarding ongoing maintenance. Maintenance costs money as salaries and borrowing costs. The problem that exists in municipal finance has little to do with accounting, budgeting and management.

Capital Budget

IYM's capital budget is very simple. The capital budget is basically funded by grants from National Government. Unfortunately IYM is not in the position to invest in infrastructure.

Operating Expenditure

This budget is based on a realistic cash basis where the income closely matches the expenditure otherwise IYM will find itself in a cash shortage situation.

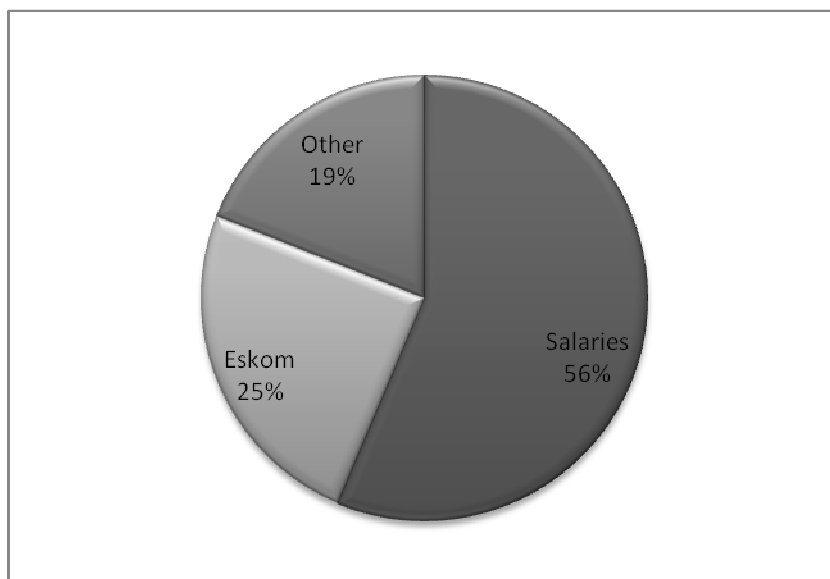
The 2009/2010 expenditure budget presents serious challenges with regard to the following:

1. To date there been no indication of a possible percentage increase with regard to salaries. The only concrete request is a 20% wage increase demand from the Trade Unions. As CPIX averaged at 11,5% during the past year, it will be realistic to expect an increase of at least this percentile. However, the salary negotiations will not be completed by end May 2009. The greatest challenge for IYM is the fact that in the case of 56% of the budgetary expenditure (i.e. salaries), the percentage increase is beyond Council's control.

Should the salary increase exceed the 10% budgetary provision which has been made for this purpose, this will automatically influence the percentages indicated.

2. The indication from Eskom is that a 34% increase (comprising 25% tariff increase to IYM + 9% increase which IYM passes on to the consumer as per the budget) can be expected with regard to the Eskom tariffs. This presents a further challenge as the combined expenditure for Salaries and Eskom represents 81% (Graph 1) of Council's cash flow expenditure for the year.

Graph-1



- 3 The unfortunate reality is that Council has no input into 81% of the percentile increases affecting its cash expenditure. This only leaves 19% of its income available for the purposes of service delivery.

Ambitious requests received from other municipal departments have not been granted due to the abovementioned constraints as reflected in items 1 - 3. As has been reported a number of times during the past two years, IYM's cash flow situation is of such a nature that we are unable to handle crises. Unfortunately, the cash flow situation just does not allow planned maintenance.

Serious cuts and measures have therefore had to be made to ensure this budget is affordable and meaningful. Importantly all non-critical posts will have to be frozen. By definition, critical

posts are those without which IYM cannot deliver essential services to its residents, e.g. plumbing, electricity etc.

This is not unique to local government and in fact is being implemented in many businesses situations all over the world as a result of the current economic crisis.

The salary increase as envisaged by the unions is way beyond any rational affordability levels and in order to be able to fund any potential salary increase, the only options open to IYM are either increasing debt collection or a drastic increase in tariffs.

Fortunately the publication of the DORA has brought about a slight relief with regard to cash flow.

In the past, Chris Hani District Municipality received an unconditional grant for their whole area of jurisdiction for the provision of water services. (Of which no amount for IYM was ever approved or received). This has now been changed and DORA now specifies the amount of the allocation for each local municipality under CHDM's area of jurisdiction.

IYM has received an allocation of R15 740 341. In order to obtain this grant, IYM now has to submit a business plan in this regard to CHDM.

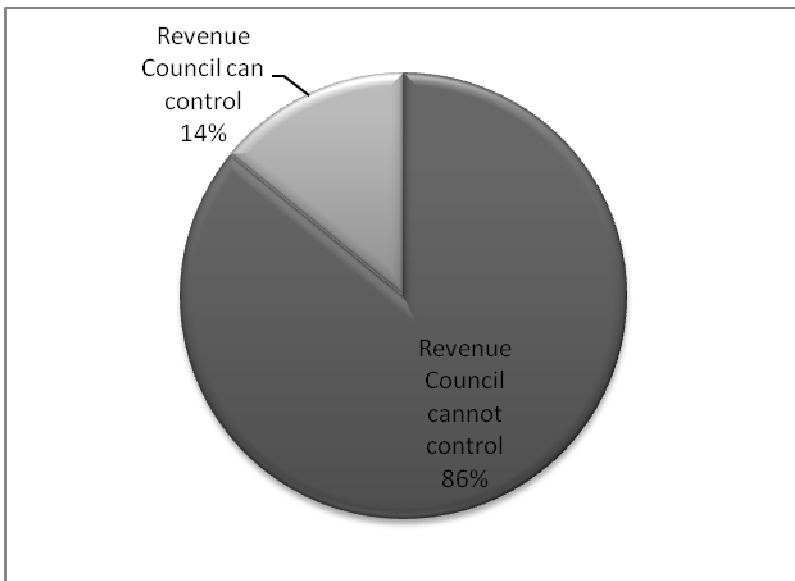
Any capital purchases have to be deducted from the R15 million allocations as CHDM is the WSA and these capital purchases will reflect on CHDM's Asset Register.

Operating Income

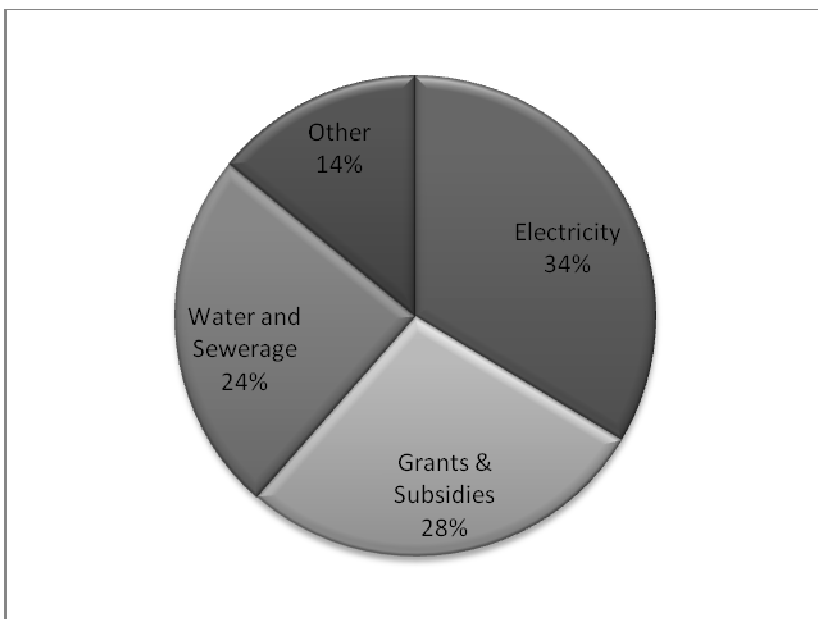
This year we are introducing a new General Valuation roll based on market values in terms of the Municipal Properties Rates Act 6 of 2004. This is not going to be an easy process but it in terms of the Act 1 July 2009 is the final date for implementation of the Act. The current valuation roll lapsed on 30 June 2009. The old Valuation roll dates back to 2001 and due to cash flow problems, no interim valuations have been carried out since 2001. I am proud to be able to report that all the properties have now been valued and the Municipality is now in a position to levy realistic rates and recoup some of the revenue which it was unable to levy due to a lack of interim valuations. To date the rates levied by IYM were much below the average of other rural towns.

Once again, Eskom is forcing unaffordable tariff increments on IYM this financial year. The situation now is such that electricity, water and sewerage, the equitable share grant and the health subsidy comprise 86% of Council's cash income. The result is that Council also has no control over the percentage increases with regard to 86% (Graph 2) of its income. NER determines the electricity tariff increases while National Government determines the equitable share grant and health subsidies received. The tariffs for water and sewerage are determined by CHDM as they are the water service authority. Thus Council only has control over 14% (Graph 3) of its income represented by rates and refuse removal.

Graph 2



Graph 3



Should the salary budget increase by double figures, Council will be placed in the unenviable dilemma of having to increase the rates and refuse removal tariffs by an unaffordable percentage to compensate for this increase. The alternative to this scenario is to limit the increase in the abovementioned tariffs to a single figure increase and cut back even further on service delivery to compensate for the double figure increase in expenditure.

Conclusion

This is not a budget for which provides for growth and it is not a budget with much in the way of meaning deliverables. It is not a pretty budget nor is it a particularly pleasing budget. This is a holding budget designed to alleviate the plight of the poorest in our community as far as possible. However, penalising the wealthier elements excessively poses a threat to the drivers of our local economy. I also trust that the budget will contribute to ensuring that IYM has the beginnings of a positive cash position.

Unless our pleas to Province for cash assistance succeed, IYM is not going to be able to equalize services or enhance services at the speed and to the level we would wish. Therefore we are limited to doing the best we can within our own fiscal circumstances.

SECTION -4. BUDGET OVERVIEW

Introduction

The main issues is regard to the budget 2009/10 are;

- A 25% increase in IYM's Eskom account
- The uncertainty around the Salary increment
- Only 19% of the expenditure budget the Council has control over

The municipality's budget must be seen within the context of the policies and financial priorities of National, Provincial and the District Municipality. In essence these spheres of government are partners in meeting the service delivery challenges faced IYM. IYM requires support from the other spheres of governments though the direct allocation of resources.

The National Government

The following table shows the allocations to IYM as set out in the National Budget Division of Revenue Bill in terms of Equitable Share Grant.

R Million	2009/10	2010/11	2011/12
Equitable Share	25,732	31,886	34,817

In addition to these transfers IYM will have the benefit of the Equitable share that Chris Hani District Municipality received in the past in terms of the provision of water and sewerage services amounting to R15,740,341.

National Treasury Budget Circular

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

The headline CPI forecast for 2009/10, 2010/11 and 2010/11 is 5,4 percent, 5,1 percent and 4,6 percent respectively. However figures emanating from Statistics SA suggest that the average CPIX is about 11,50 percent.

The growth parameters apply to tariff increases for property rates, user and other charges raised by municipalities, in order to ensure that all spheres of government support the national macroeconomic policies, unless it can be shown that external factors impact otherwise.

Funding the Budget

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

- Realistically anticipated revenues to be collected

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

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

A Credible Budget

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

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

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

Fiscal overview: IYM

As mentioned IYM's cash flow is under severe pressure. 81% of the expenditure budget comprises Employment cost and Eskom account over which the Council has no control. This leaves very little for service delivery. This highlights the importance of cash flow management as 81% of the cash collection already is committed. Any deviation in cash collection has serious implications to the 19% of the budget that is available for service delivery.

IYM suffered severely the past decade under insufficient cash flow. 24.8% of the income for the financial year is secure in the form of Equitable Share.

This amount represents less than 50% of Council's employee costs for the year. The implication of this that, in order to support the budget, IYM must collect more than half of the remainder employment cost and all other expenditure in order to deliver services. This must be done with the "Lingelihle factor" in mind, namely that Council does not render electricity services to 40% of the households in IYM and thus has no mechanism of collecting debt by means of the blocking of electricity.

IYM is the only municipality in the region which is in such a disadvantaged position as all the other local municipalities receive an Equitable Share that, at the very least, equals 100% of their employment cost for the year. They thus only have to collect enough cash for the payment of their Eskom account and maintenance. In addition, they don't have a "Lingelihle Factor". Thus no comparison can be made between IYM's cash flow situation and that of other local municipalities.

In terms of audit reports IYM has progressed from a qualified audit opinion with 16 qualifications for the year 2006/2007, to four qualifications for the year 2007/2008. All these qualifications were a result of IYM's poor cash flow situation.

Another challenge facing IYM is the compliance switch to GRAP which has huge implications as professional skills are required for the project. IYM cannot afford to appoint consultants to obtain these necessary skills and therefore has no choice but to manage this project internally.

Budget 2009/10

The budget process in IYM complied with the requirements of the MFMA.

A schedule of the key deadlines was prepared for tabling to Council by the Mayor during August 2008.

The proposed budget was tabled to Council at the end March 2009. During April and May 2009 the consultative process followed.

The final budget has to be approved by Council by the end of May 2009.

The municipal budget was once again prepared on a 3 year basis. However as was the case last year, in the present uncertain economic climate, income and expenditure figures in the outer years are indicators of need or wish, and in some instances hope, rather than reality.

Operating expenditure in 2009/10 is budgeted at R133,115,666. This reflects a 30.96% increase on the adjustment budget approved during January 2009.

Until clarity is obtained regarding the Eskom tariffs, it is impossible to budget for electricity. However, the 25% increase as stipulated in MFMA circular 48 has been used as a basis for the MTREF.

SECTION -5. NATIONAL TREASURY REQUIRED BUDGET SCHEDULES, SUPPORTING TABLES

The budget schedules 1 to 4 contained in the annexure have been introduced by National Treasury with the aim of ensuring transparency and consistency between municipalities in the presentation of their budget information.

The schedules relate to section 17 of the MFMA which states "An annual budget of a municipality must be a schedule in the prescribed format".

The supporting tables and graphs do not form part of the prescribed format but are included to assist users' understanding of the information.

The schedules include the use of Government Finance Statistics (GFS) classification. The use of these statistics should allow for a more meaningful comparison between municipalities although any such comparison should still be treated with a degree of caution until the new GRAP accounting standards have been uniformly introduced by all local authorities.

Annexure 1 (a) – Budget Schedules, Tables & Graphs

Schedule 1 – Revenue by Source

SCHEDULE 1	Preceding Year 2007/2008	Current Year 2008/2009			Medium Term Revenue and Expenditure Framework		
					Budget Year 2009/10	Budget Year +1 2010/11	Budget Year +2 2011/12
REVENUE BY SOURCE	Audited Actual R'000 A	Approved Budget R'000 B	Adjusted Budget R'000 C	Full Year forecast R'000 D	Budget R'000 E	Budget R'000 G	Budget R'000 H
Property Rates		8 390	8 390		8 207	8 823	9 484
Property Rates - penalties imposed and collection charges							
Service charges - electricity revenue from tariff billings		26 769	41 255		43 895	47 187	50 726
Service charges - water revenue from tariff billings		7 395	11 562		15 982	17 181	18 469
Service charges - sanitation revenue from tariff billings		5 677	10 018		9 400	10 105	10 863
Service charges - refuse removal from tariff billings		2 929	7 611		10 053	10 807	11 617
Service charges - other		3 538	4 851		23 626	25 398	27 303
Rental of facilities and equipment		777	752		630	678	728
Interest earned - external investments		50	55		9	10	10
Interest earned - outstanding debtors		0				0	0
Fines		37	8		40	43	46
Licenses and permits		1 520	1 520		1 454	1 563	1 680
Income for agency services						0	0
Government grants & subsidies		20 993	20 993		28 868	31 033	33 361
TOTAL REVENUE BY SOURCE	0	78 075	107 014	0	142 164	152 827	164 289

Schedule 1(a) – Operating revenue by vote

SCHEDULE 1 (a)	Preceding Year 2007/2008	Current Year 2008/2009			Medium Term Revenue and Expenditure Framework		
					Budget Year 2009/10	Budget Year +1 2010/11	Budget Year +2 2011/12
OPERATING REVE BY VOTE	Audited Actual R'000 A	Approved Budget R'000 B	Adjusted Budget R'000 C	Full Year forecast R'000 D	Budget R'000 E	Budget R'000 G	Budget R'000 H
DEPARTMENT CORPORATE SERVICES							
Municipal Manager		575	774		482	518	557
Council's General Expenditure		3 324	3 895		1 623	1 745	1 876
Executive Mayor		252	415		70	76	81
Corporate Services Administration		1 574	2 035		1 017	1 093	1 175
Libraries						0	0
Corporate Services Housing		415	415			0	0
Corporate Services Halls		120	120		89	95	102
DEPARTMENT FINANCE							
Manager Financial Services		18 908	18 841		27 763	29 845	32 084
Consumer Services		10 129	11 521		19 340	20 790	22 349
IT		171	311		0	0	0
Salaries		1 055	1 250		470	505	543
Stores		202	256		183	197	212
Financial Control & Assets		266	387		271	292	314
Revenue Management		727	1 440		312	335	360
DEPARTMENT COMMUNITY SERVICES							
Administration		4	4		20	22	23
Civil Protection					0	0	0
Traffic & Licences		1 520	1 985		1 602	1 722	1 851
Fire Protection		0	7		0	0	0
Disaster Management		0	7		0	0	0
Libraries		7	7		5	6	6
Enviromental Health					0	0	0
High Street Clinic		218	218		239	257	277
Kwanonzamo Clinic-1		395	395		434	467	502
Kwanonzamo Clinic-2		373	373		410	441	474
Lingelihle Clinic		373	373		410	441	474
Michausdal Clinic		373	373		410	441	474
Middelburg Clinic		373	373		410	441	474
Midros Clinic		373	373		410	441	474
Pilani Clinic		373	373		410	441	474
Sanitation		324	5 439		10 068	10 823	11 635
Street Sweeping		63	63			0	0
Parks & Gardens		124	124		36	39	42
Sport Complex		9	9		1	1	1
Swimming Pools					7	8	8
Cemetaries		235	235		150	161	173
SCHEDULE 2							

OPERATING REVE BY VOTE	Audited Actual R'000 A	Approved Budget R'000 B	Adjusted Budget R'000 C	Full Year forecast R'000 D	Budget R'000 E	Budget R'000 G	Budget R'000 H
DEPARTMENT TECHNICAL SERVICES							
Administration		0	624		890	957	1 029
Corporate Services Housing					442	475	511
Town Planning		91	371		122	131	141
Aerodrome						0	0
Mechanical & Welding Works		78	590		100	108	116
Public Works - Streets		22	3 343		7 966	8 563	9 206
Sideworks						0	0
Public Works - Buildings		0	71			0	0
Public Works		45	1 551		33	35	38
Electricity Administration						0	0
Electricity Distribution		24 406	34 734		46 943	50 463	54 248
Public Works Plumbing					2 580	2 774	2 982
Sewerage Works		3 076	7 134		6 677	7 178	7 716
Water Distribution		6 595	5 041		9 730	10 459	11 244
DEPARTMENT PROTECTION SERVICES							
Civil Protection					0	0	0
Traffic & Licences					0	0	0
Fire Protection					0	0	0
Disaster Management					0	0	0
						0	0
DEPARTMENT LED						0	0
Administration					3	3	3
Caravan Park		1	1		3	3	3
Commonage		53	53		30	32	35
Cradock Spa		806	806		0	0	0
Museum						0	0
Special Programs Unit						0	0
Publicity Office		0	258		0	0	0
Youth Centre		47	46		0	0	0
Vusubuntu Cultural Village							
TOTAL EXPENDITURE		78 075	107 014		142 164	152 827	164 289

Schedule 2 – Operating Expenditure by Vote

SCHEDULE 2	Preceding Year 2007/2008	Current Year 2008/2009			Medium Term Revenue and Expenditure Framework		
					Budget Year 2009/10	Budget Year +1 2010/11	Budget Year +2 2011/12
OPERATING EXPENDITURE BY VOTE	Audited Actual R'000 A	Approved Budget R'000 B	Adjusted Budget R'000 C	Full Year forecast R'000 D	Budget R'000 E	Budget R'000 G	Budget R'000 H
DEPARTMENT CORPORATE SERVICES							
Municipal Manager		660	461		1 328	1 428	1 535
Council's General Expenditure		3 014	2 442		7 024	7 550	8 117
Executive Mayor		422	422		739	795	854
Corporate Services Administration		1 444	1 444		3 880	4 171	4 484
Libraries		1 162	1 162			0	0
Corporate Services Housing						0	0
Corporate Services Halls		1 450	1 450		1 566	1 684	1 810
						0	0
DEPARTMENT FINANCE						0	0
Manager Financial Services		571	571		1 332	1 432	1 539
Consumer Services		1 581	1 581		13 552	14 569	15 661
IT		334	334		567	609	655
Salaries		978	978		2 227	2 394	2 574
Stores		215	215		465	500	537
Financial Control & Assets		363	363		707	760	817
Revenue Management		757	757		1 499	1 611	1 732
DEPARTMENT COMMUNITY SERVICES							
Administration		1 268	1 268		1 381	1 485	1 596
Civil Protection		757	757		847	911	979
Traffic & Licences		1 629	1 629		1 871	2 012	2 163
Fire Protection		11	11		81	87	93
Disaster Management		12	12		16	17	19
Libraries					1 429	1 536	1 651
Environmental Health		17	17		19	20	22
High Street Clinic		339	339		374	402	432
Kwanonzamo Clinic-1		433	433		892	958	1 030
Kwanonzamo Clinic-2		481	481			0	0
Lingelihle Clinic		813	813		1 003	1 079	1 160
Michausdal Clinic		692	692		800	860	924
Middelburg Clinic		620	620		683	735	790
Midros Clinic		232	232		262	281	302
Pilani Clinic		1 059	1 059		881	947	1 018
Sanitation		7 327	7 327		11 836	12 724	13 678
Street Sweeping		547	547		595	640	688

SCHEDULE 2	Preceding Year 2007/2008	Current Year 2008/2009			Medium Term Revenue and Expenditure Framework		
					Budget Year 2009/10	Budget Year +1 2010/11	Budget Year +2 2011/12
OPERATING EXPENDITURE BY VOTE	Audited Actual R'000 A	Approved Budget R'000 B	Adjusted Budget R'000 C	Full Year forecast R'000 D	Budget R'000 E	Budget R'000 G	Budget R'000 H
Parks & Gardens		2 894	2 894		3 240	3 483	3 744
Sport Complex		928	928		1 268	1 363	1 465
Swimming Pools		62	62		125	135	145
Cemetaries		59	59		259	278	299
DEPARTMENT TECHNICAL SERVICES							
Administration		1 008	1 008		1 649	1 772	1 905
Corporate Services Housing		856	857		965	1 037	1 115
Town Planning		456	456		482	518	557
Aerodrome		5	5		5	6	6
Mechanical & Welding Works		833	833		951	1 022	1 099
Public Works - Streets		3 255	3 974		4 394	4 723	5 078
Sideworks		0	0		0	0	0
Public Works - Buildings		84	84		127	137	147
Public Works		2 171	2 451		2 689	2 891	3 107
Electricity Administration		150	150		178	192	206
Electricity Distribution		21 808	34 679		36 913	39 682	42 658
Public Works Plumbing		1 960	1 918		2 580	2 774	2 982
Sewerage Works		4 174	8 883		6 677	7 178	7 716
Water Distribution		5 320	11 120		9 730	10 459	11 244
DEPARTMENT LED							
Administration		555	555		654	703	756
Caravan Park		57	57		65	69	75
Commonage		568	570		721	775	833
Cradock Spa		843	846		928	998	1 073
Museum		142	143		147	158	170
Special Programs Unit		80	80		80	86	92
Publicity Office		419	419		390	420	451
Youth Centre		191	191		34	37	39
Vusubuntu Cultural Village		10	11		9	10	11
TOTAL EXPENDITURE	0	78 076	101 650	0	133 116	143 099	153 832

Schedule 2(a) – Operating Expenditure by GFS Classification

SCHEDULE 2(a)	Preceding Year 2007/2008	Current Year 2008/2009			Medium Term Revenue and Expenditure Framework		
					Budget Year 2009/10	Budget Year +1 2010/11	Budget Year +2 2011/12
	Audited Actual R'000 A	Approved Budget R'000 B	Adjusted Budget R'000 C	Full Year forecast R'000 D	Budget R'000 E	Budget R'000 G	Budget R'000 H
Executive & Council		3 436	2 702		7 763	8 345	8 971
Finance & Admin		5 460	2 481		21 676	23 302	25 050
Planning & Development		1 444	1 276		3 880	4 171	4 484
Health		4 687	4 687		4 913	5 282	5 678
Community & Social Services		5 005	5 052		5 705	6 133	6 593
Housing		856	857		965	1 037	1 115
Public Safety		2 386	2 386		2 718	2 922	3 141
Sport & Recreation		6 233	6 352		7 192	7 731	8 311
Environmental Protection		23	16		97	104	112
Waste Management		7 327	11 216		11 836	12 724	13 678
Waste Water Management		6 134	10 801		9 257	9 952	10 698
Road Transport		6 798	7 797		8 642	9 291	9 987
Water		5 320	10 120		9 730	10 459	11 244
Electricity		22 966	35 907		38 740	41 646	44 769
OPERATING EXPENDITURE BY VOTE	0	78 075	101 650	0	133 116	143 099	153 832

Schedule 2(b) – Operating Expenditure by Category

SCHEDULE 2(b)	Preceding Year 2007/2008	Current Year 2008/2009			Medium Term Revenue and Expenditure Framework		
					Budget Year 2009/10	Budget Year +1 2010/11	Budget Year +2 2011/12
Operating Expenditure by Category	Audited Actual R'000 A	Approved Budget R'000 B	Adjusted Budget R'000 C	Full Year forecast R'000 D	Budget R'000 E	Budget R'000 G	Budget R'000 H
Employee related cost		44 245	44 245		50 646	69	75
Council remuneration		3 733	3 733		4 058	775	833
Contribution to bad debt provision						998	1 073
Collection costs						158	170
Depreciation and amortisation		1 080	3 037		3 273	86	92
Repair and maintenance		3 568	3 568		9 923	420	451
External interest paid		513	513		458	37	39
Bulk Purchases		15 515	18 991		23 239	10	11
Contractes services						143 099	153 832
Grants and subsidies paid						143 099	153 832
Operating grant expenditure						0	0
General expenses		9 420	27 562		41 519	0	0
Total operating expenditure by category	0	78 075	101 650	0	133 116	288 752	310 409

SCHEDULE 3	Preceding Year 2006/2007	Current Year 2007/2008			Medium Term Revenue and Expenditure Framework		
					Budget Year 2008/09	Budget Year +1 2010/11	Budget Year +2 2011/12
CAPITAL EXPENDITURE BY VOTE	Audited Actual R'000 A	Approved Budget R'000 B	Adjusted Budget R'000 C	Full Year forecast R'000 D	Budget R'000 E	Budget R'000 G	Budget R'000 H
DEPARTMENT TECHNICAL SERVICES							
Administration							
Town Planning							
Aerodrome							
Mechanical & Welding Works							
Public Works - Streets		10 865	10 865		9 920	10 103	
Side works							
Public Works - Buildings							
Public Works							
Electricity Administration							
Electricity Distribution		770	770				
Public Works Plumbing					6 542		
Sewerage Works		5 751	5 751				
Water Distribution		6 118	6 118		17 563	16 778	21 120
DEPARTMENT PROTECTION SERVICES							
Civil Protection							
Traffic & Licences/Transport		4 000	4 000				
Fire Protection							
Disaster Management							
DEPARTMENT LED							
Administration							
Caravan Park							
Commonage/Urban Greening		3 900	3 900				
Cradock Spa		353	353				
Museum							
Community Programs							
Publicity Office/Tourism		4 500	4 500				
Youth Centre							
Vusubuntu Cultural Village		2 200	2 200				
TOTAL	0	38 457	38 457	0	36 005	27 811	32 024

Schedule 3(a) – Capital Expenditure by GFS Classification

SCHEDULE 3(a)	Preceding Year 2006/2007	Current Year 2007/2008			Medium Term Revenue and Expenditure Framework		
					Budget Year 2008/09	Budget Year +1 2010/11	Budget Year +2 2011/12
CAPITAL EXPENDITURE BY GFS	Audited Actual R'000 A	Approved Budget R'000 B	Adjusted Budget R'000 C	Full Year forecast R'000 D	Budget R'000 E	Budget R'000 G	Budget R'000 H
Executive & Council	0	0	0	0		930	10 904
Finance & Admin	0	0	0	0	310		
Planning & Development	0	0	0	0			
Health	0	0	0	0			
Community & Social Services	0	10 600	10 600	0	1 670		
Housing	0	0	0	0			
Public Safety	0	4 000	4 000	0			
Sport & Recreation	0	353	353	0			
Environmental Protection	0	0	0	0			
Waste Management	0	0	0	0			
Waste Water Management	0	5 751	5 751	0			
Road Transport	0	10 865	10 865	0	9 920	10 103	
Water	0	6 118	6 118	0	17 562	16 778	21 120
Electricity	0	770	770	0	6 542		
OPERATING EXPENDITURE BY VOTE	0	38 457	38 457	0	36004	27 811	32 024

Annexure 1(b) – Reconciliation of IDP and Budget – Revenue

		Preceding Year 2007/2008	Current Year 2008/2009					
RECONCILIATION OF IDP & BUDGET - REV						Budget Year 2009/10	Budget Year +1 2010/11	Budget Year +2 2011/12
Strategic Objective	Action Plan	Audited Actual R'000 A	Approved Budget R'000 B	Adjusted Budget R'000 C	Full Year forecast R'000 D	Adjustment Budget R'000 F	Budget R'000 G	Budget R'000 H
Sustainable Service	Water		9 201	11 562		16 044	17 247	18 541
Sustainable Service	Electricity		27 013	41 255		46 943	50 463	54 248
Sustainable Service	Sanitation		5 683	10 018		9 401	10 106	10 863
Sustainable Service	Waste Management		2 931	7 611		10 068	10 823	11 635
Sustainable Service	Health		2 851	2 851		3 136	3 372	3 624
Sustainable Service	Community		131	18		20	22	23
Infrastructure	Roads & Stormwater		236			7 999	8 599	9 244
Infrastructure	Cemeteries		235	235		150	161	173
Infrastructure	Housing		415	415		442	475	511
Infrastructure	Open Space		63			36	39	42
Infrastructure	Public Amenities			1 027				
Good Governance	Support Services/Fleet			3 468				
Good Governance	Integrated Planning		39	90		122	131	141
Good Governance	Financial Management		26 719	26 758		46 158	49 619	53 341
Good Governance	Human Resource Management							
Environmental Management	Land Management							
Economic Development	LED		905			36	39	42
Social Development	Culture & Sport		133	189		8	8	9
Social Development	Public Participation							
Safety & Security	Road Safety		1 520	1 518		1 602	1 722	1 851
Safety & Security	Fire & Rescue							
Safety & Security	Disaster Management							
Safety & Security	Security							
TOTAL OPERATING REVENUE		0	78 075	107 014	0	142 165	152 826	164 288

Annexure 2 – Reconciliation of IDP and Budget – Operating Expenditure

SUPPORTING TABLE 2		Preceding Year 2006/2007	Current Year 2007/2008					
RECONCILIATION OF IDP & BUDGET - OPEX						Budget Year 2008/09	Budget Year +1 2010/11	Budget Year +2 2011/12
Strategic Objective	Action Plan	Audited Actual R'000 A	Approved Budget R'000 B	Adjusted Budget R'000 C	Full Year forecast R'000 D	Adjustment Budget R'000 F	Budget R'000 G	Budget R'000 H
Sustainable Service	Water		5 320	5 687		9 730	10 459	11 244
Sustainable Service	Electricity		21 958	29 404		37 092	39 873	42 864
Sustainable Service	Sanitation		6 133	8 105		9 257	9 952	10 698
Sustainable Service	Waste Management		7 873	9 234		12 431	13 364	14 366
Sustainable Service	Health		4 687	4 670		4 913	5 282	5 678
Sustainable Service	Community		3 879			4 806	5 167	5 554
Infrastructure	Roads & Stormwater		7 811	8 848		7 083	7 614	8 185
Infrastructure	Cemeteries		59	104		259	278	299
Infrastructure	Housing		856	857		965	1 037	1 115
Infrastructure	Open Space		2 894			3 240	3 483	3 744
Infrastructure	Public Amenities			9274.5373				
Good Governance	Support Services/Fleet			12945.7824				
Good Governance	Integrated Planning		5 541			18 231	19 598	21 068
Good Governance	Financial Management		3 822	9 497		18 117	19 476	20 937
Good Governance	Human Resource Management		978			2 231	2 398	2 578
Environmental Management	Land Management						0	0
Economic Development	LED		2 865	613		2 872	3 088	3 319
Social Development	Culture & Sport		990			944	1 015	1 091
Social Development	Public Participation						0	0
Safety & Security	Road Safety		1 629	2 409			0	0
Safety & Security	Fire & Rescue		780			81	87	93
Safety & Security	Disaster Management					863		
Safety & Security	Security						0	0
TOTAL OPERATING EXPENDITURE		0	78 075	101 650	0	133 115	142 171	152 834

SUPPORTING TABLE 3		Preceding Year 2006/207	Current Year 2007/2008					
RECONCILIATION OF IDP & BUDGET - CAPEX						Budget Year 2008/09	Budget Year +1 2010/11	Budget Year +2 2011/12
Strategic Objective	Action Plan	Audited Actual R'000 A	Approved Budget R'000 B	Adjusted Budget R'000 C	Full Year forecast R'000 D	Adjustment Budget R'000 F	Budget R'000 G	Budget R'000 H
Sustainable Service	Water		6 118	6 118		17 563	16 778	21 120
Sustainable Service	Electricity		770	770		6 542		
Sustainable Service	Sanitation							
Sustainable Service	Waste Management		5 751	5 751		1 670	0	0
Sustainable Service	Health							
Sustainable Service	Community							
Infrastructure	Roads & Stormwater		14 865	14 865		9 920	10 103	0
Infrastructure	Cemeteries							
Infrastructure	Housing							
Infrastructure	Open Space							
Infrastructure	Public Amenities					0	930	10 904
Good Governance	Support Services/Fleet							
Good Governance	Integrated Planning							
Good Governance	Financial Management					310	0	0
Good Governance	Human Resource Management							
Environmental Management	Land Management		3 900	3 900				
Economic Development	LED							
Social Development	Culture & Sport		7 053	7 053				
Social Development	Public Participation							
Safety & Security	Road Safety							
Safety & Security	Fire & Rescue							
Safety & Security	Disaster Management							
Safety & Security	Security							
TOTAL OPERATING EXPENDITURE		0	38 457	38 457	0	36 005	27 811	32 024

	Number	Salary per Councillor	Pension per Councillor	Medical Aid per Councillor	Housing allowance	Use of Personnel Facilities	Cell-Telephone Allowance	Travelling Allowance	TOTAL
		R	R	R	R	R	R	R	R
Speaker									
Full-time									
Part-Time	1	171 180					9 972	57 048	238 200
Executive Mayor / Mayor									
Full-time	1	345 540			43 488		12 684	129 672	531 384
Part-Time									
Deputy Executive Mayor / Mayor									
Full-time									
Part-Time									
Member of the Executive /Mayoral Committee	4	160 488					9 972		170 460
Chairperson of a sub-council	12	155 616					9 972		165 588

SUPPORTING TABLE 4	Preceding Year 2007/2008	Current Year 2008/2009					
					Budget Year 2009/10	Budget Year +1 2010/11	Budget Year +2 2011/12
GOVERNMENT GRANTS AND & SUBSIDIES - ALLOCATIONS	Audited Actual R'000 A	Approved Budget R'000 B	Adjusted Budget R'000 C	Full Year forecast R'000 D	Adjustment Budget R'000 F	Budget R'000 G	Budget R'000 H
	<u>National Grant Allocations</u>						
1. Equitable Share (DPLG)		19 991			25 732	31 886	34 817
2. Municipal Systems Improvement Grant (DPLG)		200			200	200	
3. Local Government Financial Management Grant (NT)		500			500	500	
4. Municipal Infrastructure Grant (DPLG)		6 597			8 360		
5. Integrated National Electrification Programme (DME)		4 000					
<u>Other Grants</u>							
Umsobomvu Youth Fund		250					
TOTAL GRANT ALLOCATIONS	0	31 538	0	0	34 792	32 586	34 817

SUPPORTING TABLE 5	Preceding Year 2007/2008	Current Year 2008/2009			Medium Term Revenue and Expenditure Framework		
					Budget Year 2009/10	Budget Year +1 2010/11	Budget Year +2 2011/12
SUMMARY OF TOTAL SALARIES,WAGES,ALLOWANCES etc.	Audited Actual R'000 A	Approved Budget R'000 B	Adjusted Budget R'000 C	Full Year forecast R'000 D	Budget R'000 E	Budget R'000 G	Budget R'000 H
<u>Councillors (Political Office Bearers plus Others)</u>							
Basic Salaries		3 733	3 733		4 058	4 362	4 690
Pension Contributions							
Medical Aid Contributions							
Allowances							
Sub Total - Councillors		3 733	3 733		4 058	4 362	4 690
<u>Senior Managers of the Municipality (s 57 of System Act)</u>							
Basic Salaries		3 527	3 527		3 907	4 200	4 515
Pension Contributions							
Medical Aid Contributions							
Allowances							
Sub Total - Senior Managers of Municipality		3 527	3 527		3 907	4 200	4 515
<u>Other Municipal Staff</u>							
Basic Salaries		27 511	27 511		32 048	34 451	37 035
Pension Contributions		4 781	4 781		5 331	5 731	6 161
Medical Aid Contributions		2 730	2 730		3 053	3 282	3 528
Allowances		5 696	5 696		6 307	6 780	7 288
Sub Total - Other Municipal Staff		40 718	40 718		46 739	50 244	54 013
TOTAL EMPLOYEE COSTS		47 978	47 978		54 704	58 807	63 217

**CASH FLOW PROJECTIONS FOR THE
FINANCIAL YEAR 2009/10**

SUPPORTING TABLE 9	Budget July 2009 R'000	Budget August 2009 R'000	Budget September 2009 R'000	Budget October 2009 R'000	Budget November 2009 R'000	Budget December 2009 R'000	Budget January 2010 R'000	Budget February 2010 R'000	Budget March 2010 R'000	Budget April 2010 R'000	Budget May 2010 R'000	Budget June 2010 R'000	Budget Full Year 2009/2010 R'000
MONTHLY CASHFLOW													
<u>Cash Operating Receipts by Source</u>													
Revenue Receipts	6 300	6 200	5 587	5 600	5 600	5 900	5 900	5 900	5 900	6 300	6 200	6 500	71 887
Government grants & subsidies	6 900	800	800	800	6 900	800	800	7 868	800	800	800	800	28 868
Other	240	240	240	246	250	250	250	250	250	250	250	250	2 966
Total Cash Operating Receipts by Source	13 440	7 240	6 627	6 646	12 750		6 950	14 018	6 950	7 350	7 250	7 550	103 721
<u>Cash Operating Payments by Type</u>													
Employee related costs	4 207	4 207	4 207	4 207	8 427	4 207	4 207	4 207	4 207	4 207	4 207	4 207	54 704
Cash and Other payments	4 800	4 800	4 800	4 300	3 500	3 500	3 500	3 500	3 500	3 800	4 400	4 612	49 012
Total Cash Operating Payments by Type	9 007	9 007	9 007	8 507	11 927		7 707	7 707	7 707	8 007	8 607	8 819	103 716
Nett increase / (Decrease) in cash	4 433	-1 767	-2 380	-1 861	823	0	-757	6 311	-757	-657	-1 357	-1 269	5