



PART C
BUDGETS OF MUNICIPAL ENTITIES

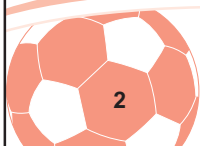


Budgets of Municipal Entities

Budget of Municipal Entities Index

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BRAKPAN BUS COMPANY



Budgets of Municipal Entities: Brakpan Bus Company

BRAKPAN BUS COMPANY (PTY) LTD

BUDGET REPORT 2010/2011

1.1 Business Purpose of Brakpan Bus Company (PTY) LTD

The purpose of the Brakpan Bus Company is to avail an affordable, punctual and reliable mode of transport to the residents of Brakpan.

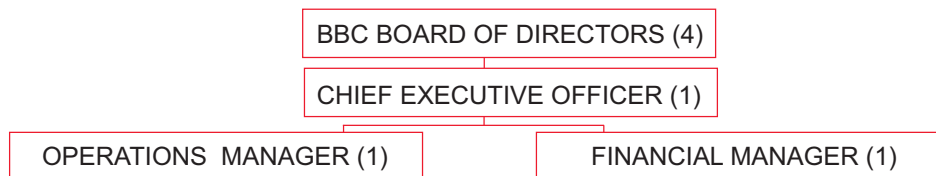
1.2 Introduction

The Company was established 85 years ago and its core business is transporting passengers / workers and scholars from Tsakane to their different places of work in Brakpan, Springs and Nigel.

The Company has 36 peak buses, conveying about 4 000 passengers per day. These buses are being used for the abovementioned purpose as well as for private hires over weekends and during off-peak times. The Department of transport approved the payment of subsidies to the erstwhile Town Council of Brakpan to enable them to render more affordable transport for communities from Tsakane to their different places of work, mainly Brakpan, Springs and Nigel.

During the 1990's the National Department of Transport, through its strategy "Moving South Africa 2020", commenced with an indepth process of restructuring the subsidised public transport. The Department further proposed that a system of regulated competition be introduced in subsidising passenger transport services. The National Land Transitional Transport Act was promulgated to facilitate the process. (NLTTA of 2000, as amended) The Department concluded interim contracts with all subsidised bus operators (of which Brakpan was one) to allow time for companies to prepare themselves for competitive tendering.

Executive Management Structure



1.3. Vision, Mission & Values

Mission Statement

To provide reliable affordable and efficient passenger transport in a professional way.

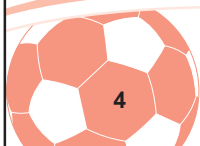
To strive to reach communities so that they support the bus service as the safe, reliable and affordable means of transport in their community, with an expected growth of $\pm 10\%$ over three years.

Key Strategic Objectives

Goals and Objectives of the Company

Short Term

- To satisfy our existing passengers within our operational area with the current assets.
- To service all our routes with less breakdowns and late shifts.
- To ensure that buses run at 80% occupancy.
- To increase the fleet to 40 buses.



Budgets of Municipal Entities: Brakpan Bus Company

Medium Term

- Expanding the bus services to the whole Eastern Region of Ekurhuleni Metropolitan Municipality.

Long Term

- To render a bus service to the whole of EMM.
- To increase the fleet to more than 100 buses.
- To have professional public transport beyond 2010.
- To revive the National NDOT Strategy - Moving South Africa 2020.

Challenges of the Company

- Age of the bus fleet - the company will not be awarded a bid in an open tender process with the current fleet.
- The company is currently operating on an interim-contract from the NDOT.

Operating Income

Income received from cash passengers, coupons, specials and subsidy.

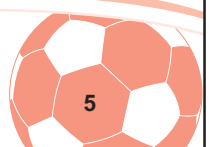
Operating Expenditure

The total increase of Expenditure is also 33%

- 100% Depreciation of buses since this will be the first buses to BBC books.
- 100% Interest on loan as first loan since company was established.

Capital Budget

BBC total capital budget of R210 000 will be funded from internal reserves .



Budgets of Municipal Entities: Brakpan Bus Company

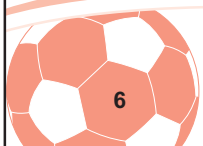
2. BBC's Budget report is structured in the sequence as set out below:

Part 1- Annual Budget

- Resolutions
- Executive summary
- Annual budget tables

Part 2- Supporting documentation

- Overview of annual budget process
- Multi-Year Budget 2010/2011-2012/2013
- Overview of alignment of annual budget with service delivery agreement in budget process
- Measurable performance objectives and indicators
- Overview of budget-related policies
- Overview of budget assumptions
- Overview of budget funding
- Expenditure on allocations and grant programmes
- Board member allowances and employee benefits
- Monthly targets for revenue, expenditure and cash flow
- Contracts having future budgetary implications
- Capital expenditure details
- Legislation compliance status
- Other supporting documents
- Budgeted Financial Statements
- Chief Executive Officer's quality certification



Budgets of Municipal Entities: Brakpan Bus Company

4. Resolutions

4.1 On the 13 January 2010 BBC had a special board meeting where the following resolutions were taken:

Resolution 1. The 2010/2011-2013 Multi Year Budget was approved
Resolution 2. The Mid Year Budget Adjustments 2009/2010 was approved

4.2 On 08 April 2010 BBC had a board meeting where the following resolution was taken:

Resolution 1. The acquiring of 12 new buses was approved

5. Executive Summary

5.1. Review of activities Main business and operations

- The company is engaged in transporting passengers/workers and operates principally in Brakpan, Springs & Tsakane.
- The operating results and state of affairs of the company are fully set out in the attached annual financial statements and do not, in our opinion, require any further comment.
- Surplus of the company was R2,695,156 (2008: surplus R250,230), after taxation.
- The operating results for the year were pleasing due to the increase in revenues received and control of operating costs. The financial position of the company is considered satisfactory.

5.2. Post statement of financial position events

The company has commenced negotiations with the Department of Transport for the continuation of the subsidy previously received. These negotiations were incomplete at the date of the signing of these financial statements.

5.3. Directors' interest in contracts

Directors have no interest in any contract currently in place.

5.4. Share capital / contributions from owners

There were no changes in the authorised or issued share capital of the company during the year under review.

5.5. Non-current assets

There have been no major changes in the nature of the non-current assets of the company during the year. There have been no changes in the policy relating to the use of non-current assets.

5.6. Dividends

No dividends were declared or paid to shareholders during the year.

5.7. Secretary

The company secretary is Alec Chesler and Company.

5.8. Auditors

The Office of the Auditor General - Johannesburg assumed responsibility of the company audit in accordance with section 270(2) of the Companies Act, and in terms of the Municipal Finance Management Act, Act 56 of 2003 from the financial year ended 30 June 2008.



Budgets of Municipal Entities: Brakpan Bus Company

5.9. Holding company

The company's shares are 100% held by Ekurhuleni Metropolitan Municipality, and the company remains a municipal entity.

5.10. Directors

The directors of the company during the year and to date of this report are as follows:

Name

- P. Mokupo (Chairperson)
- G.C. Prinsloo (Director)
- R.E Matenche (Executive Director)
- J. Seshuba (Director)
- C.M. Phetwe (Director)

5.11. Reporting to stakeholders

In order to present a balanced and understandable assessment of its position, Brakpan Bus Company (Proprietary) Limited is continually striving to ensure that its reporting and disclosure to stakeholders is relevant, clear and effective. It places great emphasis on reporting on both financial and non-financial matters, as well as addressing both positive and negative aspects in order to demonstrate the long-term sustainability of the organisation.

Brakpan Bus Company (Proprietary) Limited predetermined objectives, representing both financial and non-financial key performance indicators and its performance against these indicators are evaluated by the Ekurhuleni Metropolitan Municipality.

5.12. Stakeholder relations

In addition to the interests of governance by the shareholder, Brakpan Bus Company (Proprietary) Limited recognises the legitimate interests of employees, consumers, suppliers, investors and lenders of capital, trade unions and local communities in its affairs. Communication and interaction with stakeholders are ongoing during the year and addressed through various channels with clients or passengers through meetings on bi monthly passenger liaison committee depending on the different needs of the various stakeholders.

5.13. Social impact

Brakpan Bus Company (Proprietary) Limited prioritises the social needs of the community it serves, as it realised that its success and existence emanates from the said community. Brakpan Bus Company (Proprietary) Limited has contributed towards the gross domestic product for the country by providing direct employment to 65 direct and 16 indirect technical staff who service our buses daily.

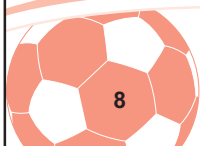
5.14. Code of ethics

Brakpan Bus Company (Proprietary) Limited is committed to maintaining its integrity in dealing with all stakeholders. The company's code of conduct applies to all employees and forms part of their service contracts.

5.15. Transformation

Brakpan Bus Company (Proprietary) Limited remains firm in its support of the country's black economic empowerment as embraced by the South African government. Tenderers and companies dealing with the company should have a workable plan aimed at empowering the previously disadvantaged communities.

Brakpan Bus Company (Proprietary) Limited will achieve this without compromising the standards of the deliverables from its partners in business.



Budgets of Municipal Entities: Brakpan Bus Company

5.16. Employee participation

Participative structures are in place to ensure the ongoing involvement of employees and organised labour in influencing Brakpan Bus Company (Proprietary) Limited's policies and procedures work place forum.

5.17. Health and safety policy

The health and safety policy and the Occupational Health and Safety Act, 1993, continue to remain the guiding principles for the achievement of Brakpan Bus Company (Proprietary) Limited safety vision. The operations committee regularly reviews the health and safety performance and accidents to ensure that the necessary corrective measures are implemented. The operations committee of the board reviews the overall strategy.

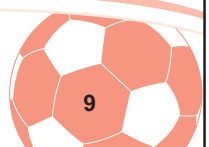
5.18. Statement of commitment

Corporate Governance Report

Brakpan Bus Company (Proprietary) Limited is committed to adherence to the good corporate governance and all relevant legislation governing the local authorities, transport, employment and financial management.

6. Annual Budget Tables

Schedules D1, D2, D3, D4, D5, SD4 and SD5 appear on the next pages.



6. Annual budget tables

Table D1 Budget Summary

Description	2006/7	2007/8	2008/9	Current Year 2009/10			2010/11 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
Financial Performance									
Property rates	-	-	-	-	-	-	-	-	-
Service charges	10,792	12,206	19,133	16,966	-	18,900	23,224	25,547	28,192
Investment revenue	5	59	559	160	-	378	400	440	484
Transfers recognised - operational	-	-	-	-	-	-	-	-	-
Other own revenue	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	10,797	12,265	19,692	17,126	-	19,278	23,625	25,987	28,676
Employee costs	4,071	4,627	5,982	6,124	-	61,442	7,902	8,692	9,562
Remuneration of Board Members	-	-	-	110	-	110	126	138	152
Depreciation and debt impairment	198	5	20	-	-	-	8	8	9
Finance charges	56	157	106	61	-	61	1,654	1,819	2,001
Materials and bulk purchases	-	-	-	-	-	-	-	-	-
Transfers and grants	-	-	-	-	-	-	-	-	-
Other expenditure	5,789	6,976	9,840	10,629	-	10,629	13,839	15,223	16,745
Total Expenditure	10,113	11,765	15,948	16,924	-	72,242	23,528	25,880	28,469
Surplus/(Deficit)	684	500	3,743	202	-	(52,964)	97	107	208
Transfers recognised - capital	-	-	-	-	-	-	-	-	-
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	684	500	3,743	202	-	(52,964)	97	107	208
Taxation	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	684	500	3,743	202	-	(52,964)	97	107	208
Capital expenditure & funds sources									
Capital expenditure	-	-	-	1,442	18,211	18,211	210	-	-
Transfers recognised - capital	-	-	-	-	-	-	-	-	-
Public contributions & donations	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	15,000	15,000	-	-	-
Internally generated funds	-	-	-	1,442	3,211	3,211	210	-	-
Total sources of capital funds	-	-	-	1,442	18,211	18,211	210	-	-
Financial position									
Total current assets	2,162	8,486	-	6,417	-	6,417	6,316	6,386	6,546
Total non current assets	764	430	-	18,821	-	18,821	15,331	11,631	7,931
Total current liabilities	858	6,492	-	16,565	-	16,565	12,865	9,165	5,565
Total non current liabilities	-	-	-	-	-	-	-	-	-
Community wealth/Equity	2,069	2,424	-	8,673	-	8,673	8,782	8,852	8,912
Cash flows									
Net cash from (used) operating	20	5,807	(2,254)	4,157	4,157	4,157	3,709	3,925	4,097
Net cash from (used) investing	(31)	10	(204)	(1,442)	(18,211)	(18,209)	210	-	200
Net cash from (used) financing	-	-	-	-	15,000	15,000	(3,600)	(3,600)	(3,600)
Cash/cash equivalents at the year end	910	6,728	4,269	6,984	5,215	5,217	5,536	5,861	6,558

Table D2 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2006/7	2007/8	2008/9	Current Year 2009/10			2010/11 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
Revenue by Source	1									
Property rates										
Property rates - penalties & collection charges										
Service charges - electricity revenue										
Service charges - water revenue										
Service charges - sanitation revenue										
Service charges - refuse revenue										
Service charges - other		10,792	12,206	19,133	16,966		18,900	23,224	25,547	28,192
Rental of facilities and equipment										
Interest earned - external investments		5	59	559	160		378	400	440	484
Interest earned - outstanding debtors										
Dividends received										
Fines										
Licences and permits										
Agency services										
Transfers recognised - operational										
Other revenue										
Gains on disposal of PPE										
Total Revenue (excluding capital transfers and contributions)		10,797	12,265	19,692	17,126	-	19,278	23,625	25,987	28,676
Expenditure By Type										
Employee related costs		4,071	4,627	5,982	6,124		61,442	7,902	8,692	9,562
Remuneration of Directors					110		110	126	138	152
Debt impairment	4	15	5	20				8	8	9
Collection costs										
Depreciation & asset impairment		182	264	268	380		380	4,027	4,430	4,873
Finance charges		56	157	106	61		61	1,654	1,819	2,001
Bulk purchases	2									
Other materials	5									
Contracted services										
Transfers and grants										
Other expenditure	3	5,778	6,710	9,562	10,240		10,240	9,802	10,782	11,860
Loss on disposal of PPE		10	2	9	9		9	10	11	12
Total Expenditure		10,113	11,765	15,948	16,924	-	72,242	23,528	25,880	28,469
Surplus/(Deficit)		684	500	3,743	202	-	(52,964)	97	107	208
Transfers recognised - capital										
Contributions recognised - capital										
Contributions of PPE										
Surplus/(Deficit) after capital transfers & contributions		684	500	3,743	202	-	(52,964)	97	107	208
Taxation										
Surplus/(Deficit) for the year		684	500	3,743	202	-	(52,964)	97	107	208

References

1. Revenue includes sales of: (insert description)
 2. Bulk purchases - electricity
 3. Bulk purchases - water
3. Expenditure includes repairs & maintenance of:

Table D3 Capital Budget by vote and funding

Vote Description	Ref	2006/7	2007/8	2008/9	Current Year 2009/10			2010/11 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
Multi-Year expenditure <i>Insert programme/projects description</i>										
Capital multi-year expenditure sub-total	2	-	-	-	-	-	-	-	-	-
Single Year expenditure <i>Insert single year budgets and indicative estimates</i>										
Vehicle					170	170	170	210		
Furniture					27	27	27			
IT Equipment					14	14	14			
Bus Washing Machine					1,231					
Buses						18,000	18,000			
Capital single-year expenditure sub-total	2	-	-	-	1,442	18,211	18,211	210	-	-
Total Capital Expenditure	4	-	-	-	1,442	18,211	18,211	210	-	-
Funded by:										
National Government										
Provincial Government										
Parent Municipality										
District Municipality										
Transfers recognised - capital	6	-	-	-	-	-	-	-	-	-
Public contributions & donations	3				1,442	15,000	15,000	210		
Borrowing						3,211	3,211			
Internally generated funds										
Total Capital Funding	4	-	-	-	1,442	18,211	18,211	210	-	-

References

1. Municipalities may choose to appropriate for capital expenditure for three years or for one year (if one year appropriation projected expenditure required for yr2 and yr3).
2. Include capital component of PPP unitary payment.
3. Include finance leases and PPP capital funding component of unitary payment
4. Total Capital Funding must balance with Total Capital Expenditure
6. Include contributions from Public Entities; e.g. Eskom

Table D4 Budgeted Financial Position

Description	Ref	2006/7	2007/8	2008/9	Current Year 2009/10		2010/11 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
R thousands										
ASSETS										
Current assets										
Cash		910	6,728		5,217		5,217	5,116	5,186	5,346
Call Investment deposits										
Consumer debtors		1,252	1,758		1,200		1,200	1,200	1,200	1,200
Other debtors										
Current portion of long-term receivables										
Inventory										
Total current assets		2,162	8,486	-	6,417	-	6,417	6,316	6,386	6,546
Non current assets										
Long-term receivables	3									
Investments										
Investment property										
Property, plant and equipment	1	636	356		18,736		18,736	15,246	11,546	7,846
Agricultural assets										
Biological assets										
Intangible assets	1	29	75		85		85	85	85	85
Total non current assets		764	430	-	18,821	-	18,821	15,331	11,63	17,931
TOTAL ASSETS		2,926	8,916	-	25,238	-	25,238	21,647	18,017	14,477
LIABILITIES										
Current liabilities										
Bank overdraft										
Borrowing										
Consumer deposits										
Trade and other payables		167	6,025		15,600		15,600	12,000	8,400	4,800
Provisions	3	690	467		965		965	865	765	765
Total current liabilities		858	6,492	-	16,565	-	16,565	12,865	9,165	5,565
Non current liabilities										
Borrowing										
Provisions	3									
Total non current liabilities		-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES		858	6,492	-	16,565	-	16,565	12,865	9,165	5,565
NET ASSETS	2	2,069	2,424	-	8,673	-	8,673	8,782	8,852	8,912
COMMUNITY WEALTH/EQUITY										
Accumulated Surplus/(Deficit)		2,069	2,424		8,673		8,673	8,782	8,852	8,912
Reserves										
Share capital		0	0		0		0	0	0	0
TOTAL COMMUNITY WEALTH/EQUITY	2	2,069	2,424	-	8,673	-	8,673	8,782	8,852	8,912

Table D5 Budgeted Cash Flow

Description	Ref	2006/7	2007/8	2008/9	Current Year 2009/10			2010/11 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Ratepayers and other		10,161	11,719	19,286	17,522	17,522	17,522	23,224	24,579	27,127
Government - operating										
Government - capital										
Interest		5	59	559	160	160	160	400	440	485
Dividends										
Payments	2									
Suppliers and employees		(10,146)	(5,971)	(22,099)	(13,525)	(13,525)	(13,525)	(18,336)	(19,516)	(21,936)
Finance charges									(1,579)	(1,579)
Dividends paid										
Transfers and Grants										
NET CASH FROM/(USED) OPERATING ACTIVITIES		20	5,807	(2,254)	4,157	4,157	4,157	3,709	3,925	4,097
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE			10					210		200
Decrease (increase) in non-current debtors										
Decrease (increase) other non-current receivables										
Decrease (increase) in non-current investments										
Payments										
Capital assets		(31)		(204)	(1,442)	(18,211)	(18,209)	210	-	200
NET CASH FROM/(USED) INVESTING ACTIVITIES		(31)	10	(204)	(1,442)	(18,211)	(18,209)	210	-	200
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans										
Borrowing long term/refinancing						15,000	15,000			
Increase (decrease) in consumer deposits										
Payments										
Repayment of borrowing						15,000	15,000	(3,600)	(3,600)	(3,600)
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	-	-	15,000	15,000	(3,600)	(3,600)	(3,600)
NET INCREASE/(DECREASE) IN CASH HELD	1	(11)	5,817	(2,459)	2,715	946	948	319	325	697
Cash/cash equivalents at the year begin:	2	921	910	6,728	4,269	4,269	4,269	5,217	5,536	5,861
Cash/cash equivalents at the year end:	2	910	6,728	4,269	6,984	5,215	5,217	5,536	5,861	6,558

Supporting Table SD4 Board member allowances and staff benefits

Summary of Employee and Board Member remuneration R thousands	Ref	2006/7	2007/8	2008/9	Current Year 2009/10			2010/11 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
Remuneration										
Board Members of Entities										
Basic Salaries		75	45	113	110	-	110	126	138	152
Pension Contributions										
Medical Aid Contributions										
Motor vehicle allowance										
Cell phone allowance										
Housing allowance										
Other benefits and allowances										
In-kind benefits	1									
Board Fees										
Sub Total - Board Members of Entities		75	45	113	110	-	110	126	138	152
% increase			(0)	0	(0)		(0)	0	0	10.0%
Senior Managers of Entities										
Basic Salaries		567	644	732	920	-	920	1,030	1,154	1,292
Pension Contributions										
Medical Aid Contributions										
Motor vehicle allowance										
Cellphone allowance		17	17	17	17	-	17	20	22	24
Housing allowance										
Performance Bonus					86	-	86	96	108	121
Other benefits or allowances										
In-kind benefits	1									
Sub Total - Senior Managers of Entities		584	662	750	1,126	-	1,126	1,249	1,284	1,437
% increase			0	0	0		0	0	0	12.0%
Other Staff of Entities										
Basic Salaries		3,372	3,938	5,272	3,878	-	3,878	4,344	4,865	5,449
Pension Contributions										
Medical Aid Contributions										
Motor vehicle allowance										
Cell phone allowance										
Housing allowance										
Overtime										
Performance Bonus										
Other benefits or allowances										
In-kind benefits	1									
Sub Total - Other Staff of Entities		3,372	3,938	5,272	3,878	-	3,878	4,344	4,865	5,449
% increase			0	0	(0)		(0)	0	0	12.0%
Total Municipal Entities remuneration		4,031	4,644	6,134	5,115	-	5,115	5,719	6,287	7,038

Supporting Table SD5 Summary of personnel numbers

Summary of Personnel Numbers Number	Ref	Positions	2008/9		Current Year 2009/10		Budget Year 2010/11		
			Permanent employees	Contract employees	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
Municipal Council and Boards of Municipal Entities									
Councillors (Political Office Bearers plus Other Councillors)									
Board Members of municipal entities	3	4		4	4	4		4	
Municipal entity employees	4								
CEO and Senior Managers	2	3	3		3	3	3	3	
Other Managers	6								
Professionals		-	-	-	-	1	1	1	-
Finance									
Spatial/town planning									
Information Technology									
Roads									
Electricity									
Water									
Sanitation									
Refuse									
Other		59	59	59	59	59	59	59	
Clerks (Clerical and administrative)		3	2	3	2	3	3	3	
Service and sales workers									
Skilled agricultural and fishery workers									
Craft and related trades									
Plant and Machine Operators									
Elementary Occupations									
Total Personnel Numbers		74	69	4	74	69	75	71	4
% Increase			(6.8%)	(94.2%)				(5.3%)	(94.4%)
Total entity employees headcount	5								
Finance personnel headcount	7								
Human Resources personnel headcount	7								

References

1. Full Time Equivalent (FTE). E.g. One full time person = 1FTE. A person working half time (say 4 hours out of 8) = 0.5FTE.
2. s57 of the Systems Act
3. Include only in Consolidated Statements
4. Include municipal entity employees in Consolidated Statements
5. Include headcount (number fo persons, Not FTE) of managers and staff only (exclude councillors)
6. Managers who provide the direction of a critical technical function
7. Total number of employees working on these functions

Budgets of Municipal Entities: Brakpan Bus Company

PART 2 - Supporting Documentation

10. Overview of annual budget process

The actuals of the previous financial year was used in compiling the new budget. It was tabled to the Board of Directors during January 2010 for approval. The budget as presented in this report was approved and forwarded to EMM. No amendments were subsequently made on the final draft as no changes was suggested by any stake holders.

2010/2011 - 2012/2013 MULTY YEAR BUDGET: BRAKPAN BUS COMPANY

	Actual Income / Expenditure 2008/2009	Budget 2009/2010	Actual Months July - Oct. 2009/2010	Expected Income/ Expenditure 2009/2010	Budget 2010/2011	% Increase	% of Total	Multi Year 2011/2012	Multi Year 2012/2013
	R	R	R	R	R			R	R
INCOME									
Subsidy	10,269,321	8,321,412	3,464,768	10,394,304	11,687,125	40%	49%	12,855,838	14,141,421
Cash	301,743	252,069	22,567	67,701	170,500	-32%	1%	187,550	206,305
Special Hire/Private Hire	2,378,692	2,095,247	621,835	1,865,505	3,080,000	47%	13%	3,388,000	3,726,800
Coupons	5,940,690	6,189,194	2,171,716	6,515,148	8,166,663	32%	35%	8,983,329	9,881,662
Smart Cards(Sundries)	99,620	108,028	19,080	57,240	120,000	11%	1%	132,000	145,200
Interest Earned	558,588	160,000	125,916	377,748	400,413	150%	2%	440,454	484,499
OTHER INCOME									
TETA Refunds	130,500	-	-	-	-				90,500
Refund	12,755	-	-	-	-				-
Wrong Deposits	-200	-	-	-	-				-
OPERATING INCOME GENERATED	19,691,709	17,125,950	6,425,882	19,277,646	23,624,701	38%	100%	25,987,171	28,676,388
Less: Income foregone	-	-	-	-	-				
TOTAL OPERATING INCOME	19,691,709	17,125,950	6,425,882	19,277,646	23,624,701	38%	100%	25,987,171	28,676,388
Internal Transfers:									
Dividends Received - Internal									
Internal Recoveries									
Internal Transfers - sub-total	-	-	-	-	-				
NET OPERATING INCOME	19,691,709	17,125,950	6,425,882	19,277,646	23,624,701	38%	100%	25,987,171	28,676,388
EXPENDITURE									
Employee Related Costs - Salaries & Wages	5,981,904	6,124,454	2,044,498	6,124,454	7,902,174	29%	34%	8,692,392	9,561,6315
Out of town Allowance(S&T)	56,400	64,786	17,475	64,786	70,784	9%	0%	77,862	85,648
Refunds S/P.Hires not operated	22,129	-	-	20,000	10,000	0%		11,000	12,100
Remuneration of Directors	112,545	110,000	38,093	110,000	125,707	14%	1%	138,278	152,105
Travell and Accommodation	17,707	3,922	-	3,922	6,000	53%		6,600	7,260
Recruitment and Advertising	11,707	45,000	-	45,000	24,500	-46%		26,950	29,645
Legal Fees	47,712	11,330	1,384	11,330	90,000	694%	0%	99,000	108,900
Training & Development	14,307	19,388	-	19,388	21,175	9%	0%	23,293	25,621
External Inspectorate	-	44,000	-	44,000	88,000	100%	0%	96,800	106,480
Tollgate Fees	2,622	4,800	164	4,800	5,280	10%	0%	5,808	6,388
Consultation Fees	523,620	86,993	9,892	86,993	90,000	3%	0%	99,000	108,900
Refreshments	14,945	15,000	3,130	15,000	16,500	10%	0%	18,150	19,965
Audit Fees	302,548	270,000	59,018	270,000	312,200	16%	1%	343,420	377,762
Uniforms	115,875	125,000	138,142	125,000	151,956	22%	1%	167,152	183,866
Printing and Stationary	44,241	35,716	10,996	35,716	39,288	10%	0%	43,217	47,538
Marketing and Promotions	30,097	12,000	506	12,000	13,200	10%	0%	14,520	15,972
Postage and Stamps	275	275	-	275	303	10%	0%	333	366
Bank Charges	106,405	61,000	42,717	61,000	75,000	23%	0%	82,500	90,750
SABEA/ SARPAC	8,874	7,601	1,030	7,601	8,361	10%	0%	9,197	10,116
Repair+Maintenance: Computer Equipment	4,019	-	-	-	5,000	0%	0%	5,500	6,050
Ticket Machines Repairs/Modules	182,116	86,832	36,243	86,832	93,779	8%	0%	103,157	113,472
Ticket Rolls	1,784	6,800	3,568	6,800	11,000	62%	0%	12,100	13,310
Smart Cards	14,420	36,000	-	14,200	36,000	0%	0%	39,600	43,560
Bus Hired	82,830	30,000	-	30,000	31,000	3%	0%	34,100	37,510
Fedility Guards Money Collection	103,671	105,479	37,526	105,479	123,836	17%	1%	136,220	149,841
Software Licences: Pay Day+Caseware+Pastel	79,392	48,000	23,835	48,000	51,840	8%	0%	57,024	62,726
SABOA/ Membership	29,848	13,421	-	13,421	14,763	10%	0%	16,239	17,863

Budgets of Municipal Entities: Brakpan Bus Company

2010/2011 - 2012/2013 MULTY YEAR BUDGET: BRAKPAN BUS COMPANY

	Actual Income / Expenditure 2008/2009	Budget 2009/2010	Actual Months July - Oct. 2009/2010	Expected Income/ Expenditure 2009/2010	Budget 2010/2011	% Increase	% of Total	Multi Year 2011/2012	Multi Year 2012/2013
	R	R	R	R	R			R	R
Brakpan Bus Company own vehicles									
Licences	600	678	-	678	1,000	47%	0%	1,100	1,210
Insurance	47,073	55,000	20,123	55,000	51,039	-7%	0%	56,143	61,757
Repairs	10,280	25,612	-	25,612	25,612	0%	0%	28,173	30,990
Tyres	3,836	7,426	-	7,426	7,649	3%	0%	8,414	9,255
Tracker Net Star	9,739	4,694	2,128	4,694	20,217	331%	0%	22,239	24,462
Fuel and Lubricants	51,757	47,091	12,595	47,091	58,230	24%	0%	64,053	70,458
Depreciation Buses	-	-	-	-	3,600,000	0%	15%	3,960,000	4,356,000
Ekurhuleni MM Payments									
Insurance Buses	-	-	-	-	720,000	0%	3%	792,000	871,200
Repairs vehicle Maintenance -Labour	190,800	167,464	59,640	167,464	150,000	-10%	1%	165,000	181,500
Repair vehicle -Maintenance & Materials	1,519,151	1,385,015	400,967	1,035,015	1,246,514	-10%	5%	1,371,165	1,508,281
Telephone & Fax	26,583	29,309	8,861	29,309	30,774	5%	0%	33,851	37,236
Depreciation/Vehicles/Furniture	268,396	379,653	-	379,653	426,986	12%	2%	469,685	516,653
Radio Licences	-	-	-	-	32,500	0%	0%	35,750	39,325
Office and Equipment Rentals/leaseof busses	131	3,000	200	3,000	1,000	-67%	0%	1,100	1,210
Water, Lights and Sewerage Services	122,905	84,165	32,002	84,165	105,610	25%	0%	116,171	127,788
Bus Licences	335,411	285,714	190,519	285,714	365,211	28%	2%	401,732	441,905
Rental of Photocopier machines	20,513	13,000	6,787	13,000	22,397	72%	0%	24,637	27,100
Fuel and Lubricants	5,346,529	7,000,000	1,332,204	4,623,628	5,580,000	-20%	24%	6,138,000	6,751,800
Cleaning -Chemicals-Equipments	20,977	20,473	13,116	20,473	30,000	47%	0%	33,000	36,300
Loss on Wayfarer Machine /Assets	8,855	9,000	-	9,000	10,000	11%	0%	11,000	12,100
Building & Ground-Internal Labour	2,090	1,000	-	1,000	1,100	10%	0%	1,210	1,331
Building & Ground Materials Sundry	25,784	30,035	8,913	30,035	30,000	0%	0%	33,000	36,300
Bad Debts	20,377	-	-	-	7,500	0%	0%	8,250	9,075
Machinery and Office Building Maintenance	4,654	7,974	-	7,974	8,213	3%	0%	9,034	9,937
Interest on loan of busses	-	-	-	-	1,578,528	-	7%	1,736,381	1,910,018
TOTAL OPERATING EXPENDITURE	15,948,435	16,924,100	4,556,272	14,195,928	23,527,726	39%	100%	25,880,499	28,468,549
Tax	1,048,118	-	523,491	1,422,881	27,153	-	-	29,868	58,195
NET OPERATING EXPENDITURE	16,996,553	16,924,100	5,079,763	15,618,809	23,554,879	39%	100%	25,910,367	28,526,744
OPERATING SURPLUS/(DEFICIT)	2,695,156	201,850	1,346,119	3,658,837	69,822			76,804	149,644
Contribution to Capital Budget	-	-	-	-	-			-	-
Total Transfers to Cash-Backed Reserves	-	-	-	-	-			-	-
Total Transfers from Cash-Backed Reserves	-	-	-	-	-			-	-
NET OPERATING SURPLUS/(DEFICIT)	2,695,156	201,850	1,346,119	3,658,837	69,822			76,804	149,644

11. Overview of alignment of annual budget with service delivery agreement

BBC's annual budget is in line with the final draft service delivery agreement between BBC and EMM. All items on the budget support the service agreement of these parties.

12. Measurable performance objectives and indicators

The measurable performance objectives and indicators are included in this budget. The following pages contain the Service Delivery Budget Implementation Plan.

SDBIP MEASURABLE PERFORMANCE INDICATORS 2010-2013
ENTITY: Brakpan Bus Company (Pty)Ltd

Focus Area: Roads and Transport **Landscape:** Physical
2025 Agenda: High quality integrated and well maintained transport infrastructure and integrated transport systems ensuring a high degree of mobility and choice for the people of EMM.
Outcomes & Measures: Bus Services to cover all areas of EMM by 2015 **Other Details:**

Strategic Objective (1): Increase number of passengers to be transported		Unit(s) of Measure: Number of Passengers			
Years	Target	Actuals	2010/2011 Quarters		
Performance Indicator (1): Increase Passengers	Annual Passengers	Cummulative Passengers	Cummulative Target Passengers	Cummulative Actuals Passengers	
0607	Yr-1	776,300	775,139	351,565	0
0708	Yr 0	776,967	949,465	310,205	0
(Incl. projected actual)					
0809	Yr 1	777,795	1,226,590	365,352	0
0910	Yr 2	979,531		351,565	0
1011	Yr 3	1,378,687			
1112	Yr 4	1,516,566			
1213	Yr 5	1,668,217			

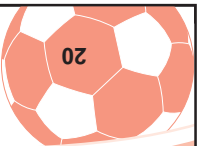
Comments: BBC hopes to increase the number of passengers in 2010/2011 since we will have reliable busses.

SDBIP MEASURABLE PERFORMANCE INDICATORS 2010-2013
ENTITY: Brakpan Bus Company (Pty)Ltd

Focus Area: Roads and Transport **Landscape:** Physical
2025 Agenda: High quality integrated and well maintained transport infrastructure and integrated transport systems ensuring a high degree of mobility and choice for the people of EMM.
Outcomes & Measures: Bus Services to cover all areas of EMM by 2015 **Other Details:**

Strategic Objective (2): To expand BBC's Operational Kilometres		Unit(s) of Measure: Number Kilometres			
Years	Target	Actuals	2010/2011 Quarters		
Performance Indicator (1): Increase Passengers	Annual KM	Cummulative KM	Annual KM	Cummulative KM	Cummulative Target KM
0607	Yr-1	1,030,128	1,108,646	377,737	0
0708	Yr 0	1,057,310	1,011,611	333,297	0
(Incl. projected actual)					
0809	Yr 1	107,746	1,080,923	392,550	0
0910	Yr 2	134,656		377,737	0
1011	Yr 3	1,481,322			
1112	Yr 4	1,629,454			
1213	Yr 5	1,792,399			

Comments: BBC will travel more kilometres in 2010/2011 financial year due to more S/P. Hires will be operated around our operational area and BBC intend to expand in future as per Metro's strategies.



SDBIP MEASURABLE PERFORMANCE INDICATORS 2010-2013

ENTITY: Brakpan Bus Company (Pty)Ltd

Focus Area: Roads and Transport

Landscape: Physical

2025 Agenda: High quality integrated and well maintained transport infrastructure and integrated transport systems ensuring a high degree of mobility and choice for the people of EMM.

Outcomes & Measures: Bus Services to cover all areas of EMM by 2015

Other Details:

Strategic Objective (3): Reliability, efficiency, affordability, accessibility and user-friendliness of service currently rendered in future		Target		Actuals		2010/2011 Quarters	
Performance Indicator (1): Increase Passengers	Years	Annual Trips	Cummulative Trips	Annual Trips	Cummulative Trips	Cummulative Target Trips	Cummulative Actuals Trips
0607	Yr 1	11,020		10,595		6514.23	5936
0708	Yr 0	11,124		16,170		5747.85	4748
(Incl. projected actual)							
08/09	Yr 1	24,816		24,269	24,269	6769.69	0
09/10	Yr 2	25,546					
10/11	Yr 3	25,804				6514.23	0
11/12	Yr 4	26,330					
12/13	Yr 5	26,868					

Comments: The service rendered 08/09 was not up to standard as 547 trips were not operated due to a shortage of buses and competition with taxis. BBC intends to improve its services through acquisition of new buses so that it can operate not less than 90% of its scheduled trips per annum.

SDBIP MEASURABLE PERFORMANCE INDICATORS 2010-2013

ENTITY: Brakpan Bus Company (Pty)Ltd

Focus Area: Roads and Transport

Landscape: Physical

2025 Agenda: High quality integrated and well maintained transport infrastructure and integrated transport systems ensuring a high degree of mobility and choice for the people of EMM.

Outcomes & Measures: Bus Services to cover all areas of EMM by 2015

Other Details:

Strategic Objective (4): To evaluate/measure bus utilisation in the BBC		Target		Actuals		Unit(s) of Measure : Passengers/Trip	
Performance Indicator (1): Increase Passengers	Years	Annual Passengers/Trip	Cummulative Passengers/Trip	Annual Passengers/Trip	Cummulative Passengers/Trip	Cummulative Target Passengers/Trip	Cummulative Actuals Passengers/Trip
0607	Yr 1		45		99	53	0
0708	Yr 0		45		75	53	0
(Incl. projected actual)							
08/09	Yr 1		45		52	53	0
09/10	Yr 2		45				
10/11	Yr 3		53			53	0
11/12	Yr 4		58				
12/13	Yr 5		64				

Comments: Due to bus shortages, more breakdowns and taxi fare increases which resulted in overloading. In future BBC needs to acquire more buses to meet the demand.

SDBIP MEASURABLE PERFORMANCE INDICATORS 2010-2013
ENTITY: Brakpan Bus Company (Pty)Ltd

Focus Area: Roads and Transport

Landscape: Physical

2025 Agenda: High quality integrated and well maintained transport infrastructure and integrated transport systems ensuring a high degree of mobility and choice for the people of EMMV.

Outcomes & Measures: Bus Services to cover all areas of EMM by 2015

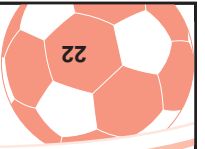
Other Details:

Performance Indicator (1): Increase Revenue	Years		Target		Actuals		Unit(s) of Measure: Rands	
	Yr 1	Yr 0	Annual Rands	Cummulative Rands	Annual Rands	Cummulative Rands	2010/2011 Quarters	Cummulative Actuals Rands
0607	Yr 1		9,674,678		10,789,434		Qrt1 4,978,693	0
0708	Yr 0	15.32%	11,156,967		12,256,772	18,362,208	Qrt2 4,392,964	0
(Incl. projected actual)							Qrt3 5,173,936	0
08/09	Yr 1	6.61%	11,894,029		19,561,964		Qrt 4 4,978,693	0
0910	Yr 2	43.99%	17,125,950					
1011	Yr 3	14.00%	19,524,288					
1112	Yr 4	28.14%	25,019,171					
1213	Yr 5	10.00%	27,521,088					

Comments: BBC will strive to meet the 2010/2011 budget through increasing S/P hires and through the envisaged annual fare increases of 10% y., that are to be implemented in July.

Performance Indicator (2): Passenger/Revenue Effect	Years		Target		Actuals		Unit(s) of Measure: Number Kilometres	
	Yr 1	Yr 0	Annual Rands / Passenger	Cummulative Rands / Passenger	Annual Rands / Passenger	Cummulative Rands / Passenger	2010/2011 Quarters	Cummulative Actuals Rands/Passenger
0607	Yr 1		12.46		12.48		Qrt1 14.16	0
0708	Yr 0	14.36			12.9		Qrt2 14.16	0
(Incl. projected actual)							Qrt 3 14.16	0
08/09	Yr 1	13.60			14.9		Qrt 4 14.16	0
0910	Yr 2	14.40						
1011	Yr 3	14.16						
1112	Yr 4	16.20						
1213	Yr 5	17.20						

Comments: This increase in R/Passenger will be achieved through an increase bon short distance S/P hires, subsidy and annual fare increases.



Strategic Objective (5): Increase passenger revenue by transporting more passengers therefore receiving subsidy, special hire and passenger revenue		Target		Actuals		Unit(s) of Measure : Rands per Kilometre	
Years		Target		Actuals		2010/2011 Quarters	
Performance Indicator (1): Rands per KM	Rands per KM	Annual Rands per KM	Cummulative Rands per KM	Annual Rands per KM	Cummulative	Cummulative Target Rands per KM	Cummulative Actuals Rands per KM
06/07	Yr-1		9.39	8.73		Qrt1	13.18
07/08	Yr-0	12.36%	10.55	12.12		Qrt2	13.18
(Incl. projected actual)							0
08/09	Yr-1	946.13%	110.39	17.48		Qrt 3	13.18
09/10	Yr-2	15.21%	127.18	0		Qrt 4	13.18
10/11	Yr-3	-89.64%	13.18	0			0
11/12	Yr-4	9.94%	14.49	0			
12/13	Yr-5	10.01%	15.94	0			

Comments: BBC will work hard to achieve the target set through all angles, eg. negotiate fare increases and long term contracts with dept.

Budgets of Municipal Entities: Brakpan Bus Company

Budgets of Municipal Entities: Brakpan Bus Company

15. Overview of budget-related policies

- Policies will be submitted to the Board of Directors for approval.
- For the purpose of this budget the MFMA was used as a guideline.

16. Overview of budget assumptions

- BBC's fare increase is market related; 10% for cash and coupon passengers that will be implemented on 1 July 2010.
- The expected increase in the amount of passengers that will be attracted by the new buses is a significant change in assumption since the last annual budget and is expected to be positive in terms of the goals of the company.
- The targets for the key financial indicators are included in the SDBIP schedules which are the number of passengers to be transported and the number of kilometres to be travelled.

17. Overview of budget funding

The operating expense will be funded by BBC reserves at 100%. The capital budget will also be funded by BBC reserves at 100%.

18. Expenditure on allocations and grant programmes

Only subsidies are received according to the kilometres travelled by Provincial Government. The subsidies are part of BBC's income and used to subsidise expenditure.

19. Board member allowances and employee benefits

The salary scales of the employees are attached to this document. The remuneration for the four Directors for this budget will be R125 707.

The Salary Budget is as follows:

Budgets of Municipal Entities: Brakpan Bus Company

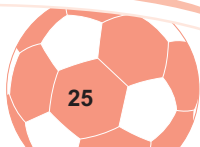
SALARY -BUDGET 2010/2011

JOB TITLE	Current	Budget 2010/2011	Bonus	Overtime	Provident Fund	Medical	Total Salary & benefits	UIF @ 1% X Sal	SETA @ 1% X Tot Sal pack	SDL @1% X Sal	Bargain @ R10.20	Leave Provision @ 5% XNotch	Cellphone Allowance	Total Cost
Senior Management		12% increase	8.33%		10%									
Managing Director (1)	352,304.06	394,580.55	32,868.56		39,458.05		466,907.16	3,945.81	-	3,945.81	-	-	10,000.00	484,798.77
Financial Manager (1)	283,800.38	317,856.43	26,477.44		31,785.64		376,119.51	3,178.56	-	3,178.56	94.32	-	5,000.00	387,570.96
Operations Manager (1)	283,800.38	317,856.43	26,477.44		31,785.64		376,119.51	3,178.56	-	3,178.56	94.32	-	5,000.00	387,570.96
Middle Management														
Administration Officer (1)	109,872.00	123,056.64	10,250.62		12,305.66		145,612.92	1,230.57	-	1,230.57	94.32	-	-	148,168.37
H.R. Admin Officer (1)	109,872.00	123,056.64	10,250.62		12,305.66		145,612.92	1,230.57	-	1,230.57	94.32	-	-	148,168.37
Operations Superintendent (1)	109,872.00	123,056.64	10,250.62		12,305.66		145,612.92	1,230.57	-	1,230.57	94.32	-	1,800.00	149,968.37
Operational Staff														
Secretary/Typist (1)	70,632.00	79,107.84	6,589.68		7,910.78		93,608.31	791.08	-	791.08	94.32	-	-	95,284.78
Ass. Admin. Clerk. (1)	82,468.80	92,365.06	7,694.01		9,236.51		109,295.57	923.65	-	923.65	94.32	-	-	111,237.19
Inspectors (2)	167,832.00	187,971.84	15,658.05		18,797.18		222,427.08	1,879.72	-	1,879.72	94.32	-	-	226,280.84
Dispatchers (3)	239,311.20	268,028.54	22,326.78		26,802.85		317,158.18	2,680.29	-	2,680.29	94.32	-	-	322,613.07
Bus Drivers(2-6 years) (11)	560,088.00	627,298.56	52,253.97	241,109.00	62,729.86		983,391.39	6,272.99	-	6,272.99	94.32	-	-	996,031.68
Bus Drivers(6 years)> (13)	830,240.00	929,868.80	77,458.07	284,947.00	92,988.88		1,385,260.75	9,298.69	-	9,298.69	94.32	-	-	1,403,952.45
Bus Drivers(0-6 Months) (15)	648,950.00	726,824.00	60,544.44	328,816.42	72,682.40		1,188,867.26	7,268.24	-	7,268.24	94.32	-	-	1,203,496.06
Cashiers/Ticket Sellers (2)	127,729.20	143,056.70	11,916.62		14,305.67		169,279.00	1,430.57	-	1,430.57	94.32	-	-	172,234.45
Shunter Driver (1)	49,856.28	55,839.03	4,651.39		5,583.90		66,074.33	558.39	-	558.39	94.32	-	-	67,285.43
Fuel Attendant (1)	49,856.28	55,839.03	4,651.39		5,583.90		66,074.33	558.39	-	558.39	94.32	-	-	67,285.43
Canteen Attendant (1)	48,490.32	54,309.16	4,523.95		5,430.92		64,264.03	543.09	-	543.09	94.32	-	-	65,444.53
Bus Washers (13)	583,616.00	653,649.92	54,449.04		65,364.99		773,463.95	6,536.50	-	6,536.50	94.32	-	-	786,631.27
General Workers (2)	89,787.00	100,561.44	8,376.77		10,006.14		118,994.35	1,005.61	-	1,005.61	94.32	-	-	121,099.90
	4,798,377.9	5,374,183.25	447,669.46	854,872.42	537,418.32		7,214,143.46	53,741.83		53,741.83	1,697.76		21,800.00	7,345,124.88
Additional staff for new developments														
Personal Assistant (1)	120,000.00	134,400.00	11,195.52		13,440.00		159,035.52	1,344.00	-	1,344.00	-	-	-	161,723.52
Senior Accounts Clerk (1)	132,000.00	147,840.00	12,315.07		14,784.00		174,939.07	1,478.40	-	1,478.40	-	-	-	177,895.87
Operations Supervisors (2)	159,541.00	178,685.92	14,884.54		17,868.59		211,439.05	1,786.86	-	1,786.86	94.32	-	-	215,107.09
Regulators (2)	132,000.00													2,228.32
Wayferer Ass. Technician (1)	42,000.00													94.32
	333,541.00	460,925.92	38,395.13		46,092.59		545,413.64	6,743.26		6,743.26	282.96			557,049.12
Summary of Staff Costs	5,131,918.9	5,835,109.17	486,064.59	854,872.42	583,510.92		7,759,557.10	60,485.09		60,485.09	1,980.72		21,800.00	7,902,174.00
Salary Cost	5,835,109.17													
Bonuses	486,064.59													
Overtime for bus drivers and other workers	854,872.42													
Leave Provision														
Cellphone Allowance	21,800.00													
Total Employee related cost	7,197,846.18													
Co. Contributions														
Provident fund (10%)	583,510.92													
Medical aid														
UIF (1%)	60,485.09													
SDL (1%)	58,351.09													
Bargaining Council (R10.20/Ee)	1,980.72													
Total co. contributions	704,327.82													
Total Employee costs	7,902,174.00													

Budgets of Municipal Entities: Brakpan Bus Company

20. 2010/11 Budget Monthly Projection (SDBIP Income and Expenditure Forecast)

	Budget 2010/2011	Twelve Month Projection																
		Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11					
INCOME																		
Subsidy	11,687,125	934,970	1,051,841	993,406	1,051,841	1,051,841	525,921	993,406	1,051,841	1,051,841	1,051,841	934,970	1,051,841	1,051,841	993,406			
Cash	170,500	13,640	15,345	14,493	15,345	15,345	7,673	14,493	15,345	15,345	15,345	13,640	15,345	15,345	14,493			
Special Hire/Private Hire	3,080,000	246,400	277,200	261,800	277,200	277,200	138,600	261,800	277,200	277,200	277,200	246,400	277,200	277,200	261,800			
Coupons	8,166,663	653,333	735,000	694,166	735,000	735,000	367,500	694,166	735,000	735,000	735,000	653,333	735,000	735,000	694,166			
Smart Cards(Sundries)	120,000	10,000	10,800	10,200	10,800	10,800	5,400	10,200	10,800	10,800	10,800	9,600	10,800	10,800	10,200			
Interest Earned	400,413	33,368	33,368	33,368	33,368	33,368	33,368	33,368	33,368	33,368	33,368	33,368	33,368	33,368	33,368			
OTHER INCOME																		
TETA Refunds	0																	
Refund	0																	
Wrong Deposits	0																	
OPERATING INCOME GENERATED	23,624,701	1,891,311	2,123,554	2,007,432	2,123,554	2,123,554	1,078,461	2,007,432	2,123,554	2,123,554	2,123,554	1,891,311	2,123,554	2,123,554	1,891,311	2,123,554	2,123,554	2,007,432
Less: Income foregone	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL OPERATING INCOME	23,624,701	1,891,311	2,123,554	2,007,432	2,123,554	2,123,554	1,078,461	2,007,432	2,123,554	2,123,554	2,123,554	1,891,311	2,123,554	2,123,554	1,891,311	2,123,554	2,123,554	2,007,432
Internal Transfers:																		
Dividends Received - Internal																		
Internal Recoveries																		
Internal Transfers - sub-total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
NET OPERATING INCOME	23,624,701	1,891,311	2,123,554	2,007,432	2,123,554	2,123,554	1,078,461	2,007,432	2,123,554	2,123,554	2,123,554	1,891,311	2,123,554	2,123,554	1,891,311	2,123,554	2,123,554	2,007,432
EXPENDITURE																		
Employee Related Costs - Salaries & Wages	7,902,174	658,515	658,515	658,515	658,515	658,515	658,515	658,515	658,515	658,515	658,515	658,515	658,515	658,515	658,515	658,515	658,515	658,515
Out of town Allowance(S&T)	70,784	5,663	6,371	6,017	6,371	6,371	3,185	6,017	6,371	6,371	6,371	5,663	6,371	6,371	6,017	6,371	6,371	6,017
Refunds S/Private Hire not operated	10,000	800	900	850	900	900	450	850	900	900	900	800	900	900	850	900	900	850
Remuneration of Directors	125,707	10,057	11,314	10,685	11,314	11,314	5,657	10,685	11,314	11,314	11,314	10,057	11,314	11,314	10,685	11,314	11,314	10,685
Travel and Accommodation	6,000	480	540	510	540	540	270	510	540	540	540	480	540	540	510	540	540	510
Recruitment Advertising	24,500	1,960	2,205	2,083	2,205	2,205	1,103	2,083	2,205	2,205	2,205	1,960	2,205	2,205	2,083	2,205	2,205	2,083
Legal Fees	90,000	7,200	8,100	7,650	8,100	8,100	4,050	7,650	8,100	8,100	8,100	7,200	8,100	8,100	7,650	8,100	8,100	7,650
Training and Development	21,175	1,694	1,906	1,800	1,906	1,906	953	1,800	1,906	1,906	1,906	1,694	1,906	1,906	1,800	1,906	1,906	1,800
External Inspectorate	88,000	7,040	7,920	7,480	7,920	7,920	3,960	7,480	7,920	7,920	7,920	7,040	7,920	7,920	7,480	7,920	7,920	7,480
Tollgate Fees	5,280	422	475	449	475	475	238	449	475	475	475	422	475	475	449	475	475	449
Consultation	90,000	7,200	8,100	7,650	8,100	8,100	4,050	7,650	8,100	8,100	8,100	7,200	8,100	8,100	7,650	8,100	8,100	7,650
Refreshments	16,500	1,320	1,485	1,403	1,485	1,485	743	1,403	1,485	1,485	1,485	1,320	1,485	1,485	1,403	1,485	1,485	1,403
Audit Fees	312,200	24,976	28,098	26,537	28,098	28,098	14,049	26,537	28,098	28,098	28,098	24,976	28,098	28,098	26,537	28,098	28,098	26,537
Uniforms	151,956	12,156	13,676	12,916	13,676	13,676	6,838	12,916	13,676	13,676	13,676	12,156	13,676	13,676	12,916	13,676	13,676	12,916
Printing and Stationary	39,288	3,143	3,536	3,339	3,536	3,536	1,768	3,339	3,536	3,536	3,536	3,143	3,536	3,536	3,339	3,536	3,536	3,339
Marketing and Promotions	13,200	1,056	1,188	1,122	1,188	1,188	594	1,122	1,188	1,188	1,188	1,056	1,188	1,188	1,122	1,188	1,188	1,122
Postage and Stamps	303	24	27	26	27	27	14	26	27	27	27	24	27	27	26	27	27	26
Bank Charges	75,000	6,000	6,750	6,375	6,750	6,750	3,375	6,375	6,750	6,750	6,750	6,000	6,750	6,750	6,375	6,750	6,750	6,375
SABEA/SARPBAC	8,361	669	752	711	752	752	376	711	752	752	752	669	752	752	711	752	752	711
Repair +Maintenance:Computer Equipment	5,000	400	450	425	450	450	225	425	450	450	450	400	450	450	425	450	450	425
Ticket Machines:Repairs/Modules	93,779	7,502	8,440	7,971	8,440	8,440	4,220	7,971	8,440	8,440	8,440	7,502	8,440	8,440	7,971	8,440	8,440	7,971
Ticket Rolls	11,000	880	990	935	990	990	495	935	990	990	990	880	990	990	935	990	990	935
Smart Cards	36,000	2,880	3,240	3,060	3,240	3,240	1,620	3,060	3,240	3,240	3,240	2,880	3,240	3,240	3,060	3,240	3,240	3,060
Bus Hired	31,000	2,480	2,790	2,635	2,790	2,790	1,395	2,635	2,790	2,790	2,790	2,480	2,790	2,790	2,635	2,790	2,790	2,635
Fidelity Guards Money Collection	123,836	9,907	11,145	10,526	11,145	11,145	5,573	10,526	11,145	11,145	11,145	9,907	11,145	11,145	10,526	11,145	11,145	10,526
Software Licences:Pay	51,840	4,147	4,666	4,406	4,666	4,666	2,333	4,406	4,666	4,666	4,666	4,147	4,666	4,666	4,406	4,666	4,666	4,406
Day+Caseware+Pastel	14,763	1,181	1,329	1,255	1,329	1,329	664	1,255	1,329	1,329	1,329	1,181	1,329	1,329	1,255	1,329	1,329	1,255
SABOA Membership																		



Budgets of Municipal Entities: Brakpan Bus Company

20. 2010/11 Budget Monthly Projection (SDBIP Income and Expenditure Forecast)

	R	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11
Brakpan Bus Company own vehicles													
Licences	1,000						300	700					
Insurance	51,039	4,253	4,253	4,253	4,253	4,253	4,253	4,253	4,253	4,253	4,253	4,253	4,253
Repairs	25,612	2,049	2,305	2,177	2,305	2,305	1,153	2,177	2,305	2,305	2,049	2,305	2,177
Tyres	7,649	612	688	650	688	688	344	650	688	688	612	688	650
Tracker Net Star	20,217	1,685	1,685	1,685	1,685	1,685	1,685	1,685	1,685	1,685	1,685	1,685	1,685
Fuel and Lubricants	58,230	4,658	5,241	4,950	5,241	5,241	2,620	4,950	5,241	5,241	4,658	5,241	4,950
Depreciation Buses	3,600,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
Ekurhuleni EMM Payments													
Insurance Buses	720,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
Repairs vehicle Maintenance -Labour	150,000	12,000	13,500	12,750	13,500	13,500	6,750	12,750	13,500	13,500	12,000	13,500	12,750
Repair vehicle -Maintenance & Materials	1,246,514	99,721	112,186	105,954	112,186	112,186	56,093	105,954	112,186	112,186	99,721	112,186	105,954
Telephone & Fax	30,774	2,462	2,770	2,616	2,770	2,770	1,385	2,616	2,770	2,770	2,462	2,770	2,616
Depreciation/Vehicles/Furniture	426,986	35,582	35,582	35,582	35,582	35,582	35,582	35,582	35,582	35,582	35,582	35,582	35,582
Radio Licences	32,500	2,600	2,925	2,763	2,925	2,925	1,463	2,763	2,925	2,925	2,600	2,925	2,763
Office and Equipment Rentals/leaseof buses	1,000	80	90	85	90	90	45	85	90	90	80	90	85
Water, Lights and Sewerage Services	105,610	8,449	9,505	8,977	9,505	9,505	4,752	8,977	9,505	9,505	8,449	9,505	8,977
Bus Licences	365,211	29,217	32,869	31,043	32,869	32,869	16,434	31,043	32,869	32,869	29,217	32,869	31,043
Rental of Photocopier machines	22,397	1,792	2,016	1,904	2,016	2,016	1,008	1,904	2,016	2,016	1,792	2,016	1,904
Fuel and Lubricants	5,580,000	446,400	502,200	474,300	502,200	502,200	251,100	474,300	502,200	502,200	446,400	502,200	474,300
Cleaning -Chemicals-Equipments	30,000	2,400	2,700	2,550	2,700	2,700	1,350	2,550	2,700	2,700	2,400	2,700	2,550
Loss on Wayfarer Machine /Assets	10,000	800	900	850	900	900	450	850	900	900	800	900	850
Building & Ground-Internal Labour	1,100	88	99	94	99	99	50	94	99	99	88	99	94
Building & Ground Materials Sundry	30,000	2,400	2,700	2,550	2,700	2,700	1,350	2,550	2,700	2,700	2,400	2,700	2,550
Bad Debts	7,500	600	675	638	675	675	338	638	675	675	600	675	638
Machinery and Office Building Maintenance	8,213	657	739	698	739	739	370	698	739	739	657	739	698
Interest on loan of buses	1,578,528	131,544	131,544	131,544	131,544	131,544	131,544	131,544	131,544	131,544	131,544	131,544	131,544
TOTAL OPERATING EXPENDITURE	23,527,726	1,929,801	2,022,079	1,975,940	2,022,079	2,022,079	1,607,129	1,976,640	2,022,079	2,022,079	1,929,801	2,022,079	1,975,940
Tax	27,153												27,153
NET OPERATING EXPENDITURE	23,554,879	1,929,801	2,022,079	1,975,940	2,022,079	2,022,079	1,607,129	1,976,640	2,022,079	2,022,079	1,929,801	2,022,079	2,003,093
OPERATING SURPLUS/(DEFICIT)	69,822	-38,490	101,475	31,492	101,475	101,475	-528,668	30,792	101,475	101,475	-38,490	101,475	4,339
Contribution to Capital Budget													
Total Transfers to Cash-Backed Reserves													
Total Transfers from Cash-Backed Reserves													
NET OPERATING SURPLUS/(DEFICIT)	69,822	-38,490	101,475	31,492	101,475	101,475	-528,668	30,792	101,475	101,475	-38,490	101,475	4,339

Budgets of Municipal Entities: Brakpan Bus Company

21. Contracts having future budgetary implications

A photocopy machine contract is in use and it is leased from Sharp. This contract will expire in 2012. The expense for 2008/09 was R11700. The expected expense for 2009/10 is R13000 and an amount of R14300 was budgeted for 2010/11 and for 2011/2012 R15730.

22. Capital expenditure details

The capital budget schedule is attached on the next page and is financed from BBC reserves. The projected life span is 4 years.

CAPITAL BUDGET: BRAKPAN BUS COMPANY (PTY) LTD

Project Name	Source of Finance	Capital Cost 2010/2011	1st Quarter Projection	2nd Quarter Projection	3rd Quarter Projection	4th Quarter Projection
Acquisition of 1.6 Sedan Vehicle	BBC	210,000.00		210,000.00		
		210,000.00		210,000.00		

23. Legislation compliance status

- BBC attempts to adhere to all relevant Entity legislation in the MFMA.
- BBC adheres to GRAP and GAAP statements when compiling the Annual Financial Statements.

24. Other supporting documents

Attached find the Budgeted:

- Statement of Financial Performance
- Statement of Financial Position
- Cash Flow Statement
- Change in Net Assets

25. Chief Executive Officer

The signed quality certification is on the last page

Budgets of Municipal Entities: Brakpan Bus Company

BUDGETED FINANCIAL STATEMENTS: 2010/2011 - 2012/2013 FINANCIAL YEARS

MULTI-YEAR BUDGETED STATEMENT OF FINANCIAL PERFORMANCE

REVENUE	2009/2010	2010/2011	2011/2012	2012/2013
	R	R	R	R
Subsidy	10,394,304	11,687,125	12,855,838	14,141,421
Cash	67,701	170,500	187,550	206,305
Special Hire/Private Hire	1,865,505	3,080,000	3,388,000	3,726,800
Coupons	6,515,148	8,166,663	8,983,329	9,881,662
Smart Cards(Sundries)	57,240	120,000	132,000	145,200
Interest Earned	377,748	400,413	440,454	484,500
Gain on Sale of Assets		0		
TETA refunds				90,500
TOTAL REVENUE	19,277,646	23,624,701	25,987,171	28,676,388
EXPENDITURE				
Employee Related Costs - Salaries & Wages	6,124,454	7,902,174	8,692,391	9,561,631
Out of town Allowance(S&T)	64,786	70,784	77,862	85,649
Refunds S/P.Hires not operated	20,000	10,000	11,000	12,100
Remuneration of Directors	110,000	125,707	138,278	152,105
Travel and Accommodation	3,922	6,000	6,600	7,260
Recruitment and Advertising	45,000	24,500	26,950	29,645
Legal Fees	11,330	90,000	99,000	108,900
Training & Development	19,388	21,175	23,293	25,622
External Inspectorate	44,000	88,000	96,800	106,480
Tollgate Fees	4,800	5,280	5,808	6,389
Consultation Fees	86,993	90,000	99,000	108,900
Refreshments	15,000	16,500	18,150	19,965
Audit Fees	270,000	312,200	343,420	377,762
Uniforms	125,000	151,956	167,152	183,867
Printing and Stationery	35,716	39,288	43,217	47,538
Marketing and Promotions	12,000	13,200	14,520	15,972
Postage and Stamps	275	303	333	367
Bank Charges	61,000	75,000	82,500	90,750
SABEA/ SARPBAC	7,601	8,361	9,197	10,117
Repair+Maintenance: Computer Equipment	0	5,000	5,500	6,050
Ticket Machines Repairs/Modules	86,832	93,779	103,157	113,473
Ticket Rolls	6,800	11,000	12,100	13,310
Smart Cards	14,200	36,000	39,600	43,560
Bus Hired	30,000	31,000	34,100	37,510
Fidelity Guards Money Collection	105,479	123,836	136,220	149,842
Software Licences: Pay Day+Caseware+Pastel	48,000	51,840	57,024	62,726
SABOA/ Membership	13,421	14,763	16,239	17,863
Brakpan Bus Company own vehicles				
Licences	678	1,000	1,100	1,210
Insurance	55,000	51,039	56,143	61,757
Repairs	25,612	25,612	28,173	30,991
Tyres	7,426	7,649	8,414	9,255
Tracker Net Star	4,694	20,217	22,239	24,463
Fuel and Lubricants	47,091	58,230	64,053	70,458
Depreciation Buses	0	3,600,000	3,960,000	4,356,000
Ekurhuleni MM Payments				
Insurance Buses	0	720,000	792,000	871,200
Repairs vehicle Maintenance - Labour	167,464	150,000	165,000	181,500
Repair vehicle - Maintenance & Materials	1,035,015	1,246,514	1,371,165	1,508,282
Telephone & Fax	29,309	30,774	33,851	37,237
Depreciation/Vehicles/Furniture	379,653	426,986	469,685	516,653
Radio Licences	0	32,500	35,750	39,325
Office and Equipment Rentals/Lease of Busses	3,000	1,000	1,100	1,210
Water, Lights and Sewerage Services	84,165	105,610	116,171	127,788
Bus Licences	285,714	365,211	401,732	441,905
Rental of Photocopier machines	13,000	22,397	24,637	27,100
Fuel and Lubricants	4,623,628	5,580,000	6,138,000	6,751,800
Cleaning -Chemicals-Equipments	20,473	30,000	33,000	36,300
Loss on Wayfarer Machine /Assets	9,000	10,000	11,000	12,100
Building & Ground-Internal Labour	1,000	1,100	1,210	1,331
Building & Ground Materials Sundry	30,035	30,000	33,000	36,300
Bad Debts	0	7,500	8,250	9,075
Machinery and Office Building Maintenance	7,974	8,213	9,034	9,938
Interest on Loan of Busses	0	1,578,528	1,736,381	1,910,019
TOTAL EXPENDITURE	14,195,928	23,527,726	25,880,499	28,468,548
Tax	1,422,881	27,153	46,769	76,786
NET SURPLUS/ (DEFICIT) FOR THE YEAR	3,658,837	69,822	59,904	131,054

Budgets of Municipal Entities: Brakpan Bus Company

BUDGETED FINANCIAL STATEMENTS: 2010/2011- 2012/2013 FINANCIAL YEARS

MULTI-YEAR BUDGETED STATEMENT OF FINANCIAL POSITION

	R	R	R	R
	2009/2010	2010/2011	2011/2012	2012/2013
NET ASSETS AND LIABILITIES				
NET ASSETS	8,672,905	8,782,235	8,852,057	8,911,961
Contribution From EMM	6	6	6	6
Retained Income	8,672,899	8,782,229	8,852,051	8,911,955
CURRENT LIABILITIES	16,565,000	12,865,000	9,165,000	5,565,000
Trade and other payables	15,600,000	12,000,000	8,400,000	4800000
Provisions	900,000	800,000	700,000	700000
Accruals	65,000	65,000	65,000	65000
TOTAL NET ASSETS and LIABILITIES	25,237,905	21,647,235	18,017,057	14,476,961
ASSETS				
NON-CURRENT ASSETS	18,821,000	15,331,000	11,631,000	7,931,000
Deferred Tax	85,000	85,000	85,000	85,000
Property, plant and equipment	18,736,000	15,246,000	11,546,000	7,846,000
CURRENT ASSETS	6,416,905	6,316,235	6,386,057	6,545,961
Trade and other receivables	1,200,000	1,200,000	1,200,000	1,200,000
Cash and cash equivalents	5,216,905	5,116,235	5,186,057	5,345,961
TOTAL ASSETS	25,237,905	21,647,235	18,017,057	14,476,961

BUDGETED FINANCIAL STATEMENTS: 2010/2011- 2012/2013 FINANCIAL YEARS

CASH FLOW STATEMENTS 2010/2011 - 2012/2013 FINANCIAL YEARS

	2009/10	2010/11	2011/12	2012/13
	R	R	R	R
CASH FLOW FROM OPERATING ACTIVITIES				
Cash receipts from customers, government subsidy and other	17,521,705	23,224,288	24,578,717	27,127,088
Cash paid to suppliers and employees	12,102,084	18,293,913	19,469,283	21,858,825
Cash generated from/(utilised in) operations	5,419,621	4,930,375	5,109,434	5,268,263
Interest paid		-1,578,528	-1,578,528	-1,578,528
Interest received	160,000	400,000	440,454	484,500
Tax paid	-1,422,881	-42,517	-46,769	-76,786
NET CASH FROM OPERATING ACTIVITIES	4,156,740	3,709,330	3,924,591	4,097,449
CASH FLOW FROM INVESTING ACTIVITIES				
Movement in property, plant and equipment	18,208,768	210,000	-	200,000
Proceeds on disposal of fixed assets				
NET CASH FROM INVESTING ACTIVITIES	-18,208,768	-210,000	-	-200,000
CASH FLOW FROM FINANCING ACTIVITIES				
Loan of buses	15,000,000	-3,600,000	-3,600,000	-3,600,000
NET CASH FROM FINANCING ACTIVITIES	15,000,000	-3,600,000	-3,600,000	-3,600,000
TOTAL NET CASH FROM ACTIVITIES	947,972	-100,670	324,591	297,449
NET (INCREASE) IN CASH AND CASH EQUIVALENTS	947,972	-100,670	324,591	297,449
Cash and cash equivalents at the beginning of the year	4,268,933	5,216,905	5,116,235	5,440,826
Cash and cash equivalents at the end of the year	5,216,905	5,116,235	5,440,826	5,738,275

Budgets of Municipal Entities: Brakpan Bus Company

BUDGETED FINANCIAL STATEMENTS: 2010/2011 - 2012/2013 FINANCIAL YEARS (ALTERNATIVE) STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2010

	Market Development Fund	Insurance Reserve	Housing Development Fund	Capital Replacement Reserve	Capitalisation Reserve	Government Grant Reserve	Donations and Public Contributions	Non-Distributable Reserve	Share Premium	Revaluation Reserve	Accumulated Surplus	Total Net Assets
Surplus(deficit) for the year											3,658,837	3,658,837
Transfer in net/Assets in Entities											-	
Transfer to MDF											-	
Transfer to CRR											-	
Property Plant and Equipment purchased											-	
Capital Grants used to purchase PPE											-	
Donated/contributed PPE											-	
Contributions to Insurance Reserve											-	
Insurance claims processed											-	
Shares issues at premium											-	
Accumulated deficit apportioned to minority shareholding											-	
NDR apportion to minority shareholders											-	
Transfer to Housing Development Fund											-	
Re-alignment of financial years											-	
Assets disposals											-	
Offsetting of depreciation											-	
Movement at 30 June 2010		-	-	-	-	-	-	-	-	-	3,658,837	3,658,837
Balance b/f											5,014,064	5,014,064
Balance at 30 June 2010		-	-	-	-	-	-	-	-	-	8,672,901	8,672,901

Budgets of Municipal Entities: Brakpan Bus Company

25. Chief executive officer

Brakpan Bus Company (Pty) Ltd

Registration No: 2000/024331/07

P.O. Box 15 BRAKPAN 1540
Tel: (011) 741-2374 Fax: (011) 741-2371

MEMO

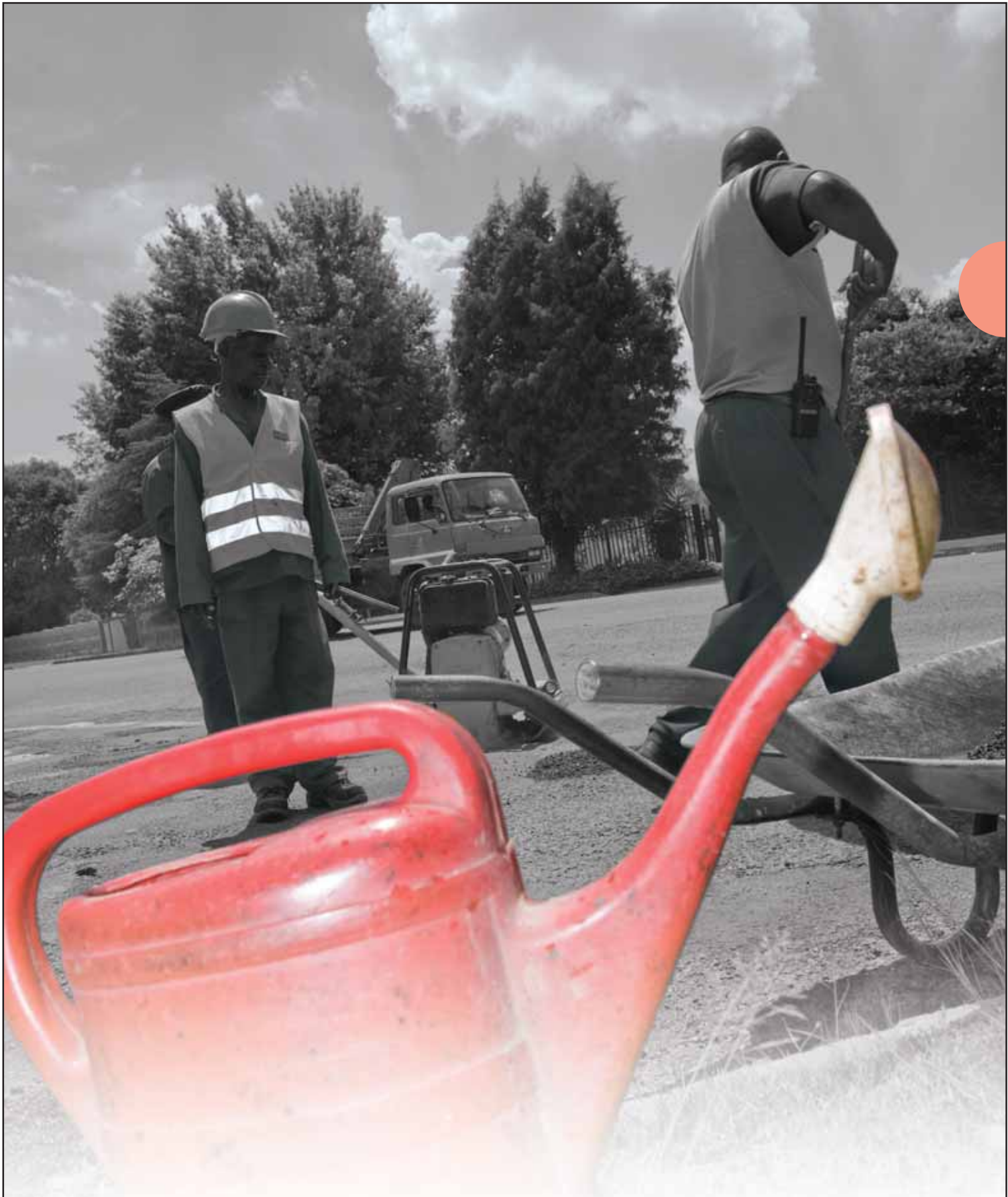
TO WHOM IT MAY CONCERN

29 April 2010

I Mr S.M. Jacobs , Acting Managing Director of BBC , hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act , and that the annual Budget and supporting documentation are consistent with the Integrated Development Plan of the parent municipality and the business plan of the of the entity.

SM Jacobs
Acting Managing Director

Signature



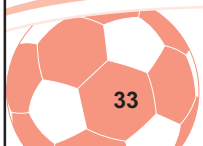
EAST RAND WATER CARE COMPANY



Budgets of Municipal Entities: East Rand Water Care Company

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Budgets of Municipal Entities: East Rand Water Care Company

1. Introduction

ERWAT is a wastewater company that operates mainly within the greater Ekurhuleni Metropolitan Municipality (EMM) area. The company provides bulk wastewater conveyance and a highly technical and proficient wastewater treatment for a multitude of industries and households who have access to sanitation services.

ERWAT offers a full range of expert services that includes waste water management expertise; techno-engineering skills and special engineering designs; provision, operation and maintenance of bulk water utilities, facilities, processes and systems; research and development and comprehensive laboratory services.

Ekurhuleni Metropolitan Municipality (EMM) is the main shareholder of ERWAT due to the transfer of various water care works and regional outfall sewers to ERWAT.

Executive Management Structure



2. Vision, Mission & Values

ERWAT's mandate is aligned with the mandate of EMM as it is the main shareholder of ERWAT. The company's vision and mission are underpinned by a set of values and goals geared towards producing effluent of acceptable quality that is reasonably priced to create and enhance stakeholder wealth.

2.1 Vision

To create and enhance stakeholder wealth by pursuing and capitalising on business opportunities in the water industry.

Budgets of Municipal Entities: East Rand Water Care Company

2.2 Mission

To produce effluent of acceptable quality at an affordable price.

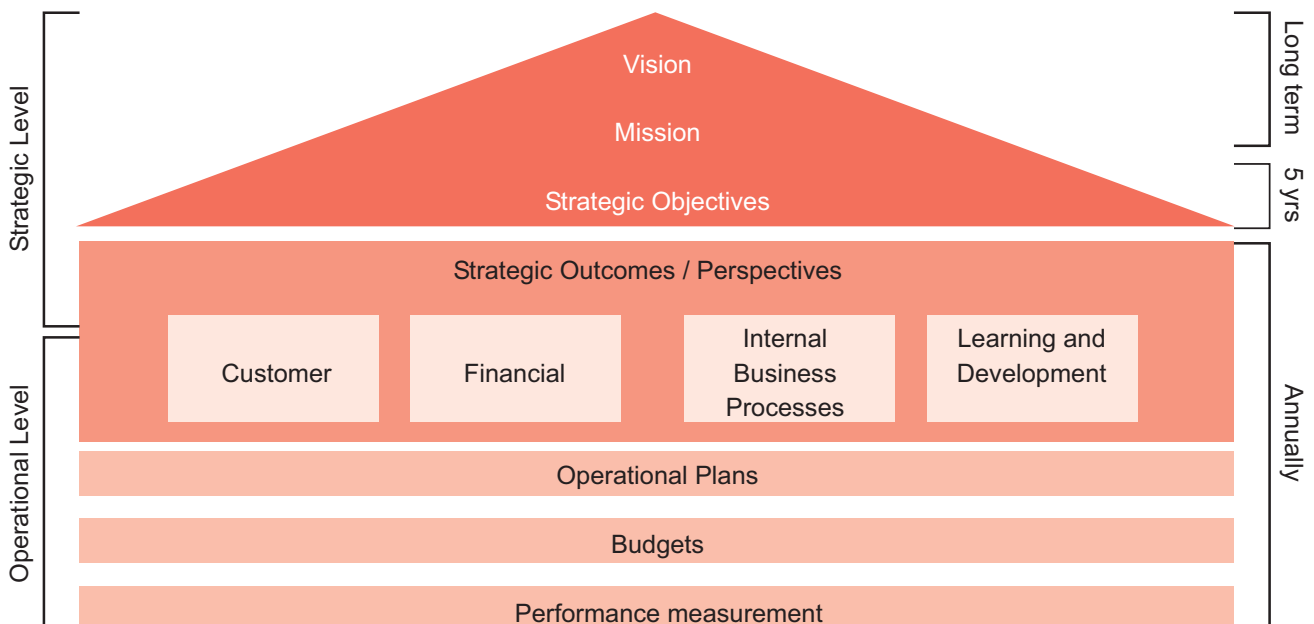
2.3 Values

The values guiding the achievement of the vision and mission are:

- Visionary:
To be progressive in operating the business; and
To be proactive in achieving business opportunities.
- Integrity:
To promote honesty, trust and appropriate openness in conducting business.
- Excellence:
To strive for professionalism and continuous improvement; and
To do the right thing in the most cost-effective and innovative manner.
- Enablement:
To create and promote a challenging environment.
- Customer orientated:
To recognise the impact of ERWAT's actions on internal and external customers; and
To deliver high level customer services.

3. Key Strategic objectives

ERWAT's strategic objectives are aligned with the company's vision and mission as depicted in the diagram below. ERWAT's strategic objectives have been developed to achieve consistency in the main areas of business as envisaged by the Balanced Scorecard. Based on the strategic objectives, each business-unit formulates its individual operational plans, targets and performance measurements going forward. This ensures that the strategic and operational environments of ERWAT are aligned.



Budgets of Municipal Entities: East Rand Water Care Company

Strategic thrusts

ERWAT's three strategic thrusts (main drivers) are: Purifying wastewater; maintenance and replacement as well as compliance with legislation and the 2010 effluent standards.

Thrust 1: Purifying water

This thrust constitutes the core business of ERWAT. The main business units within ERWAT are:

- Operations;
- Laboratory Services; and
- Research and Development.

Operations and Laboratory Services represent the core business of ERWAT whilst Research and Development forms part of support services.

The primary activity of ERWAT is the conveyance and treatment of wastewater and the provision of related engineering services and products.

Thrust 2: Maintenance and replacement

ERWAT currently operates 19 wastewater care works, mostly situated in and around the Ekurhuleni Metropolitan Municipality. ERWAT continuously strive to improve the utilisation of the existing infrastructure and to optimally utilise all resources.

The company needs to upgrade and maintain its capital infrastructure on an ongoing basis to ensure that effluent of an acceptable quality at an affordable price is delivered to our customers.

Thrust 3: Compliance with legislation and the 2010 effluent standards

ERWAT obtains, manages and leverages its resources in an effective and efficient manner, ensuring compliance with all relevant legislation and principles of Corporate Governance as defined in the King II Report of 2002. The acts that mainly impact on the manner in which ERWAT functions are:

- Municipal Finance Management Act, 1 July 2004;
- Municipal Systems Amendment Act, 1 August 2004;
- New National Environmental Management Act, no. 107 of 1998; and
- 2010 effluent standards.

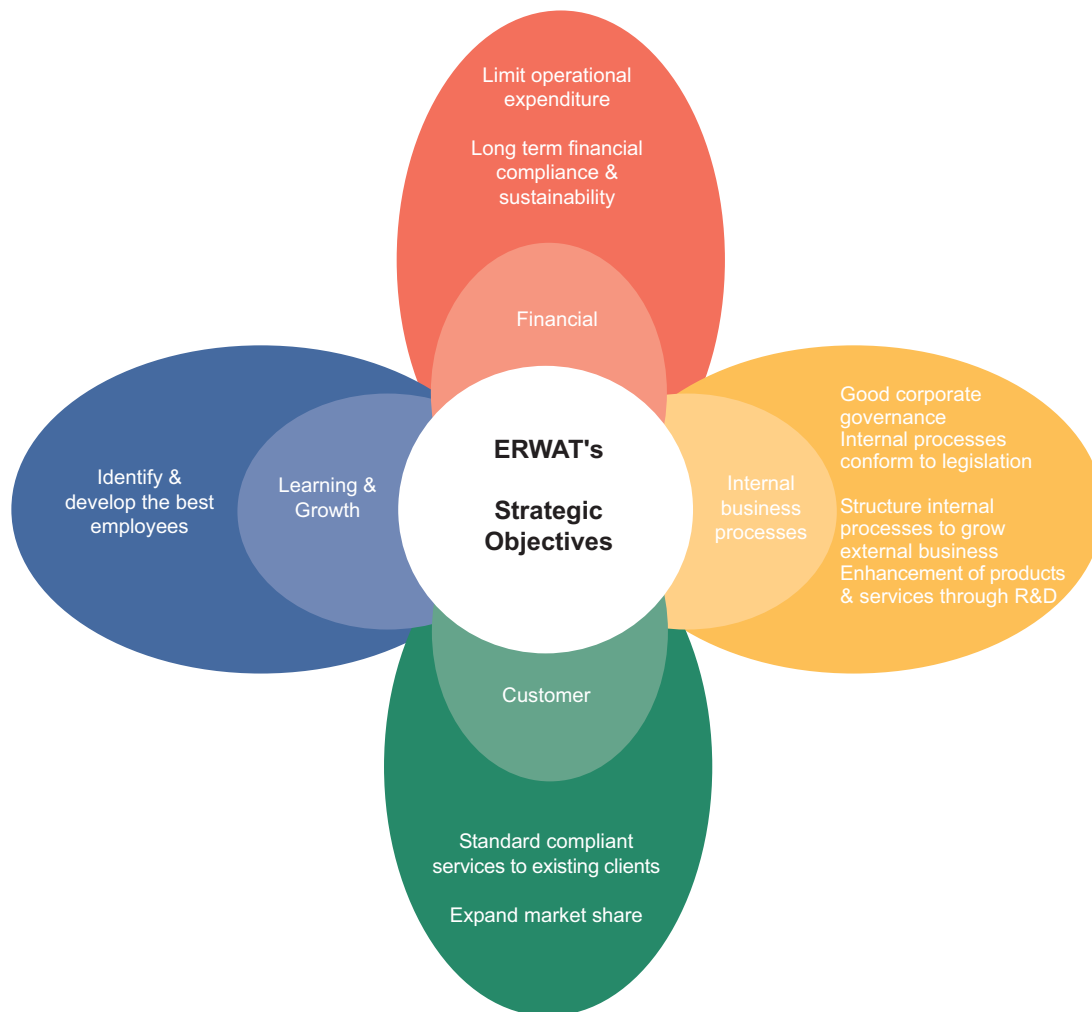
ERWAT's strategic objectives

ERWAT has identified nine strategic objectives as main focus areas over the next five years, namely:

1. To limit the increase in operational expenditure to below the consumer price index (CPIX);
2. Restructure and increase revenue to ensure that financing needs are met in order to achieve long term financial sustainability;
3. To practise good corporate governance;
4. Identify and successfully implement internal business processes by the 2010 financial year-end that will support the business by conforming to all applicable legislation;
5. Structure internal processes to support and grow business development nationally;
6. Enhance products and services through research and development;
7. Render standard compliant services to existing customers;
8. Expand market share through the provision of new services to existing clients and the development of new national clients; and
9. Identify and develop the best employees.

Budgets of Municipal Entities: East Rand Water Care Company

The diagram below depicts the strategic objectives within the four main areas of business for ERWAT



Strategic perspectives

The strategic objectives are grouped within four strategic perspectives:

Financial

ERWAT is a section 21 company (not for gain). Hence, any surpluses should be absorbed by ERWAT to enhance service delivery.

ERWAT aims to limit the increase in operational expenditure to below the consumer price index (CPIX). ERWAT has to restructure and increase revenue to ensure that financing needs are met in order to achieve long term financial sustainability and that the company is financially sustainable in the long term by increasing income from various sources.

Internal business processes

Internal business processes are optimally structured to create and sustain customers and shareholders' value. ERWAT uses the guidelines stipulated in the MFMA and the King Report to promote the highest standards of corporate governance.

ERWAT strives to ensure that the core and support processes of the company are optimally designed to support external business developments.

ERWAT also needs to develop new products and services as well as improve the quality and turnaround times of existing products and services.

Budgets of Municipal Entities: East Rand Water Care Company

Customer service

ERWAT understands and fulfils their customers' needs and adheres to all relevant legislation.

Learning and growth

To sustain its ability to change and improve, ERWAT continuously aims to improve its people, systems and business culture.

4. Annual Budget

4.1 Chair Persons Report

Outstanding

4.2 Resolutions

Outstanding

4.3 Executive Summary

This section provides an overview of the budget process and the 2010/2011 -2012/2013 Multi-year Operating and Capital Budget.

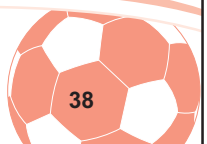
Effect of the annual budget

4.3.1. Operating Budget

The Operating budget is funded from User Charges received for the conveyance and treatment of waste water and the provision of related engineering services and products. About 86% of the operating budget is currently funded from user charges levied for the conveyance and treatment of waste water. The 2010/2011 Operating budget as compared with the 2009/2010 Operating Budget appears on the next page.

Operating Income

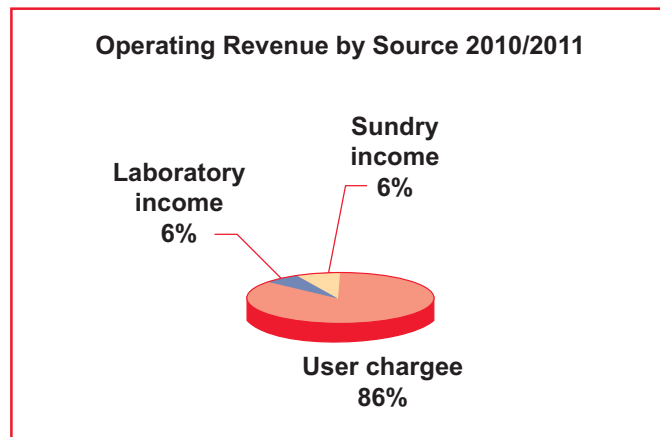
The Operating budget amounts to R399 266 799. The bulk of the income is derived from User charges for conveyance and treatment of waste water. User charges increased with 27,9% (2010/2011), 28,7%(2011/2012), 25,6% (2012/2013) due to an increase in expenditure as set out below. The income from various sources is reflected in the following graph:



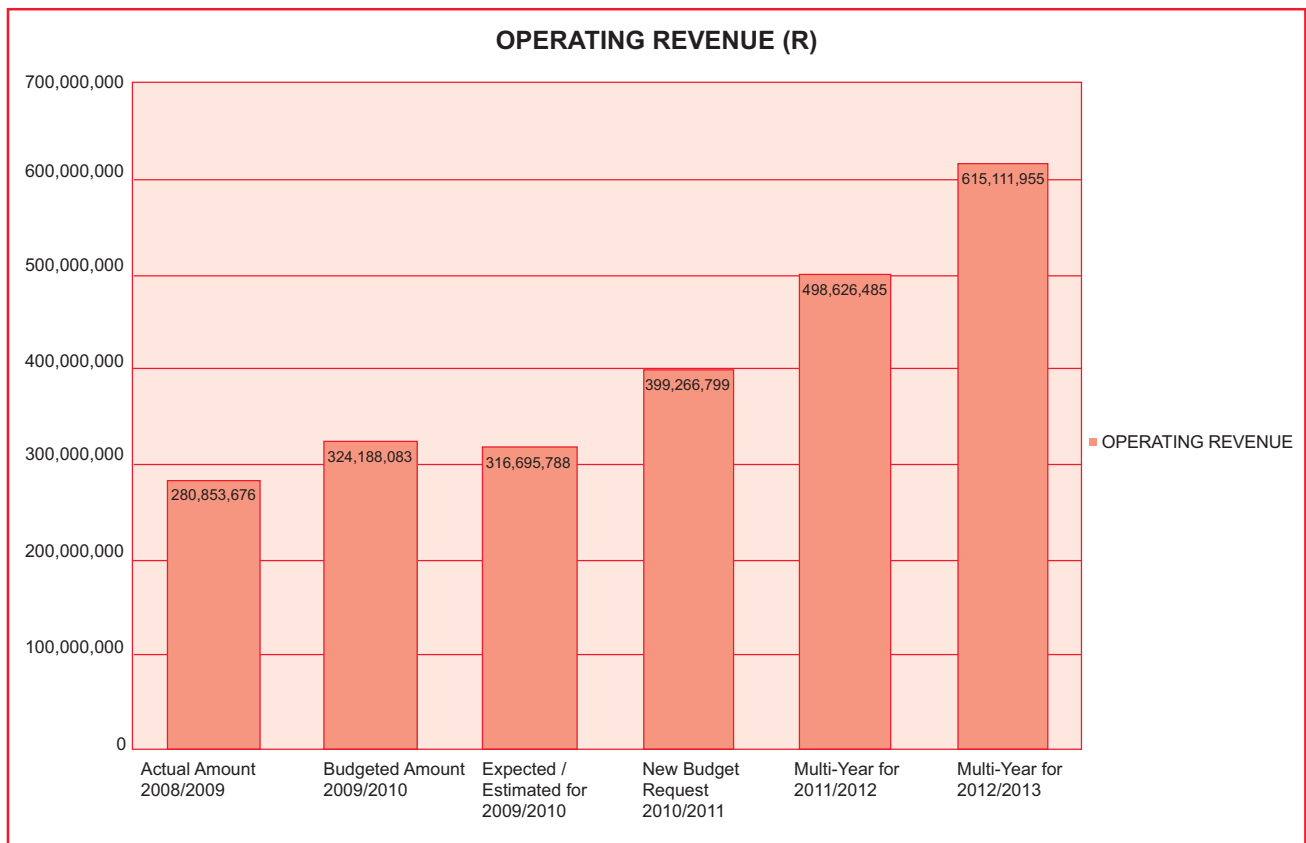
MULTI - YEAR OPERATING BUDGET 2010/2011 - 2012/2013

Description	Actual Amount 2008/2009	Budgeted Amount	Income to 21/12/2009	Expected for 2009/2010	New Budget Request 2010/2011	Bud 10 to Amount Inc/Decr	Bud 10 to Percentage	Multi-Year for 2011/2012	Multi-Year 2012/2013
OPERATING REVENUE	280,853,676	324,188,083	153,527,500	316,695,788	399,266,799	76,117,300		498,626,485	615,111,955
Dividend Received	191,952	75,000	37,500	75,000	100,000	25,000	33.3%	120,000	130,000
Interest Received - Investments	12,163	0	606,500	1,213,000	13,000	13,000	100.0%	14,000	15,000
Interest Received - Other	5,795,292	1,000,000			1,500,000	500,000	50.0%	1,800,000	2,000,000
User Charges	213,601,717	267,158,154	133,579,077	267,158,154	341,595,002	74,436,848	27.9%	439,661,452	552,146,735
Release of Grant - Plant	9,338,562						0.0%	0	0
Release of Grant - Land	131,426						0.0%	0	0
Release of Grant - Building	2,218,406						0.0%	0	0
Sundry Income	49,060,895	55,314,462	18,898,057	47,410,641	55,081,170	233,292	-0.4%	56,070,849	59,769,467
Sundry Income - Devon	489,269		244,633	489,266	600,000	600,000	100.0%	660,000	726,000
Tender Income	16,000						0.0%	0	0
LGWSETA Learnership Income	139,650	500,000	90,000	200,000	214,000	286,000	-57.2%	220,000	242,000
Housing and Lease	191,151	-140,467	71,733	149,727	163,627	23,160	16.5%	80,184	82,753
Profit/Loss on Sale	-332,805						0%	0	0

Budgets of Municipal Entities: East Rand Water Care Company



The increase in income per year is reflected in the following graph:



Operating Expenditure

Expenditure on employee related cost was increased with the following:

- 9% Salary Increase
- R1,5m for additional posts
- 7,5% on salaries for pension fund contributions
- Increase in provision for leave. Previously under provided.

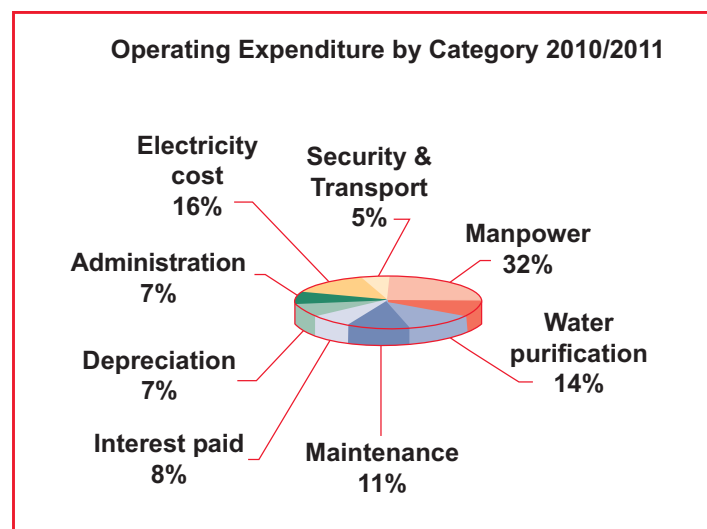
Budgets of Municipal Entities: East Rand Water Care Company

Other expenses:

- Provision for bad debts - 2% of sundry income. Previously under provided. The economic decline also effected the payment level of customers.
- Depreciation budget increased with 41% mainly due to comply with the requirements of GRAP 17.
- Increase in interest paid. Additional loans for the funding of the capital expenditure.

ERWAT is also affected by the world-wide economic decline. The decline had an increased effect on some expenditure.

- Chemicals - 14%
- Disinfections 30% - New standards has increased therefore additional chemicals is necessary to comply to the Water Act
- Electricity 54% - Due to the Eskom tariff increase of 27,5 % in 2008 and 31.3 % on 1 July 2009, which caused a backlog due to the limits placed on the increase on the previous budgets, adjustment is now necessary .
- Maintenance 24.6%- Maintenance was under budgeted in the previous budget year due to the limits placed on the increase on the previous budgets, adjustment is now necessary.
- Johannesburg Water 45.1% - Johannesburg Water, the service provider for ERWAT for the treatment of bulk sewage draining to the Bruma outfall, is subject to extensive escalations in treatment costs, predominantly due to the present and future increases in electricity charges. The relative categories of expenditure are reflected in the following graph:



MULTI - YEAR OPERATING BUDGET 2010/2011 - 2012/2013: OPERATING EXPENDITURE BY VOTE

Description	Actual Amount 2008/2009	Budgeted Amount 2009/2010	Income / Expenditure to 31/12/2009	Expected / Estimated for 2009/2010	New Budget Request 2010/2011	Bud 10 to Amount Inc/Decr	Bud 10 to Bud11 % Inc/Decr	Multi-Year for 2011/2012	Multi-Year 2012/2013
EXPENDITURE									
Bulk Purchases	69,512,438	83,781,646	47,102,600	91,570,115	118,713,017	34,931,371	41.7%	154,585,738	193,495,089
Chemicals P Removal	12,269,568	15,103,940	6,443,873	14,124,394	17,271,801	2,167,860	14.4%	18,869,812	21,014,311
Disinfection	6,797,806	8,148,315	4,768,833	8,148,315	10,566,108	2,417,793	29.7%	11,623,382	12,790,476
Electricity	34,100,458	41,314,067	25,669,571	48,541,080	63,680,000	22,365,933	54.1%	90,412,658	117,927,854
Fees to Joburg Water	15,100,818	17,487,654	9,562,140	19,124,280	25,379,278	7,891,624	45.1%	31,724,097	39,655,122
Potable Water	1,243,788	1,727,670	631,184	1,632,046	1,815,830	88,161	5.1%	1,955,788	2,107,327
Manpower	95,829,882	107,044,348	50,295,780	110,260,677	127,480,088	20,435,740	19.1%	137,272,230	143,266,317
Bonus	4,063,677	4,811,639	2,328,639	5,013,242	5,402,428	590,789	12.3%	5,921,738	6,259,706
Bursary Scheme	230,246	422,285	211,143	432,842	468,736	46,452	11.0%	520,297	593,139
Company Contributions	18,895,875	18,198,045	10,288,111	23,405,971	26,134,125	7,936,080	43.6%	29,289,411	29,850,410
Funeral Benefits	275,191	341,696	11,000	22,000	0	-341,696	-100.0%	0	0
Housing subsidies	745,966	919,033	362,741	803,308	867,779	-51,255	-5.6%	907,924	897,199
Incentive Reward scheme	2,530,746	4,400,000	1,600,000	3,200,000	3,800,000	-600,000	-13.6%	4,000,000	4,360,000
Leave Pay	3,277,562	2,194,040	2,052,091	3,168,438	3,466,864	1,272,824	58.0%	3,755,954	3,982,450
Long Service Awards	500,061	99,136	33,781	84,657	77,844	-26,293	-26.5%	107,614	158,041
Medical Expenses	51,293	87,541	36,682	72,072	77,829	-9,712	-11.1%	83,841	87,935
Overtime/Standby	7,411,827	6,909,761	3,086,303	5,943,746	8,096,860	1,187,099	17.2%	8,774,384	9,595,995
Protective Clothing	426,243	463,521	286,924	488,556	652,091	188,570	40.7%	700,556	749,673
Recruitment	149,324	10,000	4,000	8,000	20,000	10,000	100.0%	22,000	23,000
Salaries	52,478,746	63,072,827	27,438,250	62,302,737	73,114,959	10,042,132	15.9%	77,153,447	80,683,415
Skills development levies	620,244	488,925	244,463	501,148	542,707	53,782	11.0%	602,404	686,741
SDL Disbursements	0	-326,480	-163,240	-334,642	-362,393	-35,913	11.0%	-402,256	-458,572
LGWSETA Learnership	18,709	244,065	93,280	191,224	268,612	24,547	10.1%	291,391	266,066
Relocation Expenses	0	0	0	0	0	0	0.0%	0	0
Temporary	527,663	884,190	712,238	1,090,319	1,001,867	117,678	13.3%	1,212,049	1,196,036
Tool Allowance	166,280	381,600	51,345	130,000	162,706	-218,894	-57.4%	177,349	193,311
Transport Allowance	3,075,228	2,980,524	1,387,031	3,275,059	3,197,073	216,549	7.3%	3,624,427	3,574,991
Workmens Compensation	365,000	462,000	231,000	482,000	495,000	33,000	7.1%	529,700	566,780
Maintenance	36,472,439	36,307,456	15,828,362	33,214,820	45,227,729	8,920,272	24.6%	59,308,589	66,691,772
Civil	99,820	470,758	270,992	470,259	500,362	29,604	6.3%	536,579	577,368
Outfall sewers	799,508	1,061,331	580,271	1,069,311	1,312,654	251,324	23.7%	1,269,599	1,386,587
Electrical	2,202,196	4,161,200	1,745,980	3,881,330	4,025,418	-135,781	-3.3%	4,584,223	5,250,985
Electrical EMM	437,738	1,710,500	331,851	547,173	634,722	-1,075,778	-62.9%	239,175	275,052
Emergency	119,178	0	0	0	119,169	119,169	0.0%	119,169	119,169
Estate Maintenance	513,048	920,545	461,723	898,724	1,265,196	344,652	37.4%	1,332,643	1,422,613
General	7,601,935	6,676,117	3,280,459	6,690,847	7,394,359	718,242	10.8%	7,973,038	8,525,460
Building	851,889	1,678,089	887,565	1,122,204	2,411,504	733,415	43.7%	2,610,133	2,803,284
Devon Costs	317,066	0	229,540	459,080	504,988	504,988	0.0%	555,487	611,035
Community Outreach	0	0	0	0	0	0	0.0%	0	0
Instruments	816,568	730,466	289,830	779,189	1,059,041	328,576	45.0%	994,205	930,452
Mechanical	10,616,344	9,326,615	5,510,521	10,362,014	13,567,869	4,241,254	45.5%	17,865,537	20,524,527
Mechanical EMM	6,447,982	3,078,900	1,172,532	2,915,180	6,447,982	3,369,082	109.4%	11,686,968	13,440,013

Description	Actual Amount 2008/2009	Budgeted Amount 2009/2010	Income / Expenditure to 31/12/2009	Expected / Estimated for 2009/2010	New Budget Request 2010/2011	Bud 10 to Amount Inc/Decr	Bud 10 to Inc/Decr %	Multi-Year for 2011/2012	Multi-Year 2012/2013
Preventative	4,135,520	2,895,117	163,792	2,483,646	3,594,646	699,529	24.2%	7,013,455	8,058,167
Preventative EMM	87,998	2,144,512	169,973	101,198	127,597	-2,016,915	-94.1%	159,497	183,422
Lab equipment	0	0	0	0	0	0	0.0%	0	0
Small Tools	38,723	30,000	0	10,000	56,147	26,147	87.2%	61,762	67,938
Spares	469	0	0	0	0	0	0.0%	0	0
Vehicles Maintenance	1,386,458	1,423,308	733,333	1,424,665	2,206,074	782,765	55.0%	2,307,119	2,515,700
Transport	7,329,653	8,303,847	3,547,961	8,569,934	11,144,915	2,841,067	34.2%	11,952,989	12,970,112
Air Freight	182	46,000	1,000	2,000	2,000	-44,000	-95.7%	2,000	2,000
Fuel	2,168,104	2,501,647	928,174	2,272,245	2,903,354	401,707	16.1%	3,251,155	3,552,071
Insurance Vehicle	439	0	2,400	5,000	185,535	185,535	0.0%	5,535	5,535
Licenses	32,031	40,441	22,443	36,917	46,920	6,479	16.0%	53,753	59,124
Road Transport	4,688,598	4,451,000	2,297,449	5,628,800	7,041,300	2,590,300	58.2%	7,770,818	8,640,870
Travelling Costs	440,300	1,264,760	296,496	624,972	966,805	-298,954	-23.6%	869,727	710,512
Administration	51,295,413	60,450,786	28,719,428	59,221,866	66,959,418	6,508,632	10.8%	71,500,749	72,065,145
Advertising	587,957	596,810	268,805	497,950	628,713	31,902	5.3%	579,155	574,760
Auditors Internal	0	200,000	0	0	0	-200,000	-100.0%	0	0
Auditors External	901,827	502,800	392,000	791,500	648,346	145,546	28.9%	693,346	730,546
Bad debts	910,666	6,000	6,000	1,006,000	1,106,000	1,100,000	18333.3%	1,106,000	1,206,000
Bank Charges	99,227	110,000	55,000	110,000	120,000	10,000	9.1%	130,000	140,000
Bank Guarantees	55,324	71,500	35,750	71,500	75,000	3,500	4.9%	80,250	85,868
Cleaning Materials	629,706	811,446	367,017	733,171	832,824	21,378	2.6%	898,913	961,063
Computer Software	543,061	1,026,808	392,729	770,564	887,550	-139,259	-13.6%	953,831	947,244
Conference Expenses	136,596	350,360	122,491	324,822	394,988	44,227	12.6%	421,621	415,714
Conference Expenses (Internal)	23,741	137,200	0	24,800	143,910	6,710	4.9%	146,910	36,410
Consumables	302,812	534,234	220,212	467,863	556,336	22,102	4.1%	597,249	644,250
Consultancy Fees	725,531	4,571,146	1,313,833	1,987,824	3,937,071	-634,074	-13.9%	3,982,529	3,932,038
Contracts	17,151	18,653	0	12,000	19,959	1,306	7.0%	19,959	1,306
Depreciation	24,866,405	21,022,821	14,090,519	28,180,512	29,728,552	8,705,731	41.4%	31,447,238	32,078,236
Directors Fees	203,798	352,000	231,000	462,000	503,000	151,000	42.9%	538,210	575,885
Discounts received	-821,680	-700,000	-350,000	-700,000	-710,000	-10,000	1.4%	-720,000	-730,000
Discounts Allowed	4,638	0	0	0	0	0	0.0%	0	0
Donations	227,541	330,000	110,000	330,000	348,000	18,000	5.5%	372,100	398,327
Donations Directors	0	110,000	0	0	0	-110,000	-100.0%	0	0
Education and Training	937,348	1,168,752	532,100	1,106,556	1,286,026	117,274	10.0%	1,410,215	1,529,427
Entertainment	390,680	827,423	293,376	527,583	626,315	-201,107	-24.3%	672,637	701,800
Lab Sub-contracts	83,992	65,000	35,000	65,000	55,000	-10,000	-15.4%	55,000	55,000
Farming Expenses	0	5,500	3,000	4,000	5,500	0	0.0%	5,500	5,500
Fire and Safety Equipment	67,778	208,508	90,864	201,299	247,823	39,314	18.9%	269,746	286,156
Flowers	47,862	66,744	30,175	63,377	74,035	7,292	10.9%	79,430	82,335
Furniture Repairs	0	5,000	1,000	4,000	5,000	0	0.0%	5,500	5,500
Health and Safety	295,831	1,058,288	492,435	1,036,910	1,111,476	53,188	5.0%	1,211,969	1,311,904
Insurance	1,741,293	2,156,000	1,078,000	2,156,000	2,307,000	151,000	7.0%	2,468,490	2,641,284
Impact of discounting	-415,957	0	0	0	0	0	0.0%	0	0
Laboratory services	4,240	462,200	0	2,200	502,300	40,100	8.7%	983,500	1,096,290
Laboratory chemicals	1,915,825	2,359,857	1,054,765	2,100,329	2,394,908	35,051	1.5%	2,711,475	2,484,475

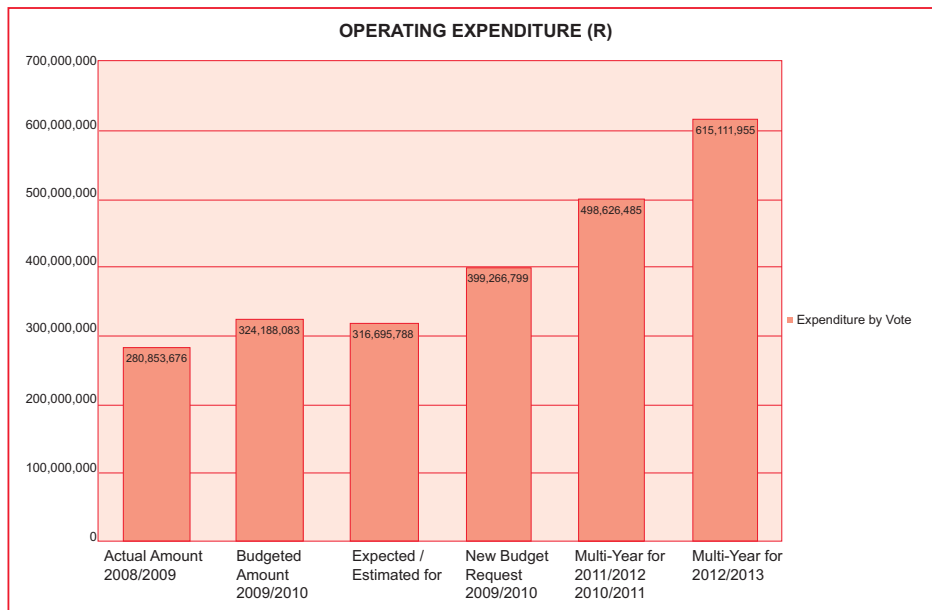
Budgets of Municipal Entities: East Rand Water Care Company

MULTI - YEAR OPERATING BUDGET 2010/2011 - 2012/2013: OPERATING EXPENDITURE BY VOTE

Description	Actual Amount 2008/2009	Budgeted Amount 2009/2010	Income / Expenditure to 31/12/2009	Expected / Estimated for 2009/2010	New Budget Request 2010/2011	Bud 10 to Amount Inc/Decr	Bud 10 to Bud11 % Inc/Decr	Multi-Year for 2011/2012	Multi-Year 2012/2013
Legal expenses	163,077	79,800	50,000	115,800	148,000	68,200	85.5%	161,315	175,996
Office equipment	0	51,611	0	0	55,494	3,883	7.5%	55,764	33,801
Medical equipment	13,113	18,443	2,447	14,744	26,273	7,830	42.5%	28,896	32,427
Membership and Subscriptions	140,587	138,511	49,221	113,994	153,421	14,910	10.8%	163,512	150,021
Postage	8,849	16,638	10,371	18,776	20,488	3,849	23.1%	21,917	19,334
Professional Services	1,422,765	1,799,304	717,152	1,588,362	1,894,635	95,331	5.3%	2,038,733	2,047,939
Public Relations	830,944	862,160	470,722	842,495	943,717	81,557	9.5%	1,001,904	1,067,819
PR Exhibitions	51,661	135,300	52,200	132,800	142,066	6,766	5.0%	151,066	157,266
Publications	448,065	439,643	193,939	452,810	484,229	44,586	10.1%	517,696	543,923
Rates Assessment	753,863	2,500,000	361,512	767,801	814,327	-1,685,673	-67.4%	875,604	941,599
Refreshments	139,462	160,748	69,152	166,972	187,155	26,407	16.4%	214,222	220,169
Rental - Building	0	0	0	0	0	0	0.0%	0	0
Rental - Equipment	3,863,333	3,547,668	2,035,101	3,787,694	4,379,780	832,112	23.5%	4,729,753	5,126,368
Rental - Property	0	0	0	0	0	0	0.0%	0	0
Rental - Office Machines	0	283,038	18,019	86,038	75,211	-207,827	-73.4%	85,425	95,836
Rental - Telephones	1,090,090	1,231,206	552,548	1,131,204	1,288,310	57,104	4.6%	1,393,084	1,461,157
Research and Development	399,755	1,559,348	222,500	1,509,348	1,662,102	102,755	6.6%	1,665,550	169,253
RSC Levy	0	0	0	0	0	0	0.0%	0	0
Security Costs	6,246,244	7,210,000	2,241,535	4,430,000	4,735,000	-2,475,000	-34.3%	5,079,000	5,436,030
Stationery and Printing	433,181	608,988	274,947	551,906	655,432	46,445	7.6%	702,969	721,094
Telephone	735,633	1,025,811	449,493	1,004,862	1,148,265	122,454	11.9%	1,242,723	1,347,565
Tenders	71,597	347,520	82,500	169,500	310,283	-37,237	-10.7%	250,843	120,239
Total Expenditure	260,439,825	295,888,084	145,494,132	302,837,413	369,525,166	73,637,082	24.9%	434,620,294	488,488,436
Interest Paid	24,424,804	28,300,000	8,325,000	16,650,000	29,741,633	1,441,633	5.1%	64,006,191	126,623,519
Total Operating Expenditure by Vote	284,864,628	324,188,084	153,819,132	319,487,413	399,266,799	75,078,715	23.2%	498,626,485	615,111,955

Budgets of Municipal Entities: East Rand Water Care Company

The following graph reflects the increase in expenditure per year:



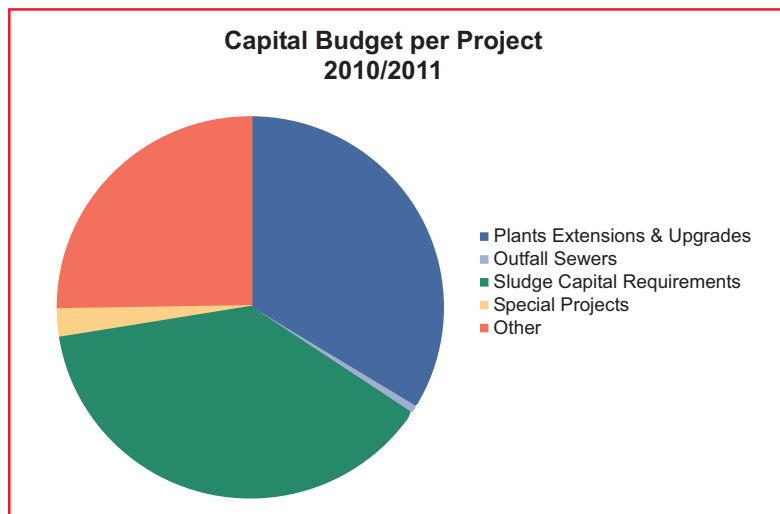
Capital Budget

ERWAT's total capital budget has increased from the adjusted capital budget of R65,069m to R289,853m in 2010/2011. The external loans will not be taken up during the 2009/2010 financial year although the tender process has in process.

ERWAT's total capital budget of R259,558m (2010/2011), R515,287m (2011/2012) and R738,759m (2012/2013) will be funded from external loans.

ERWAT needs to spend approximately R3,7 billion over the next 20 years to provide sufficient infrastructure to support development in Ekurhuleni.

The external loans should be guaranteed by the EMM subject to Council approval in every instance. The following graph reflects the capital budget per project:

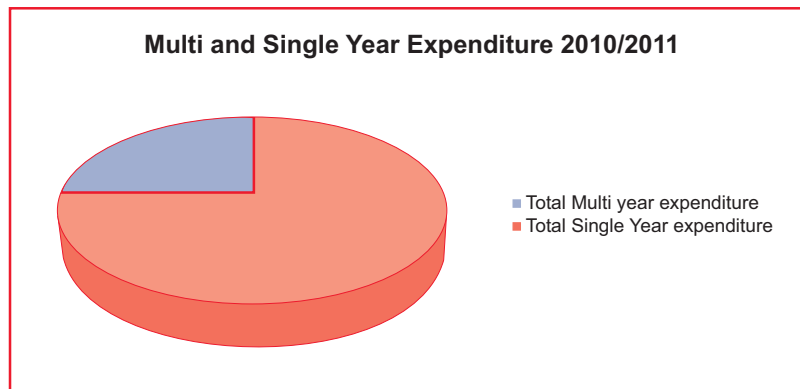


Budgets of Municipal Entities: East Rand Water Care Company

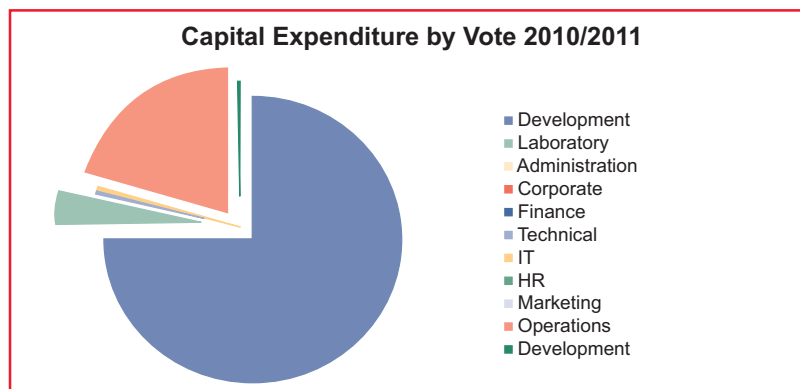
2011/2013 - SDBIP - CAPITAL BUDGED PROJECTIONS FOR ERWAT ENTITY

Capital budget by vote	Source of finance	Capital Cost 2010/2011	Capital Cost 2010/2011	Capital Cost 2010/2011
MULTI YEAR EXPENDITURE				
Development	EXTERNAL	194,354,523	453,002,710	676,791,330
Total Multi year expenditure	EXTERNAL	194,354,523	453,002,710	676,791,330
SINGLE YEAR EXPENDITURE				
Laboratory	EXTERNAL	9,903,200	6,131,800	6,000,500
Administration	EXTERNAL	20,000	20,000	20,000
Corporate	EXTERNAL	20,000	20,000	20,000
Finance	EXTERNAL	20,000	20,000	20,000
Technical	EXTERNAL	455,000	195,000	200,000
IT	EXTERNAL	1,282,620	1,425,189	1,662,220
HR	EXTERNAL	145,000	410,000	0
Marketing	EXTERNAL	31,000	62,000	45,000
Operations	EXTERNAL	53,017,096	54,000,000	54,000,000
Development	EXTERNAL	310,000	0	0
Total Single Year Expenditure		65,203,916	62,283,989	61,967,720
Total Capital Expenditure Per Vote		259,558,439	515,286,699	738,759,050

The following graph reflects the Multiyear vs single year capital expenditure for 2010/2011.



The following graph reflects the capital expenditure by vote



Budgets of Municipal Entities: East Rand Water Care Company

4.4 Annual Budget Tables

Schedule D1: Budget Summary

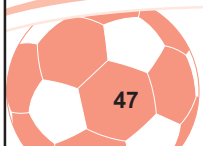
Schedule D2: Budgeted Financial Performance

Schedule D3 : Capital Expenditure Budget By Programme and Funding

Schedule D4 : Budgeted Financial Position

Supporting Table SD4: Board Member allowances and Staff benefits

Supporting Table SD5: Summary of Personnel numbers



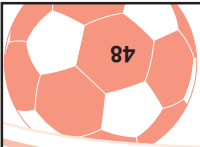


Table D1 Budget Summary

Description	2006/7	2007/8	2008/9	Current Year 2009/10				2010/11 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13	
Financial Performance										
Property rates	-	-	-	-	-	-	-	-	-	
Service charges	10,792	12,206	19,133	16,966	-	18,900	23,224	25,547	28,192	
Investment revenue	5	59	559	160	-	378	400	440	484	
Transfers recognised - operational	-	-	-	-	-	-	-	-	-	
Other own revenue	-	-	-	-	-	-	-	-	-	
Total Revenue (excluding capital transfers and contributions)	10,797	12,265	19,692	17,126	-	19,278	23,625	25,987	28,676	
Employee costs	4,071	4,627	5,982	6,124	-	61,442	7,902	8,692	9,562	
Remuneration of Board Members	-	-	-	110	-	110	126	138	152	
Depreciation and debt impairment	198	5	20	-	-	-	8	8	9	
Finance charges	56	157	106	61	-	61	1,654	1,819	2,001	
Materials and bulk purchases	-	-	-	-	-	-	-	-	-	
Transfers and grants	-	-	-	-	-	-	-	-	-	
Other expenditure	5,789	6,976	9,840	10,629	-	10,629	13,839	15,223	16,745	
Total Expenditure	10,113	11,765	15,948	16,924	-	72,242	23,528	25,880	28,469	
Surplus/(Deficit)	684	500	3,743	202	-	(52,964)	97	107	208	
Transfers recognised - capital	-	-	-	-	-	-	-	-	-	
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	
Surplus/(Deficit) after capital transfers & contributions	684	500	3,743	202	-	(52,964)	97	107	208	
Taxation	-	-	-	-	-	-	-	-	-	
Surplus/ (Deficit) for the year	684	500	3,743	202	-	(52,964)	97	107	208	
Capital expenditure & funds sources										
Capital expenditure	-	-	-	1,442	18,211	18,211	210	-	-	
Transfers recognised - capital	-	-	-	-	-	-	-	-	-	
Public contributions & donations	-	-	-	-	15,000	15,000	-	-	-	
Borrowing	-	-	-	1,442	3,211	3,211	210	-	-	
Internally generated funds	-	-	-	1,442	18,211	18,211	210	-	-	
Total sources of capital funds	-	-	-	1,442	18,211	18,211	210	-	-	
Financial position										
Total current assets	2,162	8,486	-	6,417	-	6,417	6,316	6,386	6,546	
Total non current assets	764	430	-	18,821	-	18,821	15,331	11,631	7,931	
Total current liabilities	858	6,492	-	16,565	-	16,565	12,865	9,165	5,565	
Total non current liabilities	-	-	-	-	-	-	-	-	-	
Community wealth/Equity	2,069	2,424	-	8,673	-	8,673	8,782	8,852	8,912	
Cash flows										
Net cash from (used) operating	20	5,807	(2,254)	4,157	4,157	4,157	3,709	3,925	4,097	
Net cash from (used) investing	(31)	10	(204)	(1,442)	(18,211)	(18,209)	210	-	200	
Net cash from (used) financing	-	-	-	-	15,000	15,000	(3,600)	(3,600)	(3,600)	
Cash/cash equivalents at the year end	910	6,728	4,269	6,984	5,215	5,217	5,536	5,861	6,558	

Table D2 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2006/7	2007/8	2008/9	Current Year 2009/10		Full Year Forecast	2010/11 Medium Term Revenue & Expenditure Framework				
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget		Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13		
Revenue by Source	1											
Property rates												
Property rates - penalties & collection charges												
Service charges - electricity revenue												
Service charges - water revenue												
Service charges - sanitation revenue												
Service charges - refuse revenue												
Service charges - other		10,792	12,206	19,133	16,966	18,900	18,900	23,224	25,547	28,192		
Rental of facilities and equipment												
Interest earned - external investments		5	59	559	160	378	378	400	440	484		
Interest earned - outstanding debtors												
Dividends received												
Fines												
Licences and permits												
Agency services												
Transfers recognised - operational												
Other revenue												
Gains on disposal of PPE												
Total Revenue (excluding capital transfers and contributions)		10,797	12,265	19,692	17,126	19,278	19,278	23,625	25,987	28,676		
Expenditure By Type												
Employee related costs		4,071	4,627	5,982	6,124	61,442	61,442	7,902	8,692	9,562		
Remuneration of Directors					110	110	110	126	138	152		
Debt impairment	4	15	5	20				8	8	9		
Collection costs												
Depreciation & asset impairment		182	264	268	380	380	380	4,027	4,430	4,873		
Finance charges		56	157	106	61	61	61	1,654	1,819	2,001		
Bulk purchases	2											
Other materials	5											
Contracted services												
Transfers and grants												
Other expenditure	3	5,778	6,710	9,562	10,240	10,240	10,240	9,802	10,782	11,860		
Loss on disposal of PPE		10	2	9	9	9	9	10	11	12		
Total Expenditure		10,113	11,765	15,948	16,924	72,242	72,242	23,528	25,880	28,469		
Surplus/(Deficit)		684	500	3,743	202	-	-	97	107	208		
Transfers recognised - capital												
Contributions recognised - capital												
Contributions of PPE												
Surplus/(Deficit) after capital transfers & contributions	684	500	3,743	202	-	(52,964)	97	107	208			
Taxation												
Surplus/ (Deficit) for the year		684	500	3,743	202	(52,964)	(52,964)	97	107	208		

References

1. Revenue includes sales of: (insert description)
2. Bulk purchases - electricity
2. Bulk purchases - water
3. Expenditure includes repairs & maintenance of:

Table D3 Capital Budget by vote and funding

Vote Description	Ref	2006/7	2007/8	2008/9	Current Year 2009/10			2010/11 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
R thousands										
Multi-Year expenditure <i>Insert programme/projects description</i>										
Capital multi-year expenditure sub-total	2	-	-	-	-	-	-	-	-	-
Single Year expenditure <i>Insert single year budgets and indicative estimates</i>										
Vehicle					170	170	170	210		
Furniture					27	27	27			
IT Equipment					14	14	14			
Bus Washing Machine					1,231					
Buses						18,000	18,000			
Capital single-year expenditure sub-total	2	-	-	-	1,442	18,211	18,211	210		
Total Capital Expenditure	4	-	-	-	1,442	18,211	18,211	210		
Funded by:										
National Government										
Provincial Government										
Parent Municipality										
District Municipality										
Transfers recognised - capital	6	-	-	-	-	-	-	-		
Public contributions & donations	3				1,442	15,000	15,000			
Borrowing						3,211	3,211	210		
Internally generated funds										
Total Capital Funding	4	-	-	-	1,442	18,211	18,211	210		

References

1. Municipalities may choose to appropriate for capital expenditure for three years or for one year (if one year appropriation projected expenditure required for yr2 and yr3).
2. Include capital component of PPP unitary payment.
3. Include finance leases and PPP capital funding component of unitary payment
4. Total Capital Funding must balance with Total Capital Expenditure
6. Include contributions from Public Entities; e.g. Eskom

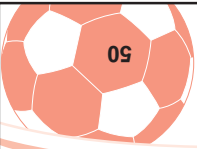
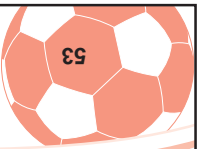


Table D4 Budgeted Financial Position

Description	Ref	2006/7	2007/8	2008/9	Current Year 2009/10		2010/11 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
R thousands										
ASSETS										
Current assets										
Cash		910	6,728		5,217		5,116	5,186	5,346	
Call Investment deposits										
Consumer debtors		1,252	1,758		1,200		1,200	1,200	1,200	
Other debtors										
Current portion of long-term receivables										
Inventory										
Total current assets		2,162	8,486		6,417		6,316	6,386	6,546	
Non current assets										
Long-term receivables	3									
Investments										
Investment property										
Property, plant and equipment	1	636	356		18,736		15,246	11,546	7,846	
Agricultural assets										
Biological assets										
Intangible assets	1	29	75		85		85	85	85	
Total non current assets		764	430		18,821		15,331	11,63	17,931	
TOTAL ASSETS		2,926	8,916		25,238		21,647	18,017	14,477	
LIABILITIES										
Current liabilities										
Bank overdraft										
Borrowing										
Consumer deposits										
Trade and other payables		167	6,025		15,600		12,000	8,400	4,800	
Provisions	3	690	467		965		865	765	765	
Total current liabilities		858	6,492		16,565		12,865	9,165	5,565	
Non current liabilities										
Borrowing										
Provisions	3									
Total non current liabilities		-	-		-		-	-	-	
TOTAL LIABILITIES		858	6,492		16,565		12,865	9,165	5,565	
NET ASSETS	2	2,069	2,424		8,673		8,782	8,852	8,912	
COMMUNITY WEALTH/EQUITY										
Accumulated Surplus/(Deficit)		2,069	2,424		8,673		8,782	8,852	8,912	
Reserves										
Share capital		0	0		0		0	0	0	
TOTAL COMMUNITY WEALTH/EQUITY	2	2,069	2,424		8,673		8,782	8,852	8,912	

Table D5 Budgeted Cash Flow

Description	Ref	2006/7	2007/8	2008/9	Current Year 2009/10				2010/11 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13		
CASH FLOW FROM OPERATING ACTIVITIES												
Receipts												
Ratepayers and other		10,161	11,719	19,286	17,522	17,522	17,522	23,224	24,579	27,127		
Government - operating												
Government - capital												
Interest		5	59	559	160	160	160	400	440	485		
Dividends												
Payments	2											
Suppliers and employees		(10,146)	(5,971)	(22,099)	(13,525)	(13,525)	(13,525)	(18,336)	(19,516)	(21,936)		
Finance charges												
Dividends paid												
Transfers and Grants												
NET CASH FROM/(USED) OPERATING ACTIVITIES		20	5,807	(2,254)	4,157	4,157	4,157	3,709	3,925	4,097		
CASH FLOWS FROM INVESTING ACTIVITIES												
Receipts												
Proceeds on disposal of PPE			10					210		200		
Decrease (Increase) in non-current debtors												
Decrease (Increase) other non-current receivables												
Decrease (Increase) in non-current investments												
Payments												
Capital assets		(31)		(204)	(1,442)	(18,211)	(18,209)					
NET CASH FROM/(USED) INVESTING ACTIVITIES		(31)	10	(204)	(1,442)	(18,211)	(18,209)	210	-	200		
CASH FLOWS FROM FINANCING ACTIVITIES												
Receipts												
Short term loans												
Borrowing long term/financing						15,000	15,000					
Increase (decrease) in consumer deposits												
Payments												
Repayment of borrowing						15,000	15,000	(3,600)	(3,600)	(3,600)		
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	-	-	15,000	15,000	(3,600)	(3,600)	(3,600)		
NET INCREASE/ (DECREASE) IN CASH HELD	1	(11)	5,817	(2,459)	2,715	946	948	319	325	697		
Cash/cash equivalents at the year begin:	2	921	910	6,728	4,269	4,269	4,269	5,217	5,536	5,861		
Cash/cash equivalents at the year end:	2	910	6,728	4,269	6,984	5,215	5,217	5,536	5,861	6,558		



Supporting Table SD4 Board member allowances and staff benefits

Summary of Employee and Board Member remuneration R thousands	Ref	2006/7	2007/8	2008/9	Current Year 2009/10			2010/11 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
Remuneration Board Members of Entities										
Basic Salaries		75	45	113	110	-	110	126	138	152
Pension Contributions										
Medical Aid Contributions										
Motor vehicle allowance										
Cell phone allowance										
Housing allowance										
Other benefits and allowances										
In-kind benefits	1									
Board Fees										
Sub Total - Board Members of Entities		75	45 (0)	113 0	110 (0)	-	110 (0)	126 0	138 0	152 10.0%
% increase										
Senior Managers of Entities										
Basic Salaries		567	644	732	920	-	920	1,030	1,154	1,292
Pension Contributions					103		103	103		
Medical Aid Contributions										
Motor vehicle allowance										
Cellphone allowance		17	17	17	17		17	20	22	24
Housing allowance										
Performance Bonus										
Other benefits or allowances					86		86	96	108	121
In-kind benefits	1									
Sub Total - Senior Managers of Entities		584	662 0	750 0	1,126 0	-	1,126 0	1,249 0	1,284 0	1,437 12.0%
% increase										
Other Staff of Entities										
Basic Salaries		3,372	3,938	5,272	3,878	-	3,878	4,344	4,865	5,449
Pension Contributions										
Medical Aid Contributions										
Motor vehicle allowance										
Cell phone allowance										
Housing allowance										
Overtime										
Performance Bonus										
Other benefits or allowances										
In-kind benefits	1									
Sub Total - Other Staff of Entities		3,372	3,938 0	5,272 0	3,878 (0)	-	3,878 (0)	4,344 0	4,865 0	5,449 12.0%
% increase										
Total Municipal Entities remuneration		4,031	4,644 0	6,134 0	5,115 (0)	-	5,115 (0)	5,719 0	6,287 0	7,038 12.0%

Budgets of Municipal Entities: East Rand Water Care Company

Budgets of Municipal Entities: East Rand Water Care Company

5. Supporting documentation

5.1 Overview of annual budget process

The review of the budget process has been guided and informed by the service level agreement with the parent municipality (EMM) e.g. "the nature, operation, sustainability, operational efficiency and economic viability of the supply of waste water services and the waste water services system.

Departments were requested to ensure that their numbers, in which projects identified in the budget will be implemented, are correct.

The departmental budgets were compiled by each departmental head. Each department's budget has been reviewed for correctness and higher than inflation increases were questioned.

The same schedule of key deadlines were followed as the parent municipality (EMM).

5.2 Overview of alignment of the annual budget with service delivery agreement

The overview of the alignment of the annual budget with service delivery agreement were informed by the following principles:

- ERWAT shall be responsible for the preparation, control and management of its budget for each financial year; and it shall be dealt with in term of the stipulation contained in the MFMA.
- ERWAT's budget shall reflect at least the following items for the ensuing 3 (three) year period as guideline-
- Waste Water services -
 - (a) Projected waste water services revenue;
 - (b) Projected operation and maintenance cost of the waste water services system;
 - (c) Projected other operational costs of ERWAT, including salaries;
 - (d) Refurbishment requirements;
 - (e) Capital investment requirements;
 - (f) All available financial resources.
 - (g) Recommendations in respect of proposed tariff increases;
- ERWAT shall be obliged to justify its budget for any ensuing financial year and in justifying such waste water services budget, shall report on the previous year's budget and final expenditure and in particular explain any deviation from such budget.

5.3 Measurable Performance Objectives and Indicators

Key Financial Indicators
Outstanding

KEY INDICATORS

	2008/2009	2010/2011	2011/2012	2012/2013
Leverage ratio = Long term debt / Total equity	0.28	0.77	1.71	3.01
Current Ratio = Current Assets/ Current Liabilities	0.72	1.26	1.71	1.82
Salaries as a % of expenses	37%	34%	32%	29%

Supporting Table SDI Measurable Performance Targets

Performance target description	Units of Measurements	2006/7	2007/8	2008/9	Current Year 2009/10			Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
Improve water quality with respect to COD	KG - target <	30,406,000	26,360,000	29,516,000	53,253,000	53,253,000	53,253,000	57,513,000	62,114,000	67,083,000
Improve water quality with respect to PO4	KG - target <	564	653	685	710	710	710	767	828	894
Improve water quality with respect to SS-suspends solids	KG - target <	9,636	10,766	11,254	17,750	17,750	17,750	19,170	20,704	22,360
Determine the appropriate price of water	Cents	96	97	110	120	120	120	138	162	186
Determine the appropriate price of water	Volume			684	692	692	682	737	796	859

Notes

1. The format of the objectives are to be negotiated between the entity and the Municipality

SDBIP MEASURABLE PERFORMANCE INDICATORS 2010-2014

Entity: ERWAT

Landscape: Physical

Focus Area: Services Infrastructure
 2025 Agenda: High quality, well maintained and equitable services throughout the urban areas
 Outcomes & Measures: all communities to have access to portable water by 2011
 Other Details:

Performance Indicator: (1) To improve water quality with respect to COD	Strategic Objective: (1) To improve water quality			Actuals: 30/06/09			Unit(s) of Measure: Kilograms/Day		
	Years	Target	Actuals: 30/06/09	Years	Target	Actuals: 30/06/09	09/10 Quarters	Actuals	
	Annual KG	Cummulative KG	Annual KG	Annual KG	Cummulative KG	Cummulative Target KG	Cummulative Actuals KG		
0607	Yr3	41,576	30,406	Qrt1	42,825	29,751			
0708	Yr2	48,302	26,360	Qrt2	47,478	32,149			
0809	Yr1	50,717	29,516	Qrt3					
0910	Yr0	53,253		Qrt4					
1011	Yr1	57,513							
1112	Yr2	62,114							
1213	Yr3	67,083							

Comments: COD: Chemical Oxygen Demand, measured in KG/Day; This target is calculated by multiplying the national standard with the actual volumes, actual analysis times standard produce actuals. Actuals should always be less than target.

SDBIP MEASURABLE PERFORMANCE INDICATORS 2010-2014
Entity: ERWAT

Focus Area: Quality Performance

2025 Agenda: High quality, well maintained and equitable services throughout the urban areas

Outcomes & Measures: all communities to have access to portable water by 2011

Other Details:

Landscape:

Strategic Objective: (1) To improve water quality				Unit(s) of Measure: Kilograms/Day		
Years	Target	Actuals: 30/06/09	09/10 Quarters			
Performance Indicator: (2) To improve water quality with respect to PO4-Phosphates	Annual KG	Cummulative KG	Annual KG	Cummulative KG	Cummulative Target KG	Cummulative Actuals KG
0607	Yr3	554	564	564	571	671
0708	Yr2	644	653	653	633	689
0809	Yr1	676	685			
0910	Yr0	710				
1011	Yr1	767				
1112	Yr2	828				
1213	Yr3	894				

Comment: PO4, Phosphates, measured in KG/Day, This target is calculated by multiplying the national standard with the actual volumes. actual analysis times standard produce actuals. actuals should always be less than target

SDBIP MEASURABLE PERFORMANCE INDICATORS 2010-2014

Entity: ERWAT

Focus Area: Quality Performance

2025 Agenda: High quality, well maintained and equitable services throughout the urban areas

Outcomes & Measures: all communities to have access to portable water by 2011

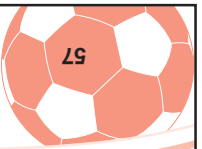
Other Details:

Landscape:

Strategic Objective: (1) To improve water quality				Unit(s) of Measure: Kilograms/Day		
Years	Target	Actuals: 30/06/09	09/10 Quarters			
Performance Indicator: (3) To improve water quality with respect to SS-Suspended Solids	Annual KG	Cummulative KG	Annual KG	Cummulative KG	Cummulative Target KG	Cummulative Actuals KG
0607	Yr3	13,858	9,636	9,636	14,275	10,364
0708	Yr2	16,100	10,766	10,766	15,825	8,871
0809	Yr1	16,905	11,254			
0910	Yr0	17,750				
1011	Yr1	19,170				
1112	Yr2	20,704				
1213	Yr3	22,360				

Comment: SS-Suspended Solids, measured in KG/Day, This target is calculated by multiplying the national standard with the actual volumes. actual analysis times standard produce actuals. actuals should always be less than target.





SDBIP MEASURABLE PERFORMANCE INDICATORS 2010-2014

Entity: ERWAT

Focus Area: Services Infrastructure

2025 Agenda: High quality, well maintained and equitable services throughout the urban areas

Outcomes & Measures: all communities to have access to portable water by 2010

Other Details:

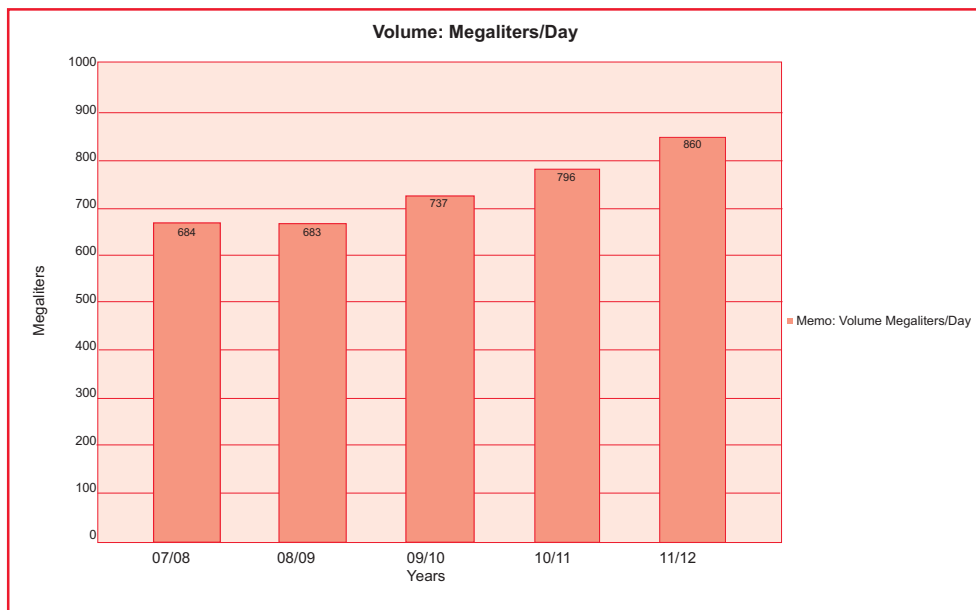
Landscape: Physical

Performance Indicator: (1) To improve water quality with respect to COD	Years		Target		Actuals: 30/06/09		Unit(s) of Measure: Cents/Kiloliter	
	Yr3	Yr2	Annual Cents	Cummulative Megallers/Day	Annual Cents	Target	Cummulative Target Cents	Cummulative Actuals Cents
0607	Yr3	Yr2	96.55	96.67	96.04	Qrt1	120.29	110.42
0708	Yr1	Yr1	100.69	684.19	96.67	Qrt2	120.29	128.21
0809	Yr0	Yr0	120.29	682.50	109.91	Qrt3		
0910	Yr1	Yr1	138.17	737.10		Qrt4		
1011	Yr2	Yr2	161.96	796.07				
1112	Yr3	Yr3	186.49	859.75				
1213								

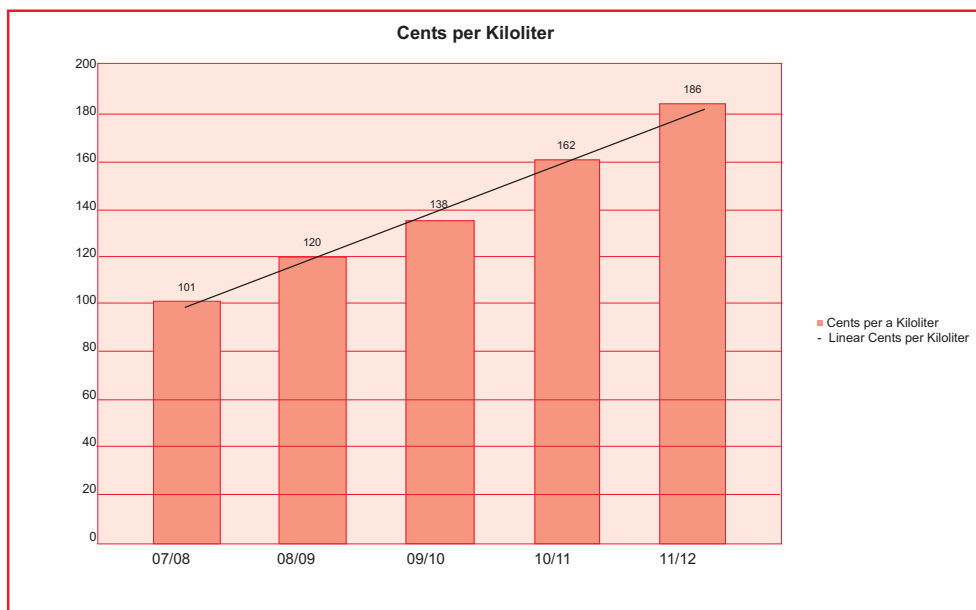
Comments: The reasons for the projected increases are twofold, first inflation and secondly to provide for the necessary capital expenditure to provide sufficient treatment capacity

Budgets of Municipal Entities: East Rand Water Care Company

The following graphs reflects the yearly increase in mega liters per day



The following graph reflects the cents per kilo liter yearly as the cost increases:



Budgets of Municipal Entities: East Rand Water Care Company

The financial results for the 2008/2009 were as follows:

East Rand Water care Company (ERWAT)
Annual Financial Statements for the year ended June 20, 2009

Statement of Financial Position as at June 30, 2009

Figures in Rand	Notes	Company	
		2009	Restated 2008
NET ASSETS AND LIABILITIES			
NET ASSETS			
Available for sale revaluation reserve		1,566,740	2,155,391
Accumulated Surplus		212,443,289	216,454,241
		214,010,029	218,609,632
LIABILITIES			
Non-Current Liabilities			
Long-Term borrowings	11	158,010,089	168,605,736
Deferred income	15	341,258,409	345,386,737
		499,268,498	513,992,473
Current Liabilities			
Current portion of long-term liabilities	11	10,657,239	9,110,000
Operating lease liability		69,456	-
Trade and other payables	12	22,654,525	19,992,168
VAT	13	736,949	-
Retirement benefit obligation	14	1,727,721	1,343,493
Current portion of Deferred income	15	11,688,394	11,590,031
Provisions	16	11,313,502	10,504,196
		58,847,786	52,539,888
Total Liabilities		558,116,284	566,532,361
Total Net Assets and Liabilities		772,126,313	785,141,993
ASSETS			
Non-Current Assets			
Property, plant and equipment	8	735,922,048	740,532,775
Intangible assets	9	612,842	747,237
Non current asset held for sale	10	-	2,424,077
Investments in Old Mutual	18	2,052,409	2,487,728
		738,587,299	746,191,817
Current Assets			
Trade and other receivables	19	27,273,795	28,097,268
VAT	13	-	659,735
Cash and cash equivalent	17	6,265,219	10,193,173
Total Assets		772,126,313	785,141,993

Statement of Financial Performance as at June 30, 2009

Figures in Rand	Notes	Company	
		2009	Restated 2008
Revenue			
Service charges		213,601,717	190,693,644
Interest earned - external Investments		12,163	4,006
Other Income	20	61,585,358	65,070,631
Dividends received	5	191,952	103,478
Interest received	5	5,795,293	5,946,448
Total Revenue		281,186,483	261,818,207
Expenditure			
Employee related costs	4	(96,033,679)	(82,979,319)
Bad debts	21	(910,666)	(4,684,000)
Depreciation		(24,866,405)	(28,470,245)
Repairs and maintenance		(36,511,086)	(37,326,889)
Finance Cost	6	(24,008,847)	(24,082,957)
Bulk purchases	22	(69,473,974)	(52,471,844)
General expenses	23	(33,059,972)	(34,131,441)
Surplus or deficit on disposal of property, plant and equipment		(63,458)	(292,282)
Impairment of property, plant and equipment		(269,348)	-
Total Expenditure		(285,197,435)	(264,438,977)
Deficit for the year		(4,010,952)	(2,620,770)

Budgets of Municipal Entities: East Rand Water Care Company

Cash Flow Statement

Figures in Rand	Notes	Company	
		2009	Restated 2008
Cash flows from operating activities			
Cash receipts from customers		196,670,326	255,277,000
Cash paid to suppliers and employees		(161,014,106)	(218,426,836)
Cash generated from operations	24	35,656,220	36,850,164
Interest income		5,807,456	5,950,454
Dividends received		191,952	103,478
Finance Cost		(24,008,847)	(24,082,957)
Grant received from MIG		7,658,429	8,462,070
Net cash from operating activities		25,305,210	27,283,209
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(20,481,438)	(58,680,718)
Proceeds from sale of property, plant and equipment	8	296,683	2,450,718
Proceeds from financial assets		-	17,952,000
Net cash from investing activities		(20,184,755)	(38,278,000)
Cash flows from financing activities			
Movement in long term borrowings		(9,048,409)	(9,094,469)
Net cash from financing activities		(9,048,409)	(9,094,469)
Total cash movement for the year		(3,927,954)	(20,089,260)
Cash at the beginning of the year		10,193,173	30,282,433
Total cash at end of the year	17	6,265,219	10,193,173

5.4 Overview of Budget related Policies

The following policies are attached

1. Revenue Policy - NEW
2. Credit Control and Debt Collection policy - NEW
3. Cash Management Policy - NEW
4. Investment Policy -NEW
5. Funding and Reserve's Policy - NEW
6. Long term Financial Plan - NEW
7. Policies dealing with infrastructure investment and capital projects - NEW
8. Policy related to budget implementation and monitoring - NEW
9. Policies relating to personnel including policies on overtime, vacancies and temporary staff - UNCHANGED
10. Policies dealing with Service Delivery Agreement-REVISED
11. Other Policies
 - Accounting Policies - REVISED
 - Provision for Doubtful debt and write-off - NEW
 - Fixed Asset Policy - REVISED

5.5 Overview of Budget Assumption

Operating Income

The bulk of the income is derived from User charges for conveyance and treatment of waste water. User charges increased with 27,9% (2010/2011), 28,7%(2011/2012), 25,6% (2012/2013) due to an increase in expenditure as set out below.

Budgets of Municipal Entities: East Rand Water Care Company

Operating Expenditure

Bulk Purchases	2010/2011	2011/2012	2012/2013
Chemicals P Removal	14.4%	9%	11%
Disinfection	29.7%	10%	10%
Electricity	54.1%	42%	30%
Fees to Jo'burg Water	45.1%	25%	25%
Portable Water	5.1%	8%	8%
Manpower	19.1%	8%	4%
Maintenance	24.6%	31%	12%
Maintenance	24.6%	31%	12%
Transport	34.2%	7%	9%
Administration	10.80%	7%	1%
Volume Growth	8%	8%	8%
Interest paid	10.5%	10.5%	10.5%

Expenditure on employee related cost was increased with the following:

- 9% Salary Increase
- R1,5m for additional posts
- 7,5% on salaries for pension fund contributions
- Increase in provision for leave. Previously under provided.

Other expenses:

- Provision for bad debts - 2% of sundry income. Previously under provided.
- Depreciation increased with 41% mainly due the implementation of GRAP 16.
- Increase in interest paid. Additional loans for the funding of the capital expenditure.

Increase due to the current economic climate

- Chemicals - 14%
- Disinfections 30% - New standards has increased therefore additional chemicals is necessary to comply to the Water Act
- Electricity 54% - Due to the Eskom tariff increase of 27,5 % in 2008 and 31.3 % on 1 July 2009, which caused a backlog due to the limits placed on the increase on the previous budgets, adjustment is now necessary.
- Maintenance 24.6%- Maintenance was under budgeted in the previous budget year due to the limits placed on the increase on the previous budgets, adjustment is now necessary.
- Johannesburg Water 45.1% - Johannesburg Water, the service provider for ERWAT for the treatment of bulk sewage draining to the Bruma outfall, is subject to extensive escalations in treatment costs, predominantly due to the present and future increases in electricity charges.

5.6 Overview of Budget funding

Operating Income

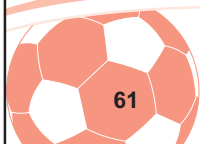
The bulk of the income is derived from User charges for conveyance and treatment of waste water. User charges increased with 27,9% (2010/2011), 28,7%(2011/2012), 25,6% (2012/2013) due to an increase in expenditure.

Capital Budget

ERWAT's total capital budget of R271 393 697(2011/2012), R564 637 399(2011/2012) and R714 650 807(2012/2013) will be funded from external loans.

ERWAT needs to spend approximately R3,7 billion over the next 20 years to provide sufficient infrastructure to support development in Ekurhuleni.

The external loans should be guaranteed by the EMM subject to Council approval in every instance.



5.7 Board Member Allowances and Employee benefits

Budget 2010-2011 Remuneration of Senior Management	Annual Remuneration	Contributions	Car & Travel Allowance	Performance bonus	Total Remuneration
Mr WJ Louw - Chief Financial Officer	652,453.00	156,546.00	122,298.00	134,079.00	1,065,376.00
Mr RW Barnes	674,475.00	149,719.00	93,522.00	138,605.00	1,056,321.00
Mr AS Louw	685,031.00	145,036.00	100,716.00	140,774.00	1,071,557.00
Mr O Sabiloane	553,216.00	131,046.00	139,084.00	113,686.00	937,032.00
Mr JW Wilken	739,951.00	145,519.00	107,115.00	152,060.00	1,144,645.00
Mr JS Terlanche	674,415.00	143,335.00	113,018.00	138,592.00	1,069,360.00
Mr TS Mhlongo	637,093.00	120,216.00	28,776.00	130,923.00	917,008.00
Total Remuneration of Senior Management	4,616,634.00	991,417.00	704,529.00	948,719.00	7,261,299.00
Remuneration of Executive Director (Mr P Twala)	934,770.00	159,902.00	189,874.00	192,255.00	1,476,801.00
Total Remuneration of Senior Management and Executive Director	5,551,404.00	1,151,319.00	894,403.00	1,140,974.00	8,738,100.00

Budget 2010-2011 Directors remuneration	R
Mr T Phasha (Chairperson)	96,689
Mr D Modise	81,262
Dr M Mochatsi	81,262
Dr S Nene	81,262
Ms S Thembu	81,262
Ms N Sisdondi	81,262
Total Directors Remuneration	503,000

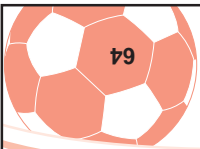
Salary Budget 2010/2011

Salary Level Grades	Number of Employees	Salary Scale		Salaries	Allowances	Co Contr	Other	Total
		Annually Minimum	Maximum					
A2	209	553,702	1,556,219	15,249,277	34,965	4,116,097	5,814,628	25,214,967
B1	17	527,568	1,159,973	1,228,916	11,200	479,638	461,623	2,181,378
B2	76	944,742	2,459,772	2,648,443	108,629	2,737,805	2,044,687	7,539,564
B3	11	1,122,852	1,563,387	1,174,466	17,030	297,878	452,545	1,941,919
B4	13	1,380,044	2,076,724	2,064,744	148,814	781,299	795,585	3,790,442
BURSARY HOLDERS	4	6,000	6,000	-	-	-	-	-
B5	4	1,513,094	2,943,562	834,582	-	261,411	321,580	1,417,573
C1	29	1,542,759	1,695,168	5,542,802	149,700	1,381,332	2,052,415	9,126,249
C2	12	1,943,871	3,427,077	2,706,268	162,988	977,615	1,042,777	4,889,648
C3	37	2,228,125	4,131,736	10,072,442	1,000,400	3,224,275	3,881,105	18,178,223
C4	14	2,593,633	3,280,620	3,607,738	561,240	1,263,962	1,390,131	6,823,071
C5	10	2,904,780	5,871,219	4,300,130	348,699	1,249,675	1,615,256	7,513,761
CONTRACT WORKERS	57	525,816	2,432,880	5,211,821	85,200	2,169,307	1,615,110	6,912,131
D1	17	3,549,938	5,537,875	6,936,546	901,200	260,043	2,672,785	12,679,838
D2	2	4,775,076	5,459,513	906,465	73,200	260,043	349,278	1,588,985
IN SERVICE STUDENTS LEARNERSHIP STUDENTS BOARD OF DIRECTORS	40	604,296	604,296	474,019	-	-	793,351	2,993,423
	7	474,019	474,019	305,501	-	-	94,673	400,174
	6	66,000	78,500	360,000	-	-	-	360,000
	3	5,273,842	6,602,627	1,659,841	180,000	458,297	639,568	2,937,706
	8	6,937,788	9,959,164	6,104,905	759,860	1,774,735	2,352,338	10,991,837
E + F	576	39,467,945	61,320,331	73,114,959	4,543,125	21,433,369	28,389,435	127,480,888

5.8 Monthly Targets For Revenue, Expenditure and Cash Flow

Cash Flow Statement Per Month 2010/11 SDBIP Income and Expenditure forecast

	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11
CASH FLOW FROM OPERATING ACTIVITIES	R	R	R	R	R	R	R	R	R	R	R	R
Cash receipts from ratepayers, government and other	33,287,817	66,275,633	99,413,450	132,551,266	165,689,083	198,826,900	231,964,716	265,102,533	298,240,349	331,378,166	364,515,982	414,575,077
Cash paid to suppliers and employees	-23,919,296	-57,847,677	-87,206,999	-117,170,271	-153,164,600	-172,967,404	-201,309,622	-230,762,641	-253,967,206	-281,440,205	-308,736,102	-353,163,106
Cash generated from/(utilised in) operations	9,368,520	8,427,956	12,206,451	15,380,995	12,524,482	25,859,495	30,655,194	34,339,891	44,873,143	49,937,960	55,780,881	61,411,971
Grant received	0	0	0	0	0	0	0	0	0	0	0	0
Interest received	126,083	252,167	378,250	504,333	630,417	756,500	882,583	1,008,667	1,134,750	1,260,833	1,386,917	1,513,000
Interest paid	-2,478,992	-5,002,498	-7,484,570	-9,962,860	-12,496,352	-15,008,077	-17,474,651	-19,864,558	-22,343,169	-24,780,647	-27,290,775	-29,741,633
Dividends received	8,333	16,667	25,000	33,333	41,667	50,000	58,333	66,667	75,000	83,333	91,667	100,000
NET CASH FROM OPERATING ACTIVITIES	7,024,046	3,694,292	5,125,131	5,955,802	700,214	11,657,919	14,121,460	15,550,667	23,739,724	26,501,481	29,968,689	33,283,338
CASH FLOW FROM INVESTING ACTIVITIES												
Purchase of property, plant and equipment	-16,794,305	-33,588,611	-50,382,916	-70,109,128	-89,835,341	-109,561,553	-138,854,661	-168,147,770	-197,440,878	-221,581,264	-245,721,651	-259,558,439
NET CASH FROM INVESTING ACTIVITIES	-16,794,305	-33,588,611	-50,382,916	-70,109,128	-89,835,341	-109,561,553	-138,854,661	-168,147,770	-197,440,878	-221,581,264	-245,721,651	-259,558,439
CASH FLOW FROM FINANCING ACTIVITIES												
Movement in loans	19,273,197	38,591,108	66,407,486	80,071,989	102,331,693	124,569,630	156,329,312	188,012,327	219,784,047	246,361,911	273,012,425	289,300,072
Increase in consumer deposits												
Repayment of loans	0	0	-2,627,890	-2,627,890	-2,627,890	-13,192,483	-13,192,483	-13,192,483	-15,820,374	-15,820,374	-20,618,294	-41,610,027
NET CASH FROM FINANCING ACTIVITIES	19,273,197	38,591,108	63,779,596	77,444,098	99,703,803	111,377,147	143,136,829	174,819,844	203,963,673	230,541,537	252,394,131	247,690,044
NET (INCREASE) IN CASH AND CASH EQUIVALENTS	9,502,937	8,696,789	18,521,811	13,290,772	10,568,676	13,473,512	18,403,628	22,222,741	30,262,520	35,461,753	36,641,170	21,414,943
Cash and cash equivalents at the beginning of the year	29,038,234	29,038,234	29,038,234	29,038,234	29,038,234	29,038,234	29,038,234	29,038,234	29,038,234	29,038,234	29,038,234	29,038,234
Cash and cash equivalents at the end of the year	38,541,171	37,735,023	47,560,044	42,329,005	39,606,909	42,511,746	47,441,861	51,260,975	59,300,753	64,499,987	65,679,403	50,453,177



2010/2011 SDBIP Income and Expenditure Forecast

	Budget 2010/2011	Jul-10 R	Aug-10 R	Sep-10 R	Oct-10 R	Nov-10 R	Dec-10 R	Jan-11 R	Feb-11 R	Mar-11 R	Apr-11 R	May-11 R	Jun-11 R
INCOME													
Dividend Received	100,000	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333
Interest Received - Investments	0	-	-	-	-	-	-	-	-	-	-	-	-
Interest Received - Other	1,513,000	126,083	126,083	126,083	126,083	126,083	126,083	126,083	126,083	126,083	126,083	126,083	126,083
User Charges	341,595,002	28,466,250	28,466,250	28,466,250	28,466,250	28,466,250	28,466,250	28,466,250	28,466,250	28,466,250	28,466,250	28,466,250	28,466,250
Sundry Income	55,709,070	4,642,423	4,642,423	4,642,423	4,642,423	4,642,423	4,642,423	4,642,423	4,642,423	4,642,423	4,642,423	4,642,423	4,642,423
Sundry Income - Devon	0	0	0	0	0	0	0	0	0	0	0	0	0
L.G.WSETA Learnership Income	200,000	16,667	16,667	16,667	16,667	16,667	16,667	16,667	16,667	16,667	16,667	16,667	16,667
Services Rendered													
Housing & Leases	149,727	12,477	12,477	12,477	12,477	12,477	12,477	12,477	12,477	12,477	12,477	12,477	12,477
Grants	0	0	0	0	0	0	0	0	0	0	0	0	0
OPERATING INCOME GENERATED	399,266,799	33,272,233	33,272,233	33,272,233	33,272,233	33,272,233	33,272,233	33,272,233	33,272,233	33,272,233	33,272,233	33,272,233	33,272,233
Less: Income foregone	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL OPERATING INCOME	399,266,799	33,272,233	33,272,233	33,272,233	33,272,233	33,272,233	33,272,233	33,272,233	33,272,233	33,272,233	33,272,233	33,272,233	33,272,233
EXPENDITURE													
Employee Related Costs - Salaries & Wages	127,480,088	10,623,341	10,623,341	10,623,341	10,623,341	10,623,341	10,623,341	10,623,341	10,623,341	10,623,341	10,623,341	10,623,341	10,623,341
Remuneration of Directors	360,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Bad Debts Provision for Bad Debts	1,106,000	92,167	92,167	92,167	92,167	92,167	92,167	92,167	92,167	92,167	92,167	92,167	92,167
Collection Costs													
Depreciation	29,728,552	2,477,379	2,477,379	2,477,379	2,477,379	2,477,379	2,477,379	2,477,379	2,477,379	2,477,379	2,477,379	2,477,379	2,477,379
Repairs and Maintenance - External cost	45,227,729	3,768,977	3,768,977	3,768,977	3,768,977	3,768,977	3,768,977	3,768,977	3,768,977	3,768,977	3,768,977	3,768,977	3,768,977
Repairs and Maintenance - Internal Charges													
Interest Expenses - External Borrowings	29,741,633	2,478,469	2,478,469	2,478,469	2,478,469	2,478,469	2,478,469	2,478,469	2,478,469	2,478,469	2,478,469	2,478,469	2,478,469
Bulk Purchases	118,713,017	9,892,751	9,892,751	9,892,751	9,892,751	9,892,751	9,892,751	9,892,751	9,892,751	9,892,751	9,892,751	9,892,751	9,892,751
Contracted Services													
Grants & Subsidies Paid													
General Expenses - Other	46,909,781	3,909,148	3,909,148	3,909,148	3,909,148	3,909,148	3,909,148	3,909,148	3,909,148	3,909,148	3,909,148	3,909,148	3,909,148
Loss on Sale of Assets													
TOTAL OPERATING EXPENDITURE	399,266,799	33,272,233	33,272,233	33,272,233	33,272,233	33,272,233	33,272,233	33,272,233	33,272,233	33,272,233	33,272,233	33,272,233	33,272,233
Internal Transfers:													
Interest - Internal Borrowings													
Redemption - Internal Borrowings													
Internal Charges													
Internal Transfers - Sub-total	0	0	0	0	0	0	0	0	0	0	0	0	0
NET OPERATING EXPENDITURE	399,266,799	33,272,233	33,272,233	33,272,233	33,272,233	33,272,233	33,272,233	33,272,233	33,272,233	33,272,233	33,272,233	33,272,233	33,272,233
OPERATING SURPLUS / (DEFICIT)	0	0	0	0	0	0	0	0	0	0	0	0	0
NET OPERATING SURPLUS / (DEFICIT)	0	0	0	0	0	0	0	0	0	0	0	0	0

59 Contracts Having Future Budgetary Implications
- Supporting Table SD9 Future financial implications of the capital expenditure budget

Vote Description	Ref	Medium Term Revenue and Expenditure Framework			Forecasts			Present Value
		Budget Year 2010/11	Budget Year +2011/12	Budget Year +2 2012/13	Forecast 2013/14	Forecast 2014/15	Forecast 2015/16	
R thousands								
Capital expenditure								
Development	1	194,355	452,912	676,791	767,025	899,000	958,700	
Total capital expenditure		194,355	452,912	676,791	767,025	899,000	958,700	-
Future operational costs by vote								
Summarise future operational costs by program	2							
Interest paid		14,350	60,413	130,536	177,827	190,016	190,016	
Total future operational costs		14,350	60,413	130,536	177,827	190,016	190,016	-
Future revenue by source								
Summarise future revenue implications by revenue source	3							
User Charges		72,069	98,865	114,636	132,978	154,254	177,392	
Total future revenue		72,069	98,865	114,636	132,978	154,254	177,392	-
Net Financial Implications		136,636	414,460	692,691	811,874	934,762	971,324	-

References

1. Summarise the total capital cost until capital project is operational (MFMA s19(2)(a))
2. Summary of future operational costs from when projects operational (present value until the end of each asset's useful life)
3. Summarise the future revenue from when projects are operational, including Municipal tax and tariff implications, present until the end of asset's useful life)

5.10 Capital Expenditure detail

2011/2013 - SDBIP - CAPITAL BUDGED PROJECTIONS FOR ERWAT ENTITY
EAST RAND WATER CARE COMPANY

Project name/ Expense description	Source of finance	Capital Cost 2010/2011	First Quarter Projection	Second Quarter Projection	Third Quarter Projection	Fourth Quarter Projection	Capital Cost 2011/2012	Capital Cost 2012/2013	Comments
PLANT EXTENSIONS & UPGRADES									
Hartebeestfontein upgrade	EKURHULENI MM	17,000,000	2,000,000	3,200,000	4,200,000	7,600,000	16,457,786		EMM R40m
Heidelberg Upgrade	EXTERNAL	3,000,000	1,000,000	1,000,000	1,000,000	400,000	13,660,000	15,600,000	
Ratanda extension (5M/d)	EXTERNAL	200,000	200,000	450,000	450,000	1,000,000	5,500,000		
Dayeton inlet and Pumpstation B	EXTERNAL	5,800,000	1,800,000	1,500,000	1,500,000	1,000,000	1,000,000	5,500,000	
Herbert Bickley upgrade	EXTERNAL	3,000,000	500,000	500,000	1,000,000	1,000,000	1,000,000	1,000,000	
Herbert Bickley new module (12 M/d)	EXTERNAL	2,300,000	500,000	500,000	600,000	700,000	6,850,000	21,850,000	
Welgedacht 50 M/d/day	EXTERNAL	47,972,211	8,000,000	13,324,071	13,324,070	13,324,070	115,300,000	113,003,241	
Waterval (50 M/d)	EXTERNAL	2,082,312	457,916	457,916	535,039	631,442	27,583,410	88,026,605	
Minor capital for operations/ Laboratory/ Corporate	EXTERNAL	0	0	0	0	0	0	0	
Proposed new Rietvlei (50M/d)	EXTERNAL	2,400,000	400,000	600,000	600,000	800,000	15,401,514	83,111,484	
Tsakane extension (5M/d)	EXTERNAL	1,500,000	200,000	450,000	450,000	400,000	3,260,000	10,400,000	
SUB-TOTAL		86,554,523	15,057,916	21,981,987	23,659,109	25,855,512	205,012,710	331,991,330	
OUTFALL SEWERS									
Ester Park bypass to GJTM/C	EXTERNAL	100,000	0	0	50,000	50,000	3,000,000	86,600,000	
Hartebeestfontein bypass to Rietvlei	EXTERNAL	0	0	0	0	0	6,200,000	15,700,000	
Bypass to Ratanda	EXTERNAL	0	0	0	0	0	11,900,000	15,700,000	
Waterval New Regional pipeline	EXTERNAL	1,500,000	0	0	0	1,500,000	56,300,000	97,200,000	
SUB-TOTAL		1,600,000	0	0	50,000	1,550,000	77,400,000	199,500,000	
SLUDGE CAPITAL REQUIREMENTS									
Waterval (digestion & dewatering)	MIG	51,380,000	8,540,000	11,200,000	22,190,000	9,450,000	11,900,000	4,480,000	
Waterval (digestion & dewatering)	EXTERNAL	22,020,000	3,660,000	4,800,000	9,510,000	4,050,000	5,100,000	1,920,000	
Sludge Management Strategy (DD6)	EXTERNAL	27,000,000	2,000,000	5,000,000	10,000,000	10,000,000	130,300,000	119,000,000	
SUB-TOTAL		100,400,000	14,200,000	21,000,000	41,700,000	23,500,000	147,300,000	125,400,000	
SPECIAL PROJECTS									
Oifantsfontein PST tank	EXTERNAL	0	0	0	0	0	1,800,000	5,500,000	
Anco Inlet works upgrade	EXTERNAL	2,500,000	0	0	0	2,500,000	7,400,000	2,800,000	
Rynfield Inlet works	EXTERNAL	0	0	0	0	0	0	0	
JP Chlorination Upgrade	EXTERNAL	0	0	0	0	0	0	0	
Rondebut Disinfection	EXTERNAL	0	0	0	0	0	0	0	
Vlakplaats flow distribution	EXTERNAL	2,800,000	0	0	800,000	2,000,000	12,400,000	11,600,000	
Dekerna sand Traps	EXTERNAL	500,000	0	0	800,000	500,000	1,600,000	19,900,000	
SUB-TOTAL		5,800,000	0	0	800,000	5,000,000	23,200,000	61,967,720	
Minor Capital for Operations/Laboratory/ Corporate/Development		65,203,916	21,125,000	16,196,650	21,670,216	16,515,647	62,373,989	61,967,720	
Total capital expenditure		259,558,439	50,382,916	59,178,637	87,879,325	72,421,159	515,286,699	738,759,050	
Loan capital portion		11,835,258	1,614,325	4,235,081	1,614,325	4,371,526	13,688,733	17,900,516	
Total		271,393,697	51,997,241	78,056,562	119,691,915	93,991,970	564,637,399	714,650,807	

Budgets of Municipal Entities: East Rand Water Care Company

5.12 Other Supporting Documentation

5.12.1 Accounting Policies

BASIS OF PREPARATION

Annual Financial Statements

The annual financial statements are prepared on an accrual basis of accounting and are in accordance with historical cost convention.

These municipal annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below. Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

Significant judgments and sources of estimation uncertainty.

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

Property, plant and equipment (PPE)

Property, plant and equipment, is stated at cost less accumulated depreciation and accumulated impairment. Similarly, land is not depreciated as it is deemed to have an infinite life.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. Cost also includes initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

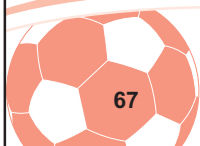
Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

The useful lives and economic lives of these assets are equal and consequently no residual values are determined.

Depreciation is calculated on cost, using the straight-line method, over the estimated useful lives of the assets.

The estimated useful lives are as follows:

Item	Average useful life
Implements and Machinery	4-33%
Motor vehicles	5 -25%
Water care works	3-20%
Furniture and equipment	3-30%



Budgets of Municipal Entities: East Rand Water Care Company

The asset management policy contains the details of the components and their specific useful life estimates.

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

The residual value, the useful life and the depreciation method of PPE are reviewed at least at every reporting date. At each reporting date all items of PPE are reviewed for any indication that it may be impaired. An impairment exists when an assets carrying amount is greater than its recoverable amount. The recoverable amount of an asset or cash generating unit is the higher of its fair value less costs to sell and its value in use. If there is an indication of impairment, the assets' recoverable amount is calculated. An impairment loss is recognised in the Statement of Financial Performance and the depreciation charge relating to the asset is adjusted for future periods.

ERWAT depreciates separately each part of an item of property, plant and equipment that has a cost that is significant in relation to the total cost of the item. Costs of replacing parts are capitalised and the existing parts being replaced are derecognised.

Financial instruments Classification

ERWAT classifies financial assets and financial liabilities into the following categories:

- Available-for-sale financial assets
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained or incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

Recognition

Financial assets and financial liabilities are initially recognised on the statement of financial position when ERWAT becomes party to the contractual provisions of the instrument.

Measurement

When a financial asset or financial liability is recognised initially, ERWAT measures it at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, ERWAT establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, ERWAT uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, ERWAT calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Budgets of Municipal Entities: East Rand Water Care Company

ERWAT assesses at the end of each reporting period whether there is any objective evidence that a financial asset or of financial assets is impaired. If any such evidence exists, ERWAT applies the following to determine the amount of any impairment loss:

Financial assets carried at amortised cost: If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in surplus or deficit.

Financial assets carried at cost: If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Available-for-sale financial assets: When a decline in the fair value of an available-for-sale financial asset has been recognised in accumulated surplus or deficit and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in accumulated surplus or deficit is reclassified from accumulated surplus or deficit to surplus or deficit as a reclassification adjustment even though the financial asset has not been derecognised.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, ERWAT estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. In those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or of financial instruments) ERWAT uses the contractual cash flows over the full contractual term of the financial instrument (or of financial instruments).

Available-for-sale financial assets

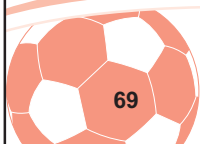
Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are subsequently measured at fair value with changes in fair value recognised in accumulated surplus.

Impairment losses, interest income and dividend income are reported in surplus or deficit.

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.



Budgets of Municipal Entities: East Rand Water Care Company

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, ERWAT estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. In those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or of financial instruments) ERWAT uses the contractual cash flows over the full contractual term of the financial instrument (or of financial instruments).

De-recognition

Financial assets

A financial asset is de-recognized where the contractual rights to receive cash flow from the asset have expired, or the economic entity has transferred the asset and the transfer qualifies for de-recognition. A transfer qualifying for de-recognition occurs when ERWAT transfers the contractual rights to receive the cash flows of the financial asset. Where ERWAT has transferred its rights to the cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of ERWAT's continuing involvement in the asset.

Financial liabilities

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Categorisation

ERWAT has various types of financial instruments and these can be broadly categorised as either financial assets or financial liabilities.

A financial asset is any asset that is:

- cash;
- a contractual right to receive cash or to receive another financial asset from another entity;
- a contractual right to exchange financial instruments on potentially favourable terms;
- an equity instrument of another entity;
- a contract that may or will be settled in the entity's own equity instruments (subject to certain conditions).

ERWAT has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Consumer debtors
- Other debtors
- Bank balances and cash.

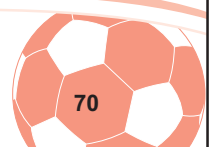
In accordance with IAS 39.09 the financial assets of ERWAT are classified as follows into one of the four categories allowed by this standard:

Type of financial asset

Consumer debtors
Other debtors
Bank balances and cash
Unit Trusts

Classification in terms of IAS 39.09

Loans and receivables
Loans and receivables
Available for sale
Available for sale



Budgets of Municipal Entities: East Rand Water Care Company

A financial liability is any liability that is:

- a contractual obligation to deliver cash or to deliver another financial asset;
- a contractual obligation to exchange financial instruments on potentially unfavourable terms;

ERWAT has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long term liabilities
- Creditors
- Consumer deposits
- Current portion of long term liabilities

There are two main categories of financial liabilities, classified based on how they are measured.

Any other financial liabilities are classified as financial liabilities that are not measured at fair value through profit or loss.

In accordance with IAS 39.09 the financial liabilities of ERWAT are classified only as financial liabilities that are not measured at fair value through profit or loss because none of the following instruments are held for trading.

Type of financial liability Financial liabilities

Classification in terms of IAS 39.09

Long term liabilities (Current & non-current)

Financial liability that is not measured at fair value through profit or loss

Consumer deposits

Financial liability that is not measured at fair value through profit or loss

Creditors
or loss

Financial liability that is not measured at fair value through profit

Impairment of financial assets

Consumer debtors, long term receivables and other debtors are stated at cost less a provision for bad debts. The provision is made on an individual basis or, based on expected cash flows.

At each balance sheet date an assessment is made of whether there is any objective evidence of impairment of financial assets. If there is evidence then the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39 as an expense in the Statement of Financial Performance.

Separate classes of loans and receivables were assessed for impairment using the following methodologies:

Sundry Deposits

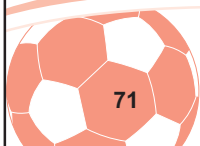
Sundry deposits are assessed for impairment to ensure that no objective evidence exists that these deposits are irrecoverable.

Sundry Debtors

Sundry Debtors are those Suspense Control Accounts classified as financial instruments with debit balances as at year-end. Sundry Debtors are assessed individually for impairment to ensure that no objective evidence exists that these debtors are irrecoverable.

Capital Projects

Capital Projects are conditional grant accounts with debit balances as at year-end, carrying a debit balance as at year-end. Capital Projects are assessed individually for impairment to ensure that no objective evidence exists that these debtors are irrecoverable.



Budgets of Municipal Entities: East Rand Water Care Company

Insurance Claims

Insurance Claims are respect of expenditure incurred for assets replaced by ERWAT and the settlement from the insurers is awaited. These happened before GRAP was implemented and are assessed individually for impairment to ensure that no objective evidence exists that these debtors are irrecoverable.

Investment in Unit Trusts

ERWAT has classified its Investment in Old Mutual Unit Trusts as Available for Sale Investments. The investments are marked to market on an annual basis, with changes in fair value being recognised directly in equity.

Leases

Where substantially all the risks and rewards associated with ownership of an asset are transferred to ERWAT, the lease is classified as a finance lease.

Operating leases are those leases that do not transfer substantially all the risks and rewards associated with ownership of an asset to ERWAT.

Finance leases - As lessee

At the commencement of the lease term, ERWAT recognise finance leases as assets and liabilities in the statement of financial position at an amount equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, ERWAT's incremental borrowing rate is used. Any initial direct costs of ERWAT are added to the amount recognised as an asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

A finance lease gives rise to a depreciation expense for depreciable assets as well as finance expense for each accounting period. The depreciation policy for depreciable leased assets is consistent with that for depreciable assets that are owned, and the depreciation recognised is calculated in accordance with the relevant accounting policy that the specific depreciable leased asset relates to. If there is no reasonable certainty that ERWAT will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating leases - As lessee

Lease payments under an operating lease are recognised as an expense in the statement of financial performance on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the benefit to the economic entity.

Employee benefits Benefits

Retirement Funds

ERWAT provides retirement benefits for its employees. The contributions to fund obligations for the payment of retirement benefits are expensed in the year in which they become payable.

ERWAT contributes to defined contribution funds.

Defined Contribution Funds

Where an employee has rendered services to ERWAT during the year, ERWAT recognises the contribution payable to a defined contribution plan in exchange for that service immediately as an expense.

Budgets of Municipal Entities: East Rand Water Care Company

Medical Aid: Continued Members

ERWAT provides post-retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the medical aid funds, with which ERWAT is associated, a member (subject to the applicable conditions of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for the portion as determined by Council from time to time, of the medical aid membership fee, and ERWAT for the remaining portion.

These contributions are charged to the operating account when paid.

Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end.

Provisions and contingencies

Contingent assets and contingent liabilities are not recognised. A provision is recognised when ERWAT has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

ERWAT does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Provisions are reviewed annually and those estimated to be settled within the next twelve months are treated as current liabilities. All other provisions are treated as long term liabilities.

Leave Provision

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end.

Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to ERWAT directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue is the gross inflows of economic benefits or service potential during the reporting period when those inflows result in increases in net assets, other than increases relating to contributions from owners.

Revenue is measured at the fair value of the consideration received or receivable.

When the inflow of cash or cash equivalents is deferred and the fair value of the consideration is less than the nominal amount of cash received or receivable, the arrangement effectively constitutes a financing transaction. The fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

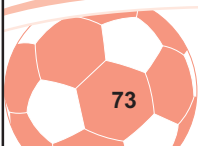
- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue. Interest revenue is recognised on a time proportion basis.

Dividends are recognised when ERWAT's right to receive payment is established.

Revenue from the sale of goods is recognised when the following conditions have been satisfied:

- ERWAT has transferred to the buyer the significant risks and rewards of ownership.
- ERWAT retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to ERWAT.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.



Budgets of Municipal Entities: East Rand Water Care Company

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Presentation of currency

These annual financial statements are presented in South African Rand, which is the functional currency of the economic entity.

Investment property

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, ERWAT measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Cost model

Investment property is subsequently measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets.

Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives: Depreciation is provided to write down the cost by equal instalments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	50-80 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical substance. Intangible assets are identifiable resources controlled by ERWAT from which ERWAT expects to derive future economic benefits or service potential. Intangible assets are identifiable when they can be separated from ERWAT, i.e. is capable of being separated or divided from ERWAT and sold, exchanged, licensed or, when they arise as a result of a contractual or other legal right, excluding those legal rights that arise from statute.

ERWAT recognises an intangible asset in its statement of financial position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to ERWAT; and ERWAT can measure the cost or fair value of the asset reliably.

An intangible asset is measured initially at cost.

Where ERWAT acquires intangible assets, it recognises them as assets in the statement of financial position at cost. Where ERWAT generates its own intangible assets through research and development or the acquisition of another entity, recognition is based on whether or not it is probable that the intangible assets will generate future economic benefits or service potential. Expenditure on research is not recognised as an asset.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, ERWAT can demonstrate all of the following:

Budgets of Municipal Entities: East Rand Water Care Company

- the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- its intention to complete the intangible asset and use or sell it.
- its ability to use or sell the intangible asset.
- how the intangible asset will generate probable future economic benefits or service potential. Among other things, the economic entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

ERWAT does not recognise internally generated goodwill as an intangible asset. It also does not recognise internally generated brands, mastheads, publishing titles, customer lists and items similar in substance, as intangible assets.

The cost of an internally generated intangible asset is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria.

Intangible assets are subsequently carried at cost less accumulated amortisation and accumulated impairment losses.

ERWAT assesses whether the useful life or service potential of an intangible asset is finite or indefinite. The economic entity regards an intangible asset as having an indefinite useful life when there is no foreseeable limit to the period over which the entity expects the asset to generate net cash inflows or service potential for the entity. Intangible assets with indefinite useful lives are not amortised.

ERWAT tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

The useful life of an intangible asset that arises from contractual or legal rights does not exceed the period of the contractual or legal rights, but may be shorter depending on the period over which ERWAT expects to use the asset.

ERWAT reviews the amortisation method, useful lives and residual values of intangible assets annually.

The estimated useful lives are as follows:

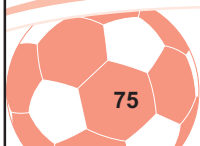
Item	Useful life
Computer software	5% - 14%

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where ERWAT received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.



Budgets of Municipal Entities: East Rand Water Care Company

Comparative figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying ERWAT's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements.

Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that ERWAT has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Segmental information

The principal segments have been identified on a primary basis by service operation and on a secondary basis by the classification of income and expenditure. The primary basis is representative of the internal structure for both budgeting and management purposes.

Going concern

These annual financial statements have been prepared on a going concern basis.

5.12 Budgeted Financial Statements

BUDGETED FINANCIAL STATEMENTS: 2010/2011 - 2012/2013 FINANCIAL YEARS
MULTI YEAR BUDGETED STATEMENT OF FINANCIAL PERFORMANCE

	Actuals 2008/2009 R	Estimate 2009/2010 R	Budget 2009/2010 R	Budget 2010/2011 R	Budget 2010/2011 R	Budget 2012/2013 R
REVENUE						
SERVICE CHARGES	213,601,717	267,158,154	267,158,154	341,595,002	439,661,452	552,146,735
INTEREST EARNED: EXTERN INVESTMENTS	5,807,455	1,213,000	1,000,000	1,513,000	1,814,000	2,015,000
DIVIDENDS RECEIVED	191,952	75,000	75,000	100,000	120,000	130,000
GOVERNMENT GRANTS AND SUBSIDIES /RELEASE OF GRANTS	11,688,393	23,605,000	-			
LABORATORY , CONTRACT SERVICES, OTHER	49,896,965.00	48,249,634	55,954,929	56,058,797	57,031,033	60,820,220
TOTAL REVENUE	281,186,482.00	340,300,788	324,188,083	399,266,799	498,626,485	615,111,955
EXPENDITURE						
EMPLOYEE RELATED COSTS	95,829,882	110,260,677	107,044,348	127,480,088	137,272,230	143,266,317
DIRECTORS FEES	203,798	462,000	352,000	360,000	538,210	575,885
BAD DEBT	910,666	1,006,000	6,000	1,106,000	1,106,000	1,206,000
DEPRECIATION	24,866,405	28,180,512	21,022,821	29,728,552	31,447,238	32,078,236
REPAIRS & MAINTENANCE	36,472,439	33,214,820	36,307,456	45,227,729	59,308,589	66,691,772
INTEREST PAID	24,424,804	16,650,000	28,300,000	29,741,633	64,006,191	126,623,519
BULK PURCHASES	69,512,438	91,570,115	83,781,646	118,713,017	154,585,738	193,495,089
Admin/consult fees/insurance/lab costs /transport/security/other	32,977,002	38,143,289	47,373,813	46,909,781	50,362,290	51,175,137
TOTAL EXPENDITURE	285,197,434.00	319,487,413	324,188,084	399,266,799	498,626,485	615,111,955
NET SURPLUS/ (DEFICIT) FOR THE YEAR	(4,010,952.00)	20,813,375				

**BUDGETED FINANCIAL STATEMENTS: 2010/2011 - 2012/2013 FINANCIAL YEARS
MULTI YEAR BUDGETED STATEMENT OF FINANCIAL POSITION**

	Actuals 2008/2009	R 2009/2010 Estimate	R 2010/2011	R 2011/2012	R 2012/2013
NET ASSETS AND LIABILITIES					
NET ASSETS	567,245,901	587,204,276	588,184,276	579,384,594	568,677,429
Revaluation Reserve	1,566,740	1,566,740	1,566,740	1,566,740	1,566,740
Accumulated Surplus/(Deficit)	565,679,161	585,637,536	586,617,536	577,817,854	567,110,689
NON CURRENT LIABILITIES	158,010,089	207,999,532	455,689,576	988,900,842	1,713,358,784
Long-term liabilities	158,010,089	207,999,532	455,689,576	988,900,842	1,713,358,784
CURRENT LIABILITIES	47,484,883	59,633,821	68,343,608	83,100,090	102,599,242
Leases	69,456	69,456	69,456	69,456	69,456
Provisions	11,313,502	12,750,168	14,186,834	15,623,500	17,060,166
Creditors	22,980,016	27,770,016	30,965,016	35,050,016	39,135,016
Retirement benefit	1,727,721	3,471,974	4,974,974	7,981,466	10,086,010
Vat (creditors)	736,949	3,736,949	4,458,594	5,353,594	6,248,594
Current portion of long-term liabilities	10,657,239	11,835,258	13,688,733	19,022,058	30,000,000
TOTAL NET ASSETS and LIABILITIES	772,740,873	854,837,629	1,112,217,460	1,651,385,527	2,384,635,455
ASSETS					
NON-CURRENT ASSETS	738,587,299	796,011,787	1,025,841,674	1,509,681,135	2,216,361,950
Property, plant and equipment	736,534,890	793,959,378	1,023,789,265	1,507,628,726	2,214,309,541
Investments	2,052,409	2,052,409	2,052,409	2,052,409	2,052,409
CURRENT ASSETS	34,153,574	58,825,842	86,375,786	141,704,392	186,960,226
Consumer and other debtors	27,888,355	29,787,608	33,980,939	39,065,939	44,051,940
Cash and cash equivalents	6,265,219	29,038,234	52,394,847	102,638,453	142,908,286
TOTAL ASSETS	772,740,873	854,837,629	1,112,217,460	1,651,385,527	2,403,322,176

Leverage ratio=Long term debt/Total equity
Current Ratio= Current Assets/Current Liabilities

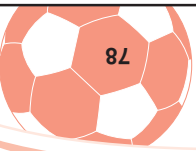
0.28
0.72

0.35
0.99

0.77
1.26

1.71
1.71

3.01
1.82

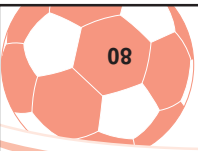


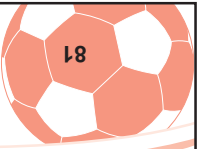
STATEMENT OF CASH FLOW PER MONTH 2010/2011

CASH FLOW FROM OPERATING ACTIVITIES	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11
Cash receipts from ratepayers, government and other	R 33,287,817	R 66,275,633	R 99,413,450	R 132,551,266	R 166,699,083	R 198,826,900	R 231,964,716	R 265,102,533	R 298,240,349	R 331,378,166	R 364,515,982	R 414,575,077
Cash paid to suppliers and employees	-23,919,296	-67,847,677	-87,206,999	-117,170,271	-153,164,600	-172,967,404	-201,309,522	-230,762,641	-253,367,206	-281,440,205	-308,735,102	-353,163,106
Cash generated from/(utilised in) operations	9,368,520	8,427,966	12,206,451	15,380,995	12,524,482	25,859,495	30,655,194	34,339,891	44,873,143	49,937,960	55,780,881	61,411,971
Grant received	0	0	0	0	0	0	0	0	0	0	0	0
Interest received	126,083	252,167	378,250	504,333	630,417	766,500	882,583	1,008,667	1,134,750	1,260,833	1,386,917	1,513,000
Interest paid	-2,478,892	-5,002,498	-7,484,570	-9,962,860	-12,496,352	-15,008,077	-17,474,651	-19,864,558	-22,343,169	-24,780,647	-27,290,775	-29,741,633
Dividends received	8,333	16,667	25,000	33,333	41,667	50,000	58,333	66,667	75,000	83,333	91,667	100,000
NET CASH FROM OPERATING ACTIVITIES	7,024,046	3,694,292	5,125,131	5,955,802	700,214	11,657,919	14,121,460	15,550,667	23,739,724	26,501,481	29,968,689	33,283,338
CASH FLOW FROM INVESTING ACTIVITIES												
Purchase of property, plant and equipment	-16,794,305	-33,588,611	-50,382,916	-70,109,128	-89,835,341	-109,561,533	-138,854,661	-168,147,770	-197,440,878	-221,581,264	-245,721,651	-259,558,439
NET CASH FROM INVESTING ACTIVITIES	-16,794,305	-33,588,611	-50,382,916	-70,109,128	-89,835,341	-109,561,533	-138,854,661	-168,147,770	-197,440,878	-221,581,264	-245,721,651	-259,558,439
CASH FLOW FROM FINANCING ACTIVITIES												
Movement in loans	19,273,197	38,591,108	66,407,486	80,071,989	102,331,683	124,569,630	156,329,312	188,012,327	219,784,047	246,361,911	273,012,425	289,300,072
Increase in consumer deposits												
Repayment of loans	0	0	-2,627,890	-2,627,890	-2,627,890	-13,192,483	-13,192,483	-13,192,483	-15,820,374	-15,820,374	-20,618,294	-41,610,027
NET CASH FROM FINANCING ACTIVITIES	19,273,197	38,591,108	63,779,596	77,444,098	99,703,803	111,377,147	143,136,829	174,819,844	203,963,673	230,541,537	252,394,131	247,690,044
NET (INCREASE) IN CASH AND CASH EQUIVALENTS	9,502,937	8,696,789	18,521,811	13,290,772	10,568,676	13,473,512	18,403,628	22,222,741	30,262,520	35,461,753	36,641,170	21,414,943
Cash and cash equivalents at the beginning of the year	29,038,234	29,038,234	29,038,234	29,038,234	29,038,234	29,038,234	29,038,234	29,038,234	29,038,234	29,038,234	29,038,234	29,038,234
Cash and cash equivalents at the end of the year	38,541,171	37,735,023	47,560,044	42,329,005	39,606,909	42,511,746	47,441,861	51,260,975	59,300,753	64,499,987	65,679,403	50,453,177

**BUDGETED FINANCIAL STATEMENTS: 2010/2011 - 2012/2013 FINANCIAL YEARS
STATEMENT CASH FLOW**

	Actuals 2008/2009	R 2009/2010 Estimate	R 2010/2011	R 2011/2012	R 2012/2013
CASH FLOW FROM OPERATING ACTIVITIES					
Cash receipts from ratepayers, government and other	196,670,326	315,407,788	414,575,077	529,408,898	675,177,082
Cash paid to suppliers and employees	-161,014,106	-265,262,216	-353,163,106	-401,076,346	-447,746,969
Cash generated from/(utilised in) operations	35,656,220	50,145,572	61,411,971	128,332,553	227,430,113
Grant received	7,658,429	23,605,000	1,513,000	1,814,000	2,015,000
Interest received	5,807,456	1,213,000	1,213,000	1,814,000	2,015,000
Interest paid	-24,008,847	-16,650,000	-29,741,633	-90,269,373	-181,961,184
Dividends received	191,952	75,000	100,000	120,000	130,000
NET CASH FROM OPERATING ACTIVITIES	25,305,210	58,388,572	33,283,338	39,997,179	47,613,929
CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	-20,481,438	-85,605,000	-259,558,439	-515,286,699	-738,759,050
Proceeds on disposal of fixed assets	296,683				
NET CASH FROM INVESTING ACTIVITIES	-20,184,755	-85,605,000	-259,558,439	-515,286,699	-738,759,050
CASH FLOW FROM FINANCING ACTIVITIES					
Movement in loans	-9,048,409	49,989,443	247,690,044	533,211,267	725,579,484
NET CASH FROM FINANCING ACTIVITIES	-9,048,409	49,989,443	247,690,044	533,211,267	725,579,484
NET (INCREASE) IN CASH AND CASH EQUIVALENTS	-3,927,954	22,773,015	21,414,943	57,921,747	34,434,363
Cash and cash equivalents at the beginning of the year	10,193,173	6,265,219	29,038,234	50,453,177	108,374,924
Cash and cash equivalents at the end of the year	6,265,219	29,038,234	50,453,177	108,374,924	142,809,286





5.12.3 Investments

Institution	Account certificate number	Type of investment	Period of investment	Maturity Date	Number of shares	Balance at 30/06/2011	Interest Earned
Old Mutual Old Mutual	UT101970487 UT102602880	Unit trust Unit trust	Selling date Selling date	Selling date Selling date	9174,66 3540,41	1,480,932 571,477	101,861 3,386
Total					12,715,07	2,052,409	105,247,00

Budgets of Municipal Entities: East Rand Water Care Company

5.13 Chief Executive Officer's quality certification



East Rand Water Care Company (Associated Independent Informal of section 21) Reg No. 1997/065730/08
Dapsfontein Road Kempton Park, PO Box: 13106 Norkem Park 1631, Republic of South Africa
Tel: +27 11 929 7000 Fax: +27 11 929 7031 • e-mail: mail@erwat.co.za www.erwat.co.za

TO WHOM IT MAY CONCERN

8th March 2010

I, Mr. N.P. Twala, Chief Executive Officer of ERWAT, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the Annual Budget and supporting documentation are consistent with the Integrated Development Plan of the parent municipality and the business plan of the entity.



MR. N.P. TWALA
CHIEF EXECUTIVE OFFICER

Board of Directors: Mr T Phasha (Chairman), Mr NP Twala (Managing Director),
Mr Z Letjane, Adv. M Mochatsi, Dr S Nene, Ms S Themba, Ms N Sidondl

Member of
International Water Association (IWA)
Water Environment Federation (WEF)
Water Institute of Southern Africa (WISA) - Pretoria



**EKURHULENI DEVELOPMENT
COMPANY**



Budgets of Municipal Entities: Ekurhuleni Development Company

Budget of Municipal Entities Index

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Budgets of Municipal Entities: Ekurhuleni Development Company

PART 1 - ANNUAL BUDGET

1. CHAIRPERSON'S REPORT

a) A summary of the medium term service delivery objectives and the associated medium term financial implications of the annual budget.

The EDC is a social housing institution owned by Council. The entity is tasked to manage, acquire and develop social housing units in Ekurhuleni. The entity currently owns 988 units all located in the Germiston area. The medium term service delivery objectives of EDC are to ensure that the entity is financially viable and has the necessary capacity to deliver on its mandate. EDC will achieve these objectives through the implementation of the Turnaround Strategy.

EMM initiated a Turnaround strategy which will run over a period of 24 months starting from November 2009. This strategy was devised to improve the ability of the entity to deal with the challenge of delivering social housing. The national target for social housing was set as 100 000 units over the past five years. Only 5900 units were produced in the last four years. This statistic shows the immense challenges faced by the sector.

The EDC is faced with the following challenges.

Cash flow challenges: The entity is still paying off loans on the properties owned by the entity. The properties are paid over 20 years, however depreciation is charged over 50 years. This creates an imbalance in the budget and puts huge pressure on the cash flow of the entity. The entity has to charge more for rental currently to ensure its ability to remain liquid.

Accreditation: The Social Housing Act prescribed the creation of a Social Housing Regulating Authority (SHRA). The SHRA is established to regularise the social housing sector; capacitate the social housing sector; and to improve the challenges faced by entities in the delivery of social housing.

The EDC needs to be accredited with SHRA to ensure that it is able to qualify for institutional subsidies/capital grants to create social housing units. One critical factor identified by the Social Housing Foundation is the number of units managed/ owned by Social Housing entities.

The EDC, with 988 units, falls short of meeting the 2000 units that is identified as a minimum that should be managed/owned in order for an entity to run as a viable social housing institution. The national budget for social housing for 2010/11 is as follows: A total of R377.2 million has been allocated to human settlements institutions. An amount of R151.8 million is allocated to the new Social Housing Regulatory Authority which shows how little financial resources are available to cater for the needs of the sector.

The EDC's budget deals mainly with the repayment and maintenance of the properties owned. Without financial assistance through equity or municipal guarantees the entity will not be able to develop any additional units as its own balance sheet does not allow the entity to be able to borrow against its assets.

(b) A summary of the medium term infrastructure development objectives of the parent municipality applicable to the municipality entity.

Infrastructure development objectives: The EDC has a project named Germiston Phase 2 B. This project needs to be financed and possible bridging would be required to create 426 units in the Germiston CBD area. Plans are underway to submit this project as one of the Urban Renewal projects of the EMM.

(c) A summary of alignment of the municipal entity's annual budget and multi-year business plan with the parent municipality's annual budget and Integrated Development Plan.

The EDC, as a social housing entity, supports the IDP of Council through the delivery of rental stock at an affordable price to the residents of Ekurhuleni. Due to the immense difficulty in producing new stock the EDC has not been able to produce more units for the municipality.

Budgets of Municipal Entities: Ekurhuleni Development Company

The EDC is investigating the possibility of managing stock on behalf of the municipality as per the Council Resolution to transfer Council owned housing stock to EDC.

This effort was initiated to increase the number of stock managed by the EDC and to contribute to the financial viability of the entity by providing resources (not necessarily cash) to the entity.

(d) A summary of the main service delivery agreement with the municipality and any other agreements with the parent municipality or other municipal entities.

The Service Delivery Agreement between EMM and EDC has been reviewed and redrafted to encapsulate what the EMM expects of the entity. The mandate to produce social housing has been reinforced and the legal frameworks and reporting requirements have been stipulated. The scope of duties have been compiled and agreed on. The agreement was approved by Council and signed in April 2010 and will be reviewed annually. The performance contract will be concluded and should include the standards the Ekurhuleni expects of the entity.

(e) A summary of any limits determined by the parent municipality applicable to the entity including limits on tariffs, revenue, expenditure and borrowing.

Budget guidelines were provided to EDC by the parent municipality for the compilation of the 2010/11 multi-year budget. These guidelines included the current economic situation of the country, globally and the Ekurhuleni Municipality, the reprioritisation of expenditure and major cost cutting efforts by the Municipality. Reprioritisation is mainly focused on revenue enhancement and cost cutting, without sacrificing service delivery. The EDC used the following principles in compiling the budget:

Income: An 8% tariff increase was used as a basis for determining the income for the 2010/11 year.

Expenditure:

- Salaries (CPI +1.5%)
- Repairs & Maintenance: 6%
- General Expenditure: 1% increase
- Collection costs: 0% increase
- Bulk services: In line with increase of service providers
- Contracted Services: Actual as per contracts

They reiterated that the standard of service must not be reduced but that productivity must be increased to ensure an enhanced service standard at reduced cost.

The EDC's budget reflected a negative cash flow as a result of a difference between the depreciation and capital redemption of loans of the entity. The budget steering committee of EMM instructed the entity to reflect a subsidy to cover the negative cash flow of the entity.

The entity also has to report on the Turnaround strategy of the entity which will be finalised in conjunction with the Housing Department of EMM.

The entity included the backlog maintenance plan in the budget. The proposal that was supported by the Budget steering committee is the creation of a Maintenance Fund by the entity. The municipality will contribute R3 million per annum to address priority maintenance to the Pharoe Park, Germiston Phase 2 housing properties of the entity. This fund is to be ring fenced and used only for maintenance purposes. The building maintenance program that was prepared for the entity will be used to determine priority maintenance and the spending and progress will be reported on in the SDBIP of the entity.

Budgets of Municipal Entities: Ekurhuleni Development Company

Capital budget

After consultation with the budget steering committee the entity removed the Germiston Phase 2 B project until such time as the funding is committed to the project. The municipality also warned the entity not to commit to a project unless it is financially viable. The entity will not be able to secure funding for a project unless it is financially self-sustainable. Thus until the entity has secured funding the project will not be in the capital budget but will be included in the adjustments budget in the year that it materialises.

(f) A summary of material amendments made to the annual budget after the consultation processes with the parent municipality.

The only material change that was proposed to the budget after the consultation process with the Budget Steering Committee was the inclusion of an operational grant from the EMM. This grant serves to provide the entity with operational capital to cover the repayment of capital on all external loans and a maintenance fund to ensure that properties are maintained to reach their lifespan and remain in good order.

(g) Any other information considered relevant by the Chairperson

The EDC is putting in all efforts in the Turnaround strategy and will improve on its ability to deliver social housing in the Ekurhuleni Metropolitan Area.

2. BUDGET RESOLUTIONS: 2010/2011 - 2012/2013 BUDGET

The Board of EDC resolved the following:

- 2.1 The annual operating budget of Ekurhuleni Development Company for the financial year 2010/2011 and indicative for the two projected outer years 2011/2012 and 2012/2013 **BE APPROVED** as set out in the following tables:
- 2.2 The board imposed an 8 % tariff increase for 2010/11 (implementation date 1 July 2010).
- 2.3 The board approved the Strategic Plan for EDC and that the Business Plan be finalised.
- 2.4 The board approved the measurable performance objectives for the annual budget for each year of the medium term revenue and expenditure framework.
- 2.5 The budget related policies and amendments to such policies be approved.
- 2.6 The board recorded a subsidy from EMM council of R6.5 million as follows:

Financial Year	Maintenance Fund	Operating
2010-2011	R3 million	R 3,461,534
2011-2012	R3 million	R 2,807,551
2012-2013	R3 million	R 2,683,178

Budgets of Municipal Entities: Ekurhuleni Development Company

3. EXECUTIVE SUMMARY

This section provides an overview of the Budget process and the 2010/2011 - 2012/2013 Multi-Year Budgets.

3.1 Total Service Delivery Package of the Company and associated financial implications

The following service is rendered by the Company in the following areas:

Social Housing (Rental) in Germiston including Pharoe Park Housing Company, Germiston Phase II Housing Company.

3.2 Effect of the annual budget

3.2.1 Operating Budget

The operating budget amounts to R31,1 million (Excluding Internal Charges). The bulk of the income is derived from Rental Income. The income and expenditure from various sources is reflected in Table 2 below.

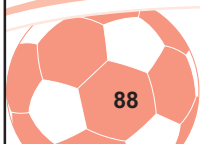
Table 2: Income and Expenditure

Operating Revenue by Source	Amount	Percentage
Rental Income	19,912,504	63.98%
Admin Fees	24,500	0.08%
Proceeds on sale of the Developments	2,050,000	6.59%
Interest Received	171,000	0.55%
Recoveries	1,127,906	3.62%
Service	1,306,338	4.20%
Contributions - Municipality	6,461,534	20.76%
Contributions - Other	70,920	0.23%
Total	R31,124,702	100%

Table 3: Operating Expenditure by Category

Operating Expenditure by Category	Amount	Percentage
Employee Related Costs - Salaries & Wages	5,875,292	29.59%
Provision for Bad Debts	989,056	4.98%
Legal Collection Costs	1,011,000	5.09%
Depreciation	1,169,413	5.89%
Repairs and Maintenance	1,686,502	8.49%
Interest Expense - Loans	2,776,000	13.98%
Electricity and other Utilities Charged	2,896,538	14.59%
Contracted Services	2,625,550	13.22%
General Expenses	825,500	4.15%
Total	R19,854,851	100%

EDC is also affected by the world-wide economic decline. Payment levels are affected by people losing their jobs and strict credit control remains a focus area for the EDC.



Budgets of Municipal Entities: Ekurhuleni Development Company

The following categories of expenditure are affected:

Interest on External Loans payable

Since EDC is not developing and has not approved capital projects, the interest cost is declining. Redemption is increasing as no new loan agreement has been entered into. This can however hamper the entity to grow as no new units will be added to the asset base.

No additional provision is made for new loans to be obtained. Only once a project is found financially viable will the additional interest cost be added in the budget.

Budgeted Expenditure

2010/2011	R 2,776,000
2011/2012	R2, 676,000
2012/2013	R2, 605,197

Provision for Bad Debts

The economic decline also affected the payment levels of consumers and the board had to adjust the Provision for Bad Debt accordingly. A 5% provision for bad debt is raised to cover the non-payment of rentals.

Budgeted Provision

2010/2011	R 989, 056
2011/2012	R1, 047,290
2012/2013	R1, 189, 050

The budgeted target of 95% payments levels have been achieved in the current financial year. The target will remain at 95% for 2010/11-2012-2013.

Expenditure on **Employee related costs** was increased with the following:

- CPI + 1,5% salary increase as per multi-year agreement with the relevant unions.
- A job evaluation performed in May 2009 contributed to some growth in the cost of staffing the entity.
- The job evaluation process was taken a step further where staff were required to sign KPI's on all levels of the organisation.

The **Repairs and Maintenance** budget was increased by 6% to adequately provide for the maintenance of Company owned assets.

A request was issued to EMM to provide R3 million for backlog maintenance. The fund would be administered separately and reported on quarterly to address structural maintenance of the properties of the entity.

3.2.2 Capital Budget for the EDC

The capital budget consists of the items in Table 4 below of the movable assets that need to be replaced and replenished.

Table 4: Capital Budget

Multi - Year Expenditure	Original Budget 2009/10	Budget Year 2010/11	Budget Year 2011/12	Budget Year 2012/13
Computer Equipment	50,000	80,000	40,000	40,000
Furniture	45,000	20,000	30,000	20,000
Equipment	20,000	10,000	20,000	15,000
Total Capital Expenditure	R115,000	R110,000	R90,000	R75,000

Budgets of Municipal Entities: Ekurhuleni Development Company

3.2.3 Comparative Tariffs

The tariffs for the EDC were reviewed and an 8% increase on rentals was approved. The main aim is to keep the rentals affordable, while also sufficiently recovering all the expenditure related to the effective management of the entity. Tariffs are increased once a year (in July) and are communicated to the tenants three months prior to implementation.

Table 5 : Tariff List

Tariff List - Rent	8% increase	
Housing Complex: Pharoe Park	1-Jul-09	1-Jul-10
Bachelor's Flat (22M2)	848.62	916.51
Bachelor's Flat (30-33m2)	1,164.16	1,257.29
Bachelor's Flat bock E (28m2)	1,217.70	1,315.12
1 Bedroom Flat (23m-35m2)	1,164.16	1,257.29
1 Bedroom Flat (38m-46m2)	1,698.86	1,834.77
2 Bedroom Flat (37m2)	1,315.52	1,420.76
2 Bedroom Flat (41-42m2)	1,622.84	1,752.67
2 Bedroom Flat (45-46m2)	1,698.86	1,834.77
2 Bedroom Flat (48m2)	1,783.72	1,926.42
2 Bedroom Flat (50m2)	1,935.09	2,089.90
3 Bedroom Flat (48m2)	1,783.72	1,926.42
3 Bedroom Flat (52m2)	1,935.09	2,089.90
3 Bedroom Flat block E (77m2)	2,789.60	3,000.00
Shop no 1(33m2)	1,394.73	1,506.31
Shop no 2(34m2)	1,437.15	1,552.12
Shop no 3(97m2)	4,112.64	4,441.65
Shop no 4(52m2)	2,199.96	2,375.96
Shop no 5(57m2)	2,420.00	2,613.60
Shop no 6(83m2)	3,509.46	3,790.22
Housing Complex: Phase II	1-Jul-09	1-Jul-10
1 Bedroom Flat (32.1m2)	1,093.44	1,180.92
2 Bedroom Flat (35.2m2)	1,436.88	1,551.83
2 Bedroom Flat (37.2m2)	1,594.18	1,721.71
2 Bedroom Flat (37.3m2)	1,667.73	1,801.15
3 Bedroom Flat (41.8m2)	1,779.49	1,921.85
3 bedroom Flat (46.8m2)	1,901.13	2,053.22
3 Bedroom Flat (52.7m2)	2,063.46	2,228.54

Budgets of Municipal Entities: Ekurhuleni Development Company

Water Tariff		1-Jul-09	1-Jul-10
Bachelors Flat	12-7= 5 kl @ R10	26.50	50.00
1 Bedroom Flat	15-7=8 kl@R10	40.00	80.00
2 Bedroom Flat	20-7=13 kl @R10	53.00	130.00
3 Bedroom Flat	25-7= 18 kl @R10 per kl	67.00	180.00
Shops	Per metre reading R10 per kl min R150		150.00
Refuse Tariff A flat rate are charged for Refuse in all complexes		1-Jul-09	1-Jul-10
Per month per flat		R50.00	78.00
Recovering the full charge by Ekurhuleni			
Credit control tariff (levied form 1 March 2009) Letter of demand at R20.00 per letter			
Administration fee R150 00 for every lease signed.			
Deposit required Equivalent to three months rental.			
All tariffs are reflected for one month. Tariff increases are done at the discretion of the Board of Directors of EDC on an annual basis.			

The water tariff was reviewed to ensure full recovery from Council tariffs charged. The refuse tariff was also brought in line with the tariff charged by EMM.

3.3 Past performance, financial and annual report outcomes

The entity was able to perform against the targets that were set in the Service Delivery and Budget Implementation Plan (SDBIP). The entity maintained occupancy levels and payment levels of 95 %. Maintenance was done and progress was made on projects of the LHI projects. The entity received an unqualified audit report for 2008/09.

3.4 Financial position and funding strategy

The entity is currently having financial sustainability challenges. A Turnaround strategy process was embarked on where the finding was to stop the bleeding, fix it and move forward. A twenty four month process with timetables was determined and the entity must reform itself to be able to deliver on the mandate of managing, acquiring and developing social housing for the whole of Ekurhuleni.

The cash flow is limited to monthly rental payments by tenants. The entity submitted requests to EMM Council to subsidize its operations. Council approved a R3 million contribution to the maintenance budget and R3.5 million to address the short fall where redemption exceeds the provision for depreciation in the budget as loans are structured over 20 years and the lifespan of buildings are 50 years.

Budgets of Municipal Entities: Ekurhuleni Development Company

3.5 Alignment to the Service Delivery Agreement

Details of the ownership and control of the entity

The EDC is 100% owned by the EMM. The board of directors is appointed by the Mayor of the Ekurhuleni Metropolitan Municipality in accordance with the Municipal Systems Act. The EDC manages 3 companies on behalf of the Municipality. The share holding of these entities is as follows:

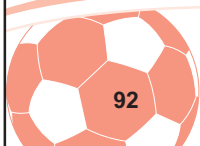
1. Pharoe Park Housing Company 100 shares EMM 7 shares Gauteng Partnership Fund(GPF).
2. Germiston Phase II Housing Company 100 shares EMM 8 shares GPF.
3. Lethabong housing Institute Section 21 company EMM only member.

Ekurhuleni Metropolitan Municipality and the Ekurhuleni Development Company *et al* entered into a service delivery agreement during April 2010. This agreement regularizes the relationship between the entities. It provides EDC with the framework that it expected to operate within and outlines the responsibilities of all the parties towards each other. The EMM provides an oversight role in the planning and reporting process of the entity.

The SDA provides the EDC with a mandate to deliver social housing units in the Ekurhuleni Metropolitan Area. It states that the entity must operate within the framework provided by the Social Housing Act as well as the Municipal Finance Management Act.

The Scope of functions allocated to the EDC as per the mandate contained in the SDA is as follows:

1. The Scope of Functions of the EDC and the other municipal entities is that of being utilised by the EMM as a mechanism to assist the EMM in the performance of its functions and powers, as is described and contemplated in terms of the Systems Act, more in particular section 86(E) thereof.
2. As an external service provider of the EMM, but being municipal entities, the EDC and the other municipal entities are restricted in their activities to the purpose of which they are being used by the EMM in terms of the functions and scope described in this Agreement and in accordance with the Systems Act, and they all specifically acknowledge that they have no competence to perform any activity which falls outside these functions and powers of the EMM, contemplated in terms of the relevant legislation. To that extent, and for purposes of restrictions on activities and non-competence of performance, the EMM will, as the parent of the municipal entities, keep them informed as to the essence and perimeters of their performance and do all that is reasonably necessary and required to be done to keep the municipal entities informed of their functions, in particular the performances, functions and powers of the EMM.
3. At all times and without a restriction, the EDC will have access to the EMM and its departments to enquire with regards to any activity and/or competency for purposes of being and remaining compliant in terms of this Agreement and the relevant legislation.
4. The specific function of the EDC will be that of a manager, which includes complete and total management of the affairs of the other municipal entities, *inter alia* in terms of:
 - rendering an administrative function in terms of staff, systems and processes employed and owned by the EDC;
 - all accounting and matters of a financial nature, which includes collections, payment of debtors and running costs and expenditure of the other municipal entities;
 - providing relevant documentation, including but not limited to Rental Agreements;
 - paying for, and on behalf of, as agent of the other municipal entities, all municipal costs and charges, including rates, taxes and service costs incurred;
 - community liaison with the respective tenants of the other municipal entities;
 - compiling and causing the compliance with house rules and rules of occupation, in relation to the various units being occupied, which includes the provision of security and security measures being taken;



Budgets of Municipal Entities: Ekurhuleni Development Company

- matters related to insurance of buildings and other insurance measures reasonably required by the owner of rental housing conducted for social housing purposes;
 - liaising for, and on behalf of, the respective municipal entities;
 - the raising of capital and/or finance as, and when required;
 - permanently, unless agreed to the contrary, having and holding a power of attorney to represent the other municipal entities in relation to the activities described herein;
 - such ancillary and related actions, roles and functions which the EDC may, or is in future required to perform on behalf of the EMM as a management entity of social housing and institutional housing for, and on behalf of the EMM.
 - such ancillary and related actions, roles and functions which the EDC may, or is in future required to perform on behalf of the EMM as a management entity of social housing and institutional housing for, and on behalf of the EMM.
5. The scope and function of the other municipal entities is that of property owning companies, which properties have been acquired and/or are held for purposes of social housing. In this regard it is recorded and agreed that:
- neither of the social housing institutions have other assets than the ownership of their immovable property;
 - do not employ staff, or administrative systems and/or immovable property; and
 - rely entirely upon the function of the Ekurhuleni, as is described above, for purposes of them functioning and carrying out their duties in compliance with their mandate and existence and in accordance with relevant legislation, in particular the Companies Act, 1973, as is required of a juristic person.

No material changes were proposed in the service delivery agreement except where council will be developing on behalf of the Entity until such time as the entity is capacitated to do it themselves.

The SDA between EMM and EDC has not been reviewed for a few years and this created a time where the EDC was operating without a properly capitalized mandate. Until the Entity's capacity challenges have been addressed the entity will not be embarking on any capital expansion projects. The Entity however is geared to do rental management and will strive to take over the management of units of the EMM to improve on the financial viability of the entity.

The review of the SDA brought about a compilation of a turnaround strategy for the Entity. A plan over 24 months has been devised to improve on internal controls, policies and procedures. The Entity is required to position itself to be able to take up the challenge of provision of social housing in the Ekurhuleni Area.

The EMM pledged their continued support to the EDC in all circumstances and also placed all their resources at the disposal of the Entity. The EMM has provided for a R6,4 million operational grant for the efficient management of the EDC for the 2010/2011 financial year.

3.6 Amendments to the EDC's Budget Related Policies

Budget Related Policies

The MFMA and the Budget and Reporting Regulations require that all budget and budget related policies be reviewed and, where applicable, be updated on an annual basis.

The policies were used as a basis for compilation of the budget. The policies are **NEW, REVISED** or previously approved and now remain **UNCHANGED**.

Only policies, new policies and policies with recommended changes are produced in hard copy. Policies that remained unchanged are only provided in electronic format.

Budgets of Municipal Entities: Ekurhuleni Development Company

The following policies are attached as Annexure A accompanying the Budget Document:

1. Tariff implementation of rental and recoverable services, credit control and debt collection policy. **(REVISED)**
2. Cash Management policy in terms of section 13(2) of the MFMA. **(NEW)**
3. Investment policy in terms of section 13(2) of the MFMA. **(NEW)**
4. Borrowing policy. **(NEW)**
5. Funding and reserves policy. **(NEW)**
6. SCM policy in terms of section 111 of the MFMA. **(UNCHANGED)**
7. Asset management and disposal of assets policy. **(UNCHANGED)**
8. Budget implementation and monitoring policy. **(NEW)**
9. Policies related to personnel (including overtime, vacancies and temporary staff) **(REVISED)**
 - a. Staff hand book of policies.
10. Other policies
 - a. Accounting Policy. **(REVISED)**

3.7 Summary of Assumptions Used in Preparing the Operating Budget

Other Expenditures	2010/11	2011/2012	2012/2013
Employee Cost Increases	CPI + 1.5%	7%	7%
Repairs & Maintenance Increases	6%	6%	6.5%
Contracted Services Increases	9%	6%	6%
General Expenses Increases	1%	5%	3.5%
Collection Costs	0%	3%	5%
Tariff Increases	2010/11	2011/2012	2012/2013
Rent	8%	7.5%	7.5%

Budgets of Municipal Entities: Ekurhuleni Development Company

4. ANNUAL BUDGET TABLES

4.1 Ekurhuleni Development Company (EDC)

- Budget Summary - Table D1
- Budget Performance (Revenue and Expenditure) - Table D2
- Budget Capital Expenditure by vote, standard classification and funding - Table D3
- Budgeted Financial Position - Table D4
- Budgeted Cash Flows - Table D5

4.2 Pharo Park Housing Company

- Budget Summary - Table D1
- Budget Performance (Revenue and Expenditure) - Table D2
- Budget Capital Expenditure by vote, standard classification and funding - Table D3
- Budgeted Financial Position - Table D4
- Budgeted Cash Flows - Table D5

4.3 Germiston Phase II

- Budget Summary - Table D1
- Budget Performance (Revenue and Expenditure) - Table D2
- Budget Capital Expenditure by vote, standard classification and funding - Table D3
- Budgeted Financial Position - Table D4
- Budgeted Cash Flows - Table D5

4.4 Lethabong Housing Institute (LHI)

- Budget Summary - Table D1
- Budget Performance (Revenue and Expenditure) - Table D2
- Budget Capital Expenditure by vote, standard classification and funding - Table D3
- Budgeted Financial Position - Table D4
- Budgeted Cash Flows - Table D5

Budgets of Municipal Entities: Ekurhuleni Development Company

PART 2: SUPPORTING DOCUMENTATION

1. OVERVIEW OF THE ANNUAL BUDGET PROCESS

1.1 Overview of the Annual Budget process

The annual budget process of the EDC started when the divisions of the entity were requested to submit their plans for the 2010/2011 financial year and the 2 years following. The operational needs of the entity are compiled. The EMM provided the entity with guidelines to be used for allowable growth of the votes of the 2010/2011 Budget. The salary budget is compiled with all the positions that are foreseen to be needed for the execution of the functions of the entity. All contracted expenses are added with annual increases. General expenses are determined.

After the total expenses are determined the required tariff increases are determined. The EDC were able to keep tariff increases limited to 8%. This income budget was then supplemented with an operational grant of R6.5 million for 2010/2011. The grant is utilized to cover the difference between redemption of loans and the depreciation of assets.

The EDC was provided with a schedule of deadlines as required by the MFMA by the parent municipality and were requested to submit their first draft budget by end of November 2009. (Schedule attached).

The first review of the budget was done in conjunction with the Housing Department on 12 January 2010.

The budget steering committee sat on 15 January 2010 where the EDC budget and performance objectives were discussed. The Municipality supported the requests for operational subsidies based on the fact the EDC showed positive results with regard to the occupancy and payment levels of the entity.

The compilation of the IDP and Budget for the 2010/11 financial year followed the key deadlines presented below as approved by Council on the 28th May 2009.

No.	Action	Due Date
1	Finalisation of 2010/2011 Performance Agreements	30 June 2009 - Excluding MFMA: Sec 53(3) employees
2	Finalisation of Performance Assessments - Directors and Contract Workers	10 Jul 2009
3	Finalisation of Performance Assessments - Executive Directors, SPMs, General Managers and employees directly reporting to the City Manager	24 Jul 2009
4	Finalisation of Performance Assessments - Deputy City Managers	31 Jul 2009
5	Finalisation of Performance Assessment - City Manager	7 Aug 2009
6	Public Participation Process	On going
7	SMT Discussion regarding 2010/2011 IDP and Budget Process, particularly growth parameters (to finalise recommendations to Finance Portfolio)	Sept 2009
8	Finance Portfolio workshop to discuss 2010/2011 IDP and Budget Process (to consider recommendations of SMT)	Sept 2009
9	Issue Budget Instructions to departments (based on 2 and 3 above)	Sept 2009
10	Compilation of Draft IDP and Capital and Operating Budgets by Departments - All inputs to be provided to Budget Office / IDP Office	Sept & Oct 2009
11	Finalisation of 1st Quarter Performance Reviews	31 Oct 2009
12	Public Participation	On going through CBP process
13	SMT to scrutinize Operating Budget (to finalise recommendations to Finance Portfolio)	Nov 2009
14	SMT to scrutinize Capital Budget (to finalise recommendations to Finance Portfolio)	Nov 2009
15	Finance Portfolio to scrutinize Operating Budget (to consider recommendations of SMT)	Dec 2009
16	Finance Portfolio to scrutinize Capital Budget (to consider recommendations of SMT)	Dec 2009

Budgets of Municipal Entities: Ekurhuleni Development Company

No.	Action	Due Date
17	SMT to finalise Budget submission	Jan 2010
18	Finance Portfolio to scrutinize Final Budget Submission (balanced budget)	Jan 2010
19	Municipal Entities to present Draft Budgets to SMT (to finalise recommendations to Finance Portfolio)	Jan 2010
20	Municipal Entities to present Draft Budgets to Finance Portfolio (to consider recommendations of SMT)	Jan 2010
21	Tariff Task Team to present Draft Tariffs to SMT (to finalise recommendations to Finance Portfolio)	Jan 2010
22	Tariff Task Team to present Draft Tariffs to Finance Portfolio (to consider recommendations of SMT)	Jan 2010
23	Finalisation of 2nd Quarter Performance Reviews	29 Jan 2010
24	SMT to consider Draft Budget to be tabled to Council (to finalise recommendations to Finance Portfolio - including final tariffs based on valuation roll modelling and final bulk increases from bulk service providers)	Feb 2010
25	Finance Portfolio to consider Draft Budget to be tabled to Council (based on recommendations of SMT- including final tariffs based on valuation roll modelling and final bulk increases from bulk service providers)	Feb 2010
26	Budget Workshop with all Councillors	Feb 2010
27	Portfolio Committees to consider Draft IDP and Budget	Feb 2010
28	Mayoral Committee to consider Draft IDP and Budget	Feb 2010
29	IDP and Budget tabled to Council	Feb 2010
30	Public Participation	To be determined (IDP Office in consultation with Speaker)
31	Submit Draft IDP to MEC for comments	End Feb 2010
32	Publish Draft IDP for comments	End Feb 2010
33	IDP and Budget Conference with all Councillors	Mar 2010
34	Amendments to Tabled IDP / Budget to be considered by SMT (Final IDP / Budget to be submitted to Council)	Apr 2010
35	Finalisation of 3rd Quarter Performance Reviews	30 Apr 2010
36	Amendments to Tabled IDP / Budget to be considered by Finance Portfolio (Final IDP / Budget to be submitted to Council)	Apr 2010
37	Final IDP, Budget and Tariffs considered by Portfolio committees	May 2010
38	Final IDP, Budget and Tariffs to be considered by Mayoral Committee	May 2010
39	Final Tariffs Approved by Council	May 2010
40	Final IDP / Budget Approval by Council	May 2010
41	Individual Performance agreements finalised	May 2010 MFMA: Sec 53 (3) employees
42	Information on website	May 2010
43	Public Participation	To be determined (IDP Office in consultation with Speaker)
44	Submit reviewed IDP to MEC	Jun 2010
45	Submit Budget, IDP, SDBIP, Performance agreements to National and Provincial Treasury	Jun 2010

Budgets of Municipal Entities: Ekurhuleni Development Company

The review of the IDP focused on formulating measurable performance indicators and targets set for the 5, 3 and 1 year. These targets informed the multi-year budgets prepared as well as the SDBIP.

The EDC forms part of the EMM's processes for the review of the IDP. The EDC receives its mandate from the parent municipality. This mandate informs the service delivery agreement between council and the Board of EDC.

In addition to the above, the EDC was requested to ensure that the deliverables in the Service Delivery agreement are achievable and that only projects with secured funding should be considered for the capital budget of the entity.

The mandate to deliver on social housing has been reiterated in the service delivery agreement between council and the entity, however no capital funding has been committed.

1.2 Planning and Consultation Process

Community participation at the EDC is done via tenant committee meetings where the tenants are invited to provide the entity with inputs on their needs. As these tenants are renting flats the only needs identified concerns mostly operational issues and budget. The budget is loaded on the EDC website for perusal and invitation for comments. The budget was provided in English, Afrikaans, Zulu and Sotho.

Capital projects are compiled and submitted to National Housing for consideration of institutional subsidies, submitted to EMM for approval and financial support through municipal securities and equity.

Review Process

The review process of the Municipality will inform the entity of the social housing needs of the Ekurhuleni Area. Based on the EMM's review of the IDP they will inform the EDC of the needs that should be addressed to cater for the residents of the Ekurhuleni Metropolitan area. This is then included in the IDP and articulated to the EDC in the service delivery agreement.

The EMM review process entailed a full one day workshop per CCC which focused around the following:

- Consider content of Departmental Service Delivery Plans and Projects (IDP) per CCA area, per ward.(All wards in the CCA area to be part of the workshop):
 - Capital projects per CCA and per ward.
 - Maintenance projects per CCC and per ward.
- CBP ward plan:
 - IDP Capital projects.
 - Prioritized objectives.

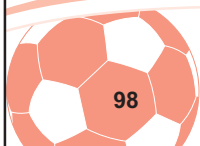
The purpose of the process was, *inter alia* to sensitize departments to visibly reflect ward priorities in departmental plans and budgets and to indicate assistance and support with CBP discretionary funds projects.

Service Delivery and Budget Implementation Plan of the entity.

The EDC is to provide a SDBIP to address how the budget will be spent and long term targets will be addressed. (Capital and maintenance).

The SDBIP of the EDC is based on the performance objectives of the entity. The SDBIP addresses the occupation level, the payment level, the operational and backlog maintenance, as well as the developmental projects of the Entity.

The compilation of the IDP and Budget for the 2010/11 financial year followed the key deadlines as approved by Council on the 28th May 2009.



Budgets of Municipal Entities: Ekurhuleni Development Company

2. MEASURABLE PERFORMANCE OBJECTIVES

2.1 Measurable Performance Objectives

Refer to the Draft 2010/11 - 2012/13 Budget for the measurable performance indicators of the EDC.

The measurable performance indicators show both an annual target as well as quarterly targets to be achieved. The EDC's performance targets are focused on the effective delivery of social housing rental services in the Ekurhuleni Area.

3. OVERVIEW OF BUDGET ASSUMPTIONS

The main budget assumptions are as follows:

It is assumed that:

- the interest rate will not spiral out of proportion for the next year.
- the economy would pick up and not deteriorate further.
- the entity would not create more rental stock through development in the 2010/2011 financial year except the takeover of management of some housing stock.
- the accreditation of the entity by the Social Housing Regulatory Authority.

4. OVERVIEW OF BUDGET FUNDING

The Operating Budget provides funding to the operational requirements of the entity except for the backlog maintenance plan and the shortfall of redemption not covered by the depreciation of the properties. An operating subsidy from EMM will cover this cash flow short fall.

The Operating Budget is developed with certain guiding principles, including the following:

- A Balanced Budget is compiled on an annual basis.
- Income is charged in terms of the approved tariffs. The budget is compiled based on historic trends and adjusted for expected growth and/or contraction in service levels.
- Provision for revenue that will not be collected is made against the "Provision for bad debt" line item. Actual collection levels for the period directly proceeding the budget year is used as a benchmark for setting the expected collection level.
- Interest from investment income is based on the actual long term investments that the Company has, as well as the amount reasonably expected to be earned on cash amounts held during the year. The budgeted financial statements are used as a guide on cash amounts that will be available to generate interest income.
- The budget is compiled net of VAT, i.e. the amounts budgeted for will be the net cost to Company after VAT has been taken into consideration. (except for Pharo Park and Germiston Phase II Housing companies which are not VAT registered - residential rent is VAT exempt).
- The Ekurhuleni Development Company is registered on the Accrual Basis for VAT.
- 100% VAT is claimable on all divisions for expenditure items that comply with the relevant VAT legislation.
- A detailed salary budget is compiled on an annual basis.
- Provision for Bad Debts is based on the annual income targets set in the IDP and SDBIP.
- Individual line items in the Operating Budget are to be reviewed each year when developing the budget to ensure proper control over the expenditure and to examine the possibility of rationalization.
- A detailed salary budget is compiled on an annual basis.
- Provision for Bad Debts is based on the annual income targets set in the IDP and SDBIP.
- Individual line items in the Operating Budget are to be reviewed each year when developing the budget to ensure proper control over the expenditure and to examine the possibility of rationalization.

Budgets of Municipal Entities: Ekurhuleni Development Company

The operating budget is thus funded from the following main sources of income:

- Surplus generated from Rental Income.
- Financial support from EMM.

The Budget Steering Committee facilitates the allocation of resources. The following principles must, as far as possible, be addressed in the implementation of the capital budget:

- Job creation.
- Labour based construction.
- Advancement of SMMEs.
- Supporting of BBBEE.

All capital projects have been taken out of the budget until such time as funding for the project is 100% committed. In the event of capital projects being realised the following main cost components should be considered before capital projects are approved:

- Additional staff cost required to staff any new facility once operational.
- Additional contracted services like external security, cleaning services, etc.
- Additional general expenditure like services cost, stationery, cleaning materials, etc.
- Additional costs to maintain the assets.
- Additional depreciation charges (non cash item).
- Additional interest and redemption to service loans to fund the capital budget.

Projects may, however, also result in additional revenue generation. The impact that the expenditure has, must be offset by the additional revenue generated to determine the real impact on the operating budget, and the possible effect on tariffs.

5. EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES

The expenditure of the operating grant from EMM will be utilized mainly for the redemption of loans and the financing of the backlog maintenance. A 5 year programme for backlog maintenance was drafted for the EDC and using this plan as a guideline to prioritise and address the structural maintenance challenges to ensure the properties will be restored to a good state of repair.

6. BOARD MEMBER ALLOWANCES AND EMPLOYEE BENEFITS

Refer to the Draft 2010/11 - 2012/13 Budget (SUPPLEMENTARY SCHEDULES) for the Board member allowances and Employee benefits of the EDC.

7. MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

Refer to the Draft 2010/11 - 2012/13 Budget (SUPPLEMENTARY SCHEDULES) for the monthly targets for revenue, expenditure and cash flow.

8. CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS

The EDC has entered into an agreement with Xihangu to draft a plan to develop 15 000 social housing units by 2014. This agreement included EMM providing land for these developments to happen.

Negotiations are still ongoing to determine whether the municipality will continue with this contract or EDC.

Except for Xihangu the entity has not entered into any contracts exceeding 3 years.



Budgets of Municipal Entities: Ekurhuleni Development Company

9. CAPITAL EXPENDITURE

The EDC has a small capital budget that caters mainly for the purchasing of equipment, computers and furniture:

Asset	Funding Source	2009/10	2010/11
Computer Equipment	Revenue	50,000	80,000
Furniture	Revenue	45,000	20,000
Equipment	Revenue	20,000	10,000
Total		115,000	110,000

10. LEGISLATION COMPLIANCE STATUS

Departmental 2009/10 Achievements and Challenges

The EDC is required in terms of section 165(1) of the Municipal Finance Management Act (No. 56 of 2003) to have an internal audit unit. Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The Act also requires that the internal audit department must:

- Prepare a risk based audit plan and an internal program for each financial year;
- Advise the accounting officer and report to the audit committee on the implementation of the internal audit plan matters relating to:
 - Internal audit department.
 - Internal control.
- Accounting procedures and practices:
 - Risk and risk management.
 - Performance management.
 - Loss control.
 - Compliance with the MFMA, the annual audit division of Revenue Act and any other applicable legislation.
- Perform such duties as may be assigned to it by the accounting officer.

Internal Audit is further required to audit results of performance measurements in terms of section 45(1) of MSA and regulation 14(1) of Municipal Planning and Performance Management regulation.

Achievements

The 2009/2010 risk based audit plan as required by MFMA was completed and approved by the audit committee.



**EKURHULENI DEVELOPMENT
COMPANY**

**D- TABLES
2010/11 - 2012/13**



Table D1 Budget Summary

Description	2006/7	2007/8	2008/9	Current Year 2009/10			2010/11 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
Financial Performance									
Property rates	–	–	–	–	–	–	–	–	–
Service charges	165	275	477	813	528	528	570	610	653
Investment revenue	257	997	1,408	10	700	705	105	110	115
Transfers recognised - operational	191	388	37	34	37	–	–	–	–
Other own revenue	6,100	6,759	7,915	8,495	8,544	8,566	11,252	11,755	12,316
Total Revenue (excluding capital transfers and contributions)	6,713	8,419	9,837	9,352	9,809	9,800	11,928	12,475	13,084
Employee costs	–	–	–	–	–	–	–	–	–
Remuneration of Board Members	–	–	–	–	–	–	–	–	–
Depreciation and debt impairment	700	114	419	407	407	407	439	470	503
Finance charges	1,277	1,499	1,137	1,060	1,060	1,055	957	889	859
Materials and bulk purchases	1,165	1,099	1,628	510	1,240	1,302	1,302	1,393	1,491
Transfers and grants	–	–	–	–	–	–	–	–	–
Other expenditure	3,776	5,653	5,860	6,353	5,804	5,745	7,728	8,280	8,915
Total Expenditure	6,917	8,365	9,045	8,329	8,511	8,509	10,426	11,031	11,768
Surplus/(Deficit)	(204)	54	792	1,022	1,299	1,291	1,502	1,444	1,316
Transfers recognised - capital	–	–	–	–	–	–	–	–	–
Contributions recognised - capital & contributed assets	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	(204)	54	792	1,022	1,299	1,291	1,502	1,444	1,316
Taxation	–	–	–	–	–	387	451	433	395
Surplus/ (Deficit) for the year	(204)	54	792	1,022	1,299	904	1,051	1,011	921
Capital expenditure & funds sources									
Capital expenditure	–	–	–	–	–	–	–	–	–
Transfers recognised - capital	–	–	–	–	–	–	–	–	–
Public contributions & donations	–	–	–	–	–	–	–	–	–
Borrowing	–	–	–	–	–	–	–	–	–
Internally generated funds	–	–	–	–	–	–	–	–	–
Total sources of capital funds	–	–	–	–	–	–	–	–	–
Financial position									
Total current assets	2,187	12,443	12,096	13,716	13,716	13,516	13,605	13,659	13,714
Total non current assets	18,432	17,650	17,326	16,933	16,933	16,933	16,538	16,141	15,744
Total current liabilities	3,645	3,593	3,776	5,201	5,201	5,201	5,811	5,731	5,651
Total non current liabilities	13,905	23,743	23,624	21,875	21,875	21,875	19,630	17,385	15,139
Community wealth/Equity	3,070	2,757	2,022	3,573	3,573	3,373	4,702	6,685	8,668
Cash flows									
Net cash from (used) operating	2,215	(619)	(147)	426	834	918	1,892	1,854	1,746
Net cash from (used) investing	(1,120)	1,006	1,279	13,134	12,725	12,641	204	391	557
Net cash from (used) financing	(1,888)	(1,495)	(1,545)	(1,545)	(1,545)	(1,545)	(2,245)	(2,245)	(2,245)
Cash/cash equivalents at the year end	2,707	1,599	1,186	13,200	13,200	13,200	13,050	13,050	13,108

Table D2 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2006/7	2007/8	2008/9	Current Year 2009/10			2010/11 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
Revenue by Source	1									
Property rates										
Property rates - penalties & collection charges										
Service charges - electricity revenue		165	196	239	483	264				
Service charges - water revenue			79	238	330	264				
Service charges - refuse revenue							528	570	610	653
Service charges - other		6,019	6,584	7,388	8,131	8,140	8,143	8,795	9,410	10,069
Rental of facilities and equipment		257	997	1,408	10	620	705	105	110	115
Interest earned - external investments						80				
Interest earned - outstanding debtors										
Dividends received										
Fines										
Licences and permits										
Agency services										
Transfers recognised - operational		191	388	37	34	37				
Other revenue		81	175	526	364	404	423	2,458	2,345	2,247
Gains on disposal of PPE										
Total Revenue (excluding capital transfers and contributions)		6,713	8,419	9,837	9,352	9,809	9,800	11,928	12,475	13,084
Expenditure By Type										
Employee related costs										
Remuneration of Directors										
Debt impairment		4 256	114	419	407	407	407	439	470	503
Collection costs			3	542	390	390	387	390	410	430
Depreciation & asset impairment		443	346	406	393	410	393	405	433	464
Finance charges		1,277	1,499	1,137	1,060	1,060	1,055	957	889	859
Bulk purchases	2	1,165	1,099	1,628	510	1,240	1,302	1,302	1,393	1,491
Other materials	5									
Contracted services		2,812	3,807	4,070	3,724	3,791	1,137	1,231	1,317	1,409
Transfers and grants										
Other expenditure		3 963	1,497	843	1,845	1,213	3,829	5,702	6,119	6,612
Loss on disposal of PPE										
Total Expenditure		6,917	8,365	9,045	8,329	8,511	8,509	10,426	11,031	11,768
Surplus/(Deficit)		(204)	54	792	1,022	1,299	1,291	1,502	1,444	1,316
Transfers recognised - capital										
Contributions recognised - capital										
Contributions of PPE										
Surplus/(Deficit) after capital transfers & contributions		(204)	54	792	1,022	1,299	1,291	1,502	1,444	1,316
Taxation							387	451	433	395
Surplus/ (Deficit) for the year		(204)	54	792	1,022	1,299	904	1,051	1,011	921

References

1. Revenue includes sales of: (insert description)
2. Bulk purchases - electricity
3. Bulk purchases - water
4. Expenditure includes repairs & maintenance of:

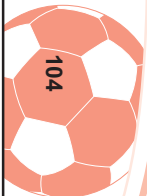


Table D3 Capital Budget by vote and funding

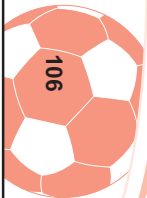
Vote Description R thousands	Ref	2006/7	2007/8	2008/9	Current Year 2009/10			2010/11 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
Multi-Year expenditure N/A										
Capital multi-year expenditure sub-total	2	-	-	-	-	-	-	-	-	-
Single Year expenditure N/A										
Capital single-year expenditure sub-total	2	-	-	-	-	-	-	-	-	-
Total Capital Expenditure	4	-	-	-	-	-	-	-	-	-
Funded by:										
National Government										
Provincial Government										
Parent Municipality										
District Municipality										
Transfers recognised - capital		-	-	-	-	-	-	-	-	-
Public contributions & donations 6										
Borrowing	3									
Internally generated funds										
Total Capital Funding	4	-	-	-	-	-	-	-	-	-

References

1. Municipalities may choose to appropriate for capital expenditure for three years or for one year (if one year appropriation projected expenditure required for yr2 and yr3).
3. Include finance leases and PPP capital funding component of unitary payment
4. Total Capital Funding must balance with Total Capital Expenditure
6. Include contributions from Public Entities; e.g. Eskom
2. Include capital component of PPP unitary payment.

Table D4 Budgeted Financial Position

Description	Ref	2006/7	2007/8	2008/9	Current Year 2009/10			2010/11 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
ASSETS										
Current assets										
Cash		57	499	186	200	200	200	150	157	158
Call investment deposits		2,650	1,100	1,000	1 3,000	1 3,000	1 2,800	1 2,900	1 2,900	1 2,950
Consumer debtors		408	263	228	200	200	200	200	200	200
Other debtors		(928)	1 0,581	1 0,68	2 316	316	316	355	402	406
Current portion of long-term receivables										
Inventory										
Total current assets		2,187	1 2,443	1 2,096	1 3,716	1 3,716	1 3,516	1 3,605	1 3,659	1 3,714
Non current assets										
Long-term receivables	3									
Investments										
Investment property		18,102 1	7,641	17,250 1	6,860	16,860	16,860	16,470	1 6,079	15,689
Property, plant and equipment	1	331	9	75	73	73	73	68	62	56
Agricultural assets										
Biological assets										
Intangible assets										
Total non current assets		18,432	1 7,650	1 7,326	1 6,933	1 6,933	1 6,933	1 6,538	1 6,141	1 5,744
TOTAL ASSETS		20,620	3 0,093	2 9,421	3 0,649	3 0,649	3 0,449	3 0,143	2 9,800	2 9,458
LIABILITIES										
Current liabilities										
Bank overdraft										
Borrowing		1,888	1,495	1,545	1,545	1,545	1,545	2,245	2,245	2,245
Consumer deposits		903	763	1,086	1,142	1,142	1,142	1,202	1,267	1,337
Trade and other payables		855	1,334	1,144	2,513	2,513	2,513	2,363	2,218	2,068
Provisions	3									
Total current liabilities		3,645	3,593	3,776	5,201	5,201	5,201	5,811	5,731	5,651
Non current liabilities										
Borrowing		13,905	23,743	23,624	21,875	21,875	21,875	19,630	17,385	15,139
Provisions	3									
Total non current liabilities		13,905	2 3,743	2 3,624	2 1,875	2 1,875	2 1,875	1 9,630	1 7,385	1 5,139
TOTAL LIABILITIES		17,550	2 7,336	2 7,400	2 7,076	2 7,076	2 7,076	2 5,441	2 3,115	2 0,790
NET ASSETS	2	3,070	2,757	2,022	3,573	3,573	3,373	4,702	6,685	8,668
COMMUNITY WEALTH/EQUITY										
Accumulated Surplus/(Deficit)		(2,390)	(2,666)	(3,363)	(1,774)	(1,774)	(1,974)	(608)	1,412	3,433
Reserves		1,459	1,422	1,385	1,347	1,347	1,347	1,310	1,273	1,236
Share capital		4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
TOTAL COMMUNITY WEALTH/EQUITY		2 3,070	2,757	2,022	3,573	3,573	3,373	4,702	6,685	8,668



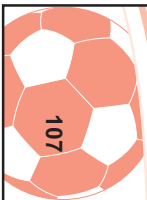
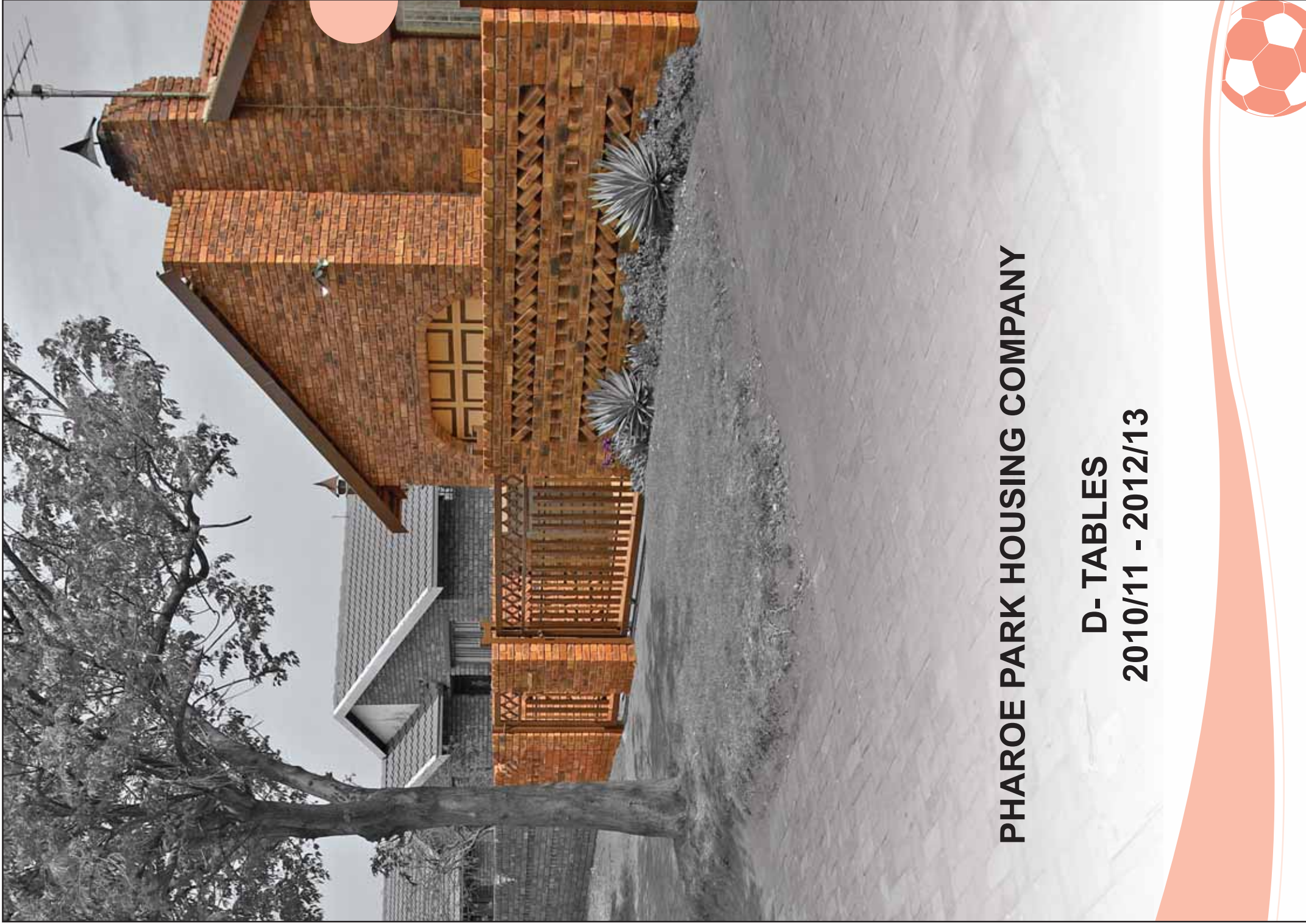


Table D5 Budgeted Cash Flow

Description	Ref	2006/7	2007/8	2008/9	Current Year 2009/10			2010/11 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Ratepayers and other		7,724	7,733	7,736	8,355	8,335	8,335	9,365	10,021	10,722
Government - operating								2,458	2,345	2,247
Government - capital										
Interest		1,408	10	620	10	620	705	105	110	115
Dividends										
Payments	2									
Suppliers and employees		(5,640)	(6,864)	(7,366)	(6,879)	(7,061)	(7,067)	(9,079)	(9,733)	(10,479)
Finance charges		(1,277)	(1,499)	(1,137)	(1,060)	(1,060)	(1,055)	(957)	(889)	(859)
Dividends paid										
Transfers and Grants										
NET CASH FROM/(USED) OPERATING ACTIVITIES		2,215	(619)	(147)	426	834	918	1,892	1,854	1,746
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE										
Decrease (Increase) in non-current debtors		(600)	56	545	(66)	(15)	(100)	(256)	(106)	79
Decrease (increase) other non-current receivables		(220)	(250)	534	200	(260)	(259)	266	340	278
Decrease (increase) in non-current investments		(300)	1,200	200	13,000	13,000	13,000	194	157	200
Payments										
Capital assets										
NET CASH FROM/(USED) INVESTING ACTIVITIES		(1,120)	1,006	1,279	13,134	12,725	12,641	204	391	557
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans		(1,888)	(1,495)	(1,545)	(1,545)	(1,545)	(1,545)	(2,245)	(2,245)	(2,245)
Borrowing long term/refinancing										
Increase (decrease) in consumer deposits										
Payments										
Repayment of borrowing										
NET CASH FROM/(USED) FINANCING ACTIVITIES		(1,888)	(1,495)	(1,545)	(1,545)	(1,545)	(1,545)	(2,245)	(2,245)	(2,245)
NET INCREASE/ (DECREASE) IN CASH HELD	1	(793)	(1,108)	(413)	12,014	12,014	12,014	(149)	(1)	58
Cash/cash equivalents at the year begin:		23,500	2,707	1,599	1,186	1,186	1,186	13,200	13,050	13,050
Cash/cash equivalents at the year end:	2	2,707	1,599	1,186	13,200	13,200	13,200	13,050	13,050	13,108

Supporting Table SD4 Board member allowances and staff benefits

Summary of Employee and Board Member remuneration R thousands	Ref	2006/7	2007/8	2008/9	Current Year 2009/10 & Expenditure Framework			2010/11 Medium Term Revenue		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
Remuneration										
Board Members of Entities										
Basic Salaries										
Pension Contributions										
Medical Aid Contributions										
Motor vehicle allowance										
Cell phone allowance										
Housing allowance										
Other benefits and allowances										
In-kind benefits	1									
Board Fees				407	350	350	350	385	360	370
Sub Total - Board Members of Entities		-	-	407	350	350	350	385	360	370
% increase				#DIV/0!	(0)	(0)	(0)	0	(0)	2.8%
Senior Managers of Entities										
Basic Salaries				1,199	1,425	1,773	1,773	2,339	2,502	2,677
Pension Contributions				84	102	124	124	164	175	187
Medical Aid Contributions			27	24	60	60	97	104	111	
Motor vehicle allowance										
Cell phone allowance										
Housing allowance										
Performance Bonus				120	145	137	137	234	250	268
Other benefits or allowances										
In-kind benefits 1										
Sub Total - Senior Managers of Entities		-	-	1,429	1,696	2,095	2,095	2,833	3,031	3,244
% increase				#DIV/0!	0	0	0	0	0	7.0%
Other Staff of Entities										
Basic Salaries				2,351	2,902	2,121	2,121	2,927	3,132	3,351
Pension Contributions				115	203	148	148	205	219	235
Medical Aid Contributions				18	96	102	102	145	155	166
Motor vehicle allowance										
Cell phone allowance										
Housing allowance										
Overtime										
Performance Bonus				196	266	177	177	244	261	279
Other benefits or allowances										
In-kind benefits 1										
Sub Total - Other Staff of Entities		-	-	2,680	3,467	2,548	2,548	3,521	3,768	4,032
% increase #DIV/0!				0	0	0	0	0	0	7.0%
Total Municipal Entities remuneration		-	-	4,516	5,513	4,993	4,993	6,739	7,159	7,645



PHAROE PARK HOUSING COMPANY

**D- TABLES
2010/11 - 2012/13**



Table D1 Budget Summary

Description	2006/7	2007/8	2008/9	Current Year 2009/10			2010/11 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
R thousands									
Financial Performance									
Property rates	–	–	–	–	–	–	–	–	–
Service charges	–	–	–	–	–	–	–	–	–
Investment revenue	111	40	6	2	8	8	8	6	6
Transfers recognised - operational	–	161	91	–	–	–	–	–	–
Other own revenue	4,349	5,559	6,765	6,529	7,115	6,529	9,758	10,066	10,710
Total Revenue (excluding capital transfers and contributions)	4,460	5,760	6,861	6,531	7,123	6,537	9,766	10,072	10,716
Employee costs	2,643	3,327	3,967	5,520	5,939	4,993	6,748	7,183	7,704
Remuneration of Board Members	48	192	407	350	350	347	385	360	370
Depreciation and debt impairment	116	–	–	–	–	–	–	–	–
Finance charges	15	–	–	–	–	–	–	–	–
Materials and bulk purchases	25	25	26	41	41	34	45	49	53
Transfers and grants	–	–	–	–	–	–	–	–	–
Other expenditure	1,391	2,244	2,392	2,637	2,781	2,541	2,587	2,442	2,568
Total Expenditure	4,239	5,787	6,793	8,548	9,111	7,915	9,765	10,033	10,696
Surplus/(Deficit)	221	(28)	68	(2,017)	(1,988)	(1,377)	1	39	20
Transfers recognised - capital	–	–	–	–	–	–	–	–	–
Contributions recognised - capital & contributed assets	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	221	(28)	68	(2,017)	(1,988)	(1,377)	1	39	20
Taxation	41	–	(21)	–	90	110	–	–	–
Surplus/ (Deficit) for the year	180	(28)	89	(2,017)	(2,078)	(1,487)	1	39	20
Capital expenditure & funds sources									
Capital expenditure	–	–	–	115	–	–	110	90	75
Transfers recognised - capital	–	–	–	–	–	–	–	–	–
Public contributions & donations	–	–	–	–	–	–	–	–	–
Borrowing	–	–	–	–	–	–	–	–	–
Internally generated funds	–	–	–	–	–	–	–	–	–
Total sources of capital funds	–	–	–	–	–	–	–	–	–
Financial position									
Total current assets	11,281	470	475	533	533	533	536	547	556
Total non current assets	263	167	270	214	214	214	224	194	174
Total current liabilities	674	598	488	510	490	490	525	540	525
Total non current liabilities	10,794	–	–	–	–	–	–	–	–
Community wealth/Equity	78	39	257	237	257	257	235	201	205
Cash flows									
Net cash from (used) operating	362	25	63	(1,836)	(1,808)	(1,215)	184	222	205
Net cash from (used) investing	10,000	1,655	(1,264)	1,947	1,918	1,326	(165)	(213)	(198)
Net cash from (used) financing	–	(10,794)	47	–	–	–	–	–	–
Cash/cash equivalents at the year end	10,373	1,259	105	215	215	215	234	243	250

Table D2 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2006/7	2007/8	2008/9	Current Year 2009/10			2010/11 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
Revenue by Source	1									
Property rates		–	–	–	–	–	–	–	–	–
Property rates - penalties & collection charges		–	–	–	–	–	–	–	–	–
Service charges - electricity revenue		–	–	–	–	–	–	–	–	–
Service charges - water revenue		–	–	–	–	–	–	–	–	–
Service charges - sanitation revenue		–	–	–	–	–	–	–	–	–
Service charges - refuse revenue		–	–	–	–	–	–	–	–	–
Service charges - other		–	–	–	–	–	–	–	–	–
Rental of facilities and equipment		–	–	–	–	–	–	–	–	–
Interest earned - external investments		111	40	6	2	8	8	8	6	6
Interest earned - outstanding debtors		–	–	–	–	–	–	–	–	–
Dividends received		–	–	–	–	–	–	–	–	–
Fines		–	–	–	–	–	–	–	–	–
Licences and permits		–	–	–	–	–	–	–	–	–
Agency services		–	–	–	–	–	–	–	–	–
Transfers recognised - operational		–	161	91	–	–	–	–	–	–
Other revenue		4,349	5,559	6,769	6,529	7,115	6,529	9,758	10,066	10,710
Gains on disposal of PPE (4)		–	–	–	–	–	–	–	–	–
Total Revenue (excluding capital transfers and contributions)		4,460	5,760	6,861	6,531	7,123	6,537	9,766	10,072	10,716
Expenditure By Type										
Employee related costs		2,643	3,327	3,967	5,520	5,939	4,993	6,748	7,183	7,704
Remuneration of Directors		48	192	407	350	350	347	385	360	370
Debt impairment	4	–	–	–	–	–	–	–	–	–
Collection costs		–	–	–	–	–	–	–	–	–
Depreciation & asset impairment		116	139	99	180	180	162	183	183	185
Finance charges	15	–	–	–	–	–	–	–	–	–
Bulk purchases	2	25	25	26	41	41	34	45	49	53
Other materials	5	–	–	–	–	–	–	–	–	–
Contracted services		80	73	72	214	105	258	283	217	222
Transfers and grants		–	–	–	–	–	–	–	–	–
Other expenditure	3	1,302	2,032	2,221	2,243	2,495	2,122	2,122	2,041	2,161
Loss on disposal of PPE	10	–	–	–	–	–	–	–	–	–
Total Expenditure		4,239	5,787	6,793	8,548	9,111	7,915	9,765	10,033	10,696
Surplus/(Deficit)		221	(28)	68	(2,017)	(1,988)	(1,377)	1	39	20
Transfers recognised - capital		–	–	–	–	–	–	–	–	–
Contributions recognised - capital		–	–	–	–	–	–	–	–	–
Contributions of PPE		–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions		221	(28)	68	(2,017)	(1,988)	(1,377)	1	39	20
Taxation		41	–	(21)	–	90	110	–	–	–
Surplus/ (Deficit) for the year		180	(28)	89	(2,017)	(2,078)	(1,487)	1	39	20

References

1. Revenue includes sales of: (insert description)
2. Bulk purchases - electricity
2. Bulk purchases - water
3. Expenditure includes repairs & maintenance of:



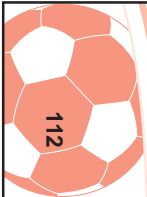


Table D3 Capital Budget by vote and funding

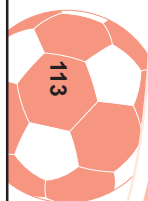
Vote Description	Ref	2006/7	2007/8	2008/9	Current Year 2009/10			2010/11 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
Multi-Year expenditure										
Computer Equipment					50			80	40	40
Furniture					45			20	30	20
Equipment					20			10	20	15
Capital multi-year expenditure sub-total	2	-	-	-	115	-	-	110	90	75
Single Year expenditure										
Insert single year budgets and indicative estimates										
Capital single-year expenditure sub-total	2	-	-	-	-	-	-	-	-	-
Total Capital Expenditure	4	-	-	-	115	-	-	110	90	75
Funded by:										
National Government										
Provincial Government										
Parent Municipality										
District Municipality										
Transfers recognised - capital		-	-	-	-	-	-	-	-	-
Public contributions & donations	6									
Borrowing	3									
Internally generated funds										
Total Capital Funding	4	-	-	-	-	-	-	-	-	-

References

1. Municipalities may choose to appropriate for capital expenditure for three years or for one year (if one year appropriation projected expenditure required for yr2 and yr3).
2. Include capital component of PPP unitary payment.
3. Include finance leases and PPP capital funding component of unitary payment
4. Total Capital Funding must balance with Total Capital Expenditure
6. Include contributions from Public Entities; e.g. Eskom

Table D4 Budgeted Financial Position

Description	Ref	2006/7	2007/8	2008/9	Current Year 2009/10			2010/11 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
ASSETS										
Current assets										
Cash		489	1,259	105	215	215	215	234	243	250
Call investment deposits		9,884								
Consumer debtors		909								
Other debtors		(789)	370	318	318	318	302	304	306	
Current portion of long-term receivables										
Inventory										
Total current assets		11,281	470	475	533	533	533	536	547	556
Non current assets										
Long-term receivables	3									
Investments										
Investment property										
Property, plant and equipment	1	263	167	270	214	214	214	224	194	174
Agricultural assets										
Biological assets										
Intangible assets										
Total non current assets		263	167	270	214	214	214	224	194	174
TOTAL ASSETS		11,545	637	746	747	747	747	760	741	730
LIABILITIES										
Current liabilities										
Bank overdraft										
Borrowing										
Consumer deposits										
Trade and other payables		566	467	358	370	370	370	400	410	390
Provisions	3	107	131	131	140	120	120	125	130	135
Total current liabilities		674	598	488	510	490	490	525	540	525
Non current liabilities										
Borrowing		10,794								
Provisions	3									
Total non current liabilities		10,794	-	-	-	-	-	-	-	-
TOTAL LIABILITIES		11,467	598	488	510	490	490	525	540	525
NET ASSETS	2	78	39	257	237	257	257	235	201	205
COMMUNITY WEALTH/EQUITY										
Accumulated Surplus/(Deficit)		78	39	257	237	257	257	235	201	205
Reserves										
Share capital		0	0	0	0	0	0	0	0	0
TOTAL COMMUNITY WEALTH/EQUITY	2	78	39	257	237	257	257	235	201	205



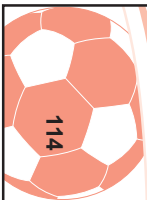
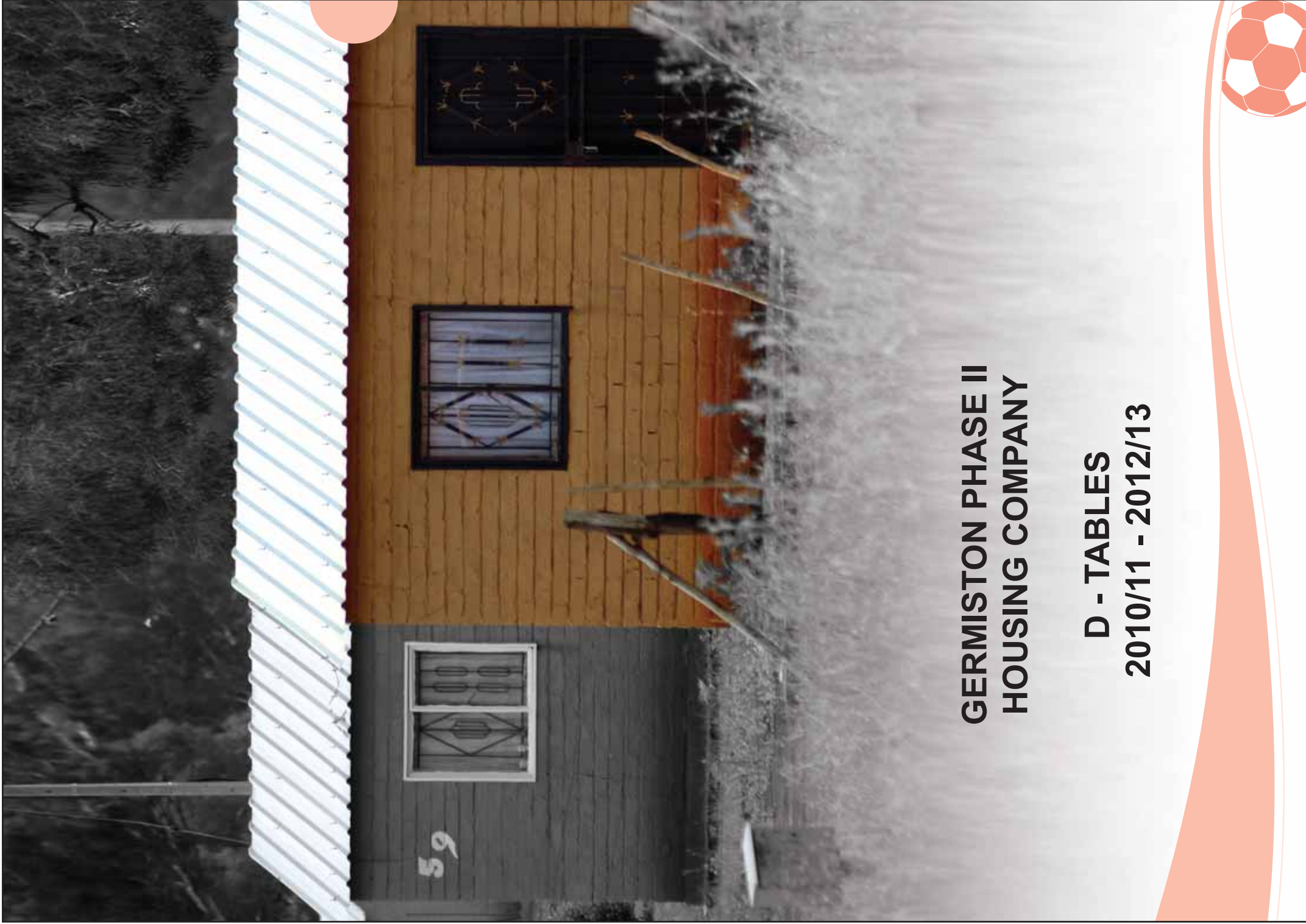


Table D5 Budgeted Cash Flow

Description	Ref	2006/7	2007/8	2008/9	Current Year 2009/10			2010/11 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Ratepayers and other		4,349	5,780	6,809	6,529	7,115	6,529	9,758	10,066	10,710
Government - operating										
Government - capital										
Interest		111	40	6	2	8	8	8	6	6
Dividends										
Payments										
Suppliers and employees	2	(4,098)	(5,772)	(6,751)	(8,368)	(8,931)	(7,753)	(9,582)	(9,850)	(10,511)
Finance charges			(23)	-						
Dividends paid										
Transfers and Grants										
NET CASH FROM/(USED) OPERATING ACTIVITIES		362	25	63	(1,836)	(1,808)	(1,215)	184	222	205
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE		4								
Decrease (Increase) in non-current debtors		(567)		28	1,400	1,500	1,390	(140)	(130)	(125)
Decrease (increase) other non-current receivables		(31)			547	418	(64)	(25)	(83)	(73)
Decrease (increase) in non-current investments		10,594	1,722	(1,194)						
Payments										
Capital assets			(68)	(98)						
NET CASH FROM/(USED) INVESTING ACTIVITIES		10,000	1,655	(1,264)	1,947	1,918	1,326	(165)	(213)	(198)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans 47										
Borrowing long term/refinancing										
Increase (decrease) in consumer deposits										
Payments										
Repayment of borrowing (10,794)										
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	(10,794)	47	-	-	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD	1	10,362	(9,113)	(1,154)	111	110	111	19	9	7
Cash/cash equivalents at the year begin:	2	11	10,373	1,259	105	105	105	215	234	243
Cash/cash equivalents at the year end:	2	10,373	1,259	105	215	215	215	234	243	250



**GERMISTON PHASE II
HOUSING COMPANY**

**D - TABLES
2010/11 - 2012/13**



Table D1 Budget Summary

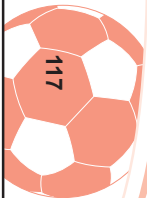
Description	2006/7	2007/8	2008/9	Current Year 2009/10			2010/11 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
Financial Performance									
Property rates	–	–	–	–	–	–	–	–	–
Service charges	277	399	615	632	698	681	736	787	835
Investment revenue	269	399	224	10	135	45	45	10	10
Transfers recognised - operational	34	34	34	34	34	34	34	34	34
Other own revenue	8,171	8,723	10,165	10,900	10,808	10,841	13,841	14,475	15,396
Total Revenue (excluding capital transfers and contributions)	8,751	9,555	11,038	11,576	11,675	11,601	14,656	15,307	16,274
Employee costs	–	–	–	–	–	–	–	–	–
Remuneration of Board Members	–	–	–	–	–	–	–	–	–
Depreciation and debt impairment	1,029	265	473	491	491	491	550	578	686
Finance charges	2,558	2,642	2,257	2,140	2,248	2,326	1,854	1,825	1,787
Materials and bulk purchases	1,121	1,134	1,487	–	1,238	1,257	1,384	1,453	1,525
Transfers and grants	–	–	–	–	–	–	–	–	–
Other expenditure	4,019	5,479	6,593	7,782	6,818	6,664	8,797	9,447	10,172
Total Expenditure	8,726	9,521	10,810	10,413	10,795	10,739	12,584	13,302	14,171
Surplus/(Deficit)	24	34	228	1,162	880	862	2,072	2,005	2,104
Transfers recognised - capital	–	–	–	–	–	–	–	–	–
Contributions recognised - capital & contributed assets	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	24	34	228	1,162	880	862	2,072	2,005	2,104
Taxation	–	–	–	348	–	249	611	591	621
Surplus/ (Deficit) for the year	24	34	228	814	880	614	1,461	1,413	1,483
Capital expenditure & funds sources									
Capital expenditure	–	–	–	–	–	–	–	–	–
Transfers recognised - capital	–	–	–	–	–	–	–	–	–
Public contributions & donations	–	–	–	–	–	–	–	–	–
Borrowing	–	–	–	–	–	–	–	–	–
Internally generated funds	–	–	–	–	–	–	–	–	–
Total sources of capital funds	–	–	–	–	–	–	–	–	–
Financial position									
Total current assets	5,057	4,446	4,556	4,759	4,759	4,759	5,201	5,304	5,351
Total non current assets	26,977	26,396	25,815	25,233	25,233	25,233	24,651	24,069	23,487
Total current liabilities	3,611	3,607	4,484	3,017	3,017	3,017	3,777	3,817	3,827
Total non current liabilities	23,083	21,861	21,806	21,806	21,806	21,806	19,609	17,412	15,215
Community wealth/Equity	5,340	5,374	4,081	5,169	5,169	5,169	6,466	8,144	9,796
Cash flows									
Net cash from (used) operating	1,019	752	1,699	2,398	1,984	2,076	6,011	5,711	5,868
Net cash from (used) investing	190	644	(2,950)	(916)	(502)	(238)	(3,063)	(2,933)	(3,082)
Net cash from (used) financing	(1,559)	(1,662)	(1,088)	(1,471)	(1,471)	(1,471)	(2,137)	(2,157)	(2,147)
Cash/cash equivalents at the year end	3,842	3,576	1,237	1,248	1,248	1,604	2,415	3,036	3,675

Table D2 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2006/7	2007/8	2008/9	Current Year 2009/10			2010/11 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
Revenue by Source 1										
Property rates										
Property rates - penalties & collection charges										
Service charges - electricity revenue		277	301	322	329	363	356	369	391	403
Service charges - water revenue		98	293	303	335	325	367	396	432	
Service charges - refuse revenue										
Service charges - other										
Rental of facilities and equipment		8,069	8,517	9,361	10,303	10,303	10,294	11,118	12,007	12,968
Interest earned - external investments		269	399	224	10	50	45	45	10	10
Interest earned - outstanding debtors						85				
Dividends received										
Fines										
Licences and permits										
Agency services										
Transfers recognised - operational		34	34	34	34	34	34	34	34	34
Other revenue		102	206	804	597	505	547	2,724	2,468	2,428
Gains on disposal of PPE										
Total Revenue (excluding capital transfers and contributions)		8,751	9,555	11,038	11,576	11,675	11,601	14,656	15,307	16,274
Expenditure By Type										
Employee related costs										
Remuneration of Directors										
Debt impairment	4	447	265	473	491	491	491	550	578	686
Collection costs	3	744	500	485	500	485	509	535		
Depreciation & asset impairment		581	581	581	581	581	581	581	581	581
Finance charges		2,558	2,642	2,257	2,140	2,248	2,326	1,854	1,825	1,787
Bulk purchases	2	1,121	1,134	1,487		1,238	1,257	1,384	1,453	1,525
Other materials	5									
Contracted services		3,040	3,958	4,231	4,225	4,485	1,188	1,314	1,427	1,546
Transfers and grants										
Other expenditure	3	979	937	1,037	2,476	1,267	4,395	6,416	6,929	7,510
Loss on disposal of PPE										
Total Expenditure		8,726	9,521	10,810	10,413	10,795	10,739	12,584	13,302	14,171
Surplus/(Deficit)		24	34	228	1,162	880	862	2,072	2,005	2,104
Transfers recognised - capital										
Contributions recognised - capital										
Contributions of PPE										
Surplus/(Deficit) after capital transfers & contributions		24	34	228	1,162	880	862	2,072	2,005	2,104
Taxation					348		249	611	591	621
Surplus/ (Deficit) for the year		24	34	228	814	880	614	1,461	1,413	1,483

References

1. Revenue includes sales of: (insert description)
2. Bulk purchases - electricity
2. Bulk purchases - water
3. Expenditure includes repairs & maintenance of:



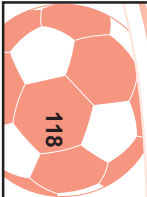


Table D3 Capital Budget by vote and funding

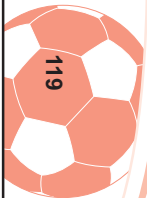
Vote Description R thousands	Ref	2006/7	2007/8	2008/9	Current Year 2009/10			2010/11 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
Multi-Year expenditure N/A										
Capital multi-year expenditure sub-total	2	-	-	-	-	-	-	-	-	-
Single Year expenditure N/A										
Capital single-year expenditure sub-total	2	-	-	-	-	-	-	-	-	-
Total Capital Expenditure	4	-	-	-	-	-	-	-	-	-
Funded by:										
National Government										
Provincial Government										
Parent Municipality										
District Municipality										
Transfers recognised - capital		-	-	-	-	-	-	-	-	-
Public contributions & donations	6									
Borrowing	3									
Internally generated funds										
Total Capital Funding	4	-	-	-	-	-	-	-	-	-

References

1. Municipalities may choose to appropriate for capital expenditure for three years or for one year (if one year appropriation projected expenditure required for yr2 and yr3).
2. Include capital component of PPP unitary payment.
3. Include finance leases and PPP capital funding component of unitary payment
4. Total Capital Funding must balance with Total Capital Expenditure
6. Include contributions from Public Entities; e.g. Eskom

Table D4 Budgeted Financial Position

Description	Ref	2006/7	2007/8	2008/9	Current Year 2009/10			2010/11 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
ASSETS										
Current assets										
Cash		142	576	237	248	248	248	190	170	156
Call investment deposits		3,700	3,000	1,000	1,000	1,000	1,000	1,500	1,750	2,000
Consumer debtors		569	286	406	665	665	665	715	738	749
Other debtors		645	584	2,913	2,846	2,846	2,846	2,796	2,646	2,446
Current portion of long-term receivables										
Inventory										
Total current assets		5,057	4,446	4,556	4,759	4,759	4,759	5,201	5,304	5,351
Non current assets										
Long-term receivables	3									
Investments										
Investment property		26,977	26,396	25,815	25,233	25,233	25,233	24,651	24,069	23,487
Property, plant and equipment	1									
Agricultural assets										
Biological assets										
Intangible assets										
Total non current assets		26,977	26,396	25,815	25,233	25,233	25,233	24,651	24,069	23,487
TOTAL ASSETS		32,034	30,842	30,371	29,992	29,992	29,992	29,852	29,373	28,838
LIABILITIES										
Current liabilities										
Bank overdraft										
Borrowing		1,609	1,497	1,497	1,497	1,497	1,497	2,197	2,197	2,197
Consumer deposits		1,249	1,084	1,493	1,519	1,519	1,519	1,579	1,619	1,629
Trade and other payables		753	1,026	1,493						
Provisions	3									
Total current liabilities		3,611	3,607	4,484	3,017	3,017	3,017	3,777	3,817	3,827
Non current liabilities										
Borrowing		23,083	21,861	21,806	21,806	21,806	21,806	19,609	17,412	15,215
Provisions	3									
Total non current liabilities		23,083	21,861	21,806	21,806	21,806	21,806	19,609	17,412	15,215
TOTAL LIABILITIES		26,694	25,468	26,290	24,823	24,823	24,823	23,385	21,228	19,041
NET ASSETS		25,340	5,374	4,081	5,169	5,169	5,169	6,466	8,144	9,796
COMMUNITY WEALTH/EQUITY										
Accumulated Surplus/(Deficit)		(76)	(8)	(1,268)	(146)	(146)	(146)	1,185	2,897	4,582
Reserves		1,416	1,383	1,349	1,315	1,315	1,315	1,281	1,248	1,214
Share capital		4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
TOTAL COMMUNITY WEALTH/EQUITY		25,340	5,374	4,081	5,169	5,169	5,169	6,466	8,144	9,796



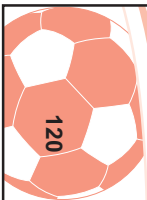


Table D5 Budgeted Cash Flow

Description	Ref	2006/7	2007/8	2008/9	Current Year 2009/10			2010/11 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Ratepayers and other		8,448	9,024	10,487	11,229	11,171	11,197	14,210	14,866	15,799
Government - operating								2,724	2,468	2,428
Government - capital										
Interest		269	399	224	10	50	45	45	10	10
Dividends										
Payments										
Suppliers and employees	2	(5,140)	(6,029)	(6,755)	(6,701)	(6,990)	(6,840)	(9,114)	(9,809)	(10,581)
Finance charges		(2,558)	(2,642)	(2,257)	(2,140)	(2,248)	(2,326)	(1,854)	(1,825)	(1,787)
Dividends paid										
Transfers and Grants										
NET CASH FROM/(USED) OPERATING ACTIVITIES		1,019	752	1,699	2,398	1,984	2,076	6,011	5,711	5,868
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE										
Decrease (Increase) in non-current debtors		(172)	486	(605)	(545)	(245)	(162)	(1,663)	(1,493)	(1,579)
Decrease (increase) other non-current receivables		197	858	(345)	(371)	(257)	(76)	(1,900)	(1,690)	(1,753)
Decrease (increase) in non-current investments		165	(700)	(2,000)				500	250	250
Payments										
Capital assets										
NET CASH FROM/(USED) INVESTING ACTIVITIES		190	644	(2,950)	(916)	(502)	(238)	(3,063)	(2,933)	(3,082)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans										
Borrowing long term/refinancing										
Increase (decrease) in consumer deposits		50	(165)	409	26	26	26	60	40	50
Payments										
Repayment of borrowing		(1,609)	(1,497)	(1,497)	(1,497)	(1,497)	(1,497)	(2,197)	(2,197)	(2,197)
NET CASH FROM/(USED) FINANCING ACTIVITIES		(1,559)	(1,662)	(1,088)	(1,471)	(1,471)	(1,471)	(2,137)	(2,157)	(2,147)
NET INCREASE/ (DECREASE) IN CASH HELD	1	(350)	(266)	(2,339)	11	11	367	811	621	639
Cash/cash equivalents at the year begin:	2	4,192	3,842	3,576	1,237	1,237	1,237	1,604	2,415	3,036
Cash/cash equivalents at the year end:	2	3,842	3,576	1,237	1,248	1,248	1,604	2,415	3,036	3,675



LETHABONG HOUSING INSTITUTE

D - TABLES
2010/11 - 2012/13



Table D1 Budget Summary

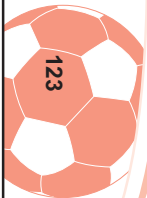
Description	2006/7	2007/8	2008/9	Current Year 2009/10			2010/11 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
R thousands									
Financial Performance									
Property rates	–	–	–	–	–	–	–	–	–
Service charges	–	–	–	–	–	–	–	–	–
Investment revenue	463	229	93	10	13	13	13	13	13
Transfers recognised - operational	–	–	–	–	–	–	–	–	–
Other own revenue	135	–	–	–	–	–	2,050	2,050	2,080
Total Revenue (excluding capital transfers and contributions)	598	229	93	10	13	13	2,063	2,063	2,093
Employee costs	–	–	–	–	–	–	–	–	–
Remuneration of Board Members	112	16	–	–	–	–	–	–	–
Depreciation and debt impairment	–	2,447	–	–	–	–	–	–	–
Finance charges	1	–	–	–	–	–	–	–	–
Materials and bulk purchases	–	25	49	–	160	160	166	178	190
Transfers and grants	–	–	–	–	–	–	–	–	–
Other expenditure	586	1,633	2,114	1,630	1,430	1,445	1,862	1,871	1,886
Total Expenditure	699	4,121	2,163	1,630	1,590	1,605	2,028	2,048	2,076
Surplus/(Deficit)	(101)	(3,892)	(2,070)	(1,620)	(1,577)	(1,592)	35	15	17
Transfers recognised - capita	–	–	–	–	–	–	–	–	–
Contributions recognised - capital & contributed assets	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	(101)	(3,892)	(2,070)	(1,620)	(1,577)	(1,592)	35	15	17
Taxation	–	–	–	(40)	–	–	–	–	–
Surplus/ (Deficit) for the year	(101)	(3,892)	(2,070)	(1,580)	(1,577)	(1,592)	35	15	17
Capital expenditure & funds sources									
Capital expenditure	–	–	–	–	–	–	–	–	–
Transfers recognised - capital	–	–	–	–	–	–	–	–	–
Public contributions & donations	–	–	–	–	–	–	–	–	–
Borrowing	–	–	–	–	–	–	–	–	–
Internally generated funds	–	–	–	–	–	–	–	–	–
Total sources of capital funds	–	–	–	–	–	–	–	–	–
Financial position									
Total current assets	22,361	17,657	13,901	13,886	13,886	13,886	14,750	15,570	16,190
Total non current assets	–	–	–	–	–	–	–	–	–
Total current liabilities	482	1,017	543	250	250	250	230	220	210
Total non current liabilities	–	–	–	–	–	–	–	–	–
Community wealth/Equity	21,879	16,640	13,358	13,636	13,636	13,636	14,520	15,350	15,980
Cash flows									
Net cash from (used) operating	(101)	(1,420)	(2,021)	(1,620)	(1,417)	(1,417)	217	209	225
Net cash from (used) investing	–	(4,480)	1,749	1,491	1,288	1,288	5,783	(190)	(205)
Net cash from (used) financing	–	–	–	–	–	–	–	–	–
Cash/cash equivalents at the year end	6,552	651	379	250	250	250	6,250	6,270	6,290

Table D2 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2006/7	2007/8	2008/9	Current Year 2009/10			2010/11 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
Revenue by Source	1									
Property rates		–	–	–	–	–	–	–	–	–
Property rates - penalties & collection charges		–	–	–	–	–	–	–	–	–
Service charges - electricity revenue		–	–	–	–	–	–	–	–	–
Service charges - water revenue		–	–	–	–	–	–	–	–	–
Service charges - sanitation revenue		–	–	–	–	–	–	–	–	–
Service charges - refuse revenue		–	–	–	–	–	–	–	–	–
Service charges - other		–	–	–	–	–	–	–	–	–
Rental of facilities and equipment		–	–	–	–	–	–	–	–	–
Interest earned - external investments		463	229	93	10	13	13	13	13	13
Interest earned - outstanding debtors		–	–	–	–	–	–	–	–	–
Dividends received		–	–	–	–	–	–	–	–	–
Fines		–	–	–	–	–	–	–	–	–
Licences and permits		–	–	–	–	–	–	–	–	–
Agency services		–	–	–	–	–	–	–	–	–
Transfers recognised - operational		–	–	–	–	–	–	–	–	–
Other revenue		135	–	–	–	–	–	2,050	2,050	2,080
Gains on disposal of PPE		–	–	–	–	–	–	–	–	–
Total Revenue (excluding capital transfers and contributions)		598	229	93	10	13	13	2,063	2,063	2,093
Expenditure By Type										
Employee related costs		112	16	–	–	–	–	–	–	–
Remuneration of Directors		–	2,447	–	–	–	–	–	–	–
Debt impairment	4	–	–	–	–	–	–	–	–	–
Collection costs		–	–	–	–	–	15	16	17	18
Depreciation & asset impairment		–	–	–	–	–	–	–	–	–
Finance charges	1	–	–	–	–	–	–	–	–	–
Bulk purchases	2	–	25	49	–	160	160	166	178	190
Other materials	5	–	–	–	–	–	–	–	–	–
Contracted services		4	1,118	1,540	1,630	1,430	1,430	1	1	1
Transfers and grants		–	–	–	–	–	–	–	–	–
Other expenditure	3	582	515	574	–	–	–	1,845	1,853	1,867
Loss on disposal of PPE		–	–	–	–	–	–	–	–	–
Total Expenditure		699	4,121	2,163	1,630	1,590	1,605	2,028	2,048	2,076
Surplus/(Deficit)		(101)	(3,892)	(2,070)	(1,620)	(1,577)	(1,592)	35	15	17
Transfers recognised - capital		–	–	–	–	–	–	–	–	–
Contributions recognised - capital		–	–	–	–	–	–	–	–	–
Contributions of PPE		–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions		(101)	(3,892)	(2,070)	(1,620)	(1,577)	(1,592)	35	15	17
Taxation		–	–	–	(40)	–	–	–	–	–
Surplus/ (Deficit) for the year		(101)	(3,892)	(2,070)	(1,580)	(1,577)	(1,592)	35	15	17

References

1. Revenue includes sales of: (insert description)
2. Bulk purchases - electricity
2. Bulk purchases - water
3. Expenditure includes repairs & maintenance of:



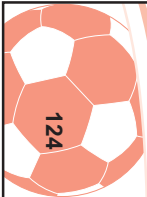


Table D3 Capital Budget by vote and funding

Vote Description R thousands	Ref	2006/7	2007/8	2008/9	Current Year 2009/10			2010/11 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
Multi-Year expenditure										
N/A										
Capital multi-year expenditure sub-total	2	-	-	-	-	-	-	-	-	-
N/A										
Capital single-year expenditure sub-total	2	-	-	-	-	-	-	-	-	-
Total Capital Expenditure	4	-	-	-	-	-	-	-	-	-
Funded by:										
National Government										
Provincial Government										
Parent Municipality										
District Municipality										
Transfers recognised - capital		-	-	-	-	-	-	-	-	-
Public contributions & donations	6									
Borrowing	3									
Internally generated funds										
Total Capital Funding	4	-	-	-	-	-	-	-	-	-

References

1. Municipalities may choose to appropriate for capital expenditure for three years or for one year (if one year appropriation projected expenditure required for yr2 and yr3).
2. Include capital component of PPP unitary payment.
3. Include finance leases and PPP capital funding component of unitary payment
4. Total Capital Funding must balance with Total Capital Expenditure
6. Include contributions from Public Entities; e.g. Eskom

Table D4 Budgeted Financial Position

Description	Ref	2006/7	2007/8	2008/9	Current Year 2009/10			2010/11 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
ASSETS										
Current assets										
Cash		6,052	150	127				6,000	20	40
Call investment deposits		500	500	251	250	250	250	250	6,250	6,250
Consumer debtors										
Other debtors		2,182	2,812	902	760	760	760	1,500	2,300	2,900
Current portion of long-term receivables										
Inventory		13,628	14,195	12,620	12,876	12,876	12,876	7,000	7,000	7,000
Total current assets		22,361	17,657	13,901	13,886	13,886	13,886	14,750	15,570	16,190
Non current assets										
Long-term receivables	3									
Investments										
Investment property --										
Property, plant and equipment 1										
Agricultural assets										
Biological assets										
Intangible assets										
Total non current assets		-	-	-	-	-	-	-	-	-
TOTAL ASSETS		22,361	17,657	13,901	13,886	13,886	13,886	14,750	15,570	16,190
LIABILITIES										
Current liabilities										
Bank overdraft										
Borrowing										
Consumer deposits										
Trade and other payables		49	733	543	250	250	250	230	220	210
Provisions 3 433 284										
Total current liabilities		482	1,017	543	250	250	250	230	220	210
Non current liabilities										
Borrowing										
Provisions 3										
Total non current liabilities		-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES		482	1,017	543	250	250	250	230	220	210
NET ASSETS	2	21,879	16,640	13,358	13,636	13,636	13,636	14,520	15,350	15,980
COMMUNITY WEALTH/EQUITY										
Accumulated Surplus/(Deficit)	2	1,879	16,640	13,358	13,636	13,636	13,636	14,520	15,350	15,980
Reserves										
Share capital										
TOTAL COMMUNITY WEALTH/EQUITY	2	21,879	16,640	13,358	13,636	13,636	13,636	14,520	15,350	15,980

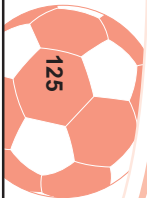


Table D5 Budgeted Cash Flow

Description R thousands	Ref	2006/7	2007/8	2008/9	Current Year 2009/10			2010/11 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Ratepayers and other		135	–	–	–	–	–	2,050	2,050	2,080
Government - operating										
Government - capital										
Interest		463	229	93	10	13	13	13	13	13
Dividends										
Payments										
Suppliers and employees	2	(699)	(1,649)	(2,114)	(1,630)	(1,430)	(1,430)	(1,846)	(1,854)	(1,868)
Finance charges										
Dividends paid										
Transfers and Grants										
NET CASH FROM/(USED) OPERATING ACTIVITIES		(101)	(1,420)	(2,021)	(1,620)	(1,417)	(1,417)	217	209	225
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE			20	49	(9)	(12)	(12)	30	(68)	(20)
Decrease (Increase) in non-current debtors			(4,500)	1,700	1,500	1,300	1,300	253	(122)	(185)
Decrease (increase) other non-current receivables							5,500			
Decrease (increase) in non-current investments										
Payments										
Capital assets										
NET CASH FROM/(USED) INVESTING ACTIVITIES		–	(4,480)	1,749	1,491	1,288	1,288	5,783	(190)	(205)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans										
Borrowing long term/refinancing										
Increase (decrease) in consumer deposits										
Payments										
Repayment of borrowing										
NET CASH FROM/(USED) FINANCING ACTIVITIES		–	–	–	–	–	–	–	–	–
NET INCREASE/ (DECREASE) IN CASH HELD	1	(101)	(5,900)	(272)	(129)	(129)	(129)	6,000	19	20
Cash/cash equivalents at the year begin:	2	6,653	6,552	651	379	379	379	250	6,250	6,270
Cash/cash equivalents at the year end:	2	6,552	651	379	250	250	250	6,250	6,270	6,290



**EKURHULENI DEVELOPMENT COMPANY
MULTI YEAR BUDGET
2010/11 - 2012/13**



Budget of Municipal Entities: Ekurhuleni Development Company

4.1 Ekurhuleni Development Company (EDC) 2010/11 - 2012/13 Multi Year Operating Budget

	BUDGET 2009/10	ACTUAL 6 MONTHS 2009/2010	EXPECTED INCOME / EXPENDITURE 2009/2010	BUDGET 2010/2011	% INCREASE	% OF TOTAL	Multi-Year 2011/2012	Multi-Year 2012/2013
	R	R	R	R			R	R
INCOME								
Rental Income	18,442,833	9,218,754	18,437,508	19,912,504	8%	52%	21,417,558	23,036,861
Admin Fees	24,500	7,180	21,232	24,500	0%	0%	25,200	25,700
Proceed on Sale of Developments	2,000,000	0	0	2,050,000	3%	5%	2,050,000	2,080,000
Sales	8,000,000	0	0	3,550,000	0%	9%	3,050,000	3,080,000
Less: Cost of Sales	-6,000,000	0	0	-1,500,000	-75%	-4%	-1,000,000	-1,000,000
Management Fees	6,525,788	3,262,894	6,525,788	7,254,804	0%	19%	7,762,640	8,306,025
Interest Received	760,750	395,015	771,222	171,000	-78%	0%	139,000	144,000
Recoveries	973,000	330,529	880,973	1,127,906	0%	3%	1,212,851	1,298,562
Services	1,226,600	604,788	1,209,576	1,306,338	7%	3%	1,397,782	1,487,753
Contributions - Municipality	0	0	7,531,957	6,461,534	0%	17%	5,807,551	5,683,178
Contributions - Other	70,920	16,860	70,920	70,920	0%	0%	70,920	70,920
OPERATING INCOME GENERATED	30,024,391	13,836,020	35,449,176	38,379,506	28%	100%	39,883,502	42,132,998
Less: Income foregone							0	0
TOTAL OPERATING INCOME	30,024,391	13,836,020	35,449,176	38,379,506	28%	100%	39,883,502	42,132,998
Internal Transfers:								
Interest Received - Internal Loans								
Redemption Received - Internal Loans								
Dividends Received - Internal								
Internal Recoveries								
Internal Transfers - sub-total	0	0	0	0			0	0
NET OPERATING INCOME	30,024,391	13,836,020	35,449,176	38,379,506	28%	100%	39,883,502	42,132,998
EXPENDITURE								
Employee Related Costs - Salaries & Wages	5,384,083	1,967,811	4,335,622	5,875,292	9%	17%	6,286,562	6,726,622
Employee Related Costs - Contributions	566,515	277,480	554,960	716,058	26%	2%	766,182	842,801
Employee Related Costs - Training	145,000	45,263	102,365	156,600	8%	0%	130,000	135,000
Directors Fee	350,000	112,000	346,645	385,000	10%	1%	360,000	370,000
Bad Debts Provision	897,586	448,794	897,588	989,056	10%	3%	1,047,290	1,189,050
Audit Fees	920,000	513,332	924,560	950,000	3%	3%	875,950	925,402
Assets	2,000	1,983	1,983	2,200	10%	0%	5,500	6,000
Computer maintenance	156,000	78,000	156,000	168,480	8%	0%	140,000	145,000
Depreciation	1,171,687	516,714	1,136,076	1,169,413	0%	3%	1,197,763	1,230,098
Electricity and other utilities charges	2,740,397	1,221,514	2,752,504	2,896,538	6%	8%	3,072,525	3,259,529
Equipment Rental	185,900	88,493	181,556	202,950	9%	1%	106,858	107,795
Garden and Cleaning	405,610	191,014	399,772	436,200	8%	1%	456,200	482,930
General Expenses	835,100	320,860	735,610	825,500	-1%	2%	866,895	897,845
Insurance	460,000	194,711	428,658	497,000	8%	1%	563,050	593,704
Interest paid - Loans	3,655,214	1,674,565	3,349,130	2,776,000	-24%	8%	2,676,000	2,605,197
Interest paid - deposits	33,600	13,385	32,435	34,500	3%	0%	37,455	40,671
Legal Collection Costs	1,010,000	670,605	1,021,342	1,011,000	0%	3%	1,045,750	1,097,688
Licenses	58,000	28,900	57,800	60,000	3%	0%	64,000	65,000
Office rental	255,960	127,980	255,960	276,437	8%	1%	290,259	304,772
Management Fees	6,525,788	3,262,896	6,525,792	7,254,804	11%	21%	7,943,620	8,717,254
Management Fees(VAT)	713,410	356,705	713,410	795,453	12%	2%	876,624	997,816
Motor Vehicle Expenses	41,800	22,563	41,362	42,000	0%	0%	50,000	51,000
Printing and Stationery	121,000	44,562	95,603	123,000	2%	0%	130,000	133,000
Repairs and Maintenance - Buildings	1,572,000	822,228	1,571,598	1,673,900	6%	5%	1,773,572	1,888,513
Repairs and Maintenance - Equipment	11,800	2,744	10,552	12,602	New	0%	11,993	89,643
Backlog Maintenance	1,574,500	786,579	1,573,158	1,692,350	7%	5%	1,835,986	1,993,732
Security								
Seminars and Workshops	63,000	56,935	62,987	60,000	-5%	0%	60,000	57,000
Telephone and internet cost	234,715	97,854	230,935	240,000	2%	1%	245,000	250,000

Budget of Muncpal Entities: Ekurhuleni Development Company

	BUDGET 2009/10	ACTUAL 6 MONTHS 2009/2010	EXPECTED INCOME / EXPENDITURE 2009/2010	BUDGET 2010/2011	% INCREASE	% OF TOTAL	Multi-Year 2011/2012	Multi-Year 2012/2013
	R	R	R	R			R	R
Consultants	562,000	245,207	542,364	480,700	-14%	1%	499,549	506,597
TOTAL OPERATING	30,652,665	14,191,677	29,038,327	34,803,032	14%	100%	36,414,584	38,709,655
EXPENDITURE								
Internal Transfers:								
Interest - Internal Borrowings								
Redemption - External Borrowings								
Internal Charges								
Internal Transfers - sub-total	0	0	0	0			0	0
NET OPERATING EXPENDITURE	30,652,665	14,191,677	29,038,327	34,803,032	14%	100%	36,414,584	38,709,655
OPERATING SURPLUS/(DEFICIT)	-628,274	-355,657	6,410,849	3,576,474	14%	0%	3,468,918	3,423,343
Taxation at 30%	0	0					1,040,675	1,027,003
Profit after tax							2,428,243	2,396,340
Contribution to Capital Budget	44,000,000							
Total Transfers to Cash-Backed Reserves								
Total Transfers from Cash-Backed Reserves								
Other Adjustments								
Net Operating Surplus/(Deficit)	-44,628,274	-355,657	6,410,849	3,576,474			3,468,918	3,423,343

Cash flow short fall

Cash flow Projections Multi Years	2010/2011	2011/2012	2012/2013
Surplus.	3,576,474	3,468,918	3,423,343
Redemption of loans LESS depreciation (Loan term 20 yrs vs Depreciation 50 yrs)	-3,456,579	-3,378,229	-3,347,895
Less assets out of income	-110,000	-90,000	-75,000
Annual cash short fall of the ent	9,895	689	449

A Five year maintenance plan was compiled and results are as follows:

Cost of Back log Maintenance Plan

	2010/2011	2011/2012	2012/2013	2013/2014	Total
Pharoe Park	9,537,184	1,205,672	1,632,218	2,749,763	15,124,837
Germiston Phase II	11,765,877	1,487,419	2,013,642	3,392,340	18,659,278

Proposal for addressing the maintenance backlog.

This program represents the ideal in maintenance and repairs. The program will be used to determine priority repairs and maintenance.

Council could set up a ring fenced maintenance fund for housing entity. The contribution could be R3 million rand per annum with specific terms and conditions to be used only for backlog maintenance.

The spending of the fund can be monitored by Council through the quarterly performance review that is reported in the SDBIP of the Entity.

2010/2011 SDBIP INCOME AND EXPENDITURE FORECAST

	Twelve Month Projection												
	Budget 2010/2011	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11
INCOME													
Rental Income	19,912,504	1,659,375	1,659,375	1,659,375	1,659,375	1,659,375	1,659,375	1,659,375	1,659,375	1,659,375	1,659,375	1,659,375	1,659,375
Admin Fees	24,500	2,042	2,042	2,042	2,042	2,042	2,042	2,042	2,042	2,042	2,042	2,042	2,042
Proceed on Sale of Developments	2,050,000	170,833	170,833	170,833	170,833	170,833	170,833	170,833	170,833	170,833	170,833	170,833	170,833
Sales	3,550,000												
Less: Cost of Sales	-1,500,000												
Management Fees	7,254,804	604,567	604,567	604,567	604,567	604,567	604,567	604,567	604,567	604,567	604,567	604,567	604,567
Interest Received	171,000	14,250	14,250	14,250	14,250	14,250	14,250	14,250	14,250	14,250	14,250	14,250	14,250
Recoveries	1,127,906	93,992	93,992	93,992	93,992	93,992	93,992	93,992	93,992	93,992	93,992	93,992	93,992
Services	1,306,338	108,862	108,862	108,862	108,862	108,862	108,862	108,862	108,862	108,862	108,862	108,862	108,862
Contributions - Municipality	6,461,534	538,461	538,461	538,461	538,461	538,461	538,461	538,461	538,461	538,461	538,461	538,461	538,461
Contributions - Other	70,920	5,910	5,910	5,910	5,910	5,910	5,910	5,910	5,910	5,910	5,910	5,910	5,910
OPERATING INCOME GENERATED	38,379,506	3,198,292	3,198,292	3,198,292	3,198,292	3,198,292	3,198,292	3,198,292	3,198,292	3,198,292	3,198,292	3,198,292	3,198,292
Less: Income foregone	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL OPERATING INCOME	38,379,506	3,198,292	3,198,292	3,198,292	3,198,292	3,198,292	3,198,292	3,198,292	3,198,292	3,198,292	3,198,292	3,198,292	3,198,292
Internal Transfers:													
Interest Received - Internal Loans													
Redemption Received - Internal Loans													
Dividends Received - Internal													
Internal Recoveries													
Internal Transfers - sub-total	0	0	0	0	0	0	0	0	0	0	0	0	0
NET OPERATING INCOME	38,379,506	3,198,292	3,198,292	3,198,292	3,198,292	3,198,292	3,198,292	3,198,292	3,198,292	3,198,292	3,198,292	3,198,292	3,198,292
EXPENDITURE													
Employee Related Costs - Salaries & Wages	716,058	59,672	59,672	59,672	59,672	59,672	59,672	59,672	59,672	59,672	59,672	59,672	59,672
Employee Related Costs - Contributions	156,600	13,050	13,050	13,050	13,050	13,050	13,050	13,050	13,050	13,050	13,050	13,050	13,050
Employee Related Costs - Training	385,000	32,083	32,083	32,083	32,083	32,083	32,083	32,083	32,083	32,083	32,083	32,083	32,083
Directors Fee	989,056	82,421	82,421	82,421	82,421	82,421	82,421	82,421	82,421	82,421	82,421	82,421	82,421
Bad Debts Provision	950,000	79,167	79,167	79,167	79,167	79,167	79,167	79,167	79,167	79,167	79,167	79,167	79,167
Audit Fees	2,200	183	183	183	183	183	183	183	183	183	183	183	183
Assets out of Income	168,480	14,040	14,040	14,040	14,040	14,040	14,040	14,040	14,040	14,040	14,040	14,040	14,040
Computer and IT costs	1,169,413	97,451	97,451	97,451	97,451	97,451	97,451	97,451	97,451	97,451	97,451	97,451	97,451
Depreciation	2,896,588	241,378	241,378	241,378	241,378	241,378	241,378	241,378	241,378	241,378	241,378	241,378	241,378
Electricity and other utilities charges	202,950	16,913	16,913	16,913	16,913	16,913	16,913	16,913	16,913	16,913	16,913	16,913	16,913
Equipment Rental	436,200	36,350	36,350	36,350	36,350	36,350	36,350	36,350	36,350	36,350	36,350	36,350	36,350
Garden and Cleaning	825,500	68,792	68,792	68,792	68,792	68,792	68,792	68,792	68,792	68,792	68,792	68,792	68,792
General Expenses	497,000	41,417	41,417	41,417	41,417	41,417	41,417	41,417	41,417	41,417	41,417	41,417	41,417
Insurance	2,776,000	231,333	231,333	231,333	231,333	231,333	231,333	231,333	231,333	231,333	231,333	231,333	231,333
Interest paid - Loans	34,500	2,875	2,875	2,875	2,875	2,875	2,875	2,875	2,875	2,875	2,875	2,875	2,875
Interest paid - deposits	1,011,000	84,250	84,250	84,250	84,250	84,250	84,250	84,250	84,250	84,250	84,250	84,250	84,250
Legal Collection Costs	60,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Licenses	276,437	23,036	23,036	23,036	23,036	23,036	23,036	23,036	23,036	23,036	23,036	23,036	23,036

Budget of Municipal Entities: Ekurhuleni Development Company

	Budget 2010/2011	Twelve Month Projection													
		R	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	
Office rental	7,254,804	604,567	604,567	604,567	604,567	604,567	604,567	604,567	604,567	604,567	604,567	604,567	604,567	604,567	604,567
Management Fees	795,453	66,288	66,288	66,288	66,288	66,288	66,288	66,288	66,288	66,288	66,288	66,288	66,288	66,288	66,288
Management Fees (VAT)	42,000	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Motor Vehicle Expenses	123,000	10,250	10,250	10,250	10,250	10,250	10,250	10,250	10,250	10,250	10,250	10,250	10,250	10,250	10,250
Printing and Stationery	1,673,900	139,492	139,492	139,492	139,492	139,492	139,492	139,492	139,492	139,492	139,492	139,492	139,492	139,492	139,492
Repairs and Maintenance - Buildings	12,602	1,050	1,050	1,050	1,050	1,050	1,050	1,050	1,050	1,050	1,050	1,050	1,050	1,050	1,050
Repairs and Maintenance - Equipment	3,000,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Backlog Maintenance	1,692,350	141,029	141,029	141,029	141,029	141,029	141,029	141,029	141,029	141,029	141,029	141,029	141,029	141,029	141,029
Security	60,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Seminars and Workshops	240,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Telephone and internet cost	480,700	40,058	40,058	40,058	40,058	40,058	40,058	40,058	40,058	40,058	40,058	40,058	40,058	40,058	40,058
Consultants	34,803,032	2,900,253	2,900,253	2,900,253	2,900,253	2,900,253	2,900,253	2,900,253	2,900,253	2,900,253	2,900,253	2,900,253	2,900,253	2,900,253	2,900,253
TOTAL OPERATING EXPENDITURE	63,730,773	5,310,898	5,310,898	5,310,898	5,310,898	5,310,898	5,310,898	5,310,898	5,310,898	5,310,898	5,310,898	5,310,898	5,310,898	5,310,898	5,310,898
Internal Transfers:															
Interest - Internal Borrowings		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Redemption - External Borrowings		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Internal Charges		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Internal Transfers - sub-total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
NET OPERATING EXPENDITURE	63,730,773	5,310,898	5,310,898	5,310,898	5,310,898	5,310,898	5,310,898	5,310,898	5,310,898	5,310,898	5,310,898	5,310,898	5,310,898	5,310,898	5,310,898
OPERATING SURPLUS/(DEFICIT)	-25,351,267	-2,112,606	-2,112,606	-2,112,606	-2,112,606	-2,112,606	-2,112,606	-2,112,606	-2,112,606	-2,112,606	-2,112,606	-2,112,606	-2,112,606	-2,112,606	-2,112,606
Taxation at 30%	(7,605,380)														
Profit after tax	(17,745,887)														
Contribution to Capital Budget															
Total Transfers to Cash-Backed Reserves	130,000	10,833	27,500	20,000	17,000	10,000	10,000	10,000	5,000	5,000	5,000	5,500	5,000		
Total Transfers from Cash-Backed Reserves															
Other Adjustments															
Net Operating Surplus/(Deficit)	-25,481,267	-2,123,439	-2,140,106	-2,132,606	-2,129,606	-2,122,606	-2,122,606	-2,117,606	-2,117,606	-2,117,606	-2,117,606	-2,118,106	-2,117,606	-2,112,606	-2,112,606

SDBP MEASURABLE PERFORMANCE INDICATORS 2010-2014

Entity: EDC: Pharoee Park

Long Term Agenda: To provide institutional housing of a good quality

Outcomes & Measures: Tenants that live in a sustainable environment

Other Details: (a) Estimated backlog as at 30 June 09: R15 124 837 as per building maintenance audit

Strategic Objective: To maintain 95 % payment level at Pharoee Park		Target		Actuals		Unit(s) of Measure:	
Years		Cumulative		Cumulative		1011 Quarters	
Performance Indicator: To achieve a 95 % Payment level	Annual	Annual	Annual	Annual	Cummulative	Cummulative Target	Cummulative Actuals
0708	Yr-1	Opex: 542 806 Urban renewal R286 390	829,736	829,736	829,736		
0809	Yr0	668,000	667,809	667,809	1,497,545	Qrt1 203,300	
0910	Yr1	760,000	0	0	1,497,545	Qrt2 406600	
1011	Yr2	Opex : R813 200 EMM grant R1,5 mil				Qrt 3 609900	
1112	Yr3	861,992				Qrt 4 813200	
1213	Yr4		913,712				

Comments: A Building Conditions Audit was conducted during 2009-2010. A building maintenance plan are available to inform the budget over the next 3 -5 years

Entity: EDC: Pharoee Park

Long Term Agenda: To maintain a 95 % payment level

Outcomes & Measures: 95% Payment levels

Sub-Objective (i)-if applicable Narrative:

Other Details:

Sub-Objective (i)-if applicable

Strategic Objective: To maintain 95 % payment level at Pharoee Park		Target		Actuals		Unit(s) of Measure:	
Years		Cumulative		Cumulative		1011 Quarters	
Performance Indicator: To achieve a 95 % Payment level	Annual	Annual	Annual	Annual	Cummulative	Cummulative Target	Cummulative Actuals
0809	Yr-1	95 % Payment level				Qrt1 Monitor payment levels Credit Control KPI report	
						Qrt2 Monitor payment levels Credit Control KPI report	
0910	Yr0	95 % Payment level	96,46%	Average for the year		Qrt 3 Monitor payment levels Credit Control KPI report	
1011	Yr1	95 % Payment level				Qrt 4 Monitor payment levels Credit Control KPI report	
1112	Yr2	95 % Payment level					
1213	Yr3	95 % Payment level					

Comments: Measure occupancy rate. React on decreasing levels

Entity: EDC: Pharoe Park

Long Term Agenda:

To maintain a 95 % level of occupancy

Outcomes & Measures:

5% Vacancy rate

Sub- Objective (i)-if applicable

Narrative:(if no sub-objectives then omit reference to them and add three heads below under objective A.)

Other Details:

Sub- Objective (i)-if applicable

Strategic Objective: To maintain 95 % payment level at Pharoe Park		Target		Actuals		Unit(s) of Measure:	
Years	Performance Indicator: To achieve a 95 % Payment level	Annual	Cummulative	Annual	Cummulative	1011 Quarters	Actuals
0809	Yr-1	95 % Occupancy				Qrt1 Monitor occupancy rate	
	Yr-1	95 % Occupancy				Qrt2 Monitor occupancy rate	
0910	Yr0	95 % Occupancy				Qrt3 Monitor occupancy rate	
	Yr1	95 % Occupancy				Qrt4 Monitor occupancy rate	
1112	Yr2	95 % Occupancy					
1213	Yr3	95 % Occupancy					
Comments: Measure occupancy rate. React on decreasing levels							

Entity: EDC: Germiston Phase II Properties

Long Term Agenda: To provide institutional housing of a good quality

Outcomes & Measures: Tenants that live in a sustainable environment

Other Details: (a) Estimated backlog as at 30 June 09: R 18 659 278 as per building maintenance audit

Strategic Objective: To maintain Germiston Phase II units effectively, efficiently and economically		Target		Actuals		Unit(s) of Measure:	
Years	Performance Indicator: To maintain apartments	Annual	Cummulative	Annual	Cummulative	1011 Quarters	Actuals
0809	Yr-1	Opex: R 632587	532587	532587	532587	Qrt1 Target	137 627
0910	Yr0	800,000	442,035	442,035	974,622	Qrt2	424,000
1011	Yr1	Opex : R848 000 EMM Grant R1.5 mil				Qrt 3	636000
1112	Yr2	898,880				Qrt 4	848000
1213	Yr3	961,802					
Comments: A Building Conditions Audit was conducted during 2009-2010 . A building maintenance plan is available to inform the budget over the next 3 -5 years							





Entity: EDC: Phase II

Long Term Agenda:

Outcomes & Measures:

Sub-Objective (i)-if applicable

Other Details:

Sub-Objective (i)-if applicable

To maintain a 95 % payment level

95% Payment levels

Narrative:

Strategic Objective: To maintain 95% payment level at Phase II Housing units

Performance Indicator: Occupancy rate	Years		Annual	Cumulative	Target	Actuals		Unit(s) of Measure:
	To achieve a 95 %	Occupancy rate				Annual	Cumulative	
0809	Yr -1		95 % Payment level					1011 Quarters Cumulative Target Monitor payment levels Credit Control KPI report Qrt2 Monitor payment levels Credit Control KPI report
0910	Yr 0		95 % Payment level	100.13%		Average for the year		Qrt 3 Monitor payment levels Credit Control KPI report
1011	Yr 1		95 % Payment level					Qrt 4 Monitor payment levels Credit Control KPI report
1112	Yr 2		95 % Payment level					
1213	Yr 3		95 % Payment level					

Entity: EDC: Phase II

Long Term Agenda:

Outcomes & Measures:

Sub-Objective (i)-if applicable

Other Details:

To maintain a 95 % level of occupancy

5% Vacancy rate

Narrative: (If no sub-objectives then omit reference to them and add three heads below under objective A.)

Strategic Objective: To maintain Pharoee Park occupancy rate at no less than 95 % per quarter

Performance Indicator: Occupancy rate	Years		Annual	Cumulative	Target	Actuals		Unit(s) of Measure:
	To achieve a 95 %	Occupancy rate				Annual	Cumulative	
0809	Yr -1		95 % Occupancy					1011 Quarters Cumulative Target Monitor occupancy rate Qrt1 Monitor occupancy rate
0910	Yr 0		95 % Occupancy					Qrt 3 Monitor occupancy rate Qrt 4 Monitor occupancy rate
1011	Yr 1		95 % Occupancy					
1112	Yr 2		95 % Occupancy					
1213	Yr 3		95 % Occupancy					

Comments: Measure occupancy rate. React on decreasing levels

Entity: EDC: Lethabong Housing Company

Long Term Agenda: To implement middle class housing project in Bedfordview: Stanford Gardens Phase 3

Sub-Objective (i)-if applicable Narrative: (If no sub-objectives then omit reference to them and add three heads below under objective A.)

Other Details:

Sub-Objective (i)-if applicable

Strategic Objective: Stanford Gardens Phase 3		Target		Actuals		Unit(s) of Measure: 1011 Quarters	
Years	Performance Indicator: To develop mixed income housing	Annual	Cummulative	Annual	Cummulative	Cummulative Target	Cummulative Actuals
0910	Yr0	Finalise planning for the project and ground work				Qrt1 Project commencement	
1011	Yr1	Obtain a township establishment to commence with development. Sell units of the plan. Complete tender process for a developer.				Qrt2 Project commencement	
1112	Yr2	Commence with building of the units				Qrt 3 Project commencement	
1213	Yr3	Finalise building of the units				Qrt 4 Project commencement	

Comments: The time lines on this project will be provided once the developer is appointed

Entity: EDC: Lethabong Housing Company

Long Term Agenda: To implement housing project in Bedfordview Tennis Courts

Sub-Objective (i)-if applicable Narrative: (If no sub-objectives then omit reference to them and add three heads below under objective A.)

Other Details:

Sub-Objective (i)-if applicable

Strategic Objective: Bedfordview Tennis Courts		Target		Actuals		Unit(s) of Measure: 1011 Quarters	
Years	Performance Indicator: To develop mixed income housing	Annual	Cummulative	Annual	Cummulative	Cummulative Target	Cummulative Actuals
0910	Yr0	Advertise the land				Qrt1 Finalise the plan to develop	
1011	Yr1	Develop the land				Qrt 3 Monitor development	
1112	Yr2	Develop the land				Qrt 4 Conclude 80% of development	

Comments: The time lines on this project is two years since developer was appointed



Entity: EDC: Lethabong Housing Company

Long Term Agenda: To wind down LHI a Section 21 company

Sub-Objective (i)-if applicable Narrative: (If no sub-objectives then omit reference to them and add three heads below under objective A.)

Other Details:

Sub-Objective (i)-if applicable

Strategic Objective: To ensure streamline reporting		Target		Actuals		Unit(s) of Measure: 10/11 Quarters	
Years		Annual	Cummulative	Annual	Cummulative	Cummulative Target	Cummulative Actuals
08/09	Yr-1	Administrative merge of LHI with EDC				Qrt1 Manage the wind down process	
09/10	Yr0	Investigate the positives & negatives of a Housing company operating as a section 21 Company				Qrt2 Manage the wind down process	
10/11	Yr1	Merge Housing companies				Qrt 3 Manage the wind down process	
11/12	Yr2	Merge Housing companies				Qrt 4 Manage the wind down process	

Comments: Tax issues must be cleared up before any rationalisation can be effected.

A photograph of a woman with a joyful expression, wearing a vibrant red knitted hat and a brown jacket with a light-colored floral pattern. She is standing in the doorway of a room with grey stone walls. To her left, an open doorway reveals a glimpse of an interior space with a table covered in a white lace cloth. The overall scene is brightly lit, suggesting a sunny day.

EDC et al
POLICIES
2010/11 - 2012/13



Budget of Municipal Entities: Ekurhuleni Development Company

Budget Related Policies

The MFMA and the Budget and Reporting Regulations require that all budget and budget related policies be reviewed, and where applicable, be updated on an annual basis.

The policies were used as a basis for compilation of the budget. The policies are **NEW, REVISED** or previously approved and now remain **UNCHANGED**.

Only new policies and policies with recommended changes are produced in hard copy. Policies that remained unchanged are only provided in electronic format.

The following policies are contained on the CD accompanying the Budget Document:

1. Tariff implementation of rental and recoverable services, Credit control and debt collection policy. **(REVISED)**
2. Cash management policy in terms of section 13(2) of the MFMA. **(NEW)**
3. Investment policy in terms of section 13(2) of the MFMA. **(NEW)**
4. Borrowing policy. **(NEW)**
5. Funding and reserves policy. **(NEW)**
6. SCM policy in terms of section 111 of the MFMA. **(UNCHANGED)**
7. Asset management and disposal of assets policy. **(UNCHANGED)**
8. Budget implementation and monitoring policy. **(NEW)**
9. Policies related to personnel (including overtime, vacancies and temporary staff) **(REVISED)**
 - a. Staff hand book of policies.
10. Other policies
 - a. Accounting Policy. **(REVISED)**

Budget of Muncpal Entities: Ekurhuleni Development Company

EDC TARIFF IMPLEMENTATION AND CREDIT CONTROL POLICY

Index Page

1. LETTING CRITERIA
2. APPLICATION
3. APPROVALS, REJECTIONS AND CANCELLATIONS
4. SIGNING THE LEASING AGREEMENT
5. TENANTS RELATIONS MANAGEMENT
6. COMPLIANCE (RISK) PROCEDURES
 - Data capturing
 - Invoicing and statements
 - Query management
 - Document and filling management
 - Journals and adjustments
 - Cost management
7. DEFAULT MANAGEMENT AND EVICTION PROCESS
8. TERMINATION OF LEASE AGREEMENT
9. BAD DEBT PROVISION AND WRITE OFFS
10. INTERNAL MOVES
11. SUCCESSION PLAN

Budget of Muncpal Entities: Ekurhuleni Development Company

1. Letting Criteria

The following criteria is utilized to administer qualification for occupation:

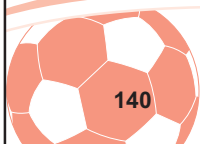
- i. 21 years of age.
- ii. South African citizen.
- iv. Permanently or self employed.
- v. Married or having dependants.
- vi. Joint income not more than R7 500.00.
 - o Did or does not own any property and has never before benefited from a government subsidy.
 - o Must be employed for at least six months at the same employer.

2. Application

- i. The following documents are required on application-
 - o Pay slip (latest).
 - o 3 months bank statement in respect of permanent appointee.
 - o 6 Months bank statement for self employed applicants.
 - o Confirmation letter from employer.
 - o Marriage Certificate.
 - o Divorce Decree.
 - o Birth Certificate.
 - o Death Certificate where applicable.
 - o Pension Card/Slip.
 - o Retired Government Employees should submit proof of payment slip by Government Department.
 - o ID Documents.
 - o Letter from School if Dependant is over 21 years.
 - o Affidavits (relevant to applications).
- ii. An application form to be completed if the qualifying criteria and the required documents are submitted.
- iii. An affordability check is made on the applicant to assess whether the applicant will be able to afford payments.
- iv. The prospective tenant is advised on the institutional subsidy.
- v. The application form is sent to the department of housing for institutional subsidy approval.
- vi. Prospective tenant is advised that he/she is going to be on a waiting list whilst awaiting department approval, the company will pre-approve the application.
- vii. Should an empty unit become available whilst applications are on the waiting list for approval, the company will pre-approve the tenants for occupation.
- viii. The pre-approval should include a condition that the final approval will be made by the department of housing and tenants should be given a thorough explanation of this condition.
- ix. A non-refundable administration fee (amount as per the tariff policy) is paid on completion of the application form.
- x. A deposit fee amounting to three month's rental fee is paid before occupation of the unit.
- xi. An electricity connection fee determined by the municipality will also be paid before occupation.

3. Approval, Rejection and cancellations

- i. The CEO pre-approves the application forms for occupation.
- ii. The final approval is made by the department of housing for institutional subsidy.
- iii. Should the department of housing reject an application which has already been pre approved for occupation, the letting officers will give the tenant a one month notice on the cancellation of the lease agreement and vacation of the unit.
- iv. The tenant will be given an explanation detailed by the department as to why the application has been rejected.
- iv. Should the approved applicant decide to cancel before occupation, he/she should do so in writing. If there was any deposit paid, that should be refunded to the cancelled applicant.



Budget of Muncpal Entities: Ekurhuleni Development Company

4. Lease Agreement

- i. When the unit becomes vacant, the pre approved applicant on the waiting list is notified on the availability and the date when he/she should start occupying the unit.
- ii. The lease agreement will be prepared with the names and all the relevant information of the applicant.
- iii. The applicant will be notified to come and sign the lease agreement forms.
- iv. The tenant is required to read, and to be explained to on all the conditions, rules and regulations contained in the lease agreement before signing.
- iv. The lease agreement will be co-signed by the applicant's spouse should the approval be based on the income of the two.
- v. An authorized EDC official or CEO will sign on behalf of the company.
- vi. The lease agreement should be witnessed by two independent individuals.
- vii. After all parties have signed the lease agreement, the tenant will be given a copy and the original will be kept safe in the tenant's file.

5. Tenants Relations Management

- i. Upon occupation, the tenant is given a list to be completed within 14 days after date of occupation. The tenants will be given a manual/booklet detailing all rules and regulations regarding the rental, maintenance and occupation of the unit.
- ii. The letting officer should ensure that the tenants understand all that is prescribed in the manual.
- iii. All queries relating to the property maintenance are recorded by the letting officers and passed on to the Community Development Officer or designated officer for execution.
- iv. Queries relating to transfers and changing of units will be handled by the letting officers.
- v. Queries relating to the rental payments and arrangements regarding arrears will be handled by the credit control officer.
- vi. Queries relating to refunds on deposits and the tracing of unallocated receipts will be handled by the bookkeeper.

6. Administration procedures

- i. Data capturing - Accounts
 - o After the tenant has been pre-approved and a unit allocated to him/her, a customer account should be opened under his/her name on the pastel system.
 - o Client information such as names, ID number, telephone numbers, and address will be captured on the system.
 - o Deposits, monthly rental and water payments will be captured on the system under the tenant's account.
- ii. Invoicing and statements
 - o Monthly rental, water and all other charges, excluding electricity, will be billed on the 20th of every month for each tenant's account.
 - o The statements will be processed from the 20th of every month and be delivered to each unit by the 25th.
 - o The bookkeeper will ensure that the amounts billed are correct.
 - o The letting department will ensure the delivery of the statements.
- iii. Documentation and filing Management
 - o The letting department will be responsible for the filing of all documents relating to clients on the waiting list, application forms and all other correspondence made relevant to tenants.
 - o The lease agreement should be kept in a safe place.
 - o All relevant documents relating to a tenant after occupation should be in the tenant file.
 - o A record book should be kept with the letting department and everyone who removes a file from the filing cabinet should record the date removed, the purpose and when returned.
- iv. Journals and adjustments
 - o All journals and adjustments will be processed by the finance department.

Budget of Muncpal Entities: Ekurhuleni Development Company

- o An authorized senior personnel will approve all journals and adjustments made on the tenant's account.
- o The finance manager should approve all credit notes for the reversal of rentals and or charges.

7. Default Management and Eviction Process

- i. The credit control officer is responsible to follow up on defaulting tenants.
- ii. An age analysis report will be drawn on a weekly basis to track the tenants who are in arrears.
- iii. Reminder letters will be issued to tenants by the 8th of every month with regard to arrears.
- iv. A demand letter and notice of lease cancellation will be issued to tenants on 30 days in arrears.
- v. The tenant is given 7 days in which to respond to this letter.
- vi. Should no contact be made with the office within these seven days, the tenant is advised that he/she is in breach of the agreement and that the agreement is now cancelled.
- vii. The tenant is requested to voluntarily vacate the unit within thirty days.
- viii. An inspection of the unit is done to confirm whether the tenant has vacated if no contact has been made within the one-month period.
- ix. In cases where tenants have not vacated the units, the matter will be handed over to the attorneys for eviction with copies of all the correspondence sent to tenants.

8. Termination of lease agreement

- i. The following situations may lead to the termination of a lease agreement-
 - o Any breach of the lease agreement;
 - o Abscondment and eviction;
 - o Non payment of rental;
 - o Normal notice of termination.
- ii. Should the company institute the lease termination for any other reason, a one-month notice will be given in writing to the tenant.
- iii. Should the termination be made by the tenant, a one-month notice will be required in writing.
- iv. The maintenance officers will inspect the unit in respect of being vacated so as to fix the damages and restore the unit to its original state.
- v. The maintenance costs will be paid from the tenant's deposit before any refund is made.
- vi. If there are any outstanding balances on the tenant's account that will be set off against the deposit money.
- vii. Should there be any balances on the client's account, the client will be requested to settle that in cash before vacating the unit.
- viii. A prior inspection of the unit will be done once a termination notice has been received.
- ix. All defects are recorded and signed by the terminating tenant as well as the officials who conduct the inspection.
- x. The community development officer checks the defect list and the maintenance costs.
- xi. A permission letter has to be obtained from the letting department prior to the vacating date.
- xii. The municipality, as well as the Department of Housing Gauteng should be informed of all terminations.

9. Bad Debts provision and write offs

- i. Bad debts will be provided for at 100% on the amount over 120 days, 75% on the amount over 90 days, 50% on the amount over 60 days, 25% on the amount over 30 days.
- ii. Notwithstanding i. above the debt per debtor has to be assessed on an individual basis as at year end and provision will then be made on the % as indicated in i. above as per the outstanding debt.
- iii. All debts to be written off must be based on a board decision.
- iv. All debts of deceased tenants be claimed against the estate, the debt must be written off and any receipts from the estate be received against Bad Debt Recoveries vote : 047. (Board decision Dec 2008).
- v. The following amounts should be considered for write-off by the board:
 - o Balances on absconded accounts;

Budget of Municipal Entities: Ekurhuleni Development Company

- Balances on evicted matters and tenants to be evicted where no indication has been given towards the settlement of such outstanding balances;
- Balances on terminated accounts after the deposit has been appropriated.
- vi. Amounts written off will be credited against the debtors account in the financial system and the provision for bad debts expense vote will be debited.
- vii. Recoveries from write offs will be shown in the income statement as income.

10. Internal Moves

- Should a tenant wish to move from one unit to another within the same complex or any other complex owned and managed by EDC such a tenant should advise the letting department in writing of the intention to move.
- The letting department should check the financial status of the current unit occupied and only if there is no outstanding balance should such a move be allowed.
- The deposit should be adjusted accordingly to the requirements of the type of unit, which the tenant wishes to occupy. The same procedure in respect of the normal letting process should be applied.
- The Municipality and the Department of Housing Gauteng should be advised of such an intended move and all relevant documentation should be forwarded to the Department of Housing for approval.

11. Succession Plan on Occupation

- In the case of death of a leaseholder, the spouse of such a leaseholder should inform the EDC of the death.
- A copy of the death certificate should be forwarded to the EDC.
- The spouse needs to re-apply for the unit under the normal letting process.
- In the case of dependants, a guardian should notify the EDC and apply on behalf of the dependants should they wish to remain in the units.

CASH MANAGEMENT POLICY (Revised 1 July 2010)

1. Application and Scope

The Cash Management Policy is applicable to the Ekurhuleni Metropolitan Municipality as well as to all of the municipal entities of the Metro, being:

- Brakpan Bus Company.
- East Rand Water Care Company.
- Ekurhuleni Development Company, including Pharoe Park, Phase Two and Lethabong Housing Institute.

Cash Management will include all amounts disclosed on the financial statements on the following line items:

- Investments (Long Term and Short Term).
- Investments in Municipal Entities.
- Cash and Cash Equivalents.

The revised policy will be effective as from 1 July 2010.

2. Objectives of Policy

- To maintain a minimum days cash on hand of 70 days.
- To maintain a minimum long-term credit rating of AA.

Budget of Municipal Entities: Ekurhuleni Development Company

3. Introduction

Availability of cash is one of the key requirements for financial sustainability for any organisation. Accumulated surplus is not an indicator of available cash and should not be seen as having a direct correlation with surplus cash.

One of the first and most important issues that must be borne in mind is that financial statements of municipalities are compiled on the accrual basis (GRAP/GAAP accounting standards used as basis of compilation) and not on the cash basis as is with Provincial and National Government. In the past (prior to 1 July 2004), the accrual basis was used, but fund accounting was applied and not GRAP. This change in accounting basis led to the generation of larger than expected accounting surpluses.

4. Determination of minimum cash level to retain

4.1 Investment in Municipal Entities

The amounts shown as Investments in Municipal Entities are to be regarded as a "non distributable reserve" and no cash made available to fund either the operational or capital budget. The amount shown as investment is not required to be held in cash.

4.2 Encumbered Investments

Certain long term investments were ceded to financial institutions as guarantees for long term loans taken up. These investments are not available to the Ekurhuleni Metropolitan Municipality for any purpose other than the redemption of the loans and the cash can therefore not be made available to fund either the operational or capital budget.

This amount should be excluded when calculating the working capital requirements of 70 days cash.

4.3 Balance Sheet Reserves and Provisions:

The Accounting Policy of the Ekurhuleni Metropolitan Municipality contains the following sections relating to provisions:

A provision is recognised when the Municipality has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed annually and those estimated to be settled within the next twelve months are treated as current liabilities. All other provisions are treated as long term liabilities.

Long term liabilities are discounted to the date of the annual financial statements applying the average cost of borrowings interest rate.

Leave Provision

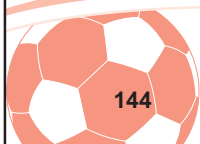
Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end."

Due to the fact that not all leave balances are redeemed for cash, only 50% of the leave provision is cash backed.

COID Provision

"The provision for COID pensions and medical aid liability is based on eligible members, their current age and their future life expectancy. Cash flows are projected on the basis of current pension payments escalated at 7% per annum and medical aid payments escalated at 10% per annum over member's expected lives. Resulting cash flows have been discounted to Net Present Value applying a discount rate of 12%."

The COID Provision must be cash backed to ensure availability of cash for payment of claims.



Budget of Muncpal Entities: Ekurhuleni Development Company

Landfill Rehabilitation Provision

The Landfill Rehabilitation Provision is created for the rehabilitation of the current operational sites at the future estimated time of closure.

The value of the Provision is based on the expected future cost to rehabilitate the various sites discounted back to the balance sheet date at the cost of capital.

The Landfill Rehabilitation Provision must be cash backed to ensure availability of cash for the rehabilitation of the landfill sites.

Donations, Public Contributions and Unspent Grant funding (including developer's contributions to bulk services)

The Accounting Policy of the Ekurhuleni Metropolitan Municipality contains the following section relating to donations and public contributions:

"Revenue received from conditional grants, donations and funding is recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a current liability is recognised."

Unspent amounts in relation to donations, public contributions and unspent grant funding are therefore retained in cash and are not available to fund any items on the operating or capital budget other than in terms of the conditions of the donations, public contributions or grants.

4.1 Other balance sheet items to be cash backed

Consumer Deposits, including Rental Deposits

Consumer deposits are regarded as creditors, i.e. the funds are owed to consumers and can therefore not be utilised to fund the operating or capital budget.

Consumer Deposits and Rental Deposits should be retained in cash.

Working Capital

Working capital is required to ensure cash availability in the event of emergencies. Council must retain cash for a period of 70 days as minimum cash balance to ensure sufficient working capital.

The ideal situation is that cash for a period of 70 days be kept in addition to the balance sheet funding, however, non-compliance with this will not be seen as a going concern risk.

Conclusion

The availability of cash must be closely monitored in the MTIEF period to ensure the timeous payment of creditors.

Possible changes in the municipal environment that may have an impact on the cash position of Council and that will impact on this policy will include the following:

- Changes in income levels (billed) as a result of load shedding.
- Reduced growth in the region as a result of the current economic conditions.
- Higher than budgeted non-payment as a result of the current economic conditions.
- Implementation of the Regional Electricity Distributors.

Budget of Municipal Entities: Ekurhuleni Development Company

INVESTMENT POLICY (Revised 1 July 2010)

1. Application and Scope

The Investment Policy is applicable to the Ekurhuleni Metropolitan Municipality as well as to all of the municipal entities of the Metro, being:

- Brakpan Bus Company.
- East Rand Water Care Company.
- Ekurhuleni Development Company, including Pharo Park, Phase Two and Lethabong Housing Institute.

The revised policy will be effective as from 1 July 2010.

2. Objective of Policy

The objective of the policy is to ensure that all investments made by the Ekurhuleni Metropolitan Municipality ("EMM") comply with the Investment Regulations issued by National Treasury in terms of the Municipal Finance Management Act. This Policy, as far as practically applicable, must be consistent with the Supply Chain Management Policy.

3. Legislative Framework

The legislative framework governing investment decisions are:

- Local Government Municipal Systems Act 32 of 2000 (as amended).
- Municipal Finance Management Act 56 of 2003.
- Municipal Investment Regulations published under Government Gazette 27431 on 1 April 2005.
- Municipal Supply Chain Management Regulations published under Government Gazette 27636 on 30 May 2005.

3.1 Permitted Investments

The following are permitted investments in terms of the Government Gazette No. 27431:

"A municipality or municipal entity may invest funds only in any of the following investment types as may be appropriate to the anticipated future need for the funds:

- (a) *Securities issued by the national government.*
- (b) *Listed corporate bonds with an investment grade rating from a nationally or internationally recognised credit rating agency.*
- (c) *Deposits with banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990).*
- (d) *Deposits with the Public Investment Commissioners as contemplated by the Public Investment Commissioners Act, 1984 (Act No. 45 of 1984).*
- (e) *Deposits with the Corporation for Public Deposits as contemplated by the Corporation for Public Deposits Act, 1984 (Act No. 46 of 1984).*
- (f) *Banker's acceptance certificates or negotiable certificates of deposit of banks registered in terms of the Banks Act, 1990.*
- (g) *Guaranteed endowment policies with the intention of establishing a sinking fund.*
- (h) *Repurchase agreements with banks registered in terms of the Banks Act, 1990.*
- (i) *Municipal bonds issued by a municipality; and*
- (j) *Any other investment type as the Minister may identify by regulation in terms of section 168 of the Act, in consultation with the Financial Services Board."*

Budget of Municipal Entities: Ekurhuleni Development Company

3.2 Investments denominated in foreign currencies

EMM may make an investment only if the investment is denominated in Rand and is not indexed to, or affected by, fluctuations in the value of the Rand against any foreign currency.

4. Definitions

Short-term investments are defined as:

"Any cash or liquid securities owned by the EMM which have a maturity date, and/or callable date reasonably expected to be exercised, that is equal to, or less than one year."

Long-term investments are defined as:

"Any cash or liquid securities owned by EMM which have a maturity date, and/or callable date reasonably expected to be exercised, that is greater than one year."

5. Purpose and Objectives of Investments

5.1 Preservation and safety of investments

The probable safety of the investment must, in the first instance, be considered when making investments. Preservation of capital is accomplished through placement of funds with creditworthy institutions and through portfolio diversification.

5.2 Investment Diversification

Diversification is required to minimize potential losses on individual securities and to maximize the yield from a blend of financial products.

5.3 Liquidity

The investment portfolio shall remain sufficiently liquid to meet all reasonably anticipated operating requirements.

5.4 Return on investments

The investment portfolio shall be designed with the objective of attaining a maximum rate of return subject to the investment risk constraints and liquidity requirements of EMM.

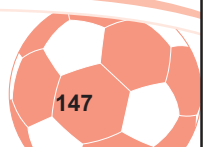
6. Standards of Care

6.1 Prudence

The City Manager, in accordance with this policy, must exercise due diligence in carrying out the investment function. EMM has a responsibility to invest public funds with great care and is accountable to the community in this regard. Investments must be made with such judgement and care, under the prevailing circumstances, as a person of prudence, discretion and intelligence would exercise in the management of that person's own affairs. Investments may not be for speculation but must be genuine investments.

6.2 Ethics and Conflicts of Interest

Officials responsible for the investment of funds must steer clear of outside interference, regardless of whether such interference comes from individual Councillors, agents or any other institution. The ethical standards as contained in the Municipal Supply Chain Management Policy are "**mutatis mutandis**" applicable to investment activities. Interest rates offered should never be divulged to another institution.



Budget of Municipal Entities: Ekurhuleni Development Company

6.3 Payment of Commission

No commission or other award may be paid to an official or councillor of EMM, or to a spouse or close family in respect of any investment made or referred by EMM.

If an investee pays any commission or other reward to an external investment manager appointed by the EMM in respect of any investment made by EMM, both the investee and the investment manager must declare such payment to the council by way of a certificate disclosing full details of the payment.

7. Delegation of Authority

Authority to manage EMM's investment portfolio is delegated as follows:

- The City Manager to invest any amount (after taking due cognisance of the liquidity requirements of EMM) of the short-term funds in terms of the provisions of the investment policy.
- The Bid Adjudication Committee to approve the investment of long-term funds in terms of the provisions of the Investment Policy and Municipal Supply Chain Management Regulations in accordance with the process as stipulated in the Supply Chain Management Policy.

8. Rating of Financial Institutions

EMM shall rely on the credit analysis of the financial institutions as obtained from external Credit Rating Agencies as appointed by Council from time to time. The City Manager shall be made aware of real or potential problems related to credit or credit rating issues and their impact on the investment portfolio by the Credit Rating Agency, as this information becomes available.

9. Authorised Investments

All investments must be in the name of the EMM or one of the municipal entities.

10. Investment Limitations

10.1 General Investment Practice

Short-term investments

In order to obtain the greatest security for EMM's funds, short-term investments are not to be made with financial institutions with ratings lower than A1 / F1 as defined in the National Rating Definitions.

EMM's exposure to any one financial institution, for short-term investments, is limited as follows:

- A1+ / F1+ Short Term Rating: 5% of institution's total equity as published from time to time in the Fitch Banking Sector Report;
- A1 / F1 Short Term Rating: 4% of institution's total equity as published from time to time in the Fitch Banking Sector Report;

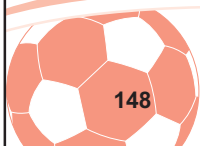
Long term investments:

Long term investments shall only be made with financial institutions with a minimum long term rating of A. EMM's exposure to any financial institution for long term investments is limited to 2% of the institutions total equity as published from time to time.

Long term investments are regarded as "competitive bids" and must be treated in accordance with the Supply Chain Management Policy.

10.2 Total exposure

EMM's total exposure for short and long-term investments to any financial institution must be limited to 7% of the institution's total equity as published from time to time in the Fitch Banking Sector Report.



Budget of Municipal Entities: Ekurhuleni Development Company

11. Investment Managers

Investment or Asset Fund Managers may be appointed to assist with the placing of investments, or to manage a portion of the investment portfolio in order to maximize interest earned without jeopardizing liquidity. The appointment of these service providers must be done in accordance with the Supply Chain Management Policy.

The conditions for their use including their liability in the event of non-compliance with this policy must be included in the bidding documentation specifying mandates that minimize risk and place the institutions on equal footing.

12. The Process of Investment of Funds

The process of investment of funds must in the first instance be made with the primary regard being to the probable safety of the investment, in the second instance to the liquidity needs of EMM, and lastly to the probable income derived from the investment.

The investment of funds must be dealt with in accordance with the procedure for the calling of quotations and competitive bids as detailed in the Supply Chain Management Policy.

13. Safekeeping and Custody

The Chief Financial Officer shall establish and maintain an internal control structure designed to ensure the assets of the Metro are protected from loss, theft, or misuse. The controls will be to prevent losses of public funds from fraud, employee errors, misrepresentation by third parties, or imprudent actions by employees and officers of EMM. The controls will include, among others:

- Control of collusion.
- Separation of functions.
- Separation of transaction authority from accounting and record-keeping.
- Custodial safekeeping.
- Clear delegation of authority to subordinate staff members.
- Specific limitations regarding security losses and remedial action.
- Supervisory control of employee actions.
- Minimising the number of authorised investment officials.
- Effective data management and reporting system for investment activities.
- Documentation of transactions and strategies.

14. Reporting

The Municipal Manager must, within 10 working days after the end of each month, submit to the Executive Mayor a report describing, in accordance with generally recognised accounting practice, the investment portfolio as at the end of the month.

The above-mentioned report must set out the following:

- the market value of each investment as at the beginning of the reporting period;
- any changes to the investment portfolio during the reporting period;
- the market value of each investment as at the end of the reporting period; and
- fully accrued interest or yield for the reporting period.

A bank, insurance company or other financial institution which at the end of a financial year holds, or at any time during a financial year held, an investment for EMM, must:

- within 30 days after the end of that financial year notify the Auditor General, in writing, of that investment, including the opening and closing balances of that investment in that financial year; and
- promptly disclose information regarding the investment when so requested by the National Treasury or the Auditor-General.

Budget of Municipal Entities: Ekurhuleni Development Company

15. Policy Review

This policy will be reviewed annually by the Chief Financial Officer to ensure congruence with changing needs, technology, evolving regulatory standards with the MFMA, Investment regulations, and private sector best practices. The process to be followed for the annual revision of the policy will be via the committee system of Council as part of the annual Budget Process.

BORROWING POLICY

1. Application and Scope

The Borrowing Policy is applicable to the Ekurhuleni Metropolitan Municipality as well as to all of the municipal entities of the Metro, being:

- Brakpan Bus Company.
- East Rand Water Care Company.
- Ekurhuleni Development Company, including Pharo Park, Phase Two and Lethabong Housing Institute.

The adoption of the policy will result in the repealing of the Funding Strategy compiled in March 2004.

The policy will be effective as from 1 July 2010.

2. Objectives of Policy

To regulate the borrowing framework of the Ekurhuleni Metro to ensure optimum use is made of financial gearing.

Specific objectives:

- To maintain or reduce the average cost of borrowing;
- To maintain the following financial ratios:
 - Interest cost to total expenditure to not exceed 8%;
 - Long term debt to internal funds and reserves to not exceed 50%
 - Long term debt to fixed assets to not exceed 50%
- To maintain a long-term credit rating of AA;
- To achieve a capital budget of R2 billion plus per annum;

3. Introduction

Given that a large portion of municipal infrastructure has a long-term economic life and a general principle is that the current ratepayers should not pay for the usage of future ratepayers, there is a strong economic argument to finance this capital expenditure through long-term borrowing in order to accelerate the pace of delivery and to mirror the repayment of funds with the economic life of the asset.

The economic life of assets should always be equal to, or longer than the tenure of the debt finance.

4. Legislative Framework

Chapter 6 of the MFMA and the National Treasury Municipal Regulations on Debt Disclosure must be complied with.

Municipal Entities must comply with Section 108 of the MFMA in addition to Chapter 6.

Budget of Municipal Entities: Ekurhuleni Development Company

4.1. Process

The process as required by the MFMA is as follows:

Section 46

- (2) A municipality may incur long-term debt only if-
 - (a) a resolution of the municipal council, signed by the mayor, has approved the debt agreement; and
 - (b) the accounting officer has signed the agreement or other document which creates or acknowledges the debt.
- (3) A municipality may incur long-term debt only if the accounting officer of the municipality-
 - (a) has, in accordance with section 21A of the Municipal Systems Act-
 - (i) at least 21 days prior to the meeting of the council at which approval for the debt is to be considered, made public an information statement setting out particulars of the proposed debt, including the amount of the proposed debt, the purposes for which the debt is to be incurred and particulars of any security to be provided; and
 - (ii) invited the public, the National Treasury and the relevant provincial treasury to submit written comments or representations to the council in respect of the proposed debt; and
 - (b) has submitted a copy of the information statement to the municipal council at least 21 days prior to the meeting of the council, together with particulars of-
 - (i) the essential repayment terms, including the anticipated debt repayment schedule; and
 - (ii) the anticipated total cost in connection with such debt over the repayment period.

4.2. Other Conditions

Conditions applying to both short-term and long-term debt

Section 47 - A municipality may incur debt only if-

- (a) the debt is denominated in Rand and is not indexed to, or affected by, fluctuations in the value of the Rand against any foreign currency; and
- (b) section 48(3) has been complied with, if security is to be provided by the municipality.

Section 48 (Security)

- (1) A municipality may, by resolution of its council, provide security for-
 - (a) any of its debt obligations; (If security is provided, there are additional conditions to be complied with).

Section 49 (Disclosure)

- (1) Any person involved in the borrowing of money by a municipality must, when interacting with a prospective lender or when preparing documentation for consideration by a prospective investor-

Budget of Municipal Entities: Ekurhuleni Development Company

- (a) disclose all information in that person's possession or within that person's knowledge that may be material to the decision of that prospective lender or investor; and
- (b) take reasonable care to ensure the accuracy of any information disclosed.
- (2) A lender or investor may rely on written representations of the municipality signed by the accounting officer, if the lender or investor did not know and had no reason to believe that those representations were false or misleading.

In addition to the above MFMA requirements, the Debt Disclosure Requirements must be complied with in respect of information to be provided.

The following Information is to be provided to National Treasury with respect to a long-term debt proposal:

	Details	MFMA
1.	A copy of the information statement required by section 46(3), containing particulars of the proposed borrowing (debt) instrument.	46(3)(a)(i)
2.	If not already incorporated in the information statement, please ensure the following information is provided separately (note QBMR = Quarterly Borrowing Monitoring Return to NT, see over page for further information): <ul style="list-style-type: none"> amount of debt to be raised through borrowing or other means purposes for which the borrowing (debt) is to be incurred interest rate(s) applicable (state whether fixed or variable etc) planned start and end date (term of instrument) detailed repayment schedule for the duration of the borrowing (debt) (showing dates and all payments of principal and interest, etc) total estimated cost of the borrowing (debt) over the repayment period type of instrument (select from QBMR) security to be provided (select from QBMR) and provide details source of loan funds (select from QBMR) 	46(3)(b)(i) and (ii)
3.	A schedule of consultation undertaken, including: <ul style="list-style-type: none"> date(s) when the information statement was made public details of meetings, media adverts and other methods used to consult on the proposed long-term borrowing (debt) 	46(3)(a)(i), (ii)
4.	A copy of the approved budget, and relevant documentation supporting the budget, highlighting the asset(s) to be funded by the proposed borrowing (debt) and the revenue to be received. It must be demonstrated that the proposed borrowing (debt) is consistent with the IDP, the capital budget and the revenue is shown accordingly.	46(6) 17(2) 19
5.	If the borrowing (debt) is for the purpose of refinancing existing long-term borrowing (debt), the following information: <ul style="list-style-type: none"> description of the asset(s) for which the original loan was required the useful remaining life of the asset(s) the net present value of the asset(s), including the discount rate used and any assumptions in the calculations the net present value of projected future payments before refinancing, including the discount rate and assumptions used. the net present value of projected future payments after refinancing, including the discount rate and assumptions used. 	46(5)
6.	What source of funding will be used to repay the loan? Please specify the revenue stream(s) and whether this is existing revenue, or new revenue.	19(1)(d)
7.	Schedule of all long-term borrowing (debt) obligations in the format of the QBMR showing principal and interest payments for the life of all loans and any associated investments set up as sinking funds etc.	
8.	In the case of a municipal entity, details of any guarantee or other forms of security to be issued by the parent municipality(s) in respect to the entity's proposed borrowing (debt).	50
9.	Please note: a copy of the council/board of directors' resolution approving the borrowing (debt) instrument should be forwarded once approved.	

Budget of Municipal Entities: Ekurhuleni Development Company

1. Interest Rate Risk

As a general principle, when interest rates are expected to decrease, it is advisable that a floating rate be negotiated in order to take advantage of the lower interest rates in the future. If interest rates are expected to increase, it is advisable to obtain a fixed rate so that the benefits of the current low interest rate are maintained.

In a municipal environment, however, it is advisable that interest rate risk be limited insofar as possible. This will ensure stability in terms of annual rates increases and reduce the potential of unfunded liabilities arising during the year without the ability to adjust the revenue of the municipality.

The policy directive is to negotiate fixed interest rates on all long term borrowings. Variable rates should be used for short term debt only.

2. Form of borrowings

Long term borrowings will be taken up in the following forms:

- Balance Sheet loans (both secured and unsecured) from registered South African banks and/or other financial institutions offering balance sheet loans.
- Municipal Bonds through the Bond Exchange of South Africa.
- Long term debt agreements between the RSA National Government and the municipality (where applicable).
- Long term debt agreements between State Owned Enterprises of the RSA National Government and the municipality (where applicable).
- Long term debt agreements between municipalities (where applicable).
- Long term debt agreements between the municipality and its municipal entities (where applicable).

3. Limitations

Ekurhuleni's Long Term Financing Strategy has been used as basis to determine the affordability of loans over the Medium Term Income and Expenditure Framework (MTIEF) Period.

The assumptions of the forecast model are as follows:

- The operating income and expenditure will grow between 6% and 35% per annum (within the current inflation target setting and Eskom indicative price increases).
- Debtor's payment levels of 92% on current billings. In addition, amounts in arrears will be collected and written off with varying amounts over the 3 year period.
- New loans are repaid in 15 annual instalments at an interest rate of 11%.
- The capital budget has an actual implementation rate of 100%. This was used as indicator of how the cash position will be as "worst-case" scenario.

From the above, it is recommended that the following amounts be taken up in the MTIEF Period:'

2010/11 Budget - R1.1 billion (timing will depend on actual spending levels).

2011/12 Budget - R1 billion (timing will depend on actual spending levels).

2012/12 Budget - R1 billion (timing will depend on actual spending levels).

4. Borrowings of Municipal Entities

All proposed borrowings of Municipal Entities must be authorised by the Ekurhuleni Metropolitan Municipality.

The Ekurhuleni Metropolitan Municipality will consider the provision of guarantees for the borrowings of Entities as approved by Council within limits of affordability.

It will be endeavoured to negotiate consolidated borrowings for the EMM group when possible, however, individual borrowings are allowable in terms of this policy.

Budget of Municipal Entities: Ekurhuleni Development Company

1. Conclusion

The provision of municipal and social infrastructure to the community should be fast-tracked to ensure backlog eradication within the timeframes set by National Government, or as soon as possible thereafter. In order to achieve this, a myriad of funding methods, including borrowings will be applied by the Ekurhuleni Metropolitan Municipality.

FUNDING AND RESERVES POLICY

1. Application and Scope

The Funding and Reserves Policy is applicable to the Ekurhuleni Metropolitan Municipality as well as to all of the municipal entities of the Metro, being:

- Brakpan Bus Company.
- East Rand Water Care Company.
- Ekurhuleni Development Company, including Pharo Park, Phase Two and Lethabong Housing Institute.

The policy will be effective as from 1 July 2010.

2. Objectives of Policy

- To ensure the operating and capital budgets of council are appropriately funded.
- To ensure that provisions and reserves are maintained at the required levels to avoid future year unfunded liabilities.

3. Introduction

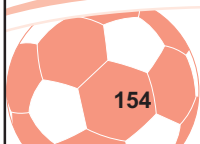
The funding of the operating and capital budgets is done on an annual basis for a three year horizon. The budget must be balanced both from an accounting perspective as well as a cash perspective.

The impact of movements in the Statement of Financial Position is taken into account when considering the balancing of the budget.

4. Operating Budget Policies

The Operating Budget provides funding to departments for medium term expenditure. The Operating Budget is developed with certain guiding principles, including the following:

- A Balanced Budget is compiled on an annual basis.
- Assessment Rates are levied in terms of the Municipal Property Rates Act based on land and improvements value. The budget is compiled using the latest approved valuation roll as basis and adjusted for expected growth in the property market. Assessment Rates Tariffs and Rebates are determined annually as part of the tariff setting process.
- Billed revenue for metered services comprise Electricity and Water and Wastewater. The actual consumption for the previous financial years will be used as basis, adjusted with expected growth and/or contraction in service levels. The tariffs are set on an annual basis as part of the tariff setting process.
- Solid Waste revenue is billed based on the number of erven receiving the service. The valuation roll is used as the basis of the budget calculation.
- Other income is charged in terms of the approved tariffs. The budget is compiled based on historic trends and adjusted for expected growth and/or contraction in service levels.
- Provision for revenue that will not be collected is made against the "Provision for bad debt" line item. Actual collection levels for the period directly preceding the budget year is used as a benchmark for setting the expected collection level.



Budget of Municipal Entities: Ekurhuleni Development Company

- Interest from investment income is based on the actual long term investments that the municipality has, as well as the amount reasonably expected to be earned on cash amounts held during the year. The budgeted financial statements are used as a guide on cash amounts that will be available to generate interest income.
- No provision is made for dividends from municipal entities as there is no expectation of dividends as detailed in the Entities Policy.
- No provision is made for income from transfer of assets as only incidental asset transfers are taking place at present.
- Transfers from the accumulated surplus to fund operating expenditure will only be allowed for specific once-off projects (and with no recurring operating expenditure resulting thereof).
- The increased depreciation impact as a result of the implementation of GRAP 17 will be phased in over a ten year period (funding from accumulated surplus).
- It will be endeavoured to limit tariff increases to the annual inflation rate or the bulk purchases increases from Council's service providers. Any increases in excess of the above will be to fund additional capital expenditure to address service delivery backlogs and to upscale maintenance activities.
- The budget is compiled net of VAT, i.e. the amounts budgeted for will be the net cost to Council after VAT has been taken into consideration.
- The Ekurhuleni Metropolitan Municipality is registered on the Payments Basis for VAT with the varied input method approved as the apportionment calculation method.
- 100% VAT is claimable on all departments for expenditure items that comply with the relevant VAT legislation.
- The offsetting of income and expenditure amounts is not supported and income and expenditure amounts are budgeted for where recoverable jobs are undertaken. This includes recoveries from staff on telephone accounts.
- A detailed salary budget is compiled on an annual basis. All funded positions are budgeted for in total and funded vacancies are budgeted for at 50% of the total package. In addition to this, an amount is determined on an annual basis to fund critical new positions. This amount is budgeted for centrally and transferred to the relevant departments as, and when allocations are made by the City Manager.
- Provision for Bad Debts is based on the annual income targets set in the IDP and SDBIP. Full provision is made for penalties on property rates and interest on debtor's accounts.
- Council supports the principle of making sufficient provision for the maintenance of existing assets and infrastructure, yet affordability does result in maintenance budgets being lower than the levels recommended by the World Bank.
- Individual line items in the Operating Budget are to be reviewed each year when developing the budget to ensure proper control over the expenditure and to examine the possibility of rationalization.
- A budget implementation circular is issued on an annual basis to provide guidance on the utilisation of the various line items in the operating budget.

5. Capital Budget Policies

An annual capital budget will be developed as part of the annual budget. Expenditure on capital will be in terms of the annual capital budget. Provision on the annual capital budget will be limited to available internal and external funds. Allocations made to departments from the available internal funding, will be based on the Growth and Development Strategy. The Budget Steering Committee facilitates the allocation of resources.

5.1. Allocation of internal funds

The Ekurhuleni Metropolitan Municipality has huge service delivery backlogs, especially Infrastructure. Far more funds should be made available on an annual basis to eradicate the backlog. However, to provide services in an equitable and balanced manner throughout the community, certain other projects must also be implemented. Communities need the "softer services", such as health facilities or sport and recreational facilities just as much as core infrastructure services. Similarly, the safety and security of the community must be addressed to secure a safe environment. It is furthermore critical to grow the local economy. Job creation, one of the national priorities, must be addressed in this budget. This capital budget aims to stimulate job creation and economic growth by means of allocating funds towards the city development segment. Job creation will not only be addressed by the city development segment, but also by all other segments in the execution of the capital budget. Certain projects will be executed in terms of the principles of the "Expanded Public Works Programme" to ensure maximum job creation.

Budget of Muncpal Entities: Ekurhuleni Development Company

Allocations made to departments from the available internal funding, are based on the Growth and Development Strategy. The following principles must, as far as possible, be addressed in the implementation of the capital budget:

- Job creation.
- Labour based construction.
- Advancement of SMMEs.
- Supporting of BBBEE.

Multi-year allocations are made using the following formula:

DEPARTMENT	CAPITAL BUDGET
Infrastructure Services Roads, Water and Wastewater, Housing, Environmental Development, Electricity and Energy and Fleet	Internal Funds -70% MIG grants - 80%
Community Services Health, SRAC, Community Safety, CCA's, 2010, Economic Development, City Development,	Internal Funds -20% MIG grants - 20%
Corporate Services Legal and Admin, HR, Finance, ICT, Marketing, Council General (Germiston Civic Precinct Building), R&D, Internal Audit, Political Office, etc.	Internal Funds -10% MIG grants - 0%

5.2. Impact of capital budget on future operating budgets

All capital projects have a recurring effect on future operating budgets. The following main cost components should be considered before capital projects are approved:

- Additional staff cost required to staff any new facility once operational.
- Additional contracted services, i.e. external security, cleaning services, etc.
- Additional general expenditure, i.e. services cost, stationery, cleaning materials, etc.
- Additional costs to maintain the assets.
- Additional depreciation charges (non cash item).
- Additional interest and redemption to service loans to fund the capital budget.

Projects may, however, also result in additional revenue generation. The impact that the expenditure has, must be offset by the additional revenue generated to determine the real impact on the operating budget, and the possible effect on tariffs.

5.3. Multi-year budget and commitments

Departments are allowed to commit both the internal and confirmed external funds in accordance with the multi-year budget.

5.4 Borrowing requirements

The borrowing requirements as contained in the Borrowing Policy provide for the following: Ekurhuleni's Long Term Financing Strategy has been used as basis to determine the affordability of loans over the Medium Term Income and Expenditure Framework (MTIEF) Period.

The assumptions of the forecast model are as follows:

- The operating income and expenditure will grow between 6% and 35% per annum (within the current inflation target setting and Eskom indicative price increases).
- Debtor's payment levels of 92% on current billings. In addition, amounts in arrears will be collected and written off with varying amounts over the 3 year period.
- New loans are repaid in 15 annual instalments at an interest rate of 11%.
- The capital budget has an actual implementation rate of 100%. This was used as indicator of how the cash position will be as "worst-case" scenario.

Budget of Municipal Entities: Ekurhuleni Development Company

From the above, it is recommended that the following amounts be taken up in the MTIEF Period:'

2010/11 Budget - R1.1 billion (timing will depend on actual spending levels).

2011/12 Budget - R1 billion (timing will depend on actual spending levels).

2012/12 Budget - R1 billion (timing will depend on actual spending levels).

Borrowings of Municipal Entities

All proposed borrowings of Municipal Entities must be authorised by the Ekurhuleni Metropolitan Municipality.

The Ekurhuleni Metropolitan Municipality will consider the provision of guarantees for the borrowings of Entities as approved by Council within limits of affordability.

It will be endeavoured to negotiate consolidated borrowings for the EMM group when possible, however, individual borrowings are allowable in terms of this policy.

6. Funding Policies

6.1. Operating Budget

The municipality categorises services rendered to the community according to its revenue generating capabilities:

- Trading services (services that generate surpluses that can be used to fund other services rendered by the municipality).
- Economic services (services that break-even, but do not generate any surpluses to fund other services rendered by the municipality).
- Rates and General (services that are funded by assessment rates, government grants or surpluses generated by the trading services).

The operating budget is thus funded from the following main sources of income:

- Assessment Rates;
- Equitable Share;
- Surplus generated from Electricity Service;
- Surplus generated from Water Service;
- Other Service Charges, fines and sundry income; and
- Other Government Grants.

The matrix below shows the current funding mix:

Utilisation of Assessment Rates Income

Assessment Rates	2,527,357,558
2010 Office	36,038,093
Customer Care Areas	62,328,629
City Development	93,275,193
City Manager	8,710,677
Communications and Marketing	41,419,960
Council General	365,759,877
DCM: Corporate	6,848,324
DCM: Operations	3,159,469
DCM: Strategic	3,300,092
Economic Development	25,674,030
Environmental Development	94,665,135
Finance	964,007,705

Budget of Municipal Entities: Ekurhuleni Development Company

Fleet Management	33,549,683
Human Resource Management	71,859,989
IDP	7,897,599
Internal Audit	25,264,594
Legal and Admin	206,173,358
Organisational Performance	1,497,103
Political Office	152,731,761
Research and Development	3,704,497
Risk Management	4,444,085
Solid Waste	124,080,684
Contribution to Services	190,967,021

Utilisation of Equitable Share Grant (including Fuel Levy)

Equitable Share Grant	2,420,523,526
Indigent Support	175,136,167
Eskom Areas Free Basic Services	54,000,000
Interest on External Loans	415,333,894
Health	352,488,617
Housing	260,965,102
Roads	996,277,483
Contribution to Services	166,322,263

Utilisation of Surpluses Generated by Trading Services

Trading Services Surplus	1,456,325,652
ICT	77,890,167
Market	6,942,992
Water and Wastewater Net Surplus	325,656,765
Electricity Net Surplus	1,045,835,728
Contribution from Assessment Rates	190,967,021
Contribution from Equitable Share Grant	166,322,263
Total	1,813,614,936
Community Safety	924,221,140
Parks	440,113,348
Sport, Recreation, Arts and Culture	449,280,448

6.2. Capital Budget

The capital budget is mainly funded from Government grants and Borrowings at present.
The current funding mix is as follows:

Source of Finance 2010/2011	Budget 2010/2011
Developer's contributions	16,500,000
INEP	15,000,000
Internal	1,306,347,874
MIG	528,134,000
Other National Grants	44,500,000
Other Provincial Grants	64,060,000
PHB	2,000,000
Grand Total	1,976,541,874

Budget of Municipal Entities: Ekurhuleni Development Company

Funding for capital budgets of future years will be generated through a combination of methods, being depreciation (as main source), grants and donations (with a dedicated effort to lobby for additional grant allocations and private sector injections) as well as borrowings as, and when the current debt book is redeemed to ensure maximum use is made of funding options, including gearing at the optimal levels.

The increased asset value as a result of the GRAP 17 asset depreciation will be phased in for tariff setting purposes and more cash will be generated in a progressive manner over the next eight years. At present, the cash generated from depreciation is used for the redemption payments due. It is anticipated that the following cash amounts will be generated through depreciation over the next few years:

Fin Year	Cash generated through Depreciation budget	Less Redemption payments due (utilization of cash)	Available cash before investments made for future year loan redemptions with bullet profiles
1011	712,555,107.36	452,820,219.99	259,734,887.37
1112	867,465,720.54	204,824,338.41	662,641,382.13
1213	1,022,376,333.72	208,730,782.89	813,645,550.83
1314	1,177,286,946.90	632,027,006.34	545,259,940.57
1415	1,332,197,560.09	165,527,759.23	1,166,669,800.85
1516	1,487,108,173.27	177,477,379.12	1,309,630,794.15
1617	1,642,018,786.45	191,350,088.39	1,450,668,698.06
1718	1,796,929,399.63	206,629,259.23	1,590,300,140.40

In other words, depreciation will generate cash (the difference between the annual depreciation charged to the statement of financial performance and the offset depreciation used to phase the additional depreciation in) as indicated above for 1011 to 1718 (based on current depreciation levels - as the asset base increases with capital investments, the amount of cash generated through depreciation will also increase).

The current debt book must be repaid in terms of the repayment conditions from this cash and the balance is then available for utilisation. A portion must be used to set up zero coupon bonds (or other alternative investments that will be utilised for the redemption of the bonds when they become due). The balance will then be available for capital funding.

7. Reserves

As required by GRAP, only provisions are shown separately on the face of the Statement of Financial Position. All reserves are "ring-fenced" as internal reserves within the Accumulated Surplus. Ring-fenced reserves are as follows:

- Assets fair value reserve.
- Bulk contributions reserves (Electricity, Water and Sanitation, Roads and Parks).

The Assets fair value reserve is not supported by cash but are only used for the phasing in of increased depreciation charges as a result of the full implementation of GRAP 17.

The Cash Management Policy provides for the cash requirements for provisions and reserves.

The following section of the Cash Management Policy is applicable:

Balance Sheet Reserves and Provisions:

The Accounting Policy of the Ekurhuleni Metropolitan Municipality contains the following sections relating to provisions:

A provision is recognised when the Municipality has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Budget of Muncpal Entities: Ekurhuleni Development Company

Provisions are reviewed annually and those estimated to be settled within the next twelve months are treated as current liabilities. All other provisions are treated as long term liabilities.

Long term liabilities are discounted to the date of the annual financial statements applying the average cost of borrowings interest rate.

Leave Provision

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end."

Due to the fact that not all leave balances are redeemed for cash, only 50% of the leave provision is cash backed.

COID Provision

The provision for COID pensions and medical aid liability is based on eligible members, their current age and their future life expectancy. Cash flows are projected on the basis of current pension payments escalated at 7% per annum and medical aid payments escalated at 10% per annum over member's expected lives. Resulting cash flows have been discounted to Net Present Value applying a discount rate of 12%."

The COID Provision must be cash backed to ensure availability of cash for payment of claims.

Landfill Rehabilitation Provision

The Landfill Rehabilitation Provision is created for the rehabilitation of the current operational sites at the future estimated time of closure.

The value of the Provision is based on the expected future cost to rehabilitate the various sites discounted back to the balance sheet date at the cost of capital.

The Landfill Rehabilitation Provision must be cash backed to ensure availability of cash for the rehabilitation of the landfill sites.

Donations, Public Contributions and Unspent Grant funding (including developer's contributions to bulk services)

The Accounting Policy of the Ekurhuleni Metropolitan Municipality contains the following section relating to donations and public contributions:

"Revenue received from conditional grants, donations and funding is recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a current liability is recognised."

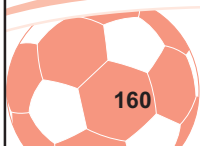
Unspent amounts in relation to donations, public contributions and unspent grant funding are therefore retained in cash and are not available to fund any items on the operating or capital budget other than in terms of the conditions of the donations, public contributions or grants.

Other balance sheets items to be cash backed

Consumer Deposits, including Rental Deposits

Consumer deposits are regarded as creditors, i.e. the funds are owed to consumers and can therefore not be utilised to fund the operating or capital budget.

Consumer Deposits and Rental Deposits should be retained in cash.



Budget of Municipal Entities: Ekurhuleni Development Company

Working Capital

Working capital is required to ensure cash availability in the event of emergencies. Council must retain cash for a period of 70 days as minimum cash balance to ensure sufficient working capital.

The ideal situation is that cash for a period of 70 days be kept in addition to the balance sheet funding, however, non-compliance with this will not be seen as a going concern risk.

BUDGET IMPLEMENTATION AND MONITORING POLICY

1. Application and Scope

The Budget Implementation and Monitoring Policy is applicable to the Ekurhuleni Metropolitan Municipality as well as to all of the municipal entities of the Metro, being:

- Brakpan Bus Company.
- East Rand Water Care Company.
- Ekurhuleni Development Company, including Pharo Park, Phase Two and Lethabong Housing Institute.

The policy will be effective as from 1 July 2010.

2. Objectives of Policy

- To ensure effective budget monitoring.
- To ensure compliance with the MFMA Budget and Reporting Regulations.

This policy deals with the following:

- Budget management and oversight.
- Shifting of funds within votes.
- Introduction of adjustments budget.
- Unforeseen and unavoidable expenditure.
- Unauthorised expenditure approved by the Mayor.

3. Legislative Framework

The National Treasury issued the Budget Regulations on the 17th April 2009 in Government Gazette Number 32141. The Regulations came into effect on the 1st July 2009.

The Regulations deal with the following matters amongst others:

- Only one main adjustments budget may be considered by Council, but there are a number of exceptions where adjustments budgets can be dealt with:
 - If a national or provincial adjustments budget allocates additional revenue to a municipality;
 - When unforeseeable and unavoidable expenditure is incurred and approved by the Mayor;
 - Approval of roll-overs (to be approved before the 25th August annually); and
 - Approval of un-authorised expenditure when the Mayor tables the annual report.
- In-year reports must be prepared in the prescribed format.
- The monthly budget statements must be placed on the municipality's website.
- Municipal Entities must comply to a similar process as prescribed to municipalities.



Budget of Muncipal Entities Ekurhuleni Development Company

4. Budget Management and Oversight

Section 71 of the Municipal Finance Management Act reads, inter alia, as follows:

"The accounting officer of a municipality must, by no later than 10 working days after the end of each month, submit to the mayor of the municipality and the relevant provincial treasury a statement in the prescribed format on the state of the municipality's budget reflecting the following particulars for that month and for the financial year up to the end of that month:

- (a) *Actual revenue, per revenue source;*
- (b) *Actual borrowings;*
- (c) *Actual expenditure, per vote;*
- (d) *Actual capital expenditure, per vote;*
- (e) *The amount of any allocations received;*
- (f) *Actual expenditure on those allocations, excluding expenditure on-*
 - i. its share of the local government equitable share; and*
 - ii. allocations exempted by the annual Division of Revenue Act from compliance with this paragraph; and*
- (g) *When necessary, an explanation of-*
 - i. any material variances from the municipality's projected revenue by source, and from the municipality's expenditure projections per vote;*
 - ii. any material variances from the service delivery and budget implementation plan; and*
 - iii. any remedial or corrective steps taken or to be taken to ensure that projected revenue and expenditure remain within the municipality's approved budget."*

The Finance department will facilitate the section 71 in-year reporting process as follows:

- Financial month end reports will be available on the 7th working day of the month.
- Reports detailing the following information will be circulated to the Senior Management Team and Heads of Departments:
 - Actual Operating Revenue / Expenditure for the month compared to the budget for the month per category.
 - Actual Operating Revenue / Expenditure for the year to date compared to the budget for the year to date.
 - Actual Operating Revenue / Expenditure for the year to date compared to the budget for the full year.
 - Capital Budget Expenditure for the month compared to the budget for the month.
 - Capital Budget Expenditure for the year to date compared to the budget for the year to date.
 - Capital Budget Expenditure for the year to date compared to the budget for the full year.
 - Grant allocations received as well as expenditure against those grants for the year to date.
 - Details of unspent grant funding.
 - Other relevant statistics.
- Monthly financial statements will be compiled.
- Reports will be submitted to the Executive Mayor on the 10th working day of each month.
- A formal report with a full analysis of the financial results will be submitted to the Finance Portfolio Committee and Mayoral Committee on a monthly basis - this report will contain the financial information of the Metro in total, with details of the financial performance per department. This report will contain a quality certificate signed by the Accounting officer as required by section 5 of the Municipal Budget and Reporting Regulations.
- Each Head of Department will be required to analyse the financial results of his/her department and provide a report to the relevant portfolio committee on a monthly basis.
- Automated budget monitoring will be implemented through the blocking of all financial transactions (placing of orders, payments, journals, etc.) unless sufficient budget is available on the relevant line item on the financial system.
- Salary integration journals will be excluded from the abovementioned process. Financial control on salary payments will be effected through the PEELow/PayDay integration and data integrity check process.

Budget of Municipal Entities Ekurhuleni Development Company

- Any anticipated over-expenditures must be reported to the Chief Financial Officer and the relevant portfolio committee as soon as it is identified by the relevant Head of Department.
- Re-prioritisation of budgets will be allowed to facilitate shifting of funds towards anticipated over-expenditure items as identified above.

5. Shifting of funds within votes

Section 1 of the MFMA defines a "vote" as:

- one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and*
- which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.*

The term "vote" is used to divide the budget into segments and the council then approves the budget according to these votes via resolution. The definition requires votes to be at the departmental or functional level. The reason for this is that municipalities are organized around departments, which in most instances tend to be linked to specific functions. Senior managers often head such departments/functions, which makes it easier for the "vote" of a department to be used to facilitate greater accountability for service delivery and budget implementation over the performance of senior managers, in accordance with their annual performance agreements. For effective accountability, senior managers form part of top management and report directly to the municipal manager (section 77 of the MFMA).

Any expenditure incurred that is not in accordance with a vote (or exceeds the amount for a vote) is classified as unauthorised expenditure, which sets off corrective and disciplinary mechanisms against the accounting officer. Any movement of funds between "votes" or alteration of service delivery targets or performance indicators therefore requires an adjustment budget and a further council resolution. That is, a council resolution is required to deviate from the original council resolution that approved the budget. Keeping the "vote" at a high level allows senior managers to move expenditure and revenue as necessary within a "vote" without an adjustments budget provided the overall revenue, expenditure and performance objectives for that "vote" are not negatively affected.

The shifting of funds between votes will be allowed within the following parameters:

Administrative Process

As per delegations approved by Council per Item A-CL (05-2007) 29 March 2007 - amounts applicable as from 1 July 2010 to 20 June 2011:

CHIEF FINANCIAL OFFICER

Delegated up to R435 600 - Escalating with 10% per year.

Up to an amount of R435 600.

Can be approved by the CFO, Director: Budget and Financial Management or Executive Manager: Budget and Financial Management.

Amounts exceeding R435 600 - to be approved by the CFO.

DEPUTY CITY MANAGER

In conjunction with the CFO and MMC: Finance: Delegated up to R726 000 - Escalating with 10 % per year

As the amounts are exceeding R435 600 - to be approved by CFO.

To be approved by the relevant Deputy City Manager.

To be approved by the MMC: Finance.

CITY MANAGER

In conjunction with the CFO and MMC: Finance: Delegated up to R1 023 000 - Escalating with 10 % per year

As the amounts are exceeding R435 600 - to be approved by CFO.

To be approved by the City Manager.

To be approved by the MMC: Finance.



Budget of Muncpal Entities Ekurhuleni Development Company

Any request to shift funds within votes (be it for capital or operating expenditure), must be done using the prescribed form. The following process of information verification must be completed before the request is submitted for approval:

- Verification that the request will not lead to the shifting of funds that are not within the limits of the delegated powers as indicated above.
- Provision of background information as to why the shifting of funds are required.
- Provision of specific information in respect of the shifting of funds. The following information must be provided:
 - Specific Questions to be answered for all budget re-allocations
 - Was the budget which is now being reduced over budgeted for?
 - If not, how is it now possible to reduce the budget?
 - If yes, why?
 - How will this re-allocation impact on the budget for the next financial year?
 - Specific Questions to be answered for capital budget re-allocations
 - Will the project where funds are transferred from still be implemented?
 - If not, why not?
 - If yes, when and how will it be funded?
 - Was the ward councillor informed of the budget adjustment?
- The request must be approved by the relevant Head of Department.
- If the Chief Financial Officer is of the opinion that the request will not have a negative impact on the SDBIP outcomes, the request will be approved.
- The request will be forwarded to the Deputy City Manager, City Manager and MMC: Finance (as applicable) for co-approval in terms of the delegated powers.
- Approved requests will be processed on the Venus financial system.
- Only once funds have been shifted, will departments be able to process financial transactions.

Funds budgeted for under the **Council General** cost centre are provided for activities that are not restricted to a specific function and is thus not deemed to be a MFMA "vote". Shifting of funds between the Council General and other cost centres will be deemed to be transfers within a vote.

Political Process

Any funds to be shifted within votes for amounts that exceed the delegations of the MMC: Finance, City Manager, Deputy City Manager or Chief Financial Officer must be submitted to the Mayoral Committee and/or Council for approval. The delegated powers of the Executive Mayor in this regard are as follows:

DELEGATION OF POWERS BY THE COUNCIL TO THE EXECUTIVE MAYOR AUTHORITY	AUTHORISING PROVISIONS
The council hereby transfers the execution of all powers, tasks and duties of the Council to its Executive Mayor, in accordance with the provisions of section 59 of the Local Government : Muncpal Systems Act, 2000, and subject to the provisions of the Local Government : Muncpal Finance Management Act, Act 56 of 2003 (MFMA) to be exercised together with the other members of the Mayoral Committee as contemplated in Section 60(3) of the said Act, with the exception of the following:	Local Government : Municipal Systems Act, Act 32 of 2000
A The Council reserves the power to - <ol style="list-style-type: none"> 1. make, amend or revoke by-laws; 2. determine rates, other taxes, levies and duties; 3. approve the annual budget and the adjustment budgets ; 4. raise loans; 5. approve policies in respect of matters not delegated to the Executive Mayor; 6. approve IDP and Metro Spatial Development Framework (MSDF) 7. expropriate property; 8. approve the allowances/benefits of the Executive Mayor and other Councillors; 9. create or reduce levies or tariffs on money received; 10. appoint personal in the positions of the City Manager and Deputy City Managers (levels 1 and 2), after interviewing of candidates by the Executive Mayor or any Committee Appointed by the Executive Mayor for this purpose; 11. suspend and/or terminate the employment of any Manager or Managers reporting directly to the City Manager; 12. approve expenditure, excluding the acceptance of tenders or other bid as contemplated in the MFMA, at an amount exceeding R10 million subject to and read with delegation 12 of the Executive Mayor. 13. exercise such powers as must be retained by Council in terms of legislation 14. approve the framework of the organisational and personnel structure as contemplated in section 66 of the Systems Act subject to the further delegations as per this System of Delegations and Council's Budget processes. 	Local Government : Municipal Finance Management Act, Act 56 of 2003 Ekurhuleni Metropolitan Municipality Supply Chain Management Policy All applicable council policies and resolutions

Budget of Muncpal Entities Ekurhuleni Development Company

- Any expenditure items in excess of R10m must be approved by the Council.
- Annual budgets and adjustments budgets must be approved by the Council.

Any shifting of funds within votes that do not exceed R10 million can therefore be approved by the Executive Mayor.

Any shifting of funds within votes that exceeds R10 million must be approved by the Council.

To obtain the approval of the Executive Mayor and/or Council must be done through the submission of a report via the relevant portfolio committee following the prescribed process.

The same information as required when shifting funds using the administrative process must be included in the report to be submitted to the Mayoral Committee and/or Council.

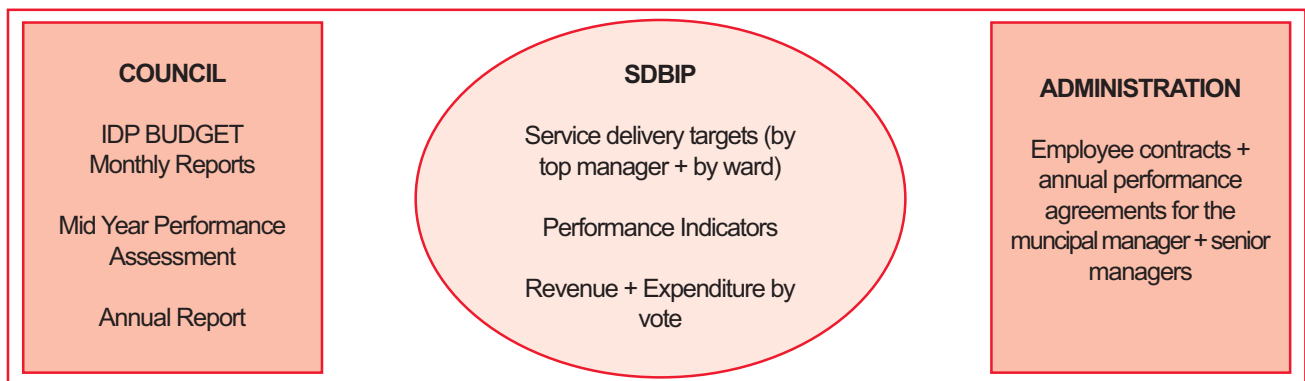
Once approved, the shifting of funds will be processed on the Venus financial system. Only once funds have been shifted, will departments be able to process financial transactions.

6. Introduction of an adjustments budget

The SDBIP which gives effect to the Integrated Development Plan (IDP) and the municipality's budget as one aligned process in conjunction with the performance agreements of senior managers.

The SDBIP serves as a 'contract' between the administration, council and community expressing the goals and objectives set by council as quantifiable outcomes that can be implemented by the administration over the next twelve months. This provides the basis for measuring performance in service delivery against end-of-year targets and implementing the budget. The SDBIP can be summarized visually as follows:

What is an SDIP?



For the SDBIP to be useful, regular reporting is essential. Various progress reports must be submitted to Council for consideration during January of each year. These reports include:

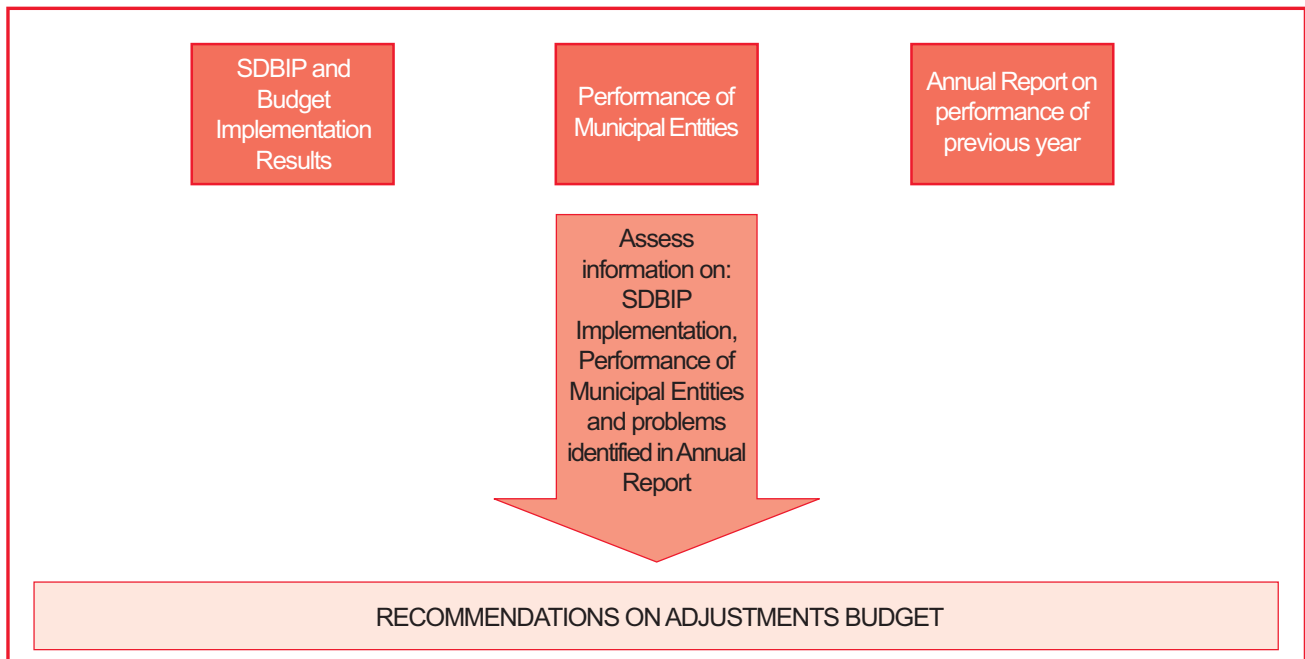
The quarterly SDBIP report - Section 52(d) of the MFMA stipulates that the Mayor must, within 30 days after the end of each quarter, submit a report to Council on the Implementation of the Budget and the Financial State of Affairs of the municipality.

Mid-year Assessment of the Budget - Section 72 of the MFMA states that the Accounting Officer must, by the 25th January of each year assess the performance of the municipality during the first half of the financial year taking the monthly financial results, the SDBIP results, the past year's annual report and the performance of the municipal entities.

Adjustments Budget - Section 72 of the MFMA further states that the Accounting Officer must, as part of the Mid-Year Assessment of the budget, make recommendations as to whether an adjustments budget is necessary and recommend revised projections for revenue and expenditure to the extent that this may be necessary.

Budget of Municipal Entities Ekurhuleni Development Company

Visually, the process can be summarized as follows:



Only one main adjustments budget may be considered by Council resulting from the mid year review, but there are a number of exceptions where adjustments budgets can be dealt with:

- If a national or provincial adjustments budget allocates additional revenue to a municipality.
- When unforeseeable and unavoidable expenditure is incurred and approved by the Mayor.
- Approval of roll-overs (to be approved before the 25th August annually).
- Approval of un-authorized expenditure when the Mayor tables the annual report.

The annual mid year review will be performed during January of each year. The main adjustments budget will be commenced with during January, but Council will have the prerogative to deal with the adjustments budget either during January or at the latest, February annually.

The adjustments budget will be considered by the Budget Steering Committee as well as all portfolio committees prior to it being finally approved by Council.

The Finance department will facilitate the requests for shifting of funds between votes. All needs identified between July and December annually must be communicated to the Finance department for the preparation of a consolidated report.

Additional allocations to departments will only be considered if actual revenue has significantly exceeded budgeted revenue for the first six months of the year and it is realistically anticipated that the trend will continue for the second half of the year or if new revenue not budgeted for has been received, or if additional national or provincial adjustments budget allocations were made to the municipality.

If any budget amendments result in a change in the SDBIP outcomes, departments will be allowed to submit revised SDBIP's to Council for consideration. A reduction in SDBIP targets as a result of sub-standard performance will not be considered as part of the adjustments budget process.

The adjustments budget must follow the process and be in the format as prescribed by Part 4 of the MFMA Budget and Reporting Regulations.

Budget of Muncpal Entities Ekurhuleni Development Company

Once the adjustments have been approved by Council, the Venus financial system will be updated whereafter departments will be allowed to process financial transactions.

Adjustments budgets other than the main adjustments budget resulting from the mid year review, will be considered as follows:

Approval of roll-overs (to be approved before the 25th August annually)

Projects funded from Provincial or National Government Grants, or other externally funded sources where projects were scheduled for completion by 30 June annually, but due to unforeseen delays are not completed by 30 June and no provision for completion of the projects were made in the annual budget, will be considered for roll-overs.

For projects to be considered, the following conditions must be met:

- Funding must have been received, or a legally binding written commitment for funding to be transferred must have been received.
- National and/or Provincial government must have approved the roll over of the funding in terms of the conditions of the Division of Revenue Act (i.e no surrendering of funds applicable).
- Projects must have been committed and/or commenced with.

The Chief Financial Officer will, annually during July, allow departments the opportunity to submit requests for budget adjustments where the above conditions are met.

An adjustments budget will be submitted to Council for consideration at the August council meeting.

The adjustments budget must follow the process and be in the format as prescribed by Part 4 of the MFMA Budget and Reporting Regulations.

Once the adjustments have been approved by Council, the Venus financial system will be updated whereafter departments will be allowed to process financial transactions.

If a national or provincial adjustments budget allocates additional revenue to a municipality.

Additional allocations made to the municipality resulting from a National or Provincial adjustments budget will be dealt with in an adjustments budget.

For an adjustments budget to be considered, the following conditions must be met:

- Funding must have been received, or gazetted in an amended Division of Revenue Act.
- Projects must be able to be completed by the end of the financial year, or funding must be available for use after the financial year in terms of the conditions of the Division of Revenue Act.

The Chief Financial Officer will annually, after the Provincial or National adjustments budgets are announced, allow departments the opportunity to submit requests for budget adjustments where the above conditions are met.

An adjustments budget will be submitted to Council for consideration at the next council meeting.

The adjustments budget must follow the process and be in the format as prescribed by Part 4 of the MFMA Budget and Reporting Regulations.

Once the adjustments have been approved by Council, the Venus financial system will be updated whereafter departments will be allowed to process financial transactions.

Budget of Muncpal Entities Ekurhuleni Development Company

7. Unforeseeable and unavoidable expenditure is incurred and approved by the Mayor

The MFMA Budget and Reporting Regulations prescribes the process to be followed for the approval of unforeseeable and unavoidable expenditure.

Unforeseen and unavoidable expenditure are expenditure that:

- Could not have been foreseen at the time the annual budget of the municipality was passed.
- The delay that will be caused by a pending adjustments budget may:
 - Result in significant financial loss for the municipality.
 - Cause a disruption or suspension or serious threat to the continuation of municipal services.
 - Lead to loss of life or serious injury or significant damage to property.
 - Obstruct the municipality from instituting or defending legal proceedings on an urgent basis.

No unavoidable expenditure exceeding R15 million may be approved during a financial year.

Any department becoming aware of the need to incur unforeseen or unavoidable expenditure must immediately approach the Chief Financial Officer with the full details on the unforeseen expenditure, providing information on the consequences of not incurring the expenditure as well as an indication of the expected cost (both for the current year as well as any recurring cost resulting from the event). A confirmation that the expenditure does not constitute expenditure that may not be allowed by the Executive Mayor as per section 72(2) of the MFMA Budget and Reporting Regulations must be given by the department when approaching the CFO.

The Chief Financial Officer will determine whether the cost cannot be dealt with through a process of shifting of funds within the relevant votes. If sufficient funds are available for shifting within the vote, the shifting of funds process will be followed. If not, the matter will be reported to the City Manager for consideration as unforeseen and unavoidable expenditure.

Once the City Manager has granted approval, the relevant Head of Department will be authorised to submit a report to the Executive Mayor requesting approval. If approval is granted, the Venus financial system will be adjusted to allow the department to process the financial transaction.

The abovementioned process will be dealt with as highest priority to ensure that administrative delays do not exacerbate the situation.

An adjustments budget will be submitted to the next Council meeting. The preferred process would be to shift funds between votes to avoid any negative impact on the total cash position of council.

8. Approval of un-authorised expenditure when the Mayor tables the annual report

The MFMA defines Unauthorised, irregular or fruitless and wasteful expenditure as follows:

"Unauthorised expenditure", in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3), and includes-

- (a) overspending of the total amount appropriated in the municipality's approved budget;
- (b) overspending of the total amount appropriated for a vote in the approved budget;
- (c) expenditure from a vote unrelated to the department or functional area covered by the vote;
- (d) expenditure of money appropriated for a specific purpose, other than for that specific purpose;
- (e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" other than in accordance with any conditions of the allocation; or
- (f) a grant by the municipality other than in accordance with this Act;



Budget of Municipal Entities Ekurhuleni Development Company

Any unauthorised expenditure as defined above, must be disclosed in the Annual Financial Statements by the Chief Financial Officer.

The Municipal Public Accounts Committee must consider the unauthorised expenditure as disclosed immediately after the Annual Report has been tabled in Council. As part of their investigation, the following requirements for recovering of cost must be considered:

Section 32 of the MFMA:

32. (1) *Without limiting liability in terms of the common law or other legislation-*
- (a) *a political office-bearer of a municipality is liable for unauthorised expenditure if that office-bearer knowingly, or after having been advised by the accounting officer of the municipality that the expenditure is likely to result in unauthorised expenditure, instructed an official of the municipality to incur the expenditure;*
 - (b) *the accounting officer is liable for unauthorised expenditure deliberately or negligently incurred by the accounting officer, subject to subsection (3);*
 - (c) *any political office-bearer or official of a municipality who deliberately or negligently committed, made or authorised an irregular expenditure, is liable for that expenditure; or*
 - (d) *any political office-bearer or official of a municipality who deliberately or negligently made or authorised a fruitless and wasteful expenditure is liable for that expenditure.*
- (2) *A municipality must recover unauthorised, irregular or fruitless and wasteful expenditure from the person liable for that expenditure unless the expenditure-*
- (a) *in the case of unauthorised expenditure, is-*
 - (i) *authorised in an adjustments budget; or*
 - (ii) *certified by the municipal council, after investigation by a council committee, as irrecoverable and written off by the council; and*
 - (b) *in the case of irregular or fruitless and wasteful expenditure, is, after investigation by a council committee, certified by the council as irrecoverable and written off by the council.*
- (3) *If the accounting officer becomes aware that the council, the Mayor or the executive committee of the municipality, as the case may be, has taken a decision which, if implemented, is likely to result in unauthorised, irregular or fruitless and wasteful expenditure, the accounting officer is not liable for any ensuing unauthorised, irregular or fruitless and wasteful expenditure provided that the accounting officer has informed the council, the mayor or the executive committee, in writing, that the expenditure is likely to be unauthorised, irregular or fruitless and wasteful expenditure.*

Once the Municipal Public Accounts Committee has concluded its investigations, a report will be submitted to the Executive Mayor whereafter the unauthorised expenditure will be considered for approval, recovery of cost, write-off with or without disciplinary, and/or criminal proceedings.

The Executive Director: Legal and Administration must ensure compliance with the MFMA reporting requirements in respect of unauthorised expenditure, including criminal proceedings where applicable.

Budget of Municipal Entities Ekurhuleni Development Company

ACCOUNTING POLICY (Revised 1 July 2010)

BASIS OF PREPARATION

Annual Financial Statements

The annual financial statements are prepared on an accrual basis of accounting and are in accordance with historical cost convention.

These municipal annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

Property, plant and equipment (PPE)

Property, plant and equipment, is stated at cost less accumulated depreciation and accumulated impairment. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an infinite life.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. Cost also includes initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

The municipality maintains and acquires assets to provide a social service to the community. The useful lives and economic lives of these assets are equal and consequently no residual values are determined.

Depreciation is calculated on cost, using the straight-line method, over the estimated useful lives of the assets.

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The estimated useful lives are as follows:

Item	Average useful life	Item	Average useful life
Land		Infrastructure	
Landfill sites	15 years	Roads and stormwater	1 - 120 years
Motor vehicles		Pedestrian malls	30 years
Specialised vehicles	5 - 15 years	Electricity	5 - 60 years
Other vehicles	4 - 20 years	Water	3 - 200 years
Community		Sewer	3 - 120 years
Buildings	30 years	Housing	30 years
Recreational facilities	20 - 30 years	Solid Waste	5 - 60 years
Security	5 - 8 years		
Other PPE		Other PPE	
Furniture and fittings	3 - 33 years	Water craft	15 years
Office equipment	3 - 7 years	Specialised PPE	10 - 15 years
Other items of PPE	2 - 25 years		

The asset management policy contains the details of the components and their specific useful life estimates.

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

The residual value, the useful life and the depreciation method of PPE are reviewed at least at every reporting date.

At each reporting date all items of PPE are reviewed for any indication that it may be impaired. An impairment exists when an asset's carrying amount is greater than its recoverable amount. The recoverable amount of an asset or cash generating unit is the higher of its fair value less costs to sell and its value in use. If there is an indication of impairment, the asset's recoverable amount is calculated. An impairment loss is recognised in the Statement of Financial Performance and the depreciation charge relating to the asset is adjusted for future periods.

The municipality depreciates separately each part of an item of property, plant and equipment that has a cost that is significant in relation to the total cost of the item. Costs of replacing parts are capitalised and the existing parts being replaced are derecognised.

Investments in controlled entities

Municipal controlled entities are those entities which the Municipality owns or over whose financial and operating policies it has the power to exercise beneficial control.

In the municipality's Separate Financial Statements, investments in controlled entities are accounted for at cost less any accumulated impairment.

Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Held-to-maturity investment financial assets.
- Loans and receivables financial assets.
- Available-for-sale financial assets.
- Financial liabilities measured at amortised cost.

Budget of Muncipal Entities Ekurhuleni Development Company

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

Recognition

Financial assets and financial liabilities are initially recognised on the statement of financial position when the municipality becomes party to the contractual provisions of the instrument.

Measurement

When a financial asset or financial liability is recognised initially, the municipality measure it at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or of financial assets is impaired. If any such evidence exists, the municipality applies the following to determine the amount of any impairment loss:

Financial assets carried at amortised cost: If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in surplus or deficit.

Financial assets carried at cost: If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Available-for-sale financial assets: When a decline in the fair value of an available-for-sale financial asset has been recognised in accumulated surplus or deficit and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in accumulated surplus or deficit is reclassified from accumulated surplus or deficit to surplus or deficit as a reclassification adjustment even though the financial asset has not been derecognised.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the municipality has the positive intention and ability to hold to maturity.



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Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the municipality estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. In those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or of financial instruments) the municipality uses the contractual cash flows over the full contractual term of the financial instrument (or of financial instruments).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the municipality estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. In those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or of financial instruments) the municipality uses the contractual cash flows over the full contractual term of the financial instrument (or of financial instruments).

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are subsequently measured at fair value with changes in fair value recognised in accumulated surplus.

Impairment losses, interest income and dividend income are reported in surplus or deficit.

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the municipality estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. In those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or of financial instruments) the municipality uses the contractual cash flows over the full contractual term of the financial instrument (or of financial instruments).



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De-recognition

Financial assets

A financial asset is de-recognized where the contractual rights to receive cash flow from the asset have expired, or the economic entity has transferred the asset and the transfer qualifies for de-recognition. A transfer qualifying for de-recognition occurs when the municipality transfers the contractual rights to receive the cash flows of the financial asset. Where the municipality has transferred its rights to the cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the municipality's continuing involvement in the asset.

Financial liabilities

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Categorisation

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets or financial liabilities.

A financial asset is any asset that is:

- cash;
- a contractual right to receive cash or to receive another financial asset from another entity;
- a contractual right to exchange financial instruments on potentially favourable terms;
- an equity instrument of another entity;
- a contract that may or will be settled in the entity's own equity instruments (subject to certain conditions).

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Fixed deposits.
- Investments in municipal bonds.
- Investments in RSA Government Stock.
- Long term receivables.
- Consumer debtors.
- Other debtors.
- Call investment deposits.
- Bank balances and cash.

In accordance with IAS 39.09 the financial assets of the municipality are classified as follows into one of the four categories allowed by this standard:

Type of financial asset	Classification in terms of IAS 39.09
Fixed deposit	Held to maturity
Investments in municipal bonds	Held to maturity
Investments in RSA Government Stock	Held to maturity
Long term receivables	Loans and receivables
Consumer debtors	Loans and receivables
Other debtors	Loans and receivables
Bank balances and cash	Available for sale
Unlisted shares	Available for sale
Unit Trusts	Available for sale

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A financial liability is any liability that is:

- a contractual obligation to deliver cash or to deliver another financial asset;
- a contractual obligation to exchange financial instruments on potentially unfavourable terms;

The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long term liabilities.
- Creditors.
- Consumer deposits.
- Unspent conditional grants.
- Current portion of long term liabilities.

There are two main categories of financial liabilities, classified based on how they are measured.

Any other financial liabilities are classified as financial liabilities that are not measured at fair value through profit or loss.

In accordance with IAS 39.09 the financial liabilities of the municipality are classified only as financial liabilities that are not measured at fair value through profit or loss because none of the following instruments are held for trading.

Type of financial liability	Classification in terms of IAS 39.09
Long term liabilities (Current & non-current)	Financial liability that is not measured at fair value through profit or loss
Consumer deposits	Financial liability that is not measured at fair value through profit or loss
Creditors	Financial liability that is not measured at fair value through profit or loss
Unspent conditional grants	Financial liability that is not measured at fair value through profit or loss

Impairment of financial assets

Consumer debtors, long term receivables and other debtors are stated at cost less a provision for bad debts. The provision is made on an individual basis or, based on expected cash flows.

At each balance sheet date an assessment is made of whether there is any objective evidence of impairment of financial assets. If there is evidence then the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39 as an expense in the Statement of Financial Performance.

Separate classes of loans and receivables were assessed for impairment using the following methodologies:

Study Loans:

Amounts outstanding for Study Loans are in terms of the old policy on Study Loans for Staff in terms of which the council granted an advance to the member for the cost of the course enrolled for. Should the candidate fail, the cost was recovered from the staff member. If the candidate passed the course, the advance was expensed in the Statement of Financial Performance. It is a condition of the policy that the staff member receiving such a bursary has to stay in the service of the municipality for the same period of the study course paid for by the municipality. Should the employee leave the service of the municipality such employee is required to repay the municipality pro rata in respect of each month or part thereof from the date of termination of service to the date when the bursary period would have expired. Study Loans are therefore assessed at every Statement of Financial Position date and the portion of the loan that expired during the year is expensed. The balance of these loans up to the date of termination of the contract is considered to be fully recoverable.

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Sundry Deposits:

Sundry deposits are assessed for impairment to ensure that no objective evidence exists that these deposits are irrecoverable.

Sundry Debtors:

Sundry Debtors are those Suspense Control Accounts classified as financial instruments with debit balances as at year-end. Sundry Debtors are assessed individually for impairment to ensure that no objective evidence exists that these debtors are irrecoverable.

Capital Projects:

Capital Projects are conditional grant accounts with debit balances as at year-end, carrying a debit balance as at year-end. Capital Projects are assessed individually for impairment to ensure that no objective evidence exists that these debtors are irrecoverable.

Insurance Claims:

Insurance Claims are respect of expenditure incurred for assets replaced by the municipality and the settlement from the insurers is awaited. These happened before GRAP was implemented and are assessed individually for impairment to ensure that no objective evidence exists that these debtors are irrecoverable.

Government Subsidy Claims:

Government subsidy claims are individually assessed for impairment to ensure that no objective evidence exists that these debtors are irrecoverable.

Investment in Unit Trusts

The municipality has classified its Investment in Old Mutual Unit Trusts as Available for Sale Investments. The investments are marked to market on an annual basis, with changes in fair value being recognised directly in equity.

Leases

Where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality, the lease is classified as a finance lease.

Operating leases are those leases that do not transfer substantially all the risks and rewards associated with ownership of an asset to the municipality.

Finance leases - As lessor

The economic recognise lease payments receivable as assets in the statement of financial position. The municipality present such assets as a receivable at an amount equal to the net investment in the lease.

The recognition of finance revenue is based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease. Lease payments relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance revenue.

Finance leases - As lessee

At the commencement of the lease term, the municipality recognise finance leases as assets and liabilities in the statement of financial position at an amount equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating

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the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the municipality's incremental borrowing rate is used. Any initial direct costs of the municipality are added to the amount recognised as an asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

A finance lease gives rise to a depreciation expense for depreciable assets as well as finance expense for each accounting period. The depreciation policy for depreciable leased assets is consistent with that for depreciable assets that are owned, and the depreciation recognised is calculated in accordance with the relevant accounting policy that the specific depreciable leased asset relates to. If there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating leases - As lessor

The municipality present assets subject to operating leases in the statement of financial position according to the nature of the asset.

Lease revenue from operating leases is recognised as revenue on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished.

Costs, including depreciation, incurred in earning the lease revenue are recognised as an expense. Lease revenue is recognised on a straight-line basis over the lease term even if the receipts are not on such a basis, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred by the municipality in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The depreciation policy for depreciable leased assets is consistent with the municipality's normal depreciation policy for similar assets.

Operating leases - As lessee

Lease payments under an operating lease are recognised as an expense in the statement of financial performance on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the benefit to the economic entity.

Inventories

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are

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iiidentified and written down in this way. Inventories identified for write down/write off, but for which a council resolution, to authorise the write down/write off, has not yet been obtained, is provided for as a provision for obsolete stock. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset. The weighted average method is the basis of allocating costs to inventories.

Unsold properties are valued at cost. Direct costs are accumulated for each separately identifiable development.

Employee benefits

Benefits

Retirement Funds

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are expensed in the year in which they become payable.

The municipality contributes to defined contribution and defined benefit funds. These funds are multi employer funds.

Defined Contribution Funds

Where an employee has rendered services to the municipality during the year, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service immediately as an expense.

Defined Benefit Plans

The municipality does not apply "defined benefit accounting" to the defined benefit funds to which it is a member where these funds as classified in terms of IAS 19 as multi-employer plans, as sufficient information is not available to apply the principles involved. As a result, paragraph 30 of IAS 19 is applied and such funds are accounted for as defined contribution funds.

To the extent that a surplus or deficit in the place, based on available information, may affect the amount of future contributions, these are assessed. In the case of surpluses, no change is made in the rate of contributions. In the case of deficits, the economic entity will increase contributions on a phased basis. To the extent that the full discounted value of obligations to the funds is not fully accounted for at year end, a contingent liability arises and is reported on accordingly.

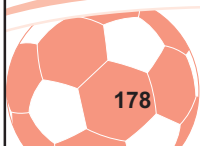
Medical Aid: Continued Members

The municipality provides post-retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the medical aid funds, with which the municipality is associated, a member (subject to the applicable conditions of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for the portion as determined by Council from time to time, of the medical aid membership fee, and the municipality for the remaining portion.

These contributions are charged to the operating account when paid.

Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued



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leave days at year end.

Provisions and contingencies

Contingent assets and contingent liabilities are not recognised.

A provision is recognised when the municipality has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Provisions are reviewed annually and those estimated to be settled within the next twelve months are treated as current liabilities. All other provisions are treated as long term liabilities.

a. Leave Provision

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end.

b. COID Provision

The provision for COID pensions and medical aid liability is based on eligible members, their current age and their future life expectancy. Cash flows are projected on the basis of current pension payments escalated at 7% per annum over member's expected lives. Resulting cash flows have been discounted to Net Present Value applying a discount rate of 12%.

c. Landfill Rehabilitation Provision

The Landfill Rehabilitation Provision is created for the rehabilitation of the current operational sites at the future estimated time of closure.

The value of the Provision is based on the expected future cost to rehabilitate the various sites discounted back to the balance sheet date at the cost of capital, which is currently 12%.

The municipality has an obligation to rehabilitate these Landfill sites. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which a municipality incurs as a consequence of having used the property during a particular period for landfill purposes. The municipality estimates the useful lives and make assumptions as to the useful lives of these assets, which influence the provision for future costs.

The asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in surplus or deficit.

Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services



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rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue is the gross inflows of economic benefits or service potential during the reporting period when those inflows result in increases in net assets, other than increases relating to contributions from owners.

Revenue is measured at the fair value of the consideration received or receivable.

When the inflow of cash or cash equivalents is deferred and the fair value of the consideration is less than the nominal amount of cash received or receivable, the arrangement effectively constitutes a financing transaction. The fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- o The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- o A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

Service charges relating to electricity and water are based on consumption. Meters are read on a periodic basis and revenue is recognised when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on the consumption history. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period. There are areas within the municipality where an un-metered water tariff is applied based on estimated consumption as per promulgated tariffs. Revenue for these is recognised when invoiced.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property. Tariffs are determined per category of property size, and are levied monthly.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

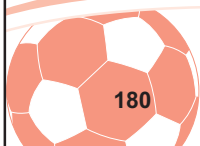
Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Dividends are recognised when the municipality's right to receive payment is established.

Revenue from the sale of goods is recognised when the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.



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Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Presentation of currency

These annual financial statements are presented in South African Rand, which is the functional currency of the economic entity.

Internal reserve: Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

The following provisions are set for the utilisation of the Housing Development Fund:

- The fund is utilised for housing developments in accordance with the national housing policy and also from housing projects approved by the MEC for housing.
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.

The fund is derecognised in the year in which the fund liabilities exceed the fund assets.

The fund liabilities exceeded fund assets in the current year and the fund was de-recognised.

Investment property

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Cost model

Investment property is subsequently measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets.

Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Depreciation is provided to write down the cost by equal instalments over the useful life of the property, which is as follows:

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Item	Useful life
Property - land	Indefinite
Property - buildings	50 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical substance. Intangible assets are identifiable resources controlled by the municipality from which the municipality expects to derive future economic benefits or service potential.

Intangible assets are identifiable when they can be separated from the municipality, i.e. is capable of being separated or divided from the municipality and sold, exchanged, licensed or, when they arise as a result of a contractual or other legal right, excluding those legal rights that arise from statute.

The municipality recognises an intangible asset in its statement of financial position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and the municipality can measure the cost or fair value of the asset reliably.

An intangible asset is measured initially at cost.

Where the municipality acquires intangible assets, it recognises them as assets in the statement of financial position at cost.

Where the municipality generates its own intangible assets through research and development or the acquisition of another entity, recognition is based on whether or not it is probable that the intangible assets will generate future economic benefits or service potential. Expenditure on research is not recognised as an asset.

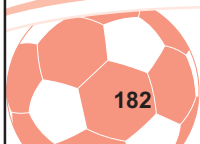
An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, the municipality can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- its intention to complete the intangible asset and use or sell it.
- its ability to use or sell the intangible asset.
- how the intangible asset will generate probable future economic benefits or service potential. Among other things, the economic entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

The municipality does not recognise internally generated goodwill as an intangible asset. It also does not recognise internally generated brands, mastheads, publishing titles, customer lists and items similar in substance, as intangible assets.

The cost of an internally generated intangible asset is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria.

Intangible assets are subsequently carried at cost less accumulated amortisation and accumulated impairment losses.



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The municipality assesses whether the useful life or service potential of an intangible asset is finite or indefinite. The economic entity regards an intangible asset as having an indefinite useful life when there is no foreseeable limit to the period over which the entity expects the asset to generate net cash inflows or service potential for the entity. Intangible assets with indefinite useful lives are not amortised.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

The useful life of an intangible asset that arises from contractual or legal rights does not exceed the period of the contractual or legal rights, but may be shorter depending on the period over which the municipality expects to use the asset.

The municipality reviews the amortisation method, useful lives and residual values of intangible assets annually.

The estimated useful lives are as follows:

Item	Useful life
Computer software	3 - 5 years

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

A rating system charging one tariff is employed. Rebates and remissions are granted to certain categories of ratepayers and are recognised net of revenue.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of fines that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognized when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognized.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated

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procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Comparative figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements.

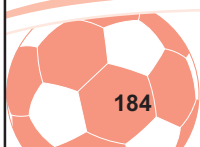
Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

Internal Reserves

Asset Fair Value Adjustment Reserve

On the implementation of GRAP 17, certain assets were adjusted to reflect the fair values of the assets, where insufficient costs were previously capitalized. This fair value adjustment has been transferred to the Asset Fair Value Adjustment Reserve via the accumulated surplus account.

The Asset Fair Value Adjustment Reserve is transferred to accumulated surplus on a basis that is appropriate as to



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realise this reserve on a straight-line basis over a pre-determined period, which is in line with service delivery objectives of the municipality.

Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Segmental information

The principal segments have been identified on a primary basis by service operation and on a secondary basis by the classification of income and expenditure. The primary basis is representative of the internal structure for both budgeting and management purposes.

Going concern

These annual financial statements have been prepared on a going concern basis.

