



nelson mandela bay

M U N I C I P A L I T Y

PORT ELIZABETH | UITENHAGE | DESPATCH

2010/11 ADJUSTMENTS BUDGET

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PART 1 – 2010/11 ADJUSTMENTS BUDGET

1.1 Executive Mayor's Report

1.1.1 Summary of reasons for the 2010/11 Adjustments Budget

In accordance with section 28 of the Municipal Finance Management Act, No 56 of 2003 (MFMA) a municipality must revise its approved annual budget through an adjustments budget, in the following circumstances:

- (i) To adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue;
- (ii) To appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for;
- (iii) To authorise the utilisation of projected savings in one vote towards spending under another vote;
- (iv) To authorise the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected rollovers when the annual budget for the current year was approved by the Council;
- (v) To correct any errors in the annual budget.

The Municipal Budget and Reporting Regulations stipulate that one adjustments budget may be tabled in the municipal Council during a financial year. The Adjustments Budget must normally be approved by Council by the end of February.

The regulations do permit earlier adoption of the Adjustments Budget by Council, provided National Treasury, endorses earlier adoption. A submission in this regard was made to National Treasury on the basis that the material under-collection of revenue and the non-cash backed component of the budget necessitates that the municipality adjust its 2010/11 approved annual budget at this particular point in time (and not as usual in February 2011). Earlier adoption of the 2010/11 Adjustments Budget will ensure that expenditure is limited to the realistically anticipated revenues. National Treasury has approved an earlier Adjustments Budget, subject to the following:

- The Municipality must revise the 2010/11 approved budget, in addition to the two outer years, being the indicative 2011/12 and 2012/13 budgets.
- The 2010/11 Adjustments Budget must be subjected to public participation, in view of the significant changes reflected therein.
- The Municipality must review the approved 2010/11 Service Delivery and Budget Implementation Plan (SDBIP).

In line with the MFMA and the Municipal Budget and Reporting Regulations, the 2010/11 approved Budget has thus now been adjusted. The earlier adjustment has been mainly necessitated as a result of the following:

- The need to adjust revenue and expenditure estimates downwards in view of material under-collection of revenue.
- The need to ensure that the budget is cash backed.
- The need to authorise the spending of unspent funds at the end of the 2009/10 financial year.
- The need to authorise the utilisation of projected savings in one vote towards spending under another vote.

1.1.2 The Executive Mayor recommends that the Council approves the 2010/11 Adjustments Budget and the indicative allocations for the projected outer years 2011/12 and 2012/13.

1.2 2010/11 Adjustments Budget Resolutions

1.2.1 Approval of the Adjustments Budget

(i) The Executive Mayor recommends that the Council, by resolution taken by the majority of its full number, and in terms of Section 30(2) of the Local Government: Municipal Structures Act No. 117 of 1998 (as amended), approves the 2010/11 Adjustments Budget and the indicative budgets for the 2011/12 and 2012/13 as set-out in the following tables:

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- Table B5 Adjustments Budget Capital Expenditure by vote and standard classification and funding source: page 17.
- Table B6 Adjustments Budget Financial Position: page 20
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1.2.2 That the 2010/11 Adjustments Budget, be subjected to a process of public participation.

1.2.3 That the approved 2010/11 IDP and SDBIP, be reviewed and reported to Council.

1.2.4 That the following indicative tariff increases, be approved for the 2011/12 and 2012/13 financial years, subject to further review if considered necessary:

- Property Rates - 11%
- Water - 12%
- Sanitation - 11%
- Electricity - 22%
- Refuse - 11%

1.2.5 That the CFO raises a loan in the amount of R470 million in support of the 2010/11 Capital Adjustments Budget, subject to National Treasury approval.

1.2.6 That in view of financial affordability considerations, no new loans be raised for the 2011/12 and 2012/13 financial years.

1.2.7 That in view of financial affordability considerations, no capital expenditure be funded from the Capital Replacement Reserve for the 2011/12 and 2012/13 financial years.

1.2.8 That the following indicative expenditure increases be approved for the 2011/12 and 2012/13 financial years, subject to further review if considered necessary:

	2011/12	2012/13
Salary Increases	8%	8%
Increase in repairs and maintenance	9%	9%
Increase in bulk purchase of power costs	25,8%	25,9%
Other Expenditure	6%	6%

1.2.9 That the 2010/11 Adjustments Budget and the indicative budgets for the 2011/12 and 2012/13 financial years, be based on a revenue collection rates of 93,75%.

1.3 Executive Summary

The 2010/11 Adjustments Budget amounts to R7,6 billion, comprising of R6,0 billion for the Operating Budget and R1,6 billion for the Capital Budget. The Operating Adjustments Budget reflects an increase of R395,7 million compared to the originally approved 2010/11 Operating Budget, whilst the Adjustments Capital Budget reflects a decrease of R556,5 million, compared to the originally approved budget.

The increase in the Operating Budget of R395,7 million is made up as follows:

	R'000
Reduction in Employee Costs	(17,459)
Reduction in Finance Charges	(900)
Reduction in Bulk Purchases	(2,950)
Reduction in Repairs and Maintenance	(63,228)
Reduction in Contracted Services	(9,908)
Reduction in Transfers and Grants	(32,142)
Reduction in General Expenses	(123,939)
Total Expenditure Reduction	(250,526)
Increase in Debt Impairment	80,358
Increase in IPTS (moved from capital)	128,000
Increase in Depreciation	448,862
Other reduction in General Expenses (Alignment with Gazetted Allocations)	(11,003)
Net Increase	<u>395,691</u>

In terms of funding the Capital Budget, the Municipality relies mainly on internally generated reserves and external loan funding (borrowing), in addition to grant funding. The funding sources, supporting the Municipality's capital expenditure, are summarised below:

	2010/11 Original Budget	2010/11 Adjustments Budget	Variance
	R'000	R'000	R'000
Total Capital Budget	2,183,123	1,626,634	(556,489)
Funded as follows:			
Grant funding	971,413	566,973	(404,440)
Internal funding	741,710	589,661	(152,049)
Borrowing	470,000	470,000	0
Total	2,183,123	1,626,634	(556,489)

The reduction in the capital budget's funding sources is mainly attributable to the alignment of grant funding with the National Treasury gazetted allocations, whilst internal funding was aligned with available reserves.

It is to be noted that the 2010/11 adjusted budgeted cash flow statement projects a cash and investments balance of only R59,9 million as at 30 June 2011. In terms of the Municipality's required cost coverage ratio of one month, the available cash and investments should amount to at least R430 million at any given point in time. It is thus considered critical that the following be implemented to significantly improve the Municipality's cash and investments position:

- Serviced land should be disposed of in order to boost the depleted Capital Replacement Reserve and to enhance the Municipality's revenue base;
- Increasing the collection rate above the targeted percentage by implementing the Debt Relief Programme and launching the Masakhane Campaign.

A provision of R129,5 million has been set aside to cover potential bad debts arising from property rates and service charges not collected. This is based upon a level of payment of debtors' accounts averaging 93,75%.

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

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

Out of approximately 275 000 households, some 107 568 households receive the assistance listed above.

1.4 Adjustments Budget Tables

1.4.1 Adjustments Budget Summary

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

Description	Budget Year 2010/11										
	Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands											
R thousands											
<u>Financial Perf.</u>											
Property rates	862,387	-	-	-	-	-	-	-	862,387	957,249	1,062,546
Service charges	3,003,748	-	-	-	-	-	-	-	3,003,748	3,581,028	4,275,708
Investment revenue	243,938	-	-	-	-	-	(143,938)	(143,938)	100,000	105,000	110,000
Transfers recognised - operational	1,268,308	-	-	-	-	-	117,162	117,162	1,385,470	1,541,883	1,706,889
Other own revenue	331,907	-	-	-	-	-	(30,221)	(30,221)	301,685	334,846	371,679
Total Revenue (excl capital transfers and contributions)	5,710,288	-	-	-	-	-	(56,997)	(56,997)	5,653,291	6,520,006	7,526,822

EC000 Nelson Mandela Bay - Table B1 Adjustments Budget Summary -

Description	Budget Year 2010/11									Budget Year +1 2011/12	Budget Year +2 2012/13
	Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands											
Employee costs	1,715,592	-	-	-	-	-	(17,459)	(17,459)	1,698,133	1,827,738	1,985,180
Remuneration of councillors	49,553	-	-	-	-	-	-	-	49,553	53,517	58,066
Depreciation & asset impairment	287,092	-	-	-	-	-	448,862	448,862	735,954	689,191	775,870
Finance charges	180,596	-	-	-	-	-	(900)	(900)	179,696	196,868	214,742
Materials and bulk purchases	2,024,703	-	-	-	-	-	(66,178)	(66,178)	1,958,524	2,394,584	2,932,706
Transfers and grants	578,244	-	-	-	-	-	(32,142)	(32,142)	546,102	595,169	622,814
Other expenditure	804,520	-	-	-	-	-	63,508	63,508	868,028	1,112,059	1,251,406
Total Expenditure	5,640,300	-	-	-	-	-	395,691	395,691	6,035,990	6,869,126	7,840,784
Surplus/(Deficit)	69,988	-	-	-	-	-	(452,688)	(452,688)	(382,699)	(349,120)	(313,961)
Transfers recognised - capital	900,513	-	-	-	-	-	(371,726)	(371,726)	528,787	602,000	753,062
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	970,501	-	-	-	-	-	(824,414)	(824,414)	146,088	252,880	439,101
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year	970,501	-	-	-	-	-	(824,414)	(824,414)	146,088	252,880	439,101
Capital expenditure & funds sources											
Capital expenditure	2,183,124	-	(152,049)	-	-	(404,441)	-	(556,490)	1,626,634	738,303	938,062
Transfers recognised - capital	933,227	-	-	-	-	(404,440)	-	(404,440)	528,787	602,000	753,062
Public contributions & donations	38,186	-	-	-	-	-	-	-	38,186	10,000	15,000
Borrowing	470,000	-	-	-	-	-	-	-	470,000	-	-
Internally generated funds	741,710	-	(152,049)	-	-	-	-	(152,049)	589,661	126,303	170,000
Total sources of capital funds	2,183,123	-	(152,049)	-	-	(404,440)	-	(556,489)	1,626,634	738,303	938,062

EC000 Nelson Mandela Bay - Table B1 Adjustments Budget Summary -

Description	Budget Year 2010/11									Budget Year +1 2011/12	Budget Year +2 2012/13
	Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands											
<u>Financial position</u>											
Total current assets	1,940,646	-	-	-	-	-	(683,859)	(683,859)	1,256,787	1,569,392	2,205,070
Total non current assets	10,457,257	-	-	-	-	-	1,744,688	1,744,688	12,201,945	12,249,681	12,408,698
Total current liabilities	1,677,784	-	-	-	-	-	(572,731)	(572,731)	1,105,053	1,125,262	1,156,236
Total non current liabilities	2,365,448	-	-	-	-	-	546,724	546,724	2,912,172	2,923,846	2,938,346
Community wealth/Equity	8,354,671	-	-	-	-	-	1,086,836	1,086,836	9,441,507	9,769,965	10,519,186
<u>Cash flows</u>											
Net cash from (used) operating	1,934,666	-	-	-	-	-	(828,160)	(828,160)	1,106,505	1,107,500	1,651,808
Net cash from (used) investing	(1,746,315)	-	-	-	-	-	(268,431)	(268,431)	(2,014,747)	(818,464)	(1,035,210)
Net cash from (used) financing	166,273	-	-	-	-	-	190,754	190,754	357,027	(113,263)	(115,804)
Cash/cash equivalents at the year end	914,847	-	-	-	-	-	(854,861)	(854,861)	59,986	235,759	736,554
<u>Cash backing/surplus reconciliation</u>											
Cash and investments available	939,594	-	-	-	-	-	(879,608)	(879,608)	59,986	235,759	736,554
Application of cash and investments	517,294	-	-	-	-	-	(496,627)	(496,627)	20,667	39,299	83,687
Balance - surplus (shortfall)	422,300	-	-	-	-	-	(382,981)	(382,981)	39,319	196,460	652,867
<u>Asset Management</u>											
Asset register summary (WDV)	10,457,257	-	-	-	-	-	-	-	10,457,257	-	-
Depreciation & asset impairment	287,092	-	-	-	-	-	448,862	448,862	735,954	689,191	775,870
Renewal of Existing Assets	391,936	-	25,797	-	-	27,014	-	52,811	444,747	122,000	132,000
Repairs and Maintenance	489,048	-	-	-	-	-	(63,228)	(63,228)	425,820	469,173	516,090
<u>Free services</u>											
Cost of Free Basic Services provided	342,360	-	-	-	-	-	-	-	342,360	415,414	500,044
Revenue cost of free services provided	449,625	-	-	-	-	-	-	-	449,625	540,312	645,157
<u>Households below minimum service level</u>											
Water:	-	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	24	-	-	-	-	-	-	-	24	26	28
Energy:	-	-	-	-	-	-	-	-	-	-	-
Refuse:	12	-	-	-	-	-	-	-	12	12	12

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

EC000 Nelson Mandela Bay - Table B2 Adjustments Budget Financial Performance (standard classification) -

Description	Budget Year 2010/11									Budget Year +1 2011/12	Budget Year +2 2012/13
	Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands											
Revenue - Standard											
<i>Governance and administration</i>	1,824,191	-	-	-	-	-	(229,364)	(229,364)	1,594,827	1,674,570	1,892,646
Executive and council	212,549	-	-	-	-	-	(100,000)	(100,000)	112,549	27,575	27,361
Budget and treasury office	1,611,323	-	-	-	-	-	(129,364)	(129,364)	1,481,959	1,646,651	1,864,913
Corporate services	319	-	-	-	-	-	-	-	319	344	372
<i>Community and public safety</i>	309,797	-	-	-	-	-	(30,286)	(30,286)	279,511	172,036	185,767
Community and social services	19,910	-	-	-	-	-	-	-	19,910	21,223	22,639
Sport and recreation	2,477	-	-	-	-	-	-	-	2,477	2,676	2,890
Public safety	62,691	-	-	-	-	-	(30,229)	(30,229)	32,462	36,000	40,038
Housing	132,588	-	-	-	-	-	(57)	(57)	132,531	12,714	12,777
Health	92,130	-	-	-	-	-	-	-	92,130	99,424	107,423
<i>Economic and environmental services</i>	219,288	-	-	-	-	-	(76,443)	(76,443)	142,845	160,267	323,182
Planning and development	194,388	-	-	-	-	-	(76,443)	(76,443)	117,945	133,232	293,940
Road transport	23,548	-	-	-	-	-	-	-	23,548	25,464	27,546
Environmental protection	1,352	-	-	-	-	-	-	-	1,352	1,571	1,697

Description	Budget Year 2010/11									Budget Year +1 2011/12	Budget Year +2 2012/13
	Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands											
<i>Trading services</i>	4,243,486	-	-	-	-	-	(92,630)	(92,630)	4,150,856	5,099,976	5,861,925
Electricity	2,396,709	-	-	-	-	-	(14,421)	(14,421)	2,382,288	2,838,042	3,462,411
Water	557,588	-	-	-	-	-	(4,250)	(4,250)	553,338	619,738	687,910
Waste water management	1,075,110	-	-	-	-	-	(73,967)	(73,967)	1,001,143	1,408,111	1,457,711
Waste management	214,080	-	-	-	-	-	8	8	214,088	234,085	253,893
<i>Other</i>	14,039	-	-	-	-	-	-	-	14,039	15,157	16,364
Total Revenue - Standard	6,610,801	-	-	-	-	-	(428,723)	(428,723)	6,182,078	7,122,006	8,279,884
<u>Expenditure - Standard</u>											
<i>Governance and administration</i>	1,021,169	-	-	-	-	-	168,608	168,608	1,189,777	1,095,030	1,182,145
Executive and council	274,350	-	-	-	-	-	59,976	59,976	334,326	300,117	331,575
Budget and treasury office	601,281	-	-	-	-	-	(30,590)	(30,590)	570,691	628,792	659,215
Corporate services	145,538	-	-	-	-	-	139,222	139,222	284,760	166,122	191,354
<i>Community and public safety</i>	962,633	-	-	-	-	-	14,601	14,601	977,234	1,012,347	1,123,696
Community and social services	215,127	-	-	-	-	-	-	-	215,127	236,336	259,844
Sport and recreation	54,741	-	-	-	-	-	-	-	54,741	59,711	65,170
Public safety	319,252	-	-	-	-	-	(35,906)	(35,906)	283,346	341,100	373,761
Housing	226,938	-	-	-	-	-	(26,674)	(26,674)	200,264	119,788	150,010
Health	146,575	-	-	-	-	-	77,181	77,181	223,756	255,412	274,911

Description	Budget Year 2010/11									Budget Year +1 2011/12	Budget Year +2 2012/13
	Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands											
<i>Economic and environmental services</i>	440,345	-	-	-	-	-	236,395	236,395	676,740	998,074	1,182,846
Planning and development	263,005	-	-	-	-	-	236,395	236,395	499,400	803,270	967,263
Road transport	122,505	-	-	-	-	-	-	-	122,505	134,603	149,351
Environmental protection	54,835	-	-	-	-	-	-	-	54,835	60,202	66,233
<i>Trading services</i>	3,205,312	-	-	-	-	-	(23,914)	(23,914)	3,181,398	3,751,954	4,339,256
Electricity	2,003,009	-	-	-	-	-	(22,954)	(22,954)	1,980,055	2,425,754	2,891,901
Water	415,068	-	-	-	-	-	6,947	6,947	422,015	484,460	524,142
Waste water management	505,918	-	-	-	-	-	(7,907)	(7,907)	498,011	533,943	588,004
Waste management	281,317	-	-	-	-	-	-	-	281,317	307,798	335,209
<i>Other</i>	10,841	-	-	-	-	-	-	-	10,841	11,721	12,841
Total Expenditure - Standard	5,640,300	-	-	-	-	-	395,690	395,690	6,035,990	6,869,126	7,840,784
Surplus/ (Deficit) for the year	970,501	-	-	-	-	-	(824,413)	(824,413)	146,088	252,879	439,100

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

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

EC000 Nelson Mandela Bay - Table B3 Adjustments Budget Financial Performance
(revenue and expenditure by municipal vote) -

Description	Ref	Budget Year 2010/11									Budget Year +1 2011/12	Budget Year +2 2012/13
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands												
Revenue by Vote	1											
Vote 1 - Budget and Treasury		1,611,323	-	-	-	-	-	(129,364)	(129,364)	1,481,960	1,646,028	1,864,222
Vote 2 - Public Health		315,697	-	-	-	-	-	8	8	315,705	343,866	372,502
Vote 3 - Housing Land		153,864	-	-	-	-	-	(57)	(57)	153,807	35,692	37,594
Vote 4 - Economic Development and Recreational Services		195,783	-	-	-	-	-	(1,200)	(1,200)	194,583	215,987	225,350
Vote 5 - Corporate Services		5,939	-	-	-	-	-	-	-	5,939	6,414	6,928
Vote 6 - Rate and General Engineers		576,304	-	-	-	-	-	(75,866)	(75,866)	500,439	855,487	1,004,278
Vote 7 - Water Service		557,588	-	-	-	-	-	(4,250)	(4,250)	553,338	619,738	687,910
Vote 8 - Sanitation		504,621	-	-	-	-	-	(73,967)	(73,967)	430,654	478,026	530,608
Vote 9 - Electricity and Energy		2,396,709	-	-	-	-	-	(14,422)	(14,422)	2,382,287	2,838,042	3,462,411
Vote 10 - Executive and Council		4,038	-	-	-	-	-	-	-	4,038	1,661	487
Vote 11 - Safety and Security		80,423	-	-	-	-	-	(30,229)	(30,229)	50,194	55,150	60,720
Vote 12 - 2010 World Cup Office		153,612	-	-	-	-	-	(100,000)	(100,000)	53,612	-	-
Vote 13 - Strategic Programmes Directorate		54,899	-	-	-	-	-	623	623	55,522	25,914	26,874
Vote 14 - Example 14		-	-	-	-	-	-	-	-	-	-	-
Vote 15 - Example 15		-	-	-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	6,610,801	-	-	-	-	-	(428,723)	(428,723)	6,182,078	7,122,006	8,279,884
Expenditure by Vote	1											
Vote 1 - Budget and Treasury		601,281	-	-	-	-	-	(30,590)	(30,590)	570,691	628,792	659,215
Vote 2 - Public Health		568,483	-	-	-	-	-	77,181	77,181	645,664	717,548	779,896
Vote 3 - Housing Land		270,600	-	-	-	-	-	(26,674)	(26,674)	243,926	167,161	201,547
Vote 4 - Economic Development and Recreational Services		344,411	-	-	-	-	-	104,825	104,825	449,236	538,066	571,701
Vote 5 - Corporate Services		215,488	-	-	-	-	-	139,222	139,222	354,710	242,675	275,248
Vote 6 - Rate and General Engineers		257,381	-	-	-	-	-	133,784	133,784	391,165	629,786	794,359
Vote 7 - Water Service		415,068	-	-	-	-	-	6,947	6,947	422,015	484,458	524,143

Description	Ref	Budget Year 2010/11									Budget Year +1 2011/12	Budget Year +2 2012/13
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands												
Vote 8 - Sanitation		357,066	-	-	-	-	-	(7,907)	(7,907)	349,159	376,679	418,964
Vote 9 - Electricity and Energy		2,003,009	-	-	-	-	-	(22,954)	(22,954)	1,980,055	2,425,754	2,891,901
Vote 10 - Executive and Council		188,569	-	-	-	-	-	59,976	59,976	248,545	274,814	304,919
Vote 11 - Safety and Security		333,163	-	-	-	-	-	(35,906)	(35,906)	297,257	355,650	389,795
Vote 12 - 2010 World Cup Office		60,068	-	-	-	-	-	(13,216)	(13,216)	46,852	890	-
Vote 13 - Strategic Programmes Directorate		25,712	-	-	-	-	-	11,002	11,002	36,715	26,852	29,096
Vote 14 - Example 14		-	-	-	-	-	-	-	-	-	-	-
Vote 15 - Example 15		-	-	-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	5,640,300	-	-	-	-	-	395,691	395,691	6,035,990	6,869,126	7,840,784
Surplus/ (Deficit) for the year	2	970,501	-	-	-	-	-	(824,413)	(824,413)	146,088	252,880	439,100

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

The table below reflects the budgeted financial performance by expenditure and income categories:

EC000 Nelson Mandela Bay - Table B4 Adjustments Budget Financial Performance (revenue and expenditure) -

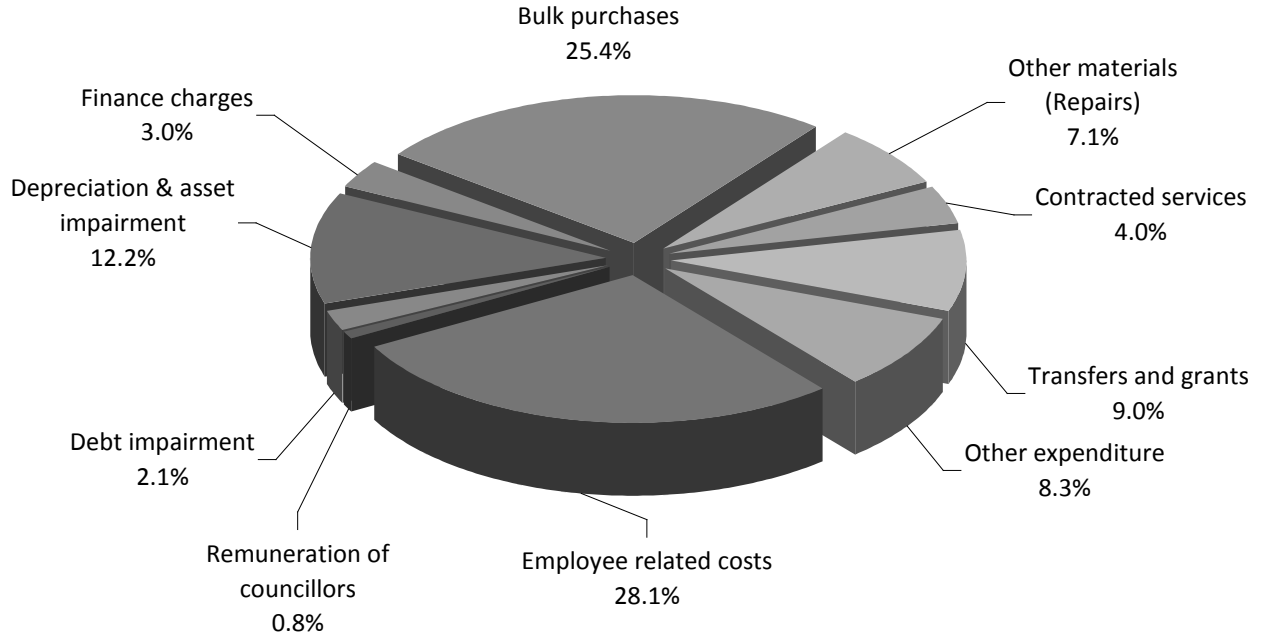
Description	Ref	Budget Year 2010/11									Budget Year +1 2011/12	Budget Year +2 2012/13
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands												
<u>Revenue By Source</u>												
Property rates	2	862,387	-	-	-	-	-	-	-	862,387	957,249	1,062,546
Property rates - penalties & collection charges										-	-	
Service charges - electricity revenue	2	2,206,868	-	-	-	-	-	-	-	2,206,868	2,692,379	3,284,702
Service charges - water revenue	2	411,202	-	-	-	-	-	-	-	411,202	460,546	515,812

Description		Budget Year 2010/11									Budget Year +1 2011/12	Budget Year +2 2012/13
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands												
Service charges - sanitation revenue	2	264,727	-	-	-	-	-	-	-	264,727	293,847	326,170
Service charges - refuse revenue	2	120,952	-	-	-	-	-	-	-	120,952	134,257	149,025
Service charges - other									-	-		
Rental of facilities and equipment		18,107							-	18,107	20,099	22,310
Interest earned - external investments		135,913						(115,913)	(115,913)	20,000	20,000	20,000
Interest earned - outstanding debtors		108,025						(28,025)	(28,025)	80,000	85,000	90,000
Dividends received									-	-		
Fines		59,376						(29,361)	(29,361)	30,015	32,336	35,893
Licences and permits		6,980							-	6,980	7,748	8,600
Agency services		1,472							-	1,472	1,634	1,814
Transfers recognised - operating		1,268,308						117,162	117,162	1,385,470	1,541,883	1,706,889
Other revenue	2	245,971	-	-	-	-	-	(860)	(860)	245,111	273,028	303,061
Gains on disposal of PPE									-	-		
Total Revenue (excluding capital transfers and contributions)		5,710,288	-	-	-	-	-	(56,997)	(56,997)	5,653,291	6,520,006	7,526,822
<u>Expenditure By Type</u>	-											
Employee related costs		1,715,592	-	-	-	-	-	(17,459)	(17,459)	1,698,133	1,827,738	1,985,180
Remuneration of councillors		49,553							-	49,553	53,517	58,066
Debt impairment		49,131						80,358	80,358	129,489	192,880	226,876
Depreciation & asset impairment		287,092	-	-	-	-	-	448,862	448,862	735,954	689,191	775,870
Finance charges		180,596						(900)	(900)	179,696	196,868	214,742
Bulk purchases		1,535,654	-	-	-	-	-	(2,950)	(2,950)	1,532,704	1,925,411	2,416,616
Other materials		489,048						(63,228)	(63,228)	425,820	469,173	516,090
Contracted services		120,446	-	-	-	-	-	118,092	118,092	238,539	419,544	526,716
Transfers and grants		578,244						(32,142)	(32,142)	546,102	595,169	622,814

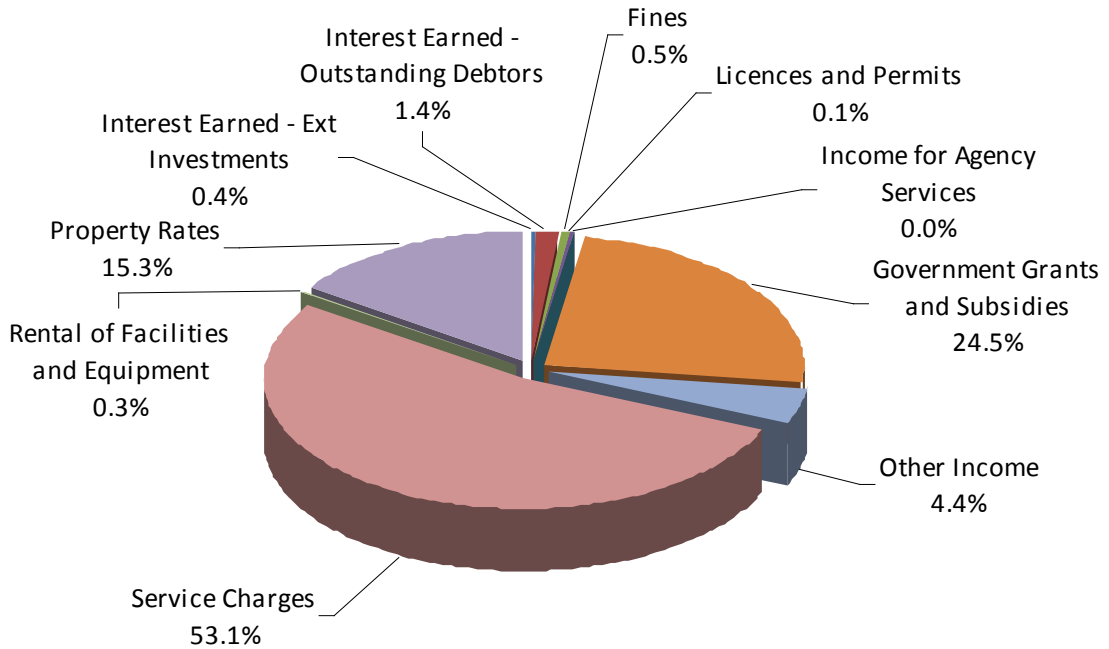
Description	Ref	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13								
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands												
Other expenditure		634,943	-	-	-	-	-	(134,942)	(134,942)	500,000	499,636	497,814
Loss on disposal of PPE									-	-		
Total Expenditure		5,640,300	-	-	-	-	-	395,691	395,691	6,035,990	6,869,126	7,840,784
Surplus/(Deficit)		69,988	-	-	-	-	-	(452,688)	(452,688)	(382,699)	(349,120)	(313,961)
Transfers recognised - capital		900,513						(371,726)	(371,726)	528,787	602,000	753,062
Contributions									-	-		
Contributed assets									-	-		
Surplus/(Deficit) before taxation		970,501	-	-	-	-	-	(824,414)	(824,414)	146,088	252,880	439,101
Taxation									-	-		
Surplus/(Deficit) after taxation		970,501	-	-	-	-	-	(824,414)	(824,414)	146,088	252,880	439,101
Attributable to minorities									-	-		
Surplus/(Deficit) attributable to municipality		970,501	-	-	-	-	-	(824,414)	(824,414)	146,088	252,880	439,101
Share of surplus/ (deficit) of associate									-	-		
Surplus/ (Deficit) for the year		970,501	-	-	-	-	-	(824,414)	(824,414)	146,088	252,880	439,101

The following graphs explain the revenue and expenditure components in more detail:

2010/11 Statement of Financial Performance - Adjusted Expenditure



2010/11 Statement of Financial Performance - Adjusted Revenue



EC000 Nelson Mandela Bay - Table B5 Adjustments Capital Expenditure Budget by vote and funding -												
Description	Ref	Budget Year 2010/11									Budget Year +1 2011/12	Budget Year +2 2012/13
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands												
Vote 3 - Housing Land		-	-	-	-	-	-	-	-	-	-	-
Vote 4 - Economic Development and Recreational Services		-	-	-	-	-	-	-	-	-	-	-
Vote 5 - Corporate Services		-	-	-	-	-	-	-	-	-	-	-
Vote 6 - Rate and General Engineers		-	-	-	-	-	-	-	-	-	-	-
Vote 7 - Water Service		-	-	-	-	-	-	-	-	-	-	-
Vote 8 - Sanitation		-	-	-	-	-	-	-	-	-	-	-
Vote 9 - Electricity and Energy		-	-	-	-	-	-	-	-	-	-	-
Vote 10 - Executive and Council		-	-	-	-	-	-	-	-	-	-	-
Vote 11 - Safety and Security		-	-	-	-	-	-	-	-	-	-	-
Vote 12 - 2010 World Cup Office		-	-	-	-	-	-	-	-	-	-	-
Vote 13 - Strategic Programmes Directorate		-	-	-	-	-	-	-	-	-	-	-
Vote 14 - Example 14		-	-	-	-	-	-	-	-	-	-	-
Vote 15 - Example 15		-	-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Vote		2,183,124	-	(152,049)	-	-	(404,441)	-	(556,490)	1,626,634	738,303	938,062
Capital Expenditure - Standard												
Governance and administration		160,650	-	(8,070)	-	-	-	-	(8,070)	152,580	57,900	33,400
Executive and council Budget and treasury office		12,800		(1,300)					(1,300)	11,500	7,000	10,000
		113,050		(14,000)					(14,000)	99,050	30,700	13,700
Corporate services		34,800		7,230					7,230	42,030	20,200	9,700
Community and public safety		308,110	-	(44,854)	-	-	(76,350)	-	(121,204)	186,906	36,500	32,000
Community and social services		38,800		1,634			11,492		13,126	51,926	13,000	10,000
Sport and recreation		220,500		(26,041)			(100,000)		(126,041)	94,459	14,000	10,000
Public safety		32,460		(17,410)					(17,410)	15,050	4,000	16,000
Housing		2,500		523			8,332		8,855	11,355	1,500	3,000
Health		13,850		(3,560)			3,826		266	14,116	4,000	3,000
Economic and environmental services		997,623	-	58,448	-	-	(248,873)	-	(190,425)	807,198	452,903	604,062
Planning and development		59,967		765			4,228		4,993	64,960	25,000	20,000
Road transport		913,256		59,981			(268,740)		(208,759)	704,497	423,903	581,062
Environmental protection		24,400		(2,298)			15,639		13,341	37,741	4,000	3,000
Trading services		716,690	-	(157,573)	-	-	(79,217)	-	(236,790)	479,900	191,000	268,600

Description	Ref	Budget Year 2010/11									Budget Year +1 2011/12	Budget Year +2 2012/13
	Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget	Original Budget
R thousands												
Electricity		264,386		(60,539)			(1,000)		(61,539)	202,847	40,000	65,000
Water		160,450		(51,300)			(4,250)		(55,550)	104,900	63,000	90,000
Waste water management		275,065		(54,253)			(73,967)		(128,220)	146,845	83,000	110,000
Waste management		16,789		8,519					8,519	25,308	5,000	3,000
<i>Other</i>									-	-		
Total Capital Expenditure - Standard	3	2,183,073	-	(152,049)	-	-	(404,440)	-	(556,489)	1,626,634	738,303	938,062
Funded by:												
National Government		890,977					(412,772)		(412,772)	478,205	602,000	753,062
Provincial Government		2,250					8,332		8,332	10,582	-	-
District Municipality		-							-	-		
Other transfers and grants		40,000							-	40,000	-	-
Total Capital transfers recognised	4	933,227	-	-	-	-	(404,440)	-	(404,440)	528,787	602,000	753,062
Public contributions & donations		38,186							-	38,186	10,000	15,000
Borrowing		470,000							-	470,000	-	-
Internally generated funds		741,710		(152,049)					(152,049)	589,661	126,303	170,000
Total Capital Funding		2,183,123	-	(152,049)	-	-	(404,440)	-	(556,489)	1,626,634	738,303	938,062

1.4.6 Budgeted Financial Statements

The budgeted financial statements are reflected in the following section:

1.4.6.1 Budgeted Statement of Financial Position

The cash flow position requires significant improvement, whilst close monitoring is absolutely essential.

EC000 Nelson Mandela Bay - Table B6 Adjustments Budget
Financial Position -

Description	Ref	Budget Year 2010/11									Budget Year +1 2011/12	Budget Year +2 2012/13
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands												
ASSETS												
Current assets												
Cash		53,365						(13,379)	(13,379)	39,986	55,759	56,554
Call investment deposits	1	861,482	-	-	-	-	-	(841,482)	(841,482)	20,000	180,000	680,000
Consumer debtors	1	811,110	-	-	-	-	-	113,268	113,268	924,378	1,066,816	1,200,000
Other debtors		127,254							-	127,254	114,529	108,803
Current portion of long-term receivables		1,943							-	1,943	1,901	1,806
Inventory		85,492						57,734	57,734	143,226	150,387	157,907
Total current assets		1,940,646	-	-	-	-	-	(683,859)	(683,859)	1,256,787	1,569,392	2,205,070
Non current assets												
Long-term receivables		64,796							-	64,796	63,499	60,324
Investments		24,747						(24,747)	(24,747)	-	-	-
Investment property									-	-	-	-
Investment in Associate									-	-	-	-
Property, plant and equipment	1	10,231,789	-	-	-	-	-	1,769,435	1,769,435	12,001,224	12,052,976	12,221,828
Agricultural									-	-	-	-
Biological									-	-	-	-
Intangible		135,925							-	135,925	133,206	126,546

Description	Ref	Budget Year 2010/11									Budget Year +1 2011/12	Budget Year +2 2012/13
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands												
Other non-current assets									-	-		
Total non current assets		10,457,257	-	-	-	-	-	1,744,688	1,744,688	12,201,945	12,249,681	12,408,698
TOTAL ASSETS		12,397,903	-	-	-	-	-	1,060,829	1,060,829	13,458,732	13,819,073	14,613,768
LIABILITIES												
Current liabilities	-											
Bank overdraft									-	-		
Borrowing		305,693	-	-	-	-	-	(190,425)	(190,425)	115,268	120,918	127,639
Consumer deposits		100,278							-	100,278	102,282	107,397
Trade and other payables		1,125,762	-	-	-	-	-	(282,306)	(282,306)	843,456	853,962	870,000
Provisions		146,051						(100,000)	(100,000)	46,051	48,100	51,200
Total current liabilities		1,677,784	-	-	-	-	-	(572,731)	(572,731)	1,105,053	1,125,262	1,156,236
Non current liabilities												
Borrowing	1	1,507,256	-	-	-	-	-	281,724	281,724	1,788,980	1,668,062	1,540,423
Provisions	1	858,192	-	-	-	-	-	265,000	265,000	1,123,192	1,255,784	1,397,923
Total non current liabilities		2,365,448	-	-	-	-	-	546,724	546,724	2,912,172	2,923,846	2,938,346
TOTAL LIABILITIES		4,043,232	-	-	-	-	-	(26,007)	(26,007)	4,017,225	4,049,108	4,094,582
NET ASSETS	2	8,354,671	-	-	-	-	-	1,086,836	1,086,836	9,441,507	9,769,965	10,519,186
COMMUNITY WEALTH/EQUITY												
Accumulated Surplus/(Deficit)		4,059,030	-	-	-	-	-	209,794	209,794	4,268,824	3,913,950	3,977,648
Reserves		4,295,641	-	-	-	-	-	877,042	877,042	5,172,683	5,856,015	6,541,538
TOTAL COMMUNITY WEALTH/EQUITY		8,354,671	-	-	-	-	-	1,086,836	1,086,836	9,441,507	9,769,965	10,519,186

1.4.7 Budgeted Statement of Cash Flows

EC000 Nelson Mandela Bay - Table B7 Adjustments Budget Cash Flows -

Description	Ref	Budget Year 2010/11									Budget Year +1 2011/12	Budget Year +2 2012/13
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands												
CASH FLOW FROM OPERATING ACTIVITIES												
Receipts												
Ratepayers and other		4,120,357						(194,193)	(194,193)	3,926,164	4,589,481	5,376,292
Government - operating	1	1,268,308						108,296	108,296	1,376,604	1,533,105	1,706,889
Government - capital	1	900,513						(345,303)	(345,303)	555,210	602,000	753,062
Interest		241,778						(206,831)	(206,831)	34,947	16,741	20,000
Dividends									-	-		
Payments												
Suppliers and employees		(4,451,813)						(56,118)	(56,118)	(4,507,931)	(5,321,848)	(5,900,022)
Finance charges		(144,477)						(42,667)	(42,667)	(187,144)	(215,154)	(201,778)
Transfers and Grants	1							(91,345)	(91,345)	(91,345)	(96,826)	(102,635)
NET CASH FROM/(USED) OPERATING ACTIVITIES		1,934,666	-	-	-	-	-	(828,160)	(828,160)	1,106,505	1,107,500	1,651,808
CASH FLOWS FROM INVESTING ACTIVITIES												
Receipts												
Proceeds on disposal of PPE		-							-	-	-	-
Decrease (Increase) in non-current debtors									-	-		
Decrease (increase) other non-current receivables	-	1,362							-	1,362	1,339	3,175
Decrease (increase) in non-current investments		(1,179)						1,179	1,179	-	-	-
Payments												
Capital assets		(1,746,498)						(269,610)	(269,610)	(2,016,109)	(819,803)	(1,038,385)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(1,746,315)	-	-	-	-	-	(268,431)	(268,431)	(2,014,747)	(818,464)	(1,035,210)
CASH FLOWS FROM FINANCING ACTIVITIES												
Receipts												
Short term loans									-	-		
Borrowing long term/refinancing		470,000							-	470,000	-	-

Description	Ref	Budget Year 2010/11									Budget Year +1 2011/12	Budget Year +2 2012/13
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands												
Increase (decrease) in consumer deposits		1,966							-	1,966	2,005	5,114
NET CASH FROM/(USED) FINANCING ACTIVITIES		166,273	-	-	-	-	-	190,754	190,754	357,027	(113,263)	(115,804)
NET INCREASE/ (DECREASE) IN CASH HELD		354,623	-	-	-	-	-	(905,838)	(905,838)	(551,214)	175,773	500,795
Cash/cash equivalents at the year begin:	2	560,223						50,977	50,977	611,200	59,986	235,759
Cash/cash equivalents at the year end:	2	914,847	-	-	-	-	-	(854,861)		59,986	235,759	736,554

1.4.8 Cash Backed Reserves and Accumulated Surplus Reconciliation

EC000 Nelson Mandela Bay - Table B8 Cash backed reserves/accumulated surplus reconciliation -

Description	Ref	Budget Year 2010/11									Budget Year +1 2011/12	Budget Year +2 2012/13
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands												
Cash and investments available												
Cash/cash equivalents at the year end	1	914,847	-	-	-	-	-	(854,861)	(854,861)	59,986	235,759	736,554
Other current investments > 90 days		0	-	-	-	-	-	(0)	(0)	0	(0)	0
Non current assets - Investments	1	24,747	-	-	-	-	-	(24,747)	(24,747)	-	-	-
Cash and investments available:		939,594	-	-	-	-	-	(879,608)	(879,608)	59,986	235,759	736,554
Applications of cash and investments												
Unspent conditional transfers		282,306	-	-	-	-	-	(282,306)	(282,306)	-	-	-
Unspent borrowing										-	-	-
Statutory requirements										-	-	-
Other working capital requirements	2	(76,081)	-					(70,601)	(70,601)	(146,682)	(257,271)	(360,539)
Other provisions		(282,306)						282,306	282,306	0		
Long term investments committed		-	-					-	-	-	-	-

Description	Ref	Budget Year 2010/11									Budget Year +1 2011/12	Budget Year +2 2012/13
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands												
Biological assets										-	-	
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	10,457,257	-	-	-	-	-	-	-	10,457,257	-	-
EXPENDITURE OTHER ITEMS												
Depreciation & asset impairment		287,092	-	-	-	-	-	448,862	448,862	735,954	689,191	775,870
Repairs and Maintenance by asset class	3	489,048	-	-	-	-	-	(63,228)	(63,228)	425,820	469,173	516,090
Infrastructure - Road transport		86,907	-	-	-	-	-	-	-	86,907	93,854	101,363
Infrastructure - Electricity		35,597	-	-	-	-	-	(10,189)	(10,189)	25,409	29,617	34,736
Infrastructure - Water		128,063	-	-	-	-	-	(16,114)	(16,114)	111,949	126,667	136,453
Infrastructure - Sanitation		127,608	-	-	-	-	-	(24,727)	(24,727)	102,881	114,778	127,643
Infrastructure - Other		2,557	-	-	-	-	-	(210)	(210)	2,347	2,590	2,848
Infrastructure		380,732	-	-	-	-	-	(51,240)	(51,240)	329,492	367,506	403,043
Community		47,981	-	-	-	-	-	(5,383)	(5,383)	42,597	44,661	49,060
Heritage assets		-	-	-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-	-	-
Other assets	6	60,335	-	-	-	-	-	(6,605)	(6,605)	53,730	57,006	63,986
TOTAL EXPENDITURE OTHER ITEMS to be adjusted		776,140	-	-	-	-	-	385,634	385,634	1,161,774	1,158,363	1,291,959
% of capital exp on renewal of assets		18.0%	0.0%							27.3%	16.5%	14.1%
Renewal of existing assets as % of deprecn		136.5%	0.0%							60.4%	17.7%	17.0%
R&M as a % of PPE		4.7%	0.0%							3.6%	3.89%	4.2%
Renewal and R&M as a % of PPE		8.4%	0.0%							7.3%	4.9%	5.3%

1.4.10 Basic Service Delivery Measurement

EC000 Nelson Mandela Bay - Table B10 Basic service delivery measurement -

Description	Ref	Budget Year 2010/11									Budget Year +1 2011/12	Budget Year +2 2012/13
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands												
Household service targets (000)	1											
Water:												
Piped water inside dwelling		286							-	286	309	334
Piped water inside yard (but not in dwelling)		8							-	8	8	9
Using public tap (at least min.service level)	2	70							-	70	76	82
Other water supply (at least min.service level)									-	-		

Description	Ref	Budget Year 2010/11									Budget Year +1 2011/12	Budget Year +2 2012/13
		Original Budget	Prior Adjusted	Accum. Funds	Multi- year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands												
<i>Minimum Service Level and Above sub-total</i>	3	364	-	-	-	-	-	-	-	364	393	425
Using public tap (< min.service level)	3,4									-	-	-
Other water supply (< min.service level)	3,4									-	-	-
No water supply <i>Below Minimum Servic Level sub-total</i>										-	-	-
Total number of households	5	364	-	-	-	-	-	-	-	364	393	425
<u>Sanitation/sewerage:</u>												
Flush toilet (connected to sewerage)		276								276	299	322
Flush toilet (with septic tank)		3								3	3	4
Chemical toilet										-	-	-
Pit toilet (ventilated)										-	-	-
Other toilet provisions (> min.service level)										-	-	-
<i>Minimum Service Level and Above sub-total</i>		280	-	-	-	-	-	-	-	280	302	326
Bucket toilet		24								24	26	28
Other toilet provisions (< min.service level)										-	-	-
No toilet provisions <i>Below Minimum Servic Level sub-total</i>										-	-	-
Total number of households	5	303	-	-	-	-	-	-	-	303	328	354
<u>Energy:</u>												
Electricity (at least min. service level)		35								35	34	33
Electricity - prepaid (> min.service level)		236								236	240	245
<i>Minimum Service Level and Above sub-total</i>		271	-	-	-	-	-	-	-	271	274	278
Electricity (< min.service level)										-	-	-
Electricity - prepaid (< min. service level)										-	-	-
Other energy sources <i>Below Minimum Servic Level sub-total</i>										-	-	-
Total number of households	5	271	-	-	-	-	-	-	-	271	274	278
<u>Refuse:</u>												
Removed at least once a week (min.service)		177								177	177	177
<i>Minimum Service Level and Above sub-total</i>		177	-	-	-	-	-	-	-	177	177	177
Removed less frequently than once a week		9								9	9	9
Using communal refuse dump										-	-	-
Using own refuse dump										-	-	-
Other rubbish disposal										-	-	-
No rubbish disposal		3								3	3	3

Description	Ref	Budget Year 2010/11									Budget Year +1 2011/12	Budget Year +2 2012/13
		Original Budget	Prior Adjusted	Accum. Funds	Multi- year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands												
<i>Below Minimum Service Level sub-total</i>		12	-	-	-	-	-	-	-	12	12	12
Total number of households	5	189	-	-	-	-	-	-	-	189	189	189
Households receiving Free Basic Service												
Water (6 kilolitres per household per month)	15									-	-	
Sanitation (free minimum level service)										-	-	
Electricity/other energy (50kwh per household per month)		110								-	110	110
Refuse (removed at least once a week)		85								-	85	85
Cost of Free Basic Services provided (R'000)												
Water (6 kilolitres per household per month)	16	96,593								-	96,593	114,550
Sanitation (free sanitation service)		75,580								-	75,580	88,831
Electricity/other energy (50kwh per household per month)		91,345								-	91,345	117,999
Refuse (removed once a week)		78,842								-	78,842	94,033
Total cost of FBS provided (minimum social package)		342,360,024	-	-	-	-	-	-	-	-	342,360	415,413,608
Highest level of free service provided												
Property rates (R'000 value threshold)										-	-	
Water (kilolitres per household per month)		55,668								-	56	60,121
Sanitation (kilolitres per household per month)										-	-	
Sanitation (Rand per household per month)		72,965								-	73	78,802
Electricity (kw per household per month)		75								-	0	75
Refuse (average litres per week)		85								-	0	85
Revenue cost of free services provided (R'000)												
Property rates (R15 000 threshold rebate)	17	17,948								-	17,948	19,923
Property rates (other exemptions, reductions and rebates)		89,317								-	89,317	104,976
Water		96,593								-	96,593	114,550
Sanitation		75,580								-	75,580	88,831
Electricity/other energy		91,345								-	91,345	117,999
Refuse		78,842								-	78,842	94,033
Municipal Housing - rental rebates										-	-	
Housing - top structure subsidies	6									-	-	

Description	Ref	Budget Year 2010/11									Budget Year +1 2011/12	Budget Year +2 2012/13
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands												
Other Total revenue cost of free services provided (total social package)		449,625	-	-	-	-	-	-	-	449,625	540,312	645,157

PART 2 – SUPPORTING DOCUMENTATION

2.1 Adjustments to Budget Assumptions

2.1.1 The following key assumptions underpinned the preparation of the multi-year budget:

	2010/11	2011/12	2012/13
Income	%	%	%
Water Tariff Increase	12.0	12.0	12.0
Sanitation Tariff Increase	11.0	11.0	11.0
Refuse Tariff Increase	11.0	11.0	11.0
Property Rates Increase	11.0	11.0	11.0
Electricity Tariff Increase	22.0	22.0	22.0
Revenue collection rates	93.75	93.75	93.75
Expenditure			
Total Expenditure Increase allowed (excluding repairs and maintenance)	9.0	6.0	6.0
Salary increase	10.0	8.0	8.0
Increase in repairs and maintenance	12.0	9.0	9.0
Increase in bulk purchase of power costs	28.9	25.8	25.9

In view of the Municipality's current cashflow position and to ensure financial sustainability over the three year budget period, the 2010/11 approved budget has been adjusted in addition to the indicative budgets for the 2011/12 and 2012/13 financial year. The operating budgets have been adjusted in line with the realistically anticipated revenue collection levels, with expenditure being curtailed in line with revenue levels.

The 2010/11 approved Capital Budget, was adjusted based on the following principles:

- Service delivery should not be adversely affected
- 80:20 principle where 80% of the allocated budget must be spent in previously disadvantaged wards
- Projects funded by grants were not cut, but only aligned to its funding sources

It is to be noted that the preparation of the 2011/12 and 2012/13 Capital Budgets was informed by the following:

- The budgets were prepared based on the relevant grant funding as outlined in the Division of Revenue Act
- As the Capital Replacement Reserve is depleted, no internal funding was available to support the Capital Budget
- As a result of financial affordability considerations, no loans have been included in the budget

The 2011/12 and 2012/13 Capital Budgets amounting to R738,3 million and R938,1 million respectively have thus declined significantly, compared to the 2010/11 Adjustments Budget, as the budgets in question will be heavily reliant on transfers from government as no internal and loan funding is available.

The implementation of the Municipality's operational efficiencies workplan, which highlights areas of operational efficiencies, was taken into account in adjusting the Operating Budget.

2.2 Adjustments to Budget Funding

2.2.1 Funding the Adjustments Budget

2.2.1.1 Funding of Operating Expenditure

The Municipality's operating expenditure is mainly funded from sources such as property rates, service charges and government grants. The table below reflects the funding sources:

Description	2010/11 Original Budget	2010/11 Adjustments Budget	Variance
	R	R	R
Revenue By Source			
Property rates	862,387	862,387	-
Service charges – electricity revenue	2,206,868	2,206,868	-
Service charges – water revenue	411,202	411,202	-
Service charges – sanitation revenue	264,727	264,727	-
Service charges – refuse revenue	120,952	120,952	-
Rental of facilities and equipment	18,107	18,107	-
Interest earned – external investments	135,913	20,000	-115,913
Interest earned – outstanding debtors	108,025	80,000	-28,025
Dividends received	-	-	-
Fines	59,376	29,132	-30,244
Licences and permits	6,980	6,980	-
Agency services	1,472	1,472	-
Transfers recognized – operating	1,268,308	1,384,847	116,539
Other revenue	245,971	245,971	-
Gains on disposal of PPE	-	-	-
Total Revenue (excluding capital transfers and contributions)	5,710,288	5,652,645	-57,643

2.2.1.2 Reconciliation showing that operating and capital expenditure remain funded in accordance with section 18 of the MFMA

Description R thousands	MFMA Section	2010/11		Budget Year +1 2011/12	Budget Year +2 2012/13
		Original Budget	Adjusted Budget		
<u>Funding measures</u>					
Cash/cash equivalents at the year end - R'000	18(1)b	914,847	59,986	235,759	736,554
Cash + investments at the yr end less applications - R'000	18(1)b	227,610	39,319	196,460	652,867
Cash year end/monthly employee/supplier payments	18(1)b	2.6	0.2	0.6	1.6
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	970,501	146,088	252,880	439,101
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	10.0%	10.0%	11.4%	11.6%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	1.3%	3.3%	4.2%	4.2%
Capital payments % of capital expenditure	18(1)c;19	80.0%	95.0%	95.0%	95.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	46.0%	42.8%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	1000.0%	100.0%	100.0%	100.0%
Current consumer debtors % change - incr(decr)	18(1)a	(10.8%)	12.1	12.3	10.8%
Long term receivables % change - incr(decr)	18(1)a	(2.0%)	(2.0%)	(2.0%)	(5.0%)
R&M % of Property Plant & Equipment	20(1)(vi)	4.8%	3.6%	3.9%	4.2%
Asset renewal % of capital budget	20(1)(vi)	18.0%	27.3%	16.5%	14.1%

The aforementioned table reflects the funding status of the Adjustments Budget.

2.2.2 Adjustments to estimated collection levels

The original 2010/11 Operating Budget was based on a debtors' collection rate of 98%. The 2010/11 Adjustments Budget and the 2011/12 and 2012/13 Operating Budgets have been based on a debtors' collection rate of 93,75%, in line with the actual debtors' collection rate for the 2009/10 financial year. Strategies are being implemented to improve the debtors' collection rate.

2.2.3 Adjustments to NMBM's monetary investments

Below is an analysis of the investments by type and maturity.

INVESTMENT PARTICULARS BY TYPE

INVESTMENT PARTICULARS BY TYPE		
	Original Budget 2010/11	Adjustments Budget 2010/11
	R	R
<u>Investment Type</u>		
DEPOSITS WITH BANKS	886 229 000	20 000 000
TOTAL INVESTMENTS	886 229 000	20 000 000

INVESTMENT PARTICULARS BY MATURITY

<u>Name of Institution / Investment</u>	<u>Period of Investment</u>	<u>Type of Investment</u>	<u>Expiry date of Investment</u>	<u>Monetary Value</u>
2010/11 Original Budget DEPOSITS WITH BANKS	1 - 3 Months	Fixed Term	Various	R
				886 229 000
				886 229 000
2010/11 Adjustments Budget DEPOSITS WITH BANKS	1 - 3 Months	Fixed Term	Various	20 000 000
				20 000 000

2.2.4 Adjustments related to the planned use of previous years' cash backed accumulated surplus

No adjustments have been made pertaining to the planned use of the previous year's cash backed accumulated surplus, in the preparation of the 2010/11 Adjustments Budget.

2.2.5 Adjustments made to proposed new loans to be raised in the budget year

The Municipality is in the process of raising a loan in the amount of R470 million, as originally approved by Council. Consequently no adjustment has been made to the initially approved loan amount. The loan in question is necessary to support the implementation of the Municipality's 2010/11 Capital Budget. Furthermore, in view of financial affordability considerations, no new loans will be raised for the 2011/12 and 2012/13 financial years.

It is to be noted that the R470 million loan is subject to approval by National Treasury.

2.2.6 Adjustments related to allocations and grants to the Municipality

2.2.6.1 Adjustments related to capital allocations and grants to the Municipality

Below is a summarised version of the adjustments relating to grant funding, supporting the Municipality's Capital Budget:

Adjustments Capital Expenditure Budget by grant funding			
Description	Budget Year 2010/11		
	Original Budget	Total Adjusts.	Adjustments Budget
R thousands	R	R	R
<u>Funded by:</u>			
National Government	890,977	(412,772)	478,205
Provincial Government	2,250	8,332	10,582
Other transfers and grants	40,000	-	40,000
Total Capital transfers recognised	933,227	(404,440)	528,787

The relevant details, reflecting the capital projects in question, are contained in Annexure "A".

2.2.6.2 Adjustments related to operating allocations and grants to the Municipality

Below the adjustments pertaining to operating allocations and grants:

Operating allocations and grants	2010/11 Original Budget	Adjustments	2010/11 Adjustments Budget
Description			
National Treasury			
PTIS Grant	0	128,000,000	128,000,000
E-Share	602,883,000	0	602,883,000
Fuel Levy	391,668,000	0	391,668,000
Municipal Infrastructure Grant	2,516,750	349,250	2,866,000
Financial Management Grant	1,809,770	-809,770	1,000,000
DME Subsidy - Special projects	36,000,000	-11,000,000	25,000,000
Water Demand Management - DWA	4,200,000	0	4,200,000
National Treasury -Accreditation of Municipalities	2,530,000	0	2,530,000
2010 Soccer World Cup Stadium	1,282,740	0	1,282,740
2010 World Cup Operating Grant	2,329,100	0	2,329,100
General	850,000	0	850,000
Total	1,046,069,360	116,539,480	1,162,608,840
Provincial Government			
Provincial (Health)	95,260,300	0	95,260,300
Top Structures Funded	117,350,000	0	117,350,000
Provincial	56,720		56,720
Operating allocations and grants	2010/11 Original Budget	Adjustments	2010/11 Adjustments Budget
Description			
Total	212,667,020		212,667,020
EU Grant Funding	6,321,250	623,000	6,944,250
Other Grant Providers	250,000	0	250,000
Donor Management Services	3,000,000	0	3,000,000
Total	9,571,250	623,000	10,194,250
Grand Total	1,268,307,630	117,162,480	1,385,470,110

2.3 Adjustments to expenditure on allocations and grant programmes

2.3.1 The adjustments made to planned capital expenditure of allocations and grants received

The adjustments made to planned capital expenditure, including the capital projects in question, are reflected in Annexure "A".

2.4 Adjustments to Councillors and Employee benefits

Below a summary of the adjustments made to Councillors' Remuneration and Employee Related Costs:

Description	Original Budget 2010/11	Adjustments Budget 2010/11	Variance
	R	R	R
Councillors' Remuneration	49,552,560	49,552,560	0
Employee Related Costs	1,715,592,340	1,698,133,110	17,459,230

It is to be noted that total employee related costs, is below the originally approved budget. The reduction of R17,5 million is mainly attributable to the non-filling of funded vacant positions and curbing overtime budget provisions.

2.5 Adjustments to Service Delivery and Budget Implementation Plan (SDBIP)

It is to be noted that certain adjustments have to be made to the quarterly service delivery targets and performance indicators as reflected in the approved SDBIP. Furthermore, certain adjustments have been made to the key financial indicators as reflected in the 2010/11 annual budget. The revised SDBIP will be reported to the Council meeting scheduled for 29 October 2010.

2.6 Adjustments to capital expenditure

Annexure "B" contains a listing of all the adjusted capital programmes and projects of the Municipality, which are aligned to the Integrated Development Plan of the Municipality.

2.7 Acting Municipal Manager's quality certification

I, Elias Ntoba, Acting Municipal Manager of the Nelson Mandela Bay Metropolitan Municipality, hereby certify that the adjustments budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under that Act, and that the adjustments budget and supporting documentation are consistent with the Integrated Development Plan of the Municipality.

Print Name: **ELIAS NTOBA**

Acting Municipal Manager of Nelson Mandela Bay Municipality (EC000)

Signature _____

Date _____