

“Annexure B”

BUFFALO CITY METROPOLITAN MUNICIPALITY



2011/2012 MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF) BUDGET

30 JUNE 2011

TABLE OF CONTENTS

PART 1: ANNUAL BUDGET

- 1.1 EXECUTIVE MAYOR'S REPORT
- 1.2 COUNCIL RESOLUTIONS
- 1.3 EXECUTIVE SUMMARY
- 1.4 OPERATING REVENUE FRAMEWORK
- 1.5 OPERATING EXPENDITURE FRAMEWORK
- 1.6 CAPITAL EXPENDITURE FRAMEWORK
- 1.7 ANNUAL BUDGET TABLES

PART 2: SUPPORTING DOCUMENTATION

- 2.1 OVERVIEW OF THE ANNUAL BUDGET PROCESS
- 2.2 OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP
- 2.3 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS
- 2.4 OVERVIEW OF BUDGET-RELATED POLICIES
- 2.5 OVERVIEW OF BUDGET ASSUMPTIONS
- 2.6 OVERVIEW OF BUDGET FUNDING
- 2.7 EXPENDITURE ON GRANTS AND RECONCILIATIONS OF UNSPENT FUNDS
- 2.8 COUNCILLOR AND EMPLOYEE BENEFITS
- 2.9 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW
- 2.10 CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS
- 2.11 CAPITAL EXPENDITURE DETAILS
- 2.12 LEGISLATION COMPLIANCE STATUS
- 2.13 OTHER SUPPORTING DOCUMENTS
- 2.14 CITY MANAGER'S QUALITY CERTIFICATE

LIST OF TABLES

TABLE 1	Consolidated Overview of the 2011/12 MTREF
TABLE 2	Summary of revenue classified by main revenue source
TABLE 3	Percentage growth in revenue by main revenue source
TABLE 4	Operating Transfers and Grant Receipts
TABLE 5	Comparison of proposed rates to levied for the 2011/12 financial year
TABLE 6	Proposed Water Tariffs
TABLE 7	Comparison between current water charges and increases (Domestic)
TABLE 8	Comparison between current electricity charges and increases (Domestic)
TABLE 9	Comparison between current sanitation charges and increases, single dwelling-residence
TABLE 10	Comparison between current waste removal fees and increases
TABLE 11	Table SA14 – Household bills
TABLE 12	Summary of operating expenditure by standard classification item
TABLE 13	Repairs and maintenance per asset class
TABLE 14	Basic Social Services Package per Household
TABLE 15	Medium-term capital budget per vote
TABLE 16	List of Key Projects
TABLE 17	Table A1 – Budget Summary
TABLE 18	Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)
TABLE 19	Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)
TABLE 20	Table A4 - Budgeted Financial Performance (revenue and expenditure)
TABLE 21	Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source
TABLE 22	Table A6 - Budgeted Financial Position
TABLE 23	Table A7 - Budgeted Cash Flow Statement
TABLE 24	Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation
TABLE 25	Table A9 - Asset Management
TABLE 26	Table A10 - Basic Service Delivery Measurement
TABLE 27	Schedule of Public Hearings Held
TABLE 28	Number of People attending the Public Hearings

TABLE 29	Alignment of BCMM Objectives with National and Provincial Plans
TABLE 30	Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue
TABLE 31	Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure
TABLE 32	Table SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure
TABLE 33	Table SA7 – Measurable Performance Objectives
TABLE 34	Table 28 Table SA8 - Performance indicators and benchmarks
TABLE 35	2010 to 2013/14 Budget Assumptions
TABLE 36	Credit rating outlook
TABLE 37	Proposed Tariff Increases over the Medium Term
TABLE 38	SA15 – Detail Investment Information
TABLE 39	SA16 – Investment particulars by maturity
TABLE 40	Sources of capital revenue over the MTREF
TABLE 41	Table SA 17 - Detail of borrowings
TABLE 42	Table SA 18 - Capital transfers and grant receipts
TABLE 43	Table A7 – Budgeted Cash Flow Statement
TABLE 44	Table A8 – Cash-backed Reserves/Accumulated Surplus Reconciliation
TABLE 45	SA10 – Funding compliance measurement
TABLE 46	SA19 - Expenditure on transfers and grant programmes
TABLE 47	SA 20 - Reconciliation between of transfers, grant receipts and unspent funds
TABLE 48	SA22 - Summary of councillor and staff benefits
TABLE 49	SA23 - Salaries, allowances and benefits (political office bearers/councillors/snr managers)
TABLE 50	SA24 – Summary of personnel numbers
TABLE 51	SA25 - Budgeted monthly revenue and expenditure
TABLE 52	SA26 - Budgeted monthly revenue and expenditure (municipal vote)
TABLE 53	SA27 - Budgeted monthly revenue and expenditure (standard classification)
TABLE 54	SA28 - Budgeted monthly capital expenditure (municipal vote)
TABLE 55	SA29 - Budgeted monthly capital expenditure (standard classification)
TABLE 56	SA30 - Budgeted monthly cash flow
TABLE 57	SA 34a - Capital expenditure on new assets by asset class
TABLE 58	SA34b - Capital expenditure on the renewal of existing assets by asset class

TABLE 59	SA34c - Repairs and maintenance expenditure by asset class
TABLE 60	SA35 - Future financial implications of the capital budget
TABLE 61	SA36 - Detailed capital budget per municipal vote
TABLE 62	SA37 – Projects Delayed from the Previous Financial Year
TABLE 63	Table SA1 - Supporting detail to budgeted financial performance
TABLE 64	Table SA2 – Matrix financial performance budget (revenue source/expenditure type and department)
TABLE 65	Table SA3 – Supporting detail to Statement of Financial Position
TABLE 66	Table SA9 – Social, economic and demographic statistics and assumptions
TABLE 67	SA32 – List of external mechanisms

LIST OF FIGURES

FIGURE 1	Figure 1 Main operating revenue categories for the 2011/12 financial year
FIGURE 2	Main operational expenditure categories for the 2011/12 financial year

ABBREVIATIONS AND ACRONYMS

AMR	Automated Meter Reading	ℓ	litre
ASGISA	Accelerated and Shared Growth Initiative	LED	Local Economic Development
BPC	Budget Planning Committee	MEC	Member of the Executive Committee
CBD	Central Business District	MFMA	Municipal Financial Management Act
CFO	Chief Financial Officer		Programme
CM	City Manager	MIG	Municipal Infrastructure Grant
CPI	Consumer Price Index	MMC	Member of Mayoral Committee
CRRF	Capital Replacement Reserve Fund	MPRA	Municipal Properties Rates Act
DBSA	Development Bank of South Africa	MSA	Municipal Systems Act
DoRA	Division of Revenue Act	MTEF	Medium-term Expenditure Framework
DWA	Department of Water Affairs	MTREF	Medium-term Revenue and Expenditure Framework
EE	Employment Equity		
EEDSM	Energy Efficiency Demand Side Management	NERSA	National Electricity Regulator South Africa
EM	Executive Mayor	NGO	Non-Governmental organisations
FBS	Free basic services	NKPIs	National Key Performance Indicators
GAMAP	Generally Accepted Municipal Accounting Practice	OHS	Occupational Health and Safety
		OP	Operational Plan
GDP	Gross domestic product	PBO	Public Benefit Organisations
GDS	Gauteng Growth and Development Strategy	PHC	Provincial Health Care
GFS	Government Financial Statistics	PMS	Performance Management System
GRAP	General Recognised Accounting Practice	PPE	Property Plant and Equipment
HR	Human Resources	PPP	Public Private Partnership
HSRC	Human Science Research Council	PTIS	Public Transport Infrastructure System
IDP	Integrated Development Strategy	RG	Restructuring Grant
IT	Information Technology	RSC	Regional Services Council
kℓ	kilolitre	SALGA	South African Local Government Association
km	kilometre	SAPS	South African Police Service
KPA	Key Performance Area	SDBIP	Service Delivery Budget Implementation Plan
KPI	Key Performance Indicator	SMME	Small Micro and Medium Enterprises
kWh	kilowatt		

PART 1 – ANNUAL BUDGET

1.1 EXECUTIVE MAYOR'S FOREWORD

It is with a sense of dutiful commitment that I present to the community of Buffalo City Metropolitan Municipality this Integrated Development Plan (IDP) for 2011-2016. The just ended third democratic local government elections held on the 18th May 2011, heralded the establishment of Buffalo City as one of the newest Metropolitan Municipality in the sphere of Local Government in South Africa.

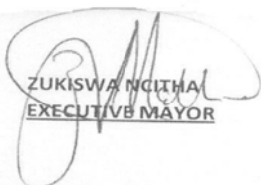
As a metropolitan municipality, Buffalo City now has exclusive legislative and executive authority over all constitutional local government matters within its demarcated area of jurisdiction.

In line with this new mandate to govern the metropolitan area, this Integrated Development Plan introduces the long term vision, mission and priorities of the Buffalo City Metropolitan Council. The plan also contains the spatial and developmental plans for the metro area, as well as the sector plans for the various service delivery programmes rendered by the municipality.

This Integrated Development Plan further contains the key performance areas and indicators through which the citizenry of Buffalo City Metro will hold the Council accountable and responsible. Therefore, on a yearly basis, we shall prepare an Annual Report on the progress achieved with the implementation of this Integrated Development Plan. Furthermore, we shall review the Integrated Development Plan on a yearly basis to ensure continual appraisal and alignment of community needs.

Armed with the key performance beacons contained in this document, the Buffalo City Metropolitan Municipality is embarking on a development path that is meant to address the needs of our people, to create an environment that is conducive to economic growth, to alleviate poverty, to create a better life for our people, to bring meaning and respectability to the lives of the diverse communities of Buffalo City, and to transform metropolitan area into the kind of home that all aspire for.

Our commitment as the duly elected representatives of the people of the Buffalo City Metro is to ensure that the service delivery priorities and plans contained in this Integrated Development Plan are implemented efficiently, effectively and economically in order to make Buffalo City Metropolitan Municipality a responsive, people centred and developmental Metro.



ZUKISWA NCITHAL
EXECUTIVE MAYOR

1.2 COUNCIL RESOLUTIONS

It is recommended that Council of Buffalo City Metropolitan Municipality, acting in terms of the Section 24 of the Municipal Finance Management Act, (No. 56 of 2003) approves and adopts the following resolutions:-

1. The 2011/12 Medium Term Revenue and Expenditure Framework budget

	2010/2011 M/Y ADJ BUDGET	2011/2012 PROPOSED BUDGET	2012/2013 PROPOSED BUDGET	2013/2014 PROPOSED BUDGET
<i>Total Direct Operating Income</i>	(2,973,558,492)	(3,653,289,169)	(4,563,423,550)	(4,940,356,445)
<i>Total Direct Operating Expenditure</i>	2,973,455,202	3,616,250,445	4,518,762,066	4,843,058,617
(Surplus)	(103,290)	(37,038,724)	(44,661,483)	(97,297,828)
<i>Total Capital Expenditure</i>	750,575,894	764,669,130	744,637,933	932,468,509
TOTAL BUDGET	3,724,134,386	4,437,508,299	5,308,061,483	5,872,824,954

2. The 2011/12 Medium Term Revenue and Expenditure Framework budget of the municipality as set out in the following tables:

- 2.1 Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 18;
- 2.2 Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 19;
- 2.3 Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 20; and
- 2.4 Budgeted Capital Expenditure appropriations by municipal vote and standard classification and associated funding by source as contained in Table 21.

3. The Financial Position, Cash Flows, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:

- 3.1 Budgeted Financial Position as contained in Table 22;
- 3.2 Budgeted Cash Flows as contained in Table 23;
- 3.3 Cash backed reserves and accumulated surplus reconciliation as contained in Table 24;
- 3.4 Asset management as contained in Table 25; and
- 3.5 Basic service delivery measurement as contained in Table 26.

4. The 2011/12 MTREF Tariff Increases:

Description	2010/2011	2011/2012	2012/2013	2013/2014
Rates	10.00%	10.80%	11.30%	11.50%
Refuse	11.00%	11.80%	12.30%	12.50%
Sewerage	11.00%	9.80%	10.30%	10.50%
Electricity	22.00%	20.38%	20.88%	21.08%
Water	11.00%	13.65%	14.15%	14.35%
Fire Levy	11.00%	9.80%	10.30%	10.50%
Miscellaneous Tariffs	11.00%	9.80%	10.30%	10.50%

5. The Buffalo City Metropolitan Municipality Council, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts effect from 1 July 2011:

- 5.1 the tariffs for property rates – as set out in Annexure F
- 5.2 the tariffs for electricity – as set out in Annexure F
- 5.3 the tariffs for the supply of water – as set out in Annexure F
- 5.4 the tariffs for sanitation services – as set out in Annexure F

- 5.5 the tariffs for solid waste services – as set out in Annexure F
- 5.6 miscellaneous tariffs as set out in Annexure F
- 6. The Buffalo City Metropolitan Municipality Council, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2011 the tariffs for other services as set out in Annexure F.
- 7. To give proper effect to the municipality's annual budget, the Council of Buffalo City Metropolitan Municipality approves:
 - 7.1 That an indigent subsidy be granted to registered indigents in terms of Council's Indigent Policy.
 - 7.2 That an indigent consumer be given a maximum subsidy on his account of R349.76 per month, which includes a maximum of 50kwh for electricity and 6kl for water.
 - 7.3 That free basic electricity be granted for a registered indigent consumer of 50KWh per month.
 - 7.4 That free basic water be granted to a registered indigent of 6Kl per month.
- 8. That no new capital expenditure be undertaken until a commitment for funding has been received by Buffalo City Metropolitan Municipality and such project has been approved by Council.
- 9. The roll-over of own-funded projects from the 2010/11 financial year to the 2011/12 MTREF budget be approved by Council (as set out in Annexure E).
- 10. Council notes that the 2011/12 MTREF Budget tabled for adoption is structured in terms of the then Buffalo City Municipality votes and functions.

3.2 EXECUTIVE SUMMARY

Buffalo City Metropolitan Municipality has attained Metro status upon the release of the results of the Local Government elections held on 18 May 2011.

The application of sound financial management principles for the compilation of the City's financial plan is essential and critical to ensure that the City remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The City's service delivery priorities were reviewed taking into account the fact that the city is migrating to a metro and a new five year IDP has been developed. Due to funding constraints projects were prioritised in order to ensure that the city is investing in high priority projects as informed by the IDP.

The City has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the City has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of recovering the debt.

The current budget has taken into account the short to medium impact of the transition to a metro as informed by the various metro work streams. However some of the long-term impact have been incorporated in the outer years and will be further considered in the 2012/13 MTREF period.

National Treasury's MFMA Circular No. 51, 54 and 55 were used to guide the compilation of the 2011/12 MTREF Budget.

The main challenges experienced during the compilation of the 2011/12 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained water, roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk water and electricity (due to tariff increases from Amatola Water and Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2011/12 MTREF process.

The following budget principles and guidelines directly informed the compilation of the 2011/12 MTREF:

- The 2010/11 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2011/12 annual budget;
- Tariff and property rate increases affordability and the fact that they should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition the fact that tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;

- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act.

In view of the aforementioned, the following table is a consolidated overview of the 2011/12 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2011/12 MTREF

	2010/2011	2011/2012	2012/2013	2013/2014
	M/Y ADJ	PROPOSED	PROPOSED	PROPOSED
	BUDGET	BUDGET YR1	BUDGET YR2	BUDGET YR3
Total Direct Operating Income	(2,973,558,492)	(3,653,289,169)	(4,563,423,550)	(4,940,356,445)
Total Direct Operating Expenditure	2,973,455,202	3,616,250,445	4,518,762,066	4,843,058,617
(Surplus)	(103,290)	(37,038,724)	(44,661,483)	(97,297,828)
Total Capital Expenditure	750,575,894	764,669,130	744,637,933	932,468,509
TOTAL BUDGET	3,724,134,386	4,437,508,299	5,308,061,483	5,872,824,954

Total operating revenue has grown by 23 per cent or R679,7 million for the 2011/12 financial year when compared to the 2010/11 Adjustments Budget. For the two outer years, operational revenue will increase by 25 and 8 per cent respectively, equating to a total revenue growth of R1,97 billion over the MTREF when compared to the 2010/11 financial year.

Total operating expenditure for the 2011/12 financial year has been appropriated at R3,62 billion and translates into a budgeted surplus of R37 million. When compared to the 2010/11 Adjustments Budget, operational expenditure has grown by 22 per cent in the 2011/12 budget and by 25 and 7 per cent for each of the respective outer years of the MTREF. The operating surplus for the two outer years steadily increases to R44,7 million and R97,3 million respectively. These surpluses will be used to further ensure cash backing of reserves and funds.

The current capital budget is 4.5 per cent more when compared to the 2010/11 Adjustments Budget. The capital programme increases to R764,7 million in the 2011/12 financial year and then R932,5 million in the 2013/14 financial year.

The major contributing factors are:

- A new funding stream known as the Urban Settlement Development Grant (USDG) amounting R423,4 million (R497,9 : 2012/13; R547,3 : 2013/14) that has since been introduced to the Metropolitan Municipalities. The USDG replaces the Municipal Infrastructure Grant (MIG) for the funding of the infrastructure programmes in the "Built Environment". However, while the National Division of Revenue Bill allocations reflect the appropriation of such grants, there are stringent conditions and processes for municipalities to access and retain the funding. The municipality should therefore ensure that it strives by all means to meet the conditions of the grant in order to ensure that service delivery is not hampered.
- Human Settlement Grant Funding allocation for housing development amounting R315,6 million (R768,6 : 2012/13; R620,4 : 2013/14).

- The funding of projects from own resources has taken into account the current cash flow position in order to ensure that our current reserves are cash-backed. The City is not taking any new loans in the 2011/12 MTREF period as it is currently reviewing its capacity to borrow.

1.4 OPERATING REVENUE FRAMEWORK

For BCMM to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that the City is faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the City and continued economic development;
- Efficient revenue management, which aims to ensure a 95 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the City.

The following table is a summary of the 2011/12 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

	2009/2010	2010/2011	2010/2011	2011/2012	2012/2013	2013/2014
	AUDITED	ADOPTED	M/Y ADJ	PROPOSED	PROPOSED	PROPOSED
	ACTUAL	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET
Revenue Per Source						
Assessment Rates	(442,803,364)	(485,939,880)	(485,939,881)	(540,381,469)	(601,444,575)	(670,610,701)
Refuse Charges	(139,256,310)	(153,005,263)	(153,005,263)	(173,905,216)	(195,295,558)	(219,707,503)
Sewerage Charges	(145,648,438)	(162,722,682)	(162,722,683)	(180,202,568)	(198,763,432)	(219,633,592)
Trade Effluent	(9,292,293)	(9,394,456)	(9,394,457)	(9,499,304)	(10,477,733)	(11,577,894)
Water Charges	(201,621,530)	(225,168,713)	(212,621,570)	(233,282,971)	(266,292,512)	(304,505,487)
Electricity Charges	(802,484,619)	(988,464,171)	(943,904,258)	(1,142,651,894)	(1,381,237,609)	(1,672,402,497)
Fire Levy	(31,835,549)	(35,091,225)	(35,091,225)	(39,519,662)	(43,590,187)	(48,167,157)
Fuel Levy	0	0	0	(170,477,000)	(180,070,000)	(191,498,000)
Grants and Subsidies	(573,984,846)	(676,849,827)	(789,367,790)	(966,570,086)	(1,473,485,123)	(1,371,595,488)
Fines	(8,256,637)	(9,705,672)	(9,705,672)	(10,656,828)	(11,754,482)	(12,988,702)
Housing Rentals	(68,930)	(95,738)	(95,738)	(105,120)	(115,947)	(128,122)
Other Rentals	(12,841,170)	(11,524,493)	(11,524,491)	(12,653,893)	(13,957,244)	(15,422,755)
Income Foregone	16,303,528	17,508,230	17,508,230	19,870,741	22,116,135	24,659,491
Other	(420,235,946)	(208,041,178)	(177,693,694)	(193,253,900)	(209,055,284)	(226,778,037)
Total Direct Operating Income	(2,772,026,103)	(2,948,495,067)	(2,973,558,492)	(3,653,289,169)	(4,563,423,550)	(4,940,356,445)

Table 3 Percentage growth in revenue by main revenue source

Description	Current Year 2010/11		2011/12 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2011/12	%	Budget Year +1 2012/13	%	Budget Year +2 2013/14	%
Revenue By Source								
Property rates	468,432	15.75%	520,511	14.25%	579,328	12.70%	645,951	13.07%
Property rates - penalties & collection charges	1,115	0.04%	1,236	0.03%	1,376	0.03%	1,534	0.03%
Service charges - electricity revenue	943,904	31.74%	1,142,652	31.28%	1,381,238	30.27%	1,672,402	33.85%
Service charges - water revenue	212,622	7.15%	233,283	6.39%	266,293	5.84%	304,505	6.16%
Service charges - sanitation revenue	162,723	5.47%	180,203	4.93%	198,763	4.36%	219,634	4.45%
Service charges - refuse revenue	153,005	5.15%	173,905	4.76%	195,296	4.28%	219,708	4.45%
Service charges - other	21,270	0.72%	22,539	0.62%	24,860	0.54%	27,471	0.56%
Rental of facilities and equipment	11,620	0.39%	12,759	0.35%	14,073	0.31%	15,551	0.31%
Interest earned - external investments	22,862	0.77%	30,192	0.83%	30,192	0.66%	30,192	0.61%
Interest earned - outstanding debtors	20,069	0.67%	22,036	0.60%	24,306	0.53%	26,858	0.54%
Dividends received	60	0.00%	60	0.00%	60	0.00%	60	0.00%
Fines	9,706	0.33%	10,657	0.29%	11,754	0.26%	12,989	0.26%
Licences and permits	14,017	0.47%	15,391	0.42%	16,976	0.37%	18,759	0.38%
Agency services	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Transfers recognised - operational	574,463	19.32%	966,570	26.46%	1,473,485	32.29%	1,371,595	27.76%
Other revenue	357,689	12.03%	321,296	8.79%	345,424	7.57%	373,148	7.55%
Gains on disposal of PPE	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Total Revenue (excluding capital transfers and	2,973,558	100.00%	3,653,289	100.00%	4,563,424	100.00%	4,940,356	100.00%

In 2010/11 the City's own generated revenue is 80,7% of the total revenue. Revenue from rates and services charges amounts to 15.75%, electricity revenue 31.74%, water revenue 7.15%, sanitation 5.47% and refuse revenue 5.15%.

In the 2011/12 MTREF period revenue generated from own sources is declining to 73.5% (2011/12), 67,7% (2012/13) and 72.2% (2013/14). The major contributing services are electricity which grows from 31,74% in 2010/11 to 33,85% in 2013/14 and rates revenue which is in the region of 13,07%.

Operating grants and transfers comprise 19,32% of the total revenue and they increase to 26,46% in the 2011/12 financial year and 27,76% in 2013/14 financial year.

The following graph gives a breakdown of the main revenue categories for the 2011/12 financial year.

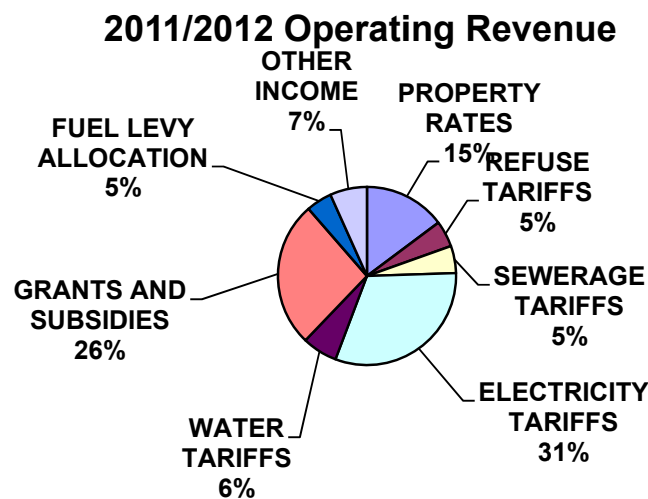


Figure 1: Main Operating Revenue categories for the 2011/12 financial year

The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term

Table 4 Operating Transfers and Grant Receipts

Description	Ref	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		17,607	51,831	19,382	513,850	514,224	514,224	603,238	655,680	706,104
Financial Management Grant		500	500	1,000	1,200	1,200	1,200	1,450	1,500	1,500
Equitable Share		15,000	20,200	15,000	508,895	508,895	508,895	583,628	644,542	686,869
Department of Water Affairs		2,107	-	2,882	2,105	2,152	2,152	1,680	3,076	5,000
USDG		-	-	-	-	-	-	14,212	1,562	2,735
MSIG		-	400	500	650	750	750	-	-	-
Land Affairs		-	-	-	1,000	-	-	-	-	-
Neighbourhood Development Partnership		-	-	-	-	-	-	-	5,000	10,000
European Commission		-	30,731	-	-	1,227	1,227	-	-	-
Expanded Public works Programme Incentive		-	-	-	-	-	-	2,268	-	-
Other transfers/grants [insert description]		-	-	-	-	-	-	-	-	-

15% growth in Equitable Share allocation from R508,9 million to R583,6 million is reflected.

3.3.1 Property Rates

Property rates are a major source of revenue income for a municipality and contribute to cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the differential rate ratio for public service infrastructure, public benefit organisation and agricultural properties relative to residential properties to be 0,25:1. The implementation of these regulations was effected in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rateable value (Section 17(h) of the MPRA). In addition to this rebate, a further R25 000 reduction on the market value of a property will be granted in terms of the City's own Property Rates Policy;
- 35 per cent rebate will be granted on all residential properties (including state owned residential properties);
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy;
- For pensioners, physically and mentally disabled persons, a maximum/total rebate of 50 per cent (calculated on a sliding scale) will be granted to owners of rate-able property if the total gross income of the applicant and/or his/her spouse, if any, does not exceed the amount equal to twice the annual state pension as approved by the National Government for a financial year. In this regard the following stipulations are relevant:

- The rateable property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependants without income;
 - The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension;
 - The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
 - The property must be categorized as residential.
- The Municipality may award a 100 per cent grant-in-aid on the assessment rates of rateable properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport. The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a grant.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2011/12 financial year based on a 10,80 per cent increase from 1 July 2011 is contained below:

Table 5 Comparison of proposed rates to levied for the 2011/12 financial year

Category	Current Tariff (1 July 2010)	Proposed tariff (from 1 July 2011)
	c	C
Residential properties (incl. farms & small holdings used for residential purposes)	0,005907	0,006545
Agricultural (used for Bona-fide farming)	0,001477	0,001636
Public Service Infrastructure	0,001477	0,001636
Business, Commercial & Industrial properties (incl. farms used for Game- / Eco Tourism)	0,014768	0,016362
Educational Institutions	0,004135	0,004581
Municipal Owned properties (Rateable, used for residential purposes)	0,005907	0,006545
Municipal Owned (Rateable, used for non-residential purposes)	0,014768	0,016362
Municipal Owned (Non-rateable)	0,000000	0,000000
Mining / Quarry	0,014768	0,016362
Government properties (incl. Correctional Services Facilities, Office buildings & Hospitals)	0,014768	0,016362
Vacant land	0,017721	0,019635
Religious sites or Places of Worship	0,000000	0,000000
Special properties (e.g. Museums, Libraries)	0,000000	0,000000
Public Benefit Organisations	0,001477	0,001636
Rural Communal properties	0,000000	0,000000

3.3.2 Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

In addition National Treasury has urged all municipalities to ensure that water tariff structures are cost reflective by 2014.

Better maintenance of infrastructure, new dam construction and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability. Amatola Water has increased its bulk tariffs with 8.65 per cent from 1 July 2011.

A tariff increase of 13,65 per cent from 1 July 2011 for water is proposed. This is based on input cost assumptions of 8,65 per cent increase in the cost of bulk water (Amatola Water), and the service progressing to becoming self sufficient with at least a break-even position. In addition 6 kℓ water per 30-day period will again be granted free of charge to all indigent residents.

A summary of the proposed tariffs for households (residential) and non-residential are as follows:

Table 6 Proposed Water Tariffs

CATEGORY	CURRENT TARIFFS 2010/11	PROPOSED TARIFFS 2011/12
	Rand per kℓ	Rand per kℓ
RESIDENTIAL		
(i) 0 to 6 kℓ per 30-day period (Indigent)	0,0000	0,0000
(ii) 0 to 6 kℓ per 30-day period (Non-Indigent)	6,5311	7,4226
(iii) 7 to 10 kℓ per 30-day period	6,6592	7,5681
(iv) 11 to 20 kℓ per 30-day period	9,2487	10,5111
(v) 21 to 30 kℓ per 30-day period	11,9891	13,6256
(vi) More than 30 kℓ per 30-day period:	15,0456	17,0993
NON-RESIDENTIAL		
(i) From the 1 st kℓ per 30-day period	9,1571	10,4070

The following table shows the impact of the proposed increases in water tariffs on the water charges for a single dwelling-house:

Table 7 Comparison between current water charges and increases (Domestic)

Monthly Consumption kℓ	Current amount Payable R	Proposed amount payable R	Difference (Increase) R	Percentage change
10	65,82	74,81	8,98	13,65%
20	158,31	179,92	21,61	13,65%
30	278,20	316,18	37,97	13,65%
50	579,11	658,16	79,05	13,65%
75	955,25	1 085,64	130,39	13,65%
100	1 331,93	1 513,13	181,73	13,65%

The tariff structure of the 2010/11 financial year has not been changed. The tariff structure is designed to charge higher levels of consumption a higher rate, steadily increasing to a rate of R17,0993 per kilolitre for consumption in excess of 30kℓ per 30 day period.

3.3.3 Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk electricity pricing structure. A 26,71 per cent increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2011.

Considering the Eskom increases, the consumer tariff had to be increased by 20,38 per cent to offset the additional bulk purchase cost from 1 July 2011. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity.

Registered indigents will again be granted 50 kWh per 30-day period free of charge.

The following table shows the impact of the proposed increases in tariffs on the electricity charges for domestic customers:

Table 8 Comparison between current electricity charges and increases (Domestic)

Monthly Consumption kWh	Current amount Payable R	Proposed amount payable R	Difference (Increase) R	Percentage change
100	98,39	118,44	20,05	20,38%
250	147,59	177,66	30,08	20,38%
500	491,95	592,20	100,25	20,38%
750	737,93	888,30	150,38	20,38%
1 000	983,90	1 184,40	200,50	20,38%
2 000	1 967,80	2 368,80	401,00	20,38%

It should further be noted that NERSA has advised that a stepped tariff structure needs to be implemented from 1 July 2011. The effect thereof will be that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor). In addition the aim of the upper block(s) will be punitive in nature in order to discourage excessive electricity consumption. The City has entered into discussions with NERSA regarding the suitability of the NERSA proposed stepped tariffs compared to current tariff structure being implemented by the City already. The final application will be submitted to NERSA by 30 March 2011.

For purposes of the MTREF Budget, the electricity tariff structure has been left unchanged. The proposed inclining block tariff structure will be included in the final MTREF Budget submission. These will then also reflect the NERSA approved tariffs. In Circular 55, National Treasury spelt out its concern on the "one-size-fits-all" approach taken by NERSA in crafting its Inclining Block Tariff guidelines. At a meeting held on 07 March 2011 it was agreed that municipalities should indicate their ability to implement this new tariff structure in their applications to NERSA,

The inadequate electricity bulk capacity and the impact on service delivery and development remains a challenge for the City. Most of the suburbs and inner city reticulation network was designed or strengthened in the early 1980's with an expected 20-25 year life-expectancy. The upgrading of the City's electricity network has therefore become a strategic priority, especially the substations and transmission lines.

The approved budget for the Electricity Division can only be utilised for certain committed upgrade projects and to strengthen critical infrastructure (e.g. substations without back-up supply).

Owing to the high increases in Eskom's bulk tariffs, it is clearly not possible to fund these necessary upgrades through increases in the municipal electricity tariff – as the resultant tariff increases would be unaffordable for the consumers. As part of the 2011/12 medium-term capital programme, funding has been allocated to electricity infrastructure but these funding levels will require further investigation as part of the next budget cycle in an attempt to source more funding to ensure this risk is mitigated.

3.3.4 Sanitation and Impact of Tariff Increases

A tariff increase of 9,80 per cent for sanitation from 1 July 2011 is proposed. The following factors also contribute to the proposed tariff increase:

- Currently sanitation charges are calculated according to the relative size of the erf on which the property is located. It is envisaged that future sanitation charges will be based on a percentage of water consumption;
- The total revenue expected to be generated from rendering this service amounts to R180,2 million for the 2011/12 financial year.

The following table shows the impact of the proposed increases in annual tariffs on the sanitation charges for a single dwelling residence:

Table 9 Comparison between current sanitation charges and increases, single dwelling-residence

Category	Current amount Payable R	Proposed amount payable R	Difference (Increase) R	Percentage Change
Erf : 0 – 300m ²	510,00	560,00	50,00	9,8%
Erf : 301 – 400m ²	811,00	890,00	79,00	9,8%
Flat : Complex	1 285,00	1 411,00	126,00	9,8%
Flat : Ordinary	1 419,00	1 558,00	139,00	9,8%
Flat : Semi	1 419,00	1 558,00	139,00	9,8%
Cluster/Town Houses	1 756,00	1 928,00	172,00	9,8%
Erf : 401 – 800m ²	2 110,00	2 317,00	207,00	9,8%
Erf : 801 – 1200m ²	2 278,00	2 501,00	223,00	9,8%
Erf : > 1200m ²	2 482,00	2 725,00	243,00	9,8%

3.3.5 Waste Removal and Impact of Tariff Increases

Currently solid waste removal is operating at a deficit. It is widely accepted that the rendering of this service should at least break even, which is currently not the case. The City will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The main contributors to this deficit are repairs and maintenance on vehicles, increases in general expenditure such as petrol and diesel and the cost of remuneration. Considering the deficit, it is recommended that a comprehensive investigation into the cost structure of solid waste function be undertaken, and that this include investigating alternative service delivery models. The outcomes of this investigation will be incorporated into the next planning cycle.

A 11,80 per cent increase in the waste removal tariff is proposed from 1 July 2011. Higher increases will not be viable in 2011/12 owing to the overall impact of higher than inflation increases of other services. Any increase higher than 11,80 per cent would be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debt. The following table compares current and proposed amounts payable from 1 July 2011:

Table 10 Comparison between current waste removal fees and increases

Category	Current amount Payable R	Proposed amount payable R	Difference (Increase) R	Percentage Change
Domestic: Weekly 2 x 85ℓ load	111,00	124,00	13,00	11,8%
85ℓ Bins – Twice weekly	250,00	280,00	30,00	11,8%
240ℓ Bins – Twice weekly	705,00	788,00	83,00	11,8%
420ℓ Bins – Twice weekly	1 232,00	1 377,00	145,00	11,8%
1.1m ³ Sprico – Once weekly	422,00	472,00	50,00	11,8%
1.1m ³ Sprico – Twice weekly	842,00	941,00	99,00	11,8%
1.1m ³ Sprico – Three x a week	1 265,00	1 415,00	150,00	11,8%
1.1m ³ Sprico – Four x a week	1 684,00	1 883,00	199,00	11,8%
1.1m ³ Sprico – Five x a week	2 105,00	2 353,00	248,00	11,8%

3.3.6 Overall impact of tariff increases on households

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

Note that in all instances the overall impact of the tariff increases on household's bills has been kept to between 11.6 and 16.2 per cent.

Table 11 - SA14 – Household bills

Description	Ref	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12 % incr.	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Rand/cent											
Monthly Account for Household - 'Large' Household	1										
Rates and services charges:											
Property rates		311.71	346.00	384.06	422.47	422.47	422.47		468.09	520.98	580.90
Electricity: Basic levy		–	–	–	–	–	–		–	–	–
Electricity: Consumption		414.44	538.78	707.41	863.04	863.04	863.04		1,038.93	1,255.86	1,520.59
Water: Basic levy		–	–	–	–	–	–		–	–	–
Water: Consumption		178.44	198.06	219.85	244.04	244.04	244.04		277.35	316.59	362.02
Sanitation		121.72	135.16	150.00	166.50	166.50	166.50		182.82	201.65	222.82
Refuse removal		70.59	78.95	87.72	97.37	97.37	97.37		108.85	122.24	137.52
Other		15.79	17.54	20.18	22.81	22.81	22.81		25.04	27.62	30.52
sub-total		1,112.67	1,314.50	1,569.23	1,816.22	1,816.22	1,816.22	15.7%	2,101.08	2,444.95	2,854.38
VAT on Services		112.14	135.59	165.92	195.13	195.13	195.13		228.62	269.35	318.29
Total large household bill:		1,224.81	1,450.09	1,735.15	2,011.35	2,011.35	2,011.35	15.8%	2,329.70	2,714.30	3,172.67
% increase/-decrease			18.4%	19.7%	15.9%	–	–	15.8%	16.5%	16.9%	16.9%
Monthly Account for Household - 'Small' Household	2										
Rates and services charges:											
Property rates		49.27	54.69	60.70	66.77	66.77	66.77		73.98	82.34	91.81
Electricity: Basic levy		–	–	–	–	–	–		–	–	–
Electricity: Consumption		206.39	268.31	352.29	429.79	429.79	429.79		517.39	625.42	757.25
Water: Basic levy		–	–	–	–	–	–		–	–	–
Water: Consumption		139.99	155.39	172.48	191.45	191.45	191.45		217.59	248.37	284.02
Sanitation		27.25	30.26	33.63	59.32	59.32	59.32		65.13	71.84	79.39
Refuse removal		70.59	78.95	87.72	97.37	97.37	97.37		108.85	122.24	137.52
Other		15.79	17.54	20.18	22.81	22.81	22.81		25.04	27.62	30.52
sub-total		509.27	605.14	727.00	867.51	867.51	867.51	16.2%	1,007.98	1,177.84	1,380.51
VAT on Services		64.40	77.06	93.28	112.10	112.10	112.10		130.76	153.37	180.42
Total small household bill:		573.67	682.20	820.28	979.61	979.61	979.61	16.2%	1,138.74	1,331.21	1,560.93
% increase/-decrease			18.9%	20.2%	19.4%	–	–	16.2%	16.9%	17.3%	17.3%
Monthly Account for Household - 'Small' Household receiving free basic services	3										
Rates and services charges:											
Property rates		49.27	54.69	60.70	66.77	66.77	66.77		73.98	82.34	91.81
Electricity: Basic levy		–	–	–	–	–	–		–	–	–
Electricity: Consumption		20.72	26.94	35.37	33.20	33.20	33.20		37.67	45.54	55.14
Water: Basic levy		–	–	–	–	–	–		–	–	–
Water: Consumption		25.13	27.90	30.97	34.37	34.37	34.37		39.07	44.59	50.99
Sanitation		27.25	30.26	33.63	59.32	59.32	59.32		65.13	71.84	79.39
Refuse removal		70.59	78.95	87.72	97.37	97.37	97.37		108.85	122.24	137.52
Other		15.79	17.54	20.18	22.40	22.40	22.40		25.05	27.63	30.53
sub-total		208.75	236.28	268.57	313.43	313.43	313.43	11.6%	349.76	394.19	445.38
VAT on Services		22.33	25.42	29.10	34.53	34.53	34.53		38.61	43.66	49.50
Total small household bill:		231.07	261.70	297.67	347.96	347.96	347.96	11.6%	388.37	437.85	494.88
% increase/-decrease			13.3%	13.7%	16.9%	(0.0%)	–	11.6%	12.7%	13.0%	13.0%

3.4 OPERATING EXPENDITURE FRAMEWORK

The City's expenditure framework for the 2011/12 budget and MTREF is informed by Section 18 and 19 of the MFMA;

The following table is a high level summary of the 2011/12 budget and MTREF (classified per main type of operating expenditure):

Table 12 - Summary of operating expenditure by standard classification item

Description	Vote1 - Directorate - Executive Support	Vote2 - Directorate - Municipal Manager	Vote3 - Directorate - Chief Operations	Vote4 - Directorate - Chief Financial	Vote5 - Directorate - Corporate Services	Vote6 - Directorate - Engineering Services	Vote7 - Directorate - Development Planning	Vote8 - Directorate - Health & Public Safety	Vote9 - Directorate - Community Services	Vote10 - Directorate - Miscellaneous	Total
R thousand											
Expenditure By Type											
Employee related costs	27,854	13,542	17,217	116,913	68,433	245,993	67,019	193,493	232,844	-	983,308
Remuneration of councillors	28,871	-	-	-	-	-	-	-	-	-	28,871
Debt impairment	-	-	-	38,185	-	88,665	-	-	38,599	-	165,450
Depreciation & asset impairment	742	14	88	910	1,788	388,100	71,584	3,563	6,459	-	473,248
Finance charges	-	-	-	-	-	58,848	2,837	2,790	2,592	-	67,067
Bulk purchases	-	-	-	-	-	940,528	-	-	-	-	940,528
Other materials	-	-	-	-	-	-	-	-	-	-	-
Contracted services	-	-	-	-	-	3,789	-	-	4,529	-	8,317
Transfers and grants	3,133	-	-	-	-	-	-	123	176	-	3,432
Other expenditure	43,911	24,215	295,274	181,158	40,337	378,703	67,173	57,674	168,326	-	1,256,770
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure	104,511	37,771	312,579	337,167	110,558	2,104,626	208,613	257,643	453,324	-	3,926,991

The budgeted allocation for employee related costs for the 2011/12 financial year totals R983,3 million, which equals 25% of the total operating expenditure. Based on the three year collective SALGBC agreement, salary increases have been factored into this budget at a percentage increase of 6.8 per cent for the 2011/12 financial year.

The provision of debt impairment has been determined based on an annual collection rate. For the 2011/12 financial year this amounts to R165,5 million and escalates to R185,9 million by 2013/14. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R473.2 million for the 2011/12 financial and equates to 12 per cent of the total operating expenditure. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 1.7 per cent (R67 million) of operating expenditure excluding annual redemption for 2011/12. As previously noted, the City has reached its prudential limits for borrowing – hence the planned borrowing to finance the capital budget does not result in finance charges as a percentage of operational expenditure increasing.

Bulk purchases are directly informed by the purchase of electricity from Eskom and water from Amatola Water. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. Growth has been limited to 5 per cent for 2011/12.

The following figure gives a breakdown of the main expenditure categories for the 2011/12 financial year.

2011/2012 Operating Expenditure

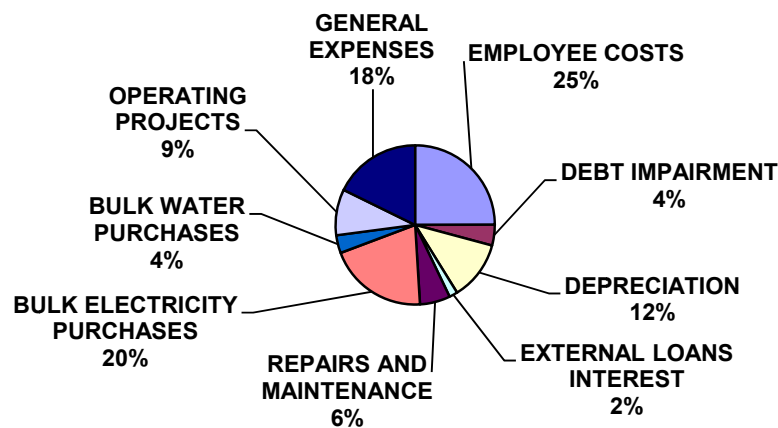


Figure 2: Main operational expenditure categories for the 2011/12 financial year

3.4.1 Repairs and Maintenance

Repairs and maintenance budget is currently 6,7% of the total Operating Expenditure Budget. The City is striving towards a 10% repairs and maintenance of its total operating budget owing to the aging of the City's infrastructure and historic deferred maintenance.

The table below provides a breakdown of the repairs and maintenance in relation to asset class:

Table 13 - Repairs and maintenance per asset class

Description	Ref	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Repairs and Maintenance by Asset Class	3	79,901	116,795	174,695	234,725	219,567	214,567	242,036	263,649	283,902
Infrastructure - Road transport		19,556	25,076	31,030	47,039	44,068	44,068	50,343	53,867	57,638
Infrastructure - Electricity		14,843	37,813	69,470	98,846	89,099	89,099	102,838	110,499	117,068
Infrastructure - Water		11,862	5,667	22,636	22,517	19,817	19,817	20,995	23,966	27,405
Infrastructure - Sanitation		11,184	12,391	15,765	19,527	18,399	18,399	19,822	21,884	24,180
Infrastructure - Other		613	4,054	3,415	9,180	9,250	4,250	10,434	11,718	13,182
Infrastructure		58,059	85,002	142,317	197,109	180,633	175,633	204,434	221,914	239,453
Community		8,846	10,323	14,533	16,317	17,847	17,662	15,704	16,701	17,787
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6, 7	13,196	21,470	17,845	21,299	21,287	21,272	21,898	25,034	26,662

3.4.2

Free Basic Services: Basic Social Services Package

Table 14: Basic Social Services Package per household

	Total Per Household 2010/2011	Total Per Household 2011/2012	Total Per Household 2012/2013	Total Per Household 2013/2014
Rates - Valuation R150,640	66.77	73.98	82.34	91.81
Refuse	97.37	108.86	122.25	137.53
Sewerage	59.32	65.13	71.84	79.38
Fire Levy	22.40	25.05	27.63	30.53
Total Monthly Subsidy	245.86	273.02	304.05	339.25
Electricity - 50kwh p.m	33.20	37.67	45.54	55.14
Electricity - 50kwh p.m (Esk)				
Water - 6kl p.m.	34.37	39.07	44.59	50.99
Total Poor Relief	313.43	349.76	394.19	445.38

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the City's Indigent Policy. The target is to register 70 000 or more indigent households during the 2011/12 financial year, a process reviewed annually.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.6 CAPITAL EXPENDITURE

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 15 2011/12 Medium-term capital budget per vote

Vote Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand									
Capital Expenditure - Standard									
<i>Governance and administration</i>	13,421	17,711	59,680	35,720	68,545	68,545	13,370	-	-
Executive and council	2,649	4,206	45,427	24,203	40,480	40,480	-	-	-
Budget and treasury office	8,719	6,532	9,750	6,563	18,838	18,838	5,497	-	-
Corporate services	2,052	6,973	4,503	4,954	9,227	9,227	7,873	-	-
<i>Community and public safety</i>	10,316	15,584	48,632	43,098	107,337	107,337	146,469	100,605	172,825
Community and social services	-	1,175	12,723	16,000	37,110	37,110	10,686	8,764	20,000
Sport and recreation	5,217	6,739	4,690	2,619	6,136	6,136	2,627	-	-
Public safety	2,369	6,201	4,374	11,287	37,416	37,416	22,163	-	10,000
Housing	1,628	261	25,902	9,800	23,084	23,084	107,159	91,841	142,825
Health	1,103	1,208	943	3,392	3,591	3,591	3,834	-	-
<i>Economic and environmental services</i>	73,260	121,388	136,657	216,782	268,127	268,127	293,000	377,925	480,789
Planning and development	25,736	25,096	25,673	118,782	160,067	160,067	221,667	259,781	319,305
Road transport	43,210	90,940	108,615	95,500	102,486	102,486	67,376	111,144	151,484
Environmental protection	4,314	5,353	2,369	2,500	5,574	5,574	3,957	7,000	10,000
<i>Trading services</i>	137,243	211,414	168,366	175,512	273,419	273,419	304,030	246,108	178,854
Electricity	47,962	85,114	63,244	45,800	61,252	61,252	36,401	20,000	20,000
Water	39,743	58,161	51,655	41,500	58,478	58,478	21,000	15,000	37,000
Waste water management	45,774	63,176	3,729	70,712	129,235	129,235	204,000	197,108	102,854
Waste management	3,764	4,963	49,738	17,500	24,454	24,454	42,628	14,000	19,000
<i>Other</i>	6	478	16,544	9,000	33,148	33,148	7,800	20,000	100,000
Total Capital Expenditure - Standard	234,246	366,575	429,879	480,112	750,576	750,576	764,669	744,638	932,469

The capital budget for the 2011/12 MTREF period reflects growth of R14,493 million (1.9%) compared to 2010/11. The major contributing factor for this growth is the Urban Settlement Development Grant (USDG) and Human Settlement Development Grant allocations for the development of infrastructure and housing. Transport received an allocation of R221.6m, Electricity infrastructure R36.7m, Roads and Storm water R67.3m and Waste Water R204m.

TABLE 16 – List of Key Projects

PROJECT NAME	SOURCE OF FUNDING	2011-2014 CAPITAL BUDGET
Construction of a new cell - Roundhill Regional Landfill Site	USDG	25,000,000
Purchase of 7 Refuse Compactor Trucks - Mdantsane	Own funds	10,500,000
Refuse 5 Compactor Trucks - Coastal Region	Own funds	10,000,000
Electrification	DoE(INEP)	61,000,000
Development of 3 New Cemeteries(Inland, Midland & Coastal)	USDG	17,000,000
Mdantsane Zone 18 CC Phase 2-P3	USDG	42,594,200
Manyano & Thembelihle Phase 2-P3	USDG	19,055,300
Second Creek (Turn Key)-P3	USDG	5,940,770
Reeston Phase 3 Stage 2-P3	HSDG	56,045,000
DVRI Pilot project 323 units (Mekeni ,Competition site,Haven Hills)	HSDG	7,241,014
Reeston Phase 3 Stage 3	HSDG	23,353,693
Construction of BRT lanes	Public Transport Infrastructure & Systems Grant	364,781,000
Taxi Ranks	USDG	85,000,000
Gonubie Main Road	USDG	70,000,000
Economic Infrastructure	USDG	7,305,431
Fire and Clinics	USDG	16,227,453
Fire Engines Roll Over	Own Funds	11,502,141
Mdantsane Roads	USDG	206,003,700
West Bank Restitution	USDG	45,000,000
Rural Roads Upgrade	USDG	54,000,000
Rehabilitation of Rural Roads Upgrade	USDG	25,000,000
Nord Avenue Pump station	USDG	8,000,000
Quinera Treatment Works	USDG	50,000,000
Waste Water Treatment Capacity (Zwelitsha)	USDG	111,000,000
Reeston Phase 3 Bulk Services Sewer	USDG	93,000,000
Bufferstrip Sanitation - Mdantsane	USDG	16,108,250
Mdantsane Sewers - Refurbishment	USDG	22,000,000
Diversion of Amalinda and Wilsonia effluent to Reeston	USDG	140,000,000
Inland Rural Sanitation (Dimbaza Villages,Ngxwalane and Kwalini)	USDG	63,854,000
Augmentation of Water Treatment Capacity - Umzonyana/Raising Upper weir	USDG	42,000,000
Ward 33 Bulk Water Supply Scheme	USDG	7,000,000
Bulk Water Supply Coastal Areas	USDG	8,000,000

3.6 ANNUAL BUDGET TABLES

The following twelve pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2011/12 budget and MTREF as approved by the Council.

Table 18 -Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand										
Revenue - Standard										
Governance and Administration		616,686	676,096	821,966	939,674	921,344	921,344	1,164,058	1,271,240	1,368,337
Executive and Council		5,613	221	221	865	10,572	10,572	-	-	-
Budget and Treasury Office		579,606	660,828	770,563	897,093	868,949	868,949	1,157,025	1,266,024	1,362,693
Corporate Services		31,467	15,047	51,182	41,715	41,823	41,823	7,033	5,216	5,644
Community and Public Safety		125,994	160,500	236,717	172,519	258,381	258,381	438,124	902,454	760,337
Community and Social Services		11,558	11,910	18,929	13,095	14,735	14,735	13,953	14,944	16,058
Sport and Recreation		4,667	3,007	4,284	3,501	3,501	3,501	3,841	4,233	4,673
Public Safety		40,085	42,816	52,199	59,764	59,932	59,932	66,787	73,555	81,275
Housing		37,416	56,042	107,856	40,444	117,253	117,253	290,582	746,760	595,367
Health		32,267	46,725	53,449	55,715	62,960	62,960	62,961	62,962	62,964
Economic and Environmental Services		111,173	110,347	135,832	85,278	94,152	94,152	69,293	80,118	92,800
Planning and Development		48,196	47,248	30,866	36,206	45,080	45,080	15,599	21,092	27,777
Road Transport		54,117	59,389	102,642	48,807	48,807	48,807	53,406	58,713	64,681
Environmental Protection		8,859	3,710	2,325	266	266	266	288	313	342
Trading Services		1,147,439	1,332,803	1,562,076	1,736,001	1,684,659	1,684,659	1,965,329	2,291,439	2,698,814
Electricity		531,374	674,324	858,341	1,040,596	996,036	996,036	1,194,127	1,440,179	1,740,269
Water		248,124	255,499	283,418	269,613	262,831	262,831	296,739	323,167	369,655
Waste water management		203,748	227,922	229,881	210,303	210,303	210,303	231,607	255,438	282,233
Waste management		164,193	175,058	190,437	215,489	215,489	215,489	242,857	272,655	306,657
Other	4	12,797	14,430	15,435	15,023	15,023	15,023	16,485	18,172	20,069
Total Revenue - Standard	2	2,014,088	2,294,176	2,772,026	2,948,495	2,973,558	2,973,558	3,653,289	4,563,424	4,940,356
Expenditure - Standard										
Governance and Administration		380,027	527,116	544,695	674,839	618,727	617,814	672,690	713,125	762,735
Executive and Council		52,570	51,883	62,626	74,001	81,750	81,776	83,640	89,235	95,216
Budget and Treasury Office		172,377	311,150	259,446	289,345	270,864	270,864	337,167	353,468	380,286
Corporate Services		155,080	164,083	222,623	311,493	266,114	265,174	251,884	270,422	287,233
Community and Public Safety		262,988	306,374	344,057	361,547	432,633	433,453	661,558	1,140,735	1,014,361
Community and Social Services		56,748	61,289	67,098	73,789	73,422	73,419	75,731	81,426	87,020
Sport and Recreation		41,911	48,117	49,383	51,437	54,528	54,532	51,148	54,853	58,680
Public Safety		82,864	89,541	108,531	122,380	116,091	116,910	159,089	169,205	178,848
Housing		41,706	61,369	69,633	57,083	131,272	131,272	304,017	761,140	610,752
Health		39,759	46,059	49,413	56,858	57,320	57,320	71,573	74,111	79,060
Economic and Environmental Services		244,543	318,692	524,578	560,025	559,286	559,380	579,344	615,696	659,108
Planning and Development		71,209	77,108	136,658	161,139	166,074	166,094	177,410	203,074	232,433
Road Transport		110,518	181,523	323,414	330,979	322,125	322,199	328,016	333,549	343,040
Environmental Protection		62,816	60,060	64,505	67,907	71,087	71,087	73,917	79,073	83,635
Trading Services		918,372	1,113,511	1,418,798	1,641,490	1,652,757	1,652,757	2,000,822	2,279,033	2,628,968
Electricity		388,531	550,808	760,462	932,388	942,925	942,925	1,158,731	1,393,425	1,689,261
Water		214,275	237,318	260,596	294,643	311,844	311,844	345,563	356,966	380,624
Waste water management		143,617	168,676	216,680	208,429	206,166	206,166	263,059	275,667	283,837
Waste management		171,948	156,709	181,061	206,030	191,821	191,821	233,469	252,976	275,246
Other	4	10,090	10,078	10,971	14,315	13,876	13,876	12,576	13,356	14,154
Total Expenditure - Standard	3	1,816,020	2,275,770	2,843,099	3,252,216	3,277,279	3,277,279	3,926,991	4,761,944	5,079,325
Off-Set Depreciation		20,039	17,542	20,024	(303,824)	(303,824)	(303,824)	(310,741)	(243,182)	(236,266)
Surplus/(Deficit) for the year		178,029	864	(91,097)	103	103	103	37,039	44,661	97,298

Table 19 - Table A3 - Budgeted Financial Performance (revenue and expenditure by n

Vote Description	Ref	2007/8	2008/9	2009/10	Current Year 21	
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget
R thousand						
Revenue by Vote	1					
Vote1 - Directorate - Executive Support Services		24,422	10,463	46,433	26,820	16,00
Vote2 - Directorate - Municipal Manager		1,569	-	40	565	8,97
Vote3 - Directorate - Chief Operations Officer		43,813	61,867	109,050	46,055	125,52
Vote4 - Directorate - Chief Financial Officer		579,606	660,828	770,563	897,093	868,94
Vote5 - Directorate - Corporate Services		8,028	2,507	5,047	11,752	5,07
Vote6 - Directorate - Engineering Services		1,005,913	1,184,194	1,437,512	1,526,370	1,494,52
Vote7 - Directorate - Development Planning		58,939	60,136	46,099	50,923	56,41
Vote8 - Directorate - Health & Public Safety		101,902	120,254	141,157	156,566	163,97
Vote9 - Directorate - Community Services		189,896	193,927	216,125	232,350	234,11
Vote10 - Directorate - Miscellaneous		-	-	-	-	-
Total Revenue by Vote	2	2,014,088	2,294,176	2,772,026	2,948,495	2,973,55
Expenditure by Vote to be appropriated	1					
Vote1 - Directorate - Executive Support Services		78,937	86,237	110,204	140,661	113,60
Vote2 - Directorate - Municipal Manager		15,470	19,980	29,591	32,953	38,79
Vote3 - Directorate - Chief Operations Officer		45,638	68,160	76,094	66,095	142,43
Vote4 - Directorate - Chief Financial Officer		172,377	311,150	259,446	289,345	270,86
Vote5 - Directorate - Corporate Services		72,604	64,253	72,896	142,554	92,70
Vote6 - Directorate - Engineering Services		860,449	1,140,360	1,572,683	1,779,427	1,813,69
Vote7 - Directorate - Development Planning		94,929	102,869	169,999	192,990	193,94
Vote8 - Directorate - Health & Public Safety		137,919	152,732	184,564	203,414	196,78
Vote9 - Directorate - Community Services		337,201	330,030	367,624	404,778	414,45
Vote10 - Directorate - Miscellaneous		496	-	-	-	-
Total Expenditure by Vote	2	1,816,020	2,275,770	2,843,099	3,252,216	3,277,21
Off-Set Depreciation		20,039	17,542	20,024	(303,824)	(303,82
Surplus/(Deficit) for the year	2	178,029	864	(91,097)	103	10