KING SABATA DALINDYEBO MUNICIPALITY

2011/12 TO 2013/14
MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

(Final Draft for Approval by Council)

6 May 2011

Table of Contents

List of tables

Part 1 – Annual Budget

1.1 Mayor's Report

To be distributed during the Council meeting.

1.2 Council Resolutions

1. The Council of King Sabata Dalindyebo Local Municipality, acting in terms of section 24 of the Local Government: Municipal Finance Management Act (MFMA), (Act 56 of 2003) approves and adopts:
   1.1. The annual budget of the municipality for the financial year 2011/12 and indicative allocations for the two projected outer years 2012/13 and 2013/14; and the multi-year and single-year capital appropriations as set out in the following tables:
      1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 12 on page 18;
      1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 13 on page 19;
      1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 14 on page 20; and
      1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 15 on page 22.

   1.2. The financial position, cash flow budget and cash-backed reserve/accumulated surplus are approved as set out in the following tables:
      1.2.1. Budgeted Financial Position as contained in Table 16 on page 24;
      1.2.2. Budgeted Cash Flows as contained in Table 17 on page 26;
      1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 23 on page 41;
2. The Council of King Sabata Dalindyebo Local Municipality, acting in terms of section 24(2)(c)(i) and (ii) of the MFMA, sections 74 and 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) and section 14(1) of the Local Government: Municipal Property Rates Act (Act 6 of 2004) approves and adopts the tariffs for the supply of electricity, refuse removal and property rates as set out in Section 2, that were used to prepare the estimates of revenue by source with effect from 1 July 2011.

3. The revised Integrated Development Plan (IDP) is approved as reflected in the agenda.

4. That in terms of section 24(2(c)(iii) of the MFMA, the measurable performance objectives for capital and operating expenditure by vote for each year of the medium term revenue and expenditure framework as set out in Supporting Table SA7 be noted.

5. That in terms of section 24(2)(c)(iv) of the MFMA, the amendments to the integrated development plan as set out in Annexure C be approved.

6. That in terms of section 24(2)(c)(v) of the MFMA, the Budget related policies including any amendments as set out in Section 2 are approved for the budget year 2011/12

7. To give proper effect to the municipality's annual budget, the Council of King Sabata Dalindyebo Local Municipality approves:

   7.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.
   7.2. The municipality be permitted to go to the market to raise and enter into a new external loan in the amount of R20 million, to finance phase three of the Electricity infrastructural development reflected in the 2011/12 capital budget, in terms of Section 46 of the Municipal Finance Management Act.
   7.3. .That the Municipal Manager be authorised to sign all necessary agreements and documents to give effect to the above lending programme.

1.3 Executive Summary

The current budget has been prepared in line with the new structure of the municipality and only planned appointments were considered. This section contains an Executive Summary of the King Sabata Dalindyebo (KSD) Municipality's Budget followed by a more detailed explanation of its Operating and Capital components over the next three years.

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

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship and to improve service delivery. In this regard, road maintenance, pothole repairs, upgrading of traffic lights and replacement of electrical infrastructure has been identified as priority areas.

The Municipality has entered into a multi-year agreement with a service provider to collect arrear debt. The appointment will strengthen the current internal capacity to ensure that specifically arrear household debt can be addressed effectively. This appointment should assist in even more improved payment levels during 2011/12 as the service provider is already on site and the required infrastructure installed.

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

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;
- Ageing and poorly maintained roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the backlog in infrastructure maintenance;
- The increased cost of bulk electricity, due to tariff increases from Eskom, which is placing upward pressure on service tariffs to residents. This is further resulting in refuse removal and property rates tariffs not increasing sufficiently in order to "balance the basket of tariffs". Continuous high tariff increases are not sustainable - as there will be a 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; and
- Availability of affordable capital/borrowing.

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;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and 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 electricity. In addition, 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 proposed 2011/12 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2011/12 MTREF

	Adjustments Budget 2010/11	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Total Operating Revenue	538,140,000	623,642,000	677,722,000	739,858,000
Total Operating Expenditure	531,811,000	616,071,000	669,765,000	731,497,000
(Surplus) Deficit for the year	6,329,000	7,571,000	7,956,000	8,361,000
Total Capital Expenditure	136,761,000	115,862,000	73,553,000	75,011,000

Total operating revenue has grown by 15.8 percent or R85.502 million for the 2011/12 financial year when compared to the 2010/11 Adjustments Budget.

Total operating expenditure for the 2011/12 financial year has been appropriated at R616.071 million and translates into a budgeted surplus of R7.571 million. When compared to the 2010/11 Adjustments Budget, operational expenditure has grown by 15.8 percent in the 2011/12. The operating surplus will be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

The capital budget of R115.862 million for 2011/12 is 15.9 percent less when compared to the 2010/11 Adjustment Budget. The reduction is due to various projects being finalised in the previous financial year as well as affordability constraints in the light of current economic circumstances. R20 million of the capital budget will be funded from borrowing during 2011/12. The balance will be funded from government grants and transfers and internally generated funds. Note that the Municipality is steadily reaching its prudential borrowing limits and so there is limited scope to substantially increase these borrowing levels over the medium-term. The repayment of capital and interest (debt services costs) has substantially increased over the past two years as a result of the aggressive capital infrastructure programme implemented over the past two years.

1.4 Operating Revenue Framework

For KSD Municipality 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 the municipality. The reality is that we are 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 municipal area and continued economic development;
- Efficient revenue management, which aims to ensure a 96 percent 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 in relation to trading services;
- Determining the tariff escalation rate by 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; and
- The municipality's Indigent Policy and rendering of free basic services.

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

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue &		
R thousand	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
Revenue By Source									
Property rates	71 337	61 490	117 216	117 841	120 341	120 341	128 765	141 641	148 775
Property rates - penalties & collection charges	–	–	–	–	–	–	–	–	–
Service charges - electricity revenue	84 784	101 435	153 568	184 491	184 491	184 491	223 936	257 526	296 155
Service charges - water revenue	–	–	–	–	–	–	–	–	–
Service charges - sanitation revenue	–	–	–	–	–	–	–	–	–
Service charges - refuse revenue	13 648	14 854	16 912	18 393	19 593	19 593	21 357	22 638	23 996
Service charges - other	2 433	2 905	–	3 423	3 423	3 423	3 649	4 167	4 114
Rental of facilities and equipment	9 678	10 310	10 924	13 442	13 442	13 442	14 779	15 666	16 606
Interest earned - external investments	3 645	1 687	2 367	2 311	2 311	2 311	2 449	2 596	2 752
Interest earned - outstanding debtors	–	26 750	23 383	16 804	16 804	16 804	18 316	19 415	20 580
Dividends received	–	–	–	–	–	–	–	–	–
Fines	1 625	1 229	1 806	1 785	1 785	1 785	1 942	2 058	2 182
Licences and permits	7 101	7 994	11 914	9 623	11 873	11 873	12 946	14 603	14 546
Agency services	14 700	13 111	–	15 124	0	0	–	–	–
Transfers recognised - operational	63 544	85 383	122 176	134 222	156 886	156 886	187 883	189 327	201 584
Other revenue	1 445	2 118	5 856	1 692	6 692	6 692	7 091	7 517	7 968
Gains on disposal of PPE	–	–	254	500	500	500	530	567	601
Total Revenue (excluding capital transfers and contributions)	273 938	329 265	466 376	519 650	538 140	538 140	623 642	677 722	739 858

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Fig 1: Revenue by main revenue source

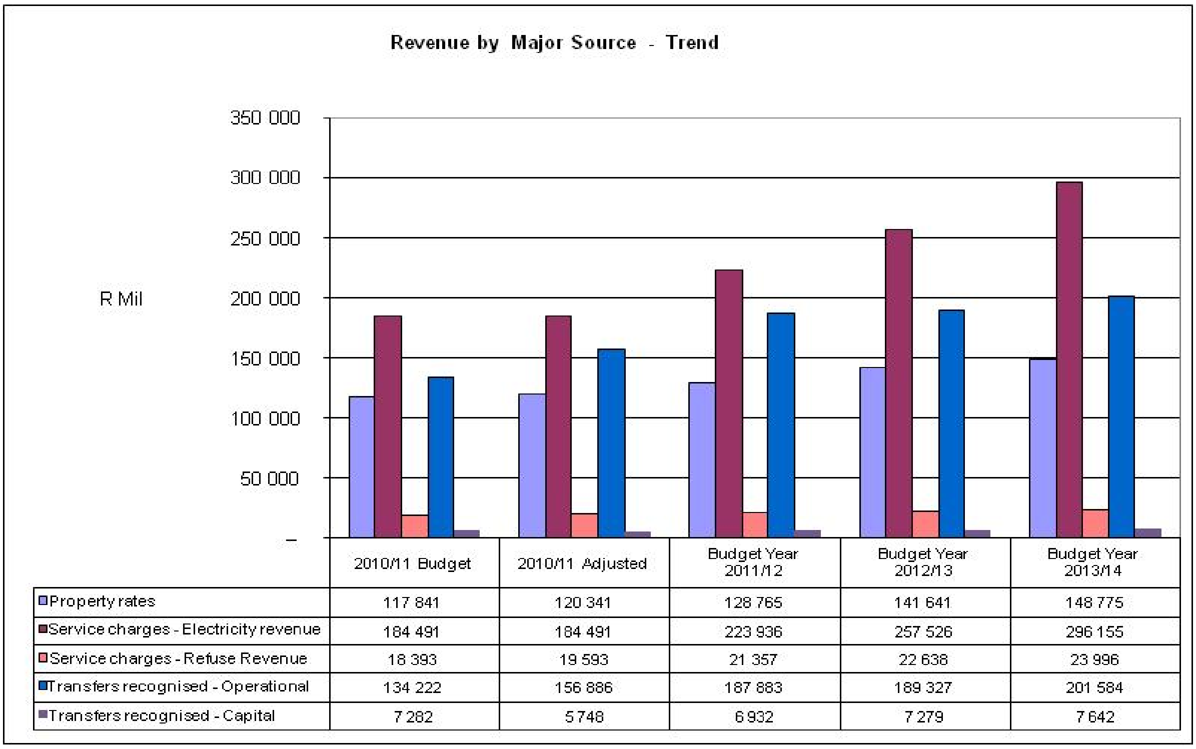


Table 3 Percentage growth in revenue by main revenue source

Description	Current Year 2010/11		2011/12 Medium Term Revenue & Expenditure Framework					
R thousand	Full Year Forecast	%	Budget Year 2011/12	%	Budget Year +1 2012/13	%	Budget Year +2 2013/14	%
Revenue By Source								
Property rates	120 341	22%	128 765	21%	141 641	21%	148 775	20%
Property rates - penalties & collection charges	–	0%	–	0%	–	0%	–	0%
Service charges - electricity revenue	184 491	34%	223 936	36%	257 526	38%	296 155	40%
Service charges - water revenue	–	0%	–	0%	–	0%	–	0%
Service charges - sanitation revenue	–	0%	–	0%	–	0%	–	0%
Service charges - refuse revenue	19 593	4%	21 357	3%	22 638	3%	23 996	3%
Service charges - other	3 423	1%	3 649	1%	4 167	1%	4 114	1%
Rental of facilities and equipment	13 442	2%	14 779	2%	15 666	2%	16 606	2%
Interest earned - external investments	2 311	0%	2 449	0%	2 596	0%	2 752	0%
Interest earned - outstanding debtors	16 804	3%	18 316	3%	19 415	3%	20 580	3%
Dividends received	–	0%	–	0%	–	0%	–	0%
Fines	1 785	0%	1 942	0%	2 058	0%	2 182	0%
Licences and permits	11 873	2%	12 946	2%	14 603	2%	14 546	2%
Agency services	0	0%	–	0%	–	0%	–	0%
Transfers recognised - operational	156 886	29%	187 883	30%	189 327	28%	201 584	27%
Other revenue	6 692	1%	7 091	1%	7 517	1%	7 968	1%
Gains on disposal of PPE	500	0%	530	0%	567	0%	601	0%
Total Revenue (excluding capital transfers and	538 140	100%	623 642	100%	677 722	100%	739 858	100%
Total revenue from Rates & Service Charges	327 848	61%	377 706	61%	425 972	63%	473 040	64%

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the municipality. Rates and service charge revenues comprise approximately 61 percent of the total revenue mix. In the 2010/11 financial year, revenue from rates and services charges totaled R324 million. This increases to R377 million in 2011/12. A notable trend is the increase in the total revenue generated from electricity services charges which increases from 34% or R184 million in 2010/11 to R224 million or 36% in 2011/12. This growth can be mainly attributed to the increased share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity.

Property rates is the second largest revenue source totalling 21 percent or R128.7 million. Revenue from Refuse removal services totals R21.3 million or 3 percent. Other revenue consists of various items such as income received from permits and licenses, traffic fines, building plan fees and connection fees. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R156.8 million in the 2010/11 financial year and increases to R187.9 million in 2011/12. Note that the year-on-year growth for the 2011/12 financial year is 20 percent. 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	2007/8	2008/9	Current Year 2010/11			2011/12 Medium Term Revenue &		
R thousand	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
Operating expenditure of Transfers and Grants								
National Government:	126,422	153,090	129,808	130,345	130,345	156,602	173,296	184,591
Local Government Equitable Share	60,441	74,217	127,858	127,858	127,858	153,086	169,585	180,725
Finance Management	500	500	1,200	1,211	1,211	1,450	1,500	1,500
Municipal Systems Improvement	884	735	750	1,276	1,276	2,066	2,211	2,366
Other transfers/grants [insert description]	64,597	77,638						
Provincial Government:	96,258	186,224	15,124	15,124	15,124	31,281	16,031	16,993
Health subsidy	12,990	15,198	15,124	15,124	15,124	15,124	16,031	16,993
Health subsidy	2,500	100,000						
Housing	76,334	68,184						
Other transfers/grants [insert description]	4,434	2,842				16,157		
Total operating expenditure of Transfers and Grants:	222,680	339,314	144,932	145,469	145,469	187,883	189,327	201,584

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 percent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of Eskom electricity bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity tariffs are largely outside the control of the Municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the Municipality's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

Property Rates

Property rates 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 rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1. Public Benefit Organisations were added to this rate ratio with effect from 1 July 2010. The implementation of these regulations was done in previous budget processes 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 rate-able 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 Municipality's own Property Rates Policy;
- 100 percent rebate will be granted to registered indigents in terms of the Indigent Policy;
- The Municipality may award a 100 percent grant-in-aid on the assessment rates of rate-able properties of Public Benefit Organisations. 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 7 percent increase from 1 July 2011 is contained below.

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

RATE		2009/10	2010/11	2011/12
General Rate				
Domestic		0.80 cents in a Rand	0.85 cents in a Rand	0.91 cents in a Rand
Business/Commecial		1.60 cents in a Rand	1.69 cents in a Rand	1.81 cents in a Rand
Government/Parastatals (State Owned)		2.20 cents in a Rand	2.33 cents in a Rand	2.49 cents in a Rand
Agricultural		0.80 cents in a Rand	0.85 cents in a Rand	0.91 cents in a Rand
(Agricultural rate ratio of 0.25:1 (applied)		0.20 cents in a Rand	0.21 cents in a Rand	0.23 cents in a Rand
Parking Development Rate		0.118063 cents in a Rand	0.12479259 cents in a Rand	0.13352807 cents in a Rand
Fire Levy	Domestic	R217.80 p.a	R230.21 p.a	R246.32 p.a
	Business/Commercial	R392.04 p.a	R414.38 p.a	R443.39 p.a

Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk electricity pricing structure. A 25.8 percent 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 percent (as per NERSA approval) to offset the additional bulk purchase cost from 1 July 2011.

The inadequate electricity bulk capacity and the impact on service delivery and development remains a challenge for the Municipality. The upgrading of the Municipality's electricity network has therefore become a strategic priority, especially the substations and transmission lines. Introduced in the 2010/11 financial year, the municipality embarked on an electricity turnaround strategy to replace the aged electricity infrastructure in order to meet future demands.

Owing to the high increases in Eskom's bulk tariffs, it is 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. It is therefore proposed that the taking up of loans as a strategy for funding of the infrastructure be considered and approved to spread the burden over the life span of the assets.

The total cost of the project will be in excess of R100 million. This resulted in municipality taking up an external loan of R40 million in the 2011/11 financial year to finance phase one and two of the turnaround. An additional loan of R20 million is envisaged for the 2011/12 financial year. The balance of the project is to be funded from other sources. This will require an additional one percent tariff increase. The total tariff increase for 2011/12 will therefore be 21.38 percent. Registered indigents will again be granted 50 kWh per 30-day period free of charge.

It should also 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.

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

Table 6 Comparison between current electricity charges and increases (Domestic)

DOMESTIC REPAYMENT	2009/10	2010/11	2011/12
Domestic High demand charge (per kWh)	R0.77983 /kWh	0.9514 /kWh	1.15480932 /kWh
Domestic Low demand charge (per kWh) (Indegents)	R0.058823 /kWh	0.6755 /kWh	0.8199219 /kWh

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). The Municipality has entered into discussions with NERSA regarding the suitability of the NERSA proposed stepped tariffs compared to those already being implemented by the Municipality already. Until the discussions are concluded, the Municipality will maintain the current stepped structure of its electricity tariffs.

Refuse 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 Municipality 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 9 percent increase in the waste removal tariff is proposed from 1 July 2011. Higher increases will not be viable in 2011/12 owing to the significant increases implemented in previous financial years as well as the overall impact of higher than inflation increases of other services. Any increase higher than 9 percent 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 7 Comparison between current waste removal fees and increases

REFUSE REMOVAL : Full Level of Service	2009/10	2010/11	2011/12
Domestic (2 bags or bins once per week)	112.04	123.24	134.34
Commercial/Industrial/Institutional (2 bags or bins once per week)	222.61	244.87	266.91
Per additional bag or bin	112.04	123.24	134.34
Per additional service removal per week	222.61	244.87	266.91

1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2011/12 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of "*no project plan no budget*". If there is no business plan no funding allocation can be made.

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

Table 8 Summary of operating expenditure by standard classification item

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue &		
Rand/cent	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
Expenditure By Type									
Employee related costs	153 566	165 677	180 636	208 453	198 828	198 828	222 783	236 933	251 974
Remuneration of councillors	11 782	12 837	15 825	15 495	15 895	15 895	16 813	17 990	19 250
Debt impairment	5 896	38 105	12 981	21 655	16 655	16 655	16 655	17 654	18 714
Depreciation & asset impairment	26 037	26 012	15 287	27 482	27 482	27 482	28 856	30 299	31 814
Finance charges	13 783	1 067	5 088	13 399	13 983	13 983	14 986	16 241	17 211
Bulk purchases	46 259	56 607	72 031	103 071	109 105	109 105	137 320	164 784	197 741
Other materials	–	–	–	–	–	–	–	–	–
Contracted services	1 668	2 058	2 860	2 351	8 976	8 976	9 947	9 009	6 105
Transfers and grants	39 835	22 404	18 727	21 488	4 000	4 000	4 400	4 664	4 944
Other expenditure	30 465	53 474	88 277	98 974	136 887	136 887	164 311	172 191	183 745
Loss on disposal of PPE	1 549	986	–	–	–	–	–	–	–
Total Expenditure	330 841	379 226	411 711	512 368	531 811	531 811	616 071	669 765	731 497

Fig 2: Expenditure by major type

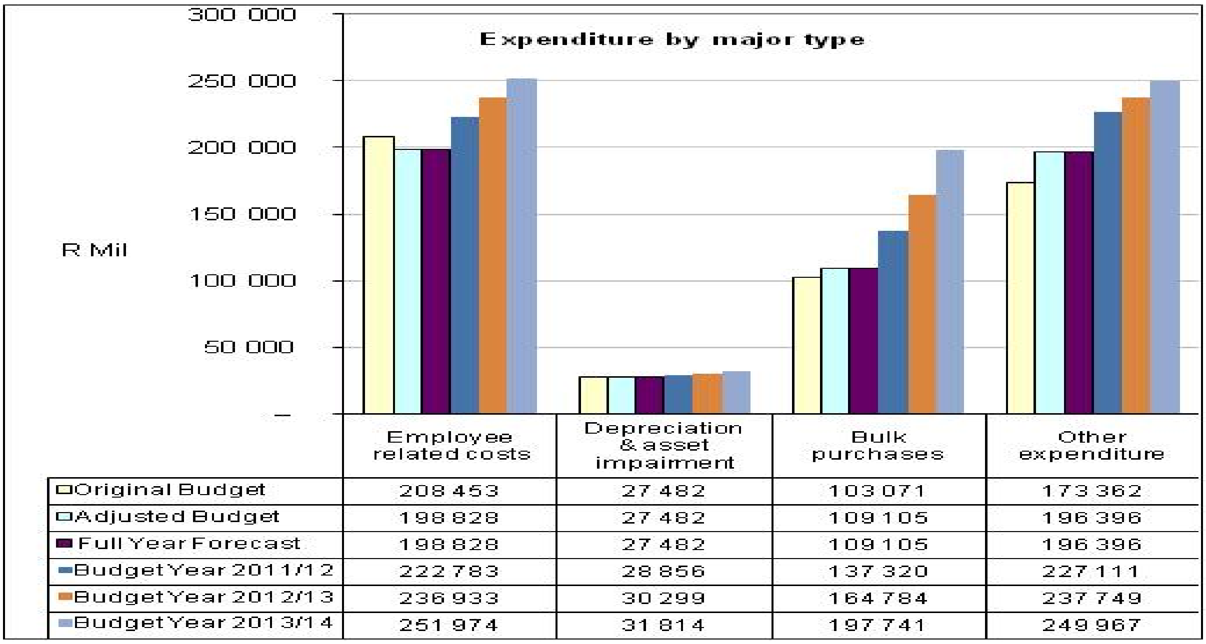


Table 9 Percentage growth in expenditure by main expenditure type

Description	Current Year 2010/11		2011/12 Medium Term Revenue & Expenditure Framework					
R thousand	Full Year Forecast	%	Budget Year 2011/12	%	Budget Year +1 2012/13	%	Budget Year +2 2013/14	%
Expenditure By Type								
Employee related costs	198 828	37%	222 783	36%	236 933	35%	251 974	34%
Remuneration of councillors	15 895	3%	16 813	3%	17 990	3%	19 250	3%
Debt impairment	16 655	3%	16 655	3%	17 654	3%	18 714	3%
Depreciation & asset impairment	27 482	5%	28 856	5%	30 299	5%	31 814	4%
Finance charges	13 983	3%	14 986	2%	16 241	2%	17 211	2%
Bulk purchases	109 105	21%	137 320	22%	164 784	25%	197 741	27%
Other materials	–	0%	–	0%	–	0%	–	0%
Contracted services	8 976	2%	9 947	2%	9 009	1%	6 105	1%
Transfers and grants	4 000	1%	4 400	1%	4 664	1%	4 944	1%
Other expenditure	136 887	26%	164 311	27%	172 191	26%	183 745	25%
Loss on disposal of PPE	–	0%	–	0%	–	0%	–	0%
Total Expenditure	531 811	100%	616 071	100%	669 765	100%	731 497	100%

The budgeted allocation for employee related costs for the 2011/12 financial year totals R222.7 million, which equals 36 percent 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 6.5 percent for the 2011/12 financial year. As part of the Municipality's cost reprioritization and cash management strategy vacancies have been significantly rationalized downwards. In addition expenditure against overtime was significantly reduced, with provisions against this budget item only being provided for emergency services and other critical functions.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

The provision of debt impairment was determined based on an annual collection rate of 96 percent and the Debt Write-off Policy of the Municipality. For the 2011/12 financial year this amount equates to R16.655 million. 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. The recent appointment of a service provider to assist with debt collection will assist significantly in maintaining a high payment percentage.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R28.856 million for the 2011/12 financial year and equates to 5 percent of the total operating expenditure.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 2.4 percent (R14.986 million) of operating expenditure excluding annual redemption for 2011/12. As previously noted, the Municipality is steadily reaching 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 significantly.

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

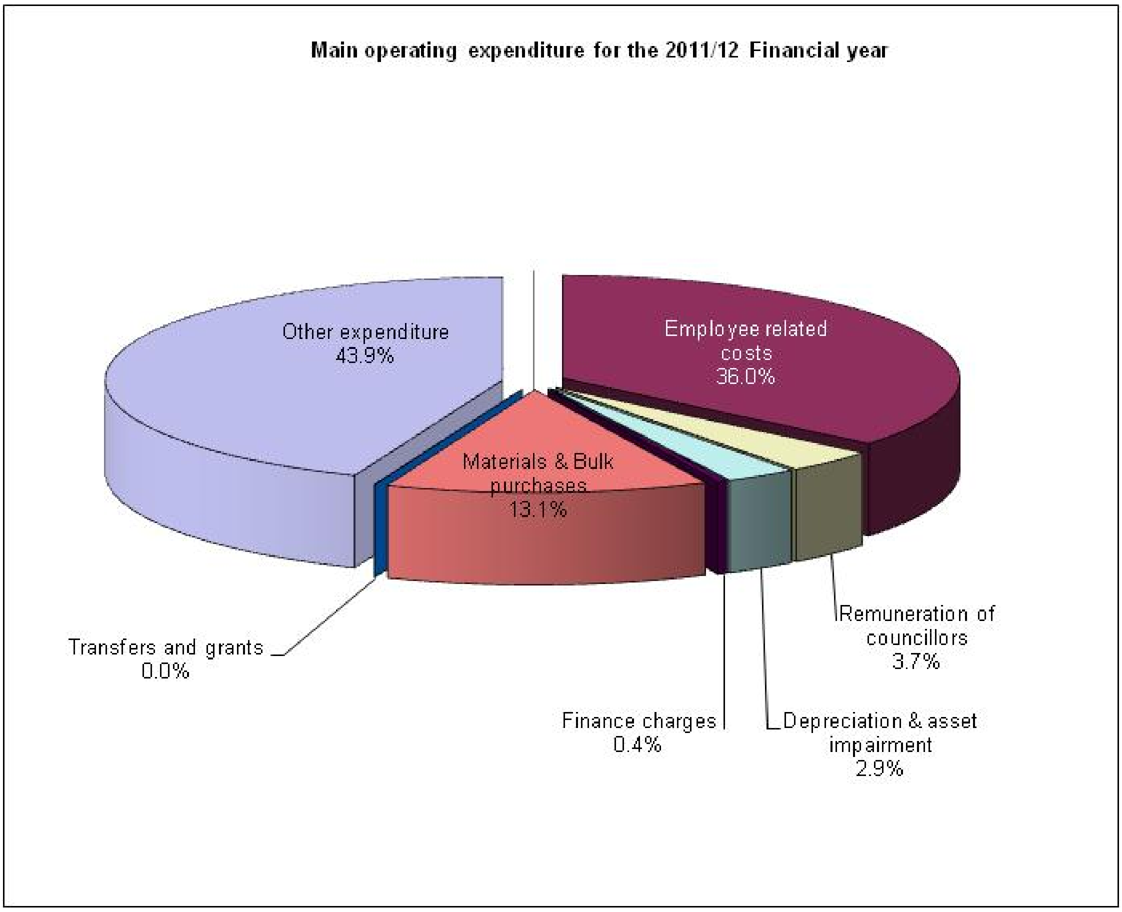
Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2011/12 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the Municipality.

During the compilation of the 2011/12 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Municipality's infrastructure and historic deferred maintenance. To this end, repairs and maintenance was substantially increased from R9 million in the 2008/09 financial year to R28.9 million in the annual budget for 2010/11, R39.8 million in the adjustments budget for 2010/11 and R42.6 million in the 2011/12 MTREF.

For the 2011/12 financial year, the major portion of total repairs and maintenance will be spent on infrastructure assets. Electricity and road infrastructure received a significant proportion of this allocation.

Fig 3: Expenditure by major type – 2011/12



Free Basic Services: Basic Social Services Package

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 Municipality's Indigent Policy. The target is to register 40 000 or more indigent households during the 2011/12 financial year, a process reviewed annually.

A summary of the free basic services package is set out below:

- All registered indigents, including consumers in the rural areas, will receive 50 kWh of electricity per month fully subsidised.
- All registered indigents shall be fully subsidised for refuse removal.
- All registered indigents shall be fully subsidised for the payment of property rates (including Fire Service Levies).
- In the event of the death of a member of an indigent household, the municipality may exempt the household from the cost of digging and preparation of a grave, provided that the burial takes place in a municipal cemetery.
- All registered indigents shall be fully subsidised for the payment of site rental.

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 10 2011/12 Medium-term capital budget per vote

Description	2007/8	2008/9	Current Year 2010/11			2011/12 Medium Term Capital		
R thousand	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
Municipal Manager	39	628	49	49	49	805	848	891
Corporate Services	249	109	457	457	457	17	18	19
Budget and Treasury	306	401	1 790	1 790	1 790	2 631	2 763	2 901
Health and Environment	324	73 844	3 915	3 915	3 915	1 720	1 806	1 896
Technical Services	28 053	44 195	110 931	110 931	110 931	108 609	66 617	67 729
Socio-Economic Development	27	2 683	19 280	19 280	19 280	1 444	833	874
Community Safety	196	41	338	338	338	573	601	631
Human Settlement	–	–	–	–	–	64	67	71
Total Capital Budget	29 193	121 900	136 761	136 761	136 761	115 862	73 553	75 011

For 2011/12 an amount of R108.7 million has been appropriated for the development of infrastructure within Technical Services which represents 94 percent of the total capital budget. Electricity and roads infrastructure receives the highest allocation.

1.7 Annual Budget Tables

The following pages present the 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. Each table is accompanied by explanatory notes on the facing page.

Table 11 MBRR NT A1 - Budget Summary

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
    a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
    b. Capital expenditure is balanced by capital funding sources, of which
        i. Transfers recognised is reflected on the Financial Performance Budget;
        ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
        iii. Internally generated funds is financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality successfully managed to restore its financial viability and consequently its obligations are cash-backed.

Table 11 MBRR NT A1 - Budget Summary

Description	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue &		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Financial Performance										
Property rates	71 337	61 490	117 216	117 841	120 341	120 341	120 341	128 765	141 641	148 775
Service charges	100 865	119 194	170 480	206 308	207 508	207 508	207 508	248 941	284 331	324 265
Investment revenue	3 645	1 687	2 367	2 311	2 311	2 311	2 311	2 449	2 596	2 752
Transfers recognised - operational	63 544	85 383	122 176	134 222	141 762	141 762	141 762	187 883	189 327	201 584
Other own revenue	34 548	61 512	54 137	58 969	66 219	66 219	66 219	55 604	59 826	62 482
Total Revenue (excluding capital transfers and contributions)	273 938	329 265	466 376	519 650	538 140	538 140	538 140	623 642	677 722	739 858
Employee costs	153 566	165 677	180 636	208 453	198 828	198 828	198 828	222 783	236 933	251 974
Remuneration of councillors	11 782	12 837	15 825	15 495	15 895	15 895	15 895	16 813	17 990	19 250
Depreciation & asset impairment	26 037	26 012	15 287	27 482	27 482	27 482	27 482	28 856	30 299	31 814
Finance charges	13 783	1 067	5 088	13 399	13 983	13 983	13 983	14 986	16 241	17 211
Materials and bulk purchases	46 259	56 607	72 031	103 071	109 105	109 105	109 105	137 320	164 784	197 741
Transfers and grants	39 835	22 404	18 727	21 488	4 000	4 000	4 000	4 400	4 664	4 944
Other expenditure	39 578	94 623	104 117	122 980	162 518	162 518	162 518	190 912	198 854	208 563
Total Expenditure	330 841	379 226	411 711	512 368	531 811	531 811	531 811	616 071	669 765	731 497
Surplus/(Deficit)	(56 904)	(49 961)	54 664	7 282	6 329	6 329	6 329	7 571	7 956	8 361
Transfers recognised - capital	40 016	144 137	167 356	(7 282)	(5 748)	(5 748)	(5 748)	(6 932)	(7 279)	(7 642)
Contributions recognised - capital & contributed assets	–	–	–	–	(581)	(581)	(581)	(639)	(678)	(719)
Surplus/(Deficit) after capital transfers & contributions	(16 887)	94 176	222 020	(0)	(0)	(0)	(0)	0	(0)	0
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	(16 887)	94 176	222 020	(0)	(0)	(0)	(0)	0	(0)	0
Capital expenditure & funds sources										
Capital expenditure	29 193	121 900	145 394	136 761	136 761	136 761	136 761	115 862	73 553	75 011
Transfers recognised - capital	28 314	120 651	143 520	89 479	89 479	89 479	89 479	88 930	66 271	67 365
Public contributions & donations	–	–	–	–	–	–	–	–	–	–
Borrowing	–	–	–	40 000	40 000	40 000	40 000	20 000	–	–
Internally generated funds	879	1 249	1 875	7 282	7 282	7 282	7 282	6 932	7 282	7 646
Total sources of capital funds	29 193	121 900	145 394	136 761	136 761	136 761	136 761	115 862	73 553	75 011
Financial position										
Total current assets	273 070	341 585	414 309	359 841	453 369	453 369	453 369	480 283	503 843	531 810
Total non current assets	424 602	541 050	671 119	685 307	812 759	812 759	812 759	903 976	947 240	990 449
Total current liabilities	274 486	174 473	164 318	90 133	190 318	190 318	190 318	207 652	215 704	226 430
Total non current liabilities	10 192	56 440	51 426	85 099	84 296	84 296	84 296	96 162	88 663	81 749
Community wealth/Equity	412 994	651 723	869 684	869 916	991 514	991 514	991 514	1 080 444	1 146 716	1 214 080
Cash flows										
Net cash from (used) operating	5 409	178 158	224 554	135 876	151 824	151 824	151 824	136 393	113 113	118 563
Net cash from (used) investing	(64 624)	(142 225)	(202 919)	(136 261)	(136 270)	(136 270)	(136 270)	(115 343)	(72 996)	(74 421)
Net cash from (used) financing	70 761	(2 987)	(30 137)	26 601	35 239	35 239	35 239	12 927	(8 073)	(7 436)
Cash/cash equivalents at the year end	(2 185)	30 761	22 260	66 551	73 052	73 052	73 052	107 030	139 073	175 780
Cash backing/surplus reconciliation										
Cash and investments available	70 934	124 259	173 574	99 510	224 367	224 367	224 367	258 344	290 388	327 094
Application of cash and investments	(61 411)	(124 261)	(76 678)	(60 589)	94 146	94 146	94 146	112 857	128 155	149 026
Balance - surplus (shortfall)	132 344	248 520	250 253	160 099	130 221	130 221	130 221	145 487	162 233	178 069
Asset management										
Asset register summary (WDV)	0	31 796	32 352	31 639	32 352	32 352	32 352	32 352	32 352	32 352
Depreciation & asset impairment	26 037	26 012	15 287	27 482	27 482	27 482	28 856	28 856	30 299	31 814
Renewal of Existing Assets	–	–	–	–	–	–	–	–	–	–
Repairs and Maintenance	–	–	–	–	–	–	–	–	–	–

Table 12 MBRR NT A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue &		
R thousand	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
Revenue - Standard									
Governance and administration	150 853	267 715	250 511	286 326	293 743	293 743	333 306	361 112	382 289
Executive and council	258	1 536	1 500	1 000	746	746	9	–	–
Budget and treasury office	145 801	262 390	246 846	285 225	292 890	292 890	332 985	360 782	381 939
Corporate services	4 795	3 789	2 164	101	107	107	312	331	350
Community and public safety	48 628	18 099	156 908	17 567	21 244	21 244	22 488	16 281	17 258
Community and social services	470	519	19 700	681	349	349	431	457	484
Sport and recreation	17	18	118 596	24	318	318	218	231	245
Public safety	33 404	4 451	6 896	7 976	11 691	11 691	12 101	5 270	5 587
Housing	2 377	–	–	8 887	8 887	8 887	9 738	10 323	10 942
Health	12 360	13 111	11 717	–	–	–	–	–	–
Economic and environmental services	16 785	72 026	53 866	10 816	17 013	17 013	20 135	17 299	17 426
Planning and development	1 017	2 442	5 879	1 348	5 294	5 294	7 361	2 879	3 074
Road transport	15 768	69 583	47 987	9 468	11 719	11 719	12 774	14 421	14 352
Environmental protection	–	–	–	–	–	–	–	–	–
Trading services	100 296	118 884	172 447	204 940	206 140	206 140	247 712	283 029	322 885
Electricity	86 033	102 370	154 808	185 944	185 944	185 944	225 699	259 694	298 150
Water	–	–	–	–	–	–	–	–	–
Waste water management	–	–	–	–	–	–	–	–	–
Waste management	14 264	16 515	17 639	18 996	20 196	20 196	22 014	23 334	24 734
Other	–	–	–	–	–	–	–	–	–
Total Revenue - Standard	316 563	476 724	633 732	519 650	538 140	538 140	623 642	677 722	739 858
Expenditure - Standard									
Governance and administration	118 312	149 412	160 388	196 406	192 639	192 639	223 614	235 577	245 559
Executive and council	21 934	26 114	32 491	34 244	35 431	35 431	37 415	39 728	42 183
Budget and treasury office	75 032	100 526	90 110	125 075	103 726	103 726	129 856	136 220	140 268
Corporate services	21 346	22 772	37 786	37 087	53 482	53 482	56 343	59 629	63 108
Community and public safety	97 746	82 380	75 516	98 401	103 757	103 757	112 050	118 108	125 289
Community and social services	4 655	5 704	5 932	7 613	5 080	5 080	8 168	8 660	9 194
Sport and recreation	5 655	6 316	6 182	12 660	12 213	12 213	13 405	14 208	15 059
Public safety	39 676	44 476	43 921	50 925	58 213	58 213	60 052	63 697	67 565
Housing	31 656	9 870	1 021	3 525	3 320	3 320	4 186	4 421	4 670
Health	16 103	16 013	18 460	23 678	24 931	24 931	26 239	27 123	28 802
Economic and environmental services	36 277	38 290	45 606	54 834	59 913	59 913	70 126	74 008	81 031
Planning and development	9 867	9 878	16 645	16 344	22 315	22 315	26 572	28 045	29 600
Road transport	26 411	28 413	28 961	38 490	37 598	37 598	43 554	45 963	51 431
Environmental protection	–	–	–	–	–	–	–	–	–
Trading services	81 115	112 465	130 202	170 009	181 831	181 831	217 852	250 029	287 979
Electricity	63 180	78 479	92 890	133 954	142 208	142 208	171 438	200 824	235 813
Water	–	–	–	–	–	–	–	–	–
Waste water management	1 425	1 341	1 293	1 570	1 370	1 370	1 217	1 293	1 374
Waste management	16 510	32 645	36 018	34 485	38 253	38 253	45 197	47 912	50 792
Other	–	–	–	–	–	–	–	–	–
Total Expenditure - Standard	333 450	382 548	411 711	519 650	538 140	538 140	623 642	677 722	739 858
Surplus/(Deficit) for the year	(16 887)	94 176	222 020	0	–	–	(0)	(0)	(0)

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms if each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under Finance and Asset Management.

Table 13 MBRR NT A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

R thousand	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
Revenue by Vote									
Municipal Manager	258	1 536	1 500	1 000	746	746	4 896	235	249
Corporate Services	4 795	3 789	2 164	101	101	101	420	445	471
Budget and Treasury	145 801	262 390	246 846	294 112	301 777	301 777	342 723	371 104	392 881
Health and Environment	27 120	30 183	29 960	19 708	20 863	20 863	22 014	23 334	24 734
Technical Services	94 641	163 874	192 709	186 541	186 541	186 541	225 789	259 790	298 251
Socio-Economic Development	2 922	1 910	142 547	750	4 703	4 703	2 151	2 300	2 461
Community Safety	41 027	13 043	18 005	17 437	23 410	23 410	24 874	19 691	19 939
Human Settlement	–	–	–	–	–	–	775	822	871
Total Revenue by Vote	316 563	476 724	633 732	519 650	538 140	538 140	623 642	677 722	739 858
Expenditure by Vote *to be appropriated*									
Municipal Manager	21 934	26 114	32 491	34 244	35 431	35 431	61 623	65 284	69 163
Corporate Services	21 346	22 772	35 935	37 087	35 553	35 553	27 781	29 380	31 086
Budget and Treasury	73 140	98 752	90 110	123 015	107 518	107 518	142 492	149 572	154 376
Health and Environment	46 239	63 794	69 738	80 538	81 846	81 846	70 862	74 424	78 944
Technical Services	88 981	105 239	119 249	171 133	196 059	196 059	218 188	250 172	290 828
Socio-Economic Development	38 368	16 151	13 378	14 961	18 610	18 610	20 870	22 080	23 360
Community Safety	43 441	49 726	50 811	57 102	63 123	63 123	68 205	72 333	76 715
Human Settlement	–	–	–	–	–	–	13 620	14 476	15 387
Total Expenditure by Vote	333 450	382 548	411 711	518 080	538 140	538 140	623 642	677 722	739 858
Surplus/(Deficit) for the year	(16 887)	94 176	222 020	1 570	–	–	(0)	(0)	0

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote.

Table 14 MBRR NT A4 - Budgeted Financial Performance (revenue and expenditure)

Description	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue &		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Revenue By Source										
Property rates	71 337	61 490	117 216	117 841	120 341	120 341	120 341	128 765	141 641	148 775
Property rates - penalties & collection charges										
Service charges - electricity revenue	84 784	101 435	153 568	184 491	184 491	184 491	184 491	223 936	257 526	296 155
Service charges - water revenue	–	–	–	–	–	–	–	–	–	–
Service charges - sanitation revenue	–	–	–	–	–	–	–	–	–	–
Service charges - refuse revenue	13 648	14 854	16 912	18 393	19 593	19 593	19 593	21 357	22 638	23 996
Service charges - other	2 433	2 905		3 423	3 423	3 423	3 423	3 649	4 167	4 114
Rental of facilities and equipment	9 678	10 310	10 924	13 442	13 442	13 442	13 442	14 779	15 666	16 606
Interest earned - external investments	3 645	1 687	2 367	2 311	2 311	2 311	2 311	2 449	2 596	2 752
Interest earned - outstanding debtors	–	26 750	23 383	16 804	16 804	16 804	16 804	18 316	19 415	20 580
Dividends received	–	–		–	–	–	–			
Fines	1 625	1 229	1 806	1 785	1 785	1 785	1 785	1 942	2 058	2 182
Licences and permits	7 101	7 994	11 914	9 623	11 873	11 873	11 873	12 946	14 603	14 546
Agency services	14 700	13 111		15 124	15 124	15 124	15 124			
Transfers recognised - operational	63 544	85 383	122 176	134 222	141 762	141 762	141 762	187 883	189 327	201 584
Other revenue	1 445	2 118	5 856	1 692	6 692	6 692	6 692	7 091	7 517	7 968
Gains on disposal of PPE			254	500	500	500	500	530	567	601
Total Revenue (excluding capital transfers and contributions)	273 938	329 265	466 376	519 650	538 140	538 140	538 140	623 642	677 722	739 858
Expenditure By Type										
Employee related costs	153 566	165 677	180 636	208 453	198 828	198 828	198 828	222 783	236 933	251 974
Remuneration of councillors	11 782	12 837	15 825	15 495	15 895	15 895	15 895	16 813	17 990	19 250
Debt impairment	5 896	38 105	12 981	21 655	16 655	16 655	16 655	16 655	17 654	18 714
Depreciation & asset impairment	26 037	26 012	15 287	27 482	27 482	27 482	27 482	28 856	30 299	31 814
Finance charges	13 783	1 067	5 088	13 399	13 983	13 983	13 983	14 986	16 241	17 211
Bulk purchases	46 259	56 607	72 031	103 071	109 105	109 105	109 105	137 320	164 784	197 741
Other materials										
Contracted services	1 668	2 058	2 860	2 351	8 976	8 976	8 976	9 947	9 009	6 105
Transfers and grants	39 835	22 404	18 727	21 488	4 000	4 000	4 000	4 400	4 664	4 944
Other expenditure	30 465	53 474	88 277	98 974	136 887	136 887	136 887	164 311	172 191	183 745
Loss on disposal of PPE	1 549	986								
Total Expenditure	330 841	379 226	411 711	512 368	531 811	531 811	531 811	616 071	669 765	731 497
Surplus/(Deficit)	(56 904)	(49 961)	54 664	7 282	6 329	6 329	6 329	7 571	7 956	8 361
Transfers recognised - capital	40 016	144 137	167 356	(7 282)	(5 748)	(5 748)	(5 748)	(6 932)	(7 279)	(7 642)
Contributions recognised - capital	–	–	–	–	–	–	–	–	–	–
Contributed assets					(581)	(581)	(581)	(639)	(678)	(719)
Surplus/(Deficit) after capital transfers & contributions	(16 887)	94 176	222 020	(0)	(0)	(0)	(0)	0	(0)	0
Taxation										
Surplus/(Deficit) after taxation	(16 887)	94 176	222 020	(0)	(0)	(0)	(0)	0	(0)	0
Attributable to minorities										
Surplus/(Deficit) attributable to municipality	(16 887)	94 176	222 020	(0)	(0)	(0)	(0)	0	(0)	0
Share of surplus/ (deficit) of associate										
Surplus/(Deficit) for the year	(16 887)	94 176	222 020	(0)	(0)	(0)	(0)	0	(0)	0

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue is R623.6 million in 2011/12.
2. Revenue to be generated from property rates is R128.7 million in the 2011/12 financial year and remains a significant funding source for the municipality.
3. Services charges relating to electricity and refuse removal constitutes the biggest component of the revenue basket of the Municipality totalling R245.3 million for the 2011/12 financial year.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government.

5. Bulk purchases have significantly increased over the 2007/08 to 2011/12 period escalating from R46.3 million to R137.3 million. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom.
6. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

Table 15 MBRR NT A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

Vote Description	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue &		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Capital expenditure - Vote										
Multi-year expenditure *to be appropriated*										
Municipal Manager	39	628	–	49	49	49	49	805	848	891
Corporate Services	249	109	–	457	457	457	457	17	18	19
Budget and Treasury	306	401	1 351	1 790	1 790	1 790	1 790	2 631	2 763	2 901
Health and Environment	324	73 844	401	3 915	3 915	3 915	3 915	1 720	1 806	1 896
Technical Services	28 053	44 195	22 341	110 931	110 931	110 931	110 931	108 609	66 617	67 729
Socio-Economic Development	27	2 683	121 297	19 280	19 280	19 280	19 280	1 444	833	874
Community Safety	196	41	4	338	338	338	338	573	601	631
Human Settlement	–	–	–	–	–	–	–	64	67	71
Capital multi-year expenditure sub-total	29 193	121 900	145 394	136 761	136 761	136 761	136 761	115 862	73 553	75 011
Capital Expenditure - Standard										
Governance and administration	594	1 137	1 351	2 297	2 297	2 297	2 297	3 454	3 631	3 812
Executive and council	39	628	–	49	49	49	49	249	265	278
Budget and treasury office	306	401	1 351	1 790	1 790	1 790	1 790	1 781	1 870	1 964
Corporate services	249	109	–	457	457	457	457	1 424	1 495	1 570
Community and public safety	522	76 556	102 916	19 718	19 718	19 718	19 718	1 656	1 738	1 825
Community and social services	27	22	401	53	53	53	53	303	318	334
Sport and recreation	262	73 812	102 501	–	–	–	–	265	278	292
Public safety	196	41	4	338	338	338	338	497	522	548
Housing	2	2 672	10	19 275	19 275	19 275	19 275	29	30	32
Health	35	10		53	53	53	53	561	589	619
Economic and environmental services	18 723	38 851	41 048	46 820	46 820	46 820	46 820	55 499	56 868	59 992
Planning and development	27	39	18 792	110	110	110	110	984	350	367
Road transport	18 696	38 813	22 256	46 710	46 710	46 710	46 710	54 515	56 519	59 625
Environmental protection	–	–								
Trading services	9 355	5 355	79	67 926	67 926	67 926	67 926	55 253	11 316	9 382
Electricity	9 355	5 355	76	64 116	64 116	64 116	64 116	54 092	10 096	8 101
Water										
Waste water management										
Waste management			3	3 810	3 810	3 810	3 810	1 162	1 220	1 281
Other										
Total Capital Expenditure - Standard	29 193	121 900	145 394	136 761	136 761	136 761	136 761	115 862	73 553	75 011
Funded by:										
National Government	28 053	46 839	19 319	50 526	50 526	50 526	50 526	42 000	10 000	8 000
Provincial Government	262	73 812	124 201	38 953	38 953	38 953	38 953	46 279	56 271	59 365
District Municipality										
Other transfers and grants								651	–	–
Transfers recognised - capital	28 314	120 651	143 520	89 479	89 479	89 479	89 479	88 930	66 271	67 365
Public contributions & donations										
Borrowing				40 000	40 000	40 000	40 000	20 000	–	–
Internally generated funds	879	1 249	1 875	7 282	7 282	7 282	7 282	6 932	7 282	7 646
Total Capital Funding	29 193	121 900	145 394	136 761	136 761	136 761	136 761	115 862	73 553	75 011

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the

funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations.
3. Single-year capital expenditure has been appropriated at R115.8 million for the 2011/12 financial year.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year.
5. The capital programme is funded from capital and provincial grants and transfers, public contributions and donations, borrowing and internally generated funds from current year surpluses. For 2011/12, capital transfers totals R88.9 million. Borrowing has been provided at R20 million for 2011/12 with internally generated funding totaling R6.9 million.

Table 16 MBRR NT A6 - Budgeted Financial Position

Description	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue &		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
ASSETS										
Current assets										
Cash	11 604	30 761	22 260		73 052	73 052	73 052	107 030	139 073	175 780
Call investment deposits	73 118	93 498	151 314	99 510	151 314	151 314	151 314	151 314	151 314	151 314
Consumer debtors	176 223	162 415	165 154	158 345	151 744	151 744	151 744	138 825	125 390	111 367
Other debtors	8 987	26 849	44 323	10 706	44 220	44 220	44 220	48 027	50 908	53 962
Current portion of long-term receivables	1 492				–					
Inventory	1 646	28 063	31 257	91 280	33 038	33 038	33 038	35 087	37 157	39 386
Total current assets	273 070	341 585	414 309	359 841	453 369	453 369	453 369	480 283	503 843	531 810
Non current assets										
Long-term receivables	253	199	160	63	169	169	169	180	190	202
Investments	–	–								
Investment property	–	31 783	31 783	31 626	31 783	31 783	31 783	31 783	31 783	31 783
Investment in Associate										
Property, plant and equipment	424 349	509 056	638 607	653 606	780 238	780 238	780 238	871 444	914 698	957 895
Agricultural										
Biological										
Intangible	0	13	569	13	569	569	569	569	569	569
Other non-current assets										
Total non current assets	424 602	541 050	671 119	685 307	812 759	812 759	812 759	903 976	947 240	990 449
TOTAL ASSETS	697 673	882 635	1 085 428	1 045 149	1 266 128	1 266 128	1 266 128	1 384 258	1 451 083	1 522 259
LIABILITIES										
Current liabilities										
Bank overdraft	13 788	–								
Borrowing	112 869	4 271	4 815	13 399	7 130	7 130	7 130	8 134	7 499	6 914
Consumer deposits	286	678	948	813	1 002	1 002	1 002	1 059	1 119	1 183
Trade and other payables	147 543	159 358	148 389	75 921	171 237	171 237	171 237	186 722	194 445	204 933
Provisions		10 166	10 166		10 949	10 949	10 949	11 737	12 641	13 400
Total current liabilities	274 486	174 473	164 318	90 133	190 318	190 318	190 318	207 652	215 704	226 430
Non current liabilities										
Borrowing	10 192	56 440	51 426	85 099	84 296	84 296	84 296	96 162	88 663	81 749
Provisions	–	–	–	–	–	–	–	–	–	–
Total non current liabilities	10 192	56 440	51 426	85 099	84 296	84 296	84 296	96 162	88 663	81 749
TOTAL LIABILITIES	284 678	230 913	215 744	175 232	274 614	274 614	274 614	303 814	304 367	308 179
NET ASSETS	412 994	651 722	869 684	869 916	991 514	991 514	991 514	1 080 444	1 146 716	1 214 080
COMMUNITY WEALTH/EQUITY										
Accumulated Surplus/(Deficit)	408 200	563 196	780 856	735 501	902 687	902 687	902 687	991 617	1 057 888	1 125 253
Reserves	4 795	88 526	88 828	134 415	88 828	88 828	88 828	88 828	88 828	88 828
Minorities' interests										
TOTAL COMMUNITY WEALTH/EQUITY	412 994	651 723	869 684	869 916	991 514	991 514	991 514	1 080 444	1 146 716	1 214 080

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
4. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 17 MBRR NT A7 - Budgeted Cash Flow Statement

Description	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue &		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Ratepayers and other	311 694	445 908	587 514	365 814	358 395	358 395	358 395	410 728	461 597	509 650
Government - operating	–	–		134 222	156 886	156 886	156 886	187 883	189 327	201 584
Government - capital	–	–		96 761	89 479	89 479	89 479	88 930	66 271	67 365
Interest	3 645	28 437	25 749	2 311	19 114	19 114	19 114	20 765	22 011	23 332
Dividends										
Payments										
Suppliers and employees	(311 753)	(295 121)	(383 621)	(449 832)	(458 067)	(458 067)	(458 067)	(556 533)	(609 789)	(666 085)
Finance charges	1 823	(1 067)	(5 088)	(13 399)	(13 983)	(13 983)	(13 983)	(15 381)	(16 304)	(17 282)
Transfers and Grants										
NET CASH FROM/(USED) OPERATING ACTIVITIES	5 409	178 158	224 554	135 876	151 824	151 824	151 824	136 393	113 113	118 563
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE	654	–	254	500	500	500	500	530	567	601
Decrease (Increase) in non-current debtors	56	54	38		(9)	(9)	(9)	(10)	(11)	(11)
Decrease (increase) other non-current receivables	–									
Decrease (increase) in non-current investments	(36 141)	(20 379)	(57 817)							
Payments										
Capital assets	(29 194)	(121 900)	(145 394)	(136 761)	(136 761)	(136 761)	(136 761)	(115 862)	(73 553)	(75 011)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(64 624)	(142 225)	(202 919)	(136 261)	(136 270)	(136 270)	(136 270)	(115 343)	(72 996)	(74 421)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans	–									
Borrowing long term/refinancing	(223)	(5 106)	(4 375)	40 000	40 000	40 000	40 000	20 000	–	–
Increase (decrease) in consumer deposits	157	392	206		54	54	54	57	60	64
Payments										
Repayment of borrowing	70 827	1 727	(25 968)	(13 399)	(4 815)	(4 815)	(4 815)	(7 130)	(8 134)	(7 499)
NET CASH FROM/(USED) FINANCING ACTIVITIES	70 761	(2 987)	(30 137)	26 601	35 239	35 239	35 239	12 927	(8 073)	(7 436)
NET INCREASE/ (DECREASE) IN CASH HELD	11 546	32 946	(8 501)	26 216	50 792	50 792	50 792	33 977	32 044	36 706
Cash/cash equivalents at the year begin:	(13 731)	(2 185)	30 761	40 334	22 260	22 260	22 260	73 052	107 030	139 073
Cash/cash equivalents at the year end:	(2 185)	30 761	22 260	66 551	73 052	73 052	73 052	107 030	139 073	175 780

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

2 Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the Executive Mayor and/or MMC for Finance.

The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.2 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2010) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule on 10 October 2010. In accordance with the original budget time schedule the IDP and annual budget for 2011/12 were to be adopted by Council on 31 May 2011.

However, local government elections are due to be held on 18 May 2011. It may or may not be possible for new municipal councils to be elected and constituted and for them to get themselves organised to consider the annual budget before the start of the new municipal financial year.

National Treasury, in MFMA Circular No 54, dated 10 December 2010, provided specific guidelines to municipalities on options available to ensure that the budget process for the 2011/2012 MTREF period is completed on time and within the legislative requirements.

A revised budget time schedule was tabled to Council on 31 January 2011. In accordance with the revised budget time schedule the IDP and annual budget for 2011/12 will be adopted by early in May 2011.

2.2.1 IDP and Service Delivery and Budget Implementation Plan

This is the fifth review of the IDP as adopted by Council in May 2006. It started in September 2010 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2011/12 MTREF in August 2010. The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan.

The IDP has been taken into a business and financial planning process leading up to the 2011/12 MTREF, based on the approved 2010/11 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2011/12 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2010/11 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.2.2 Financial Modeling and Key Planning Drivers

As part of the compilation of the 2011/12 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2011/12 MTREF:

- Municipality growth.
- Policy priorities and strategic objectives.
- Asset maintenance.
- Economic climate and trends (i.e inflation, Eskom increases, household debt).
- The approved 2010/11 adjustments budget and performance against the SDBIP.
- Cash Flow Management Strategy.
- Debtor payment levels.
- Loan and investment possibilities.
- The need for tariff increases versus the ability of the community to pay for services.
- Improved and sustainable service delivery.

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 51, 54 and 55 has been taken into consideration in the planning and prioritisation process.

2.2.3 Community Consultation

The draft 2011/12 MTREF will be tabled before Council for community consultation. Thereafter it will be published on the municipality's website, and hard copies made available at customer care offices, municipal notice boards and various libraries.

All documents in the appropriate format (electronic and printed) will be provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Ward Committees will be utilised to facilitate the community consultation process from 1 to 21 April 2011.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects will be addressed, and where relevant considered as part of the finalisation of the 2011/12 MTREF

2.3 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

The identification of strategic focus areas which informed the preparation of the IDP and Budget is based on the six key performance areas contained in the 5 Year Local Government Strategic Agenda which are:

- Spatial rationale and analysis.
- Institutional development and transformation.
- Local economic development.
- Infrastructure and service delivery.
- Good governance.
- Financial viability.

2.3.1 Long term scenario plan (2030 vision)

The two urban areas, Mthatha and Mqanduli are identified as Primary nodes. These are highest order nodes and will receive the highest priority in terms of development. The following were identified as areas of improvement in the medium term:

- Strengthening of the business component.
- Rationalisation and revitalisation of the central business district and the main street.
- Rehabilitation and upgrading of existing infrastructure.
- Strengthening of the housing development component and being proactive.

2.3.2 Institutional Transformation and development

- Strengthen local labor relations to promote stability and enhance smooth running of the municipality.
- To re-align functional units and enhance organization capacity of the municipality – finalization.
- To improve the quality of work-life and enhance a safe and conducive work environment t attain a focused and productive work-force.
- To ensure proper management of records.
- To render secretarial support to the council.
- To ensure that our service are aligned to the needs and expectations or our customers by rendering effective and efficient customer service.
- To maximize human capability, skills and technical capacity of the municipality.
- To strengthen performance monitoring and reporting.
- Network infrastructure & Administration.
- To improve information access pertaining KSDM.
- ICT Systems.
- Insert Management Litigation.
- Provision of legal Support.

2.3.3 Local economic development

- Building KSD as the regional service centre.
- Catalyzes neighbouring municipalities and rural hinterland to unlock economic potential.
- Builds its competitiveness as a tourism gateway.
- Enhancing its capabilities in wharehousing, logistics technology, innovation through research and development, business process outsourcing, value addition and a strong service excellence.
- The priority sectors include Agriculture, Forestry, Tourism, SMME and co-operative development.

2.3.4 Financial Viability

- Implementation of debt collection & credit control policy/ bylaw adopted in 2005 and reviewed annually.
- Revitalisation of plant and fleet management.
- Levying property rates in terms of the new valuation roll.
- Improvement of financial systems and internal controls.
- Fraud prevention plan to be developed.
- Strict monitoring of expenditure against budget.
- Minimise litigations.
- Implementation of the Tariff policy for service charges for electricity, refuse removal, and other services.

2.3.5 Infrastructure and service delivery

- Capacitate the existing road repair team to undertake efficient pothole repair.
- Maximise the use of available pothole repair resources.
- At the same time undertake a visual assessment of roads to determine the most cost-effective method of prioritised road repair and to establish and quantify the scope of work required for emergency repair, rehabilitation, and reconstruction. The data collected in this visual assessment will then be used towards the establishment of a Road Management System for the KSD road network.
- To start, prepare a tender for a 12 month pothole repair contract that would take over from the current efforts once existing budgets for materials have been expended.

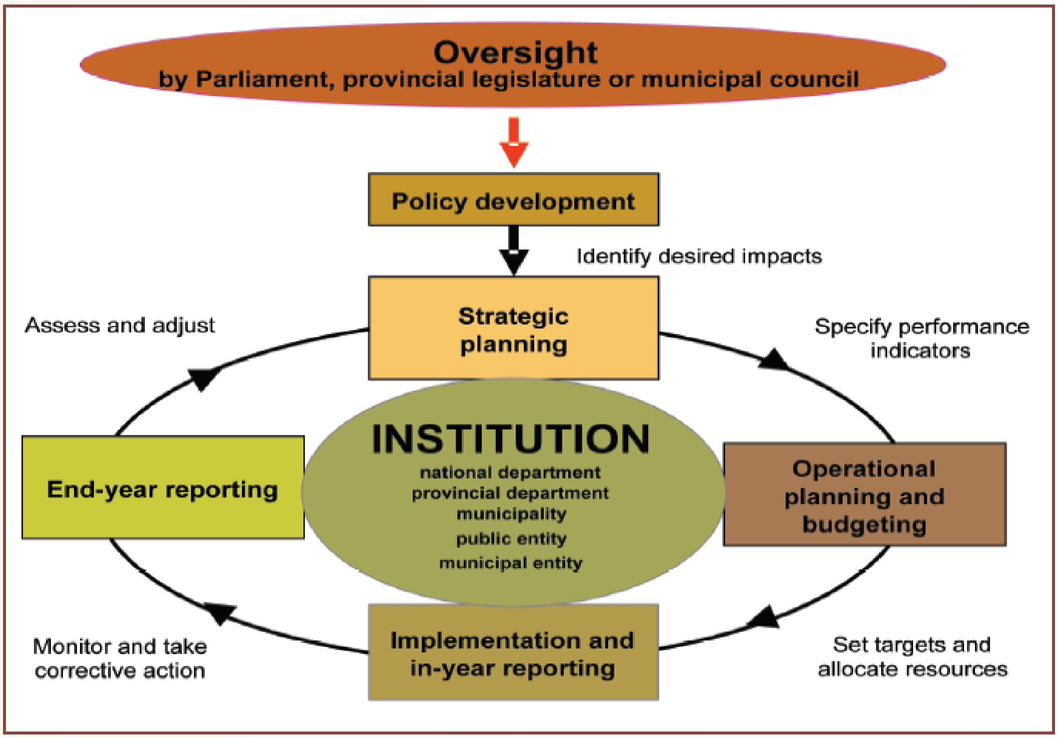
2.3.6 Good governance and public participation

- Simplification of structures, mandates and systems.
- Improving good governance and accountability.
- Policy coherence and support: National, Provincial and Local government.

2.4 Measurable performance objectives and indicators

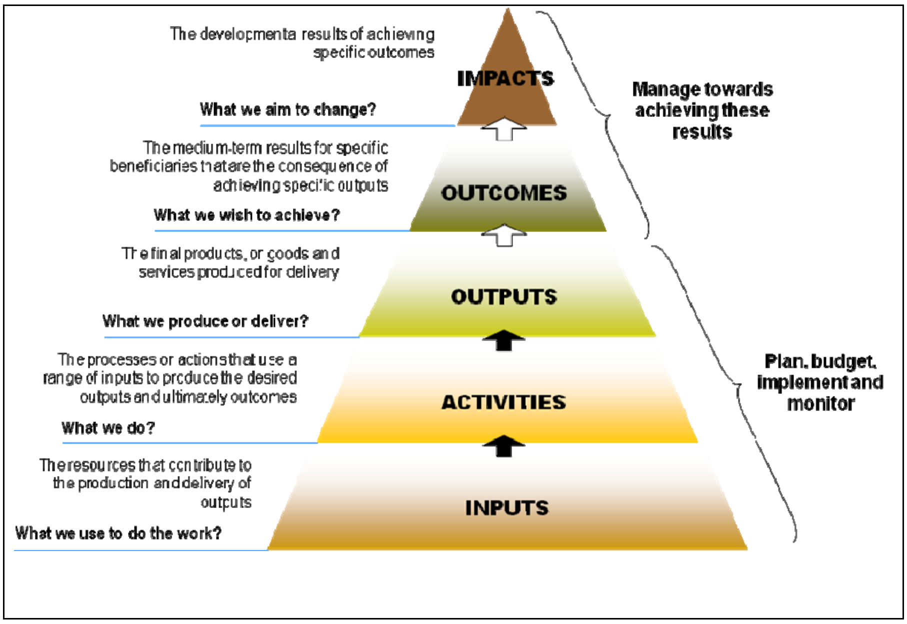
Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality target, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:



The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations.

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the ***Framework of Managing Programme Performance Information*** issued by the National Treasury:



The following table sets out the municipality's main performance objectives and benchmarks for the 2011/12 MTREF.

Table 18 MBRR NT SA8 – Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue &		
		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
Borrowing Management										
Borrowing to Asset Ratio	Total Long-Term Borrowing/Total Assets	1.3%	5.5%	4.7%	8.1%	6.8%	6.8%	7.1%	6.2%	5.5%
Credit Rating										
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	-17.2%	1.5%	2.3%	5.2%	3.5%	3.5%	3.6%	3.6%	3.4%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	-25.3%	-2885.8%	0.0%	84.6%	84.6%	84.6%	74.3%	0.0%	0.0%
Safety of Capital										
Debt to Equity	Loans, Creditors, Overdraft & Tax Provision/ Funds & Reserves	54.5%	28.8%	24.8%	20.1%	28.6%	28.6%	29.0%	27.3%	26.1%
Gearing	Long Term Borrowing/ Funds & Reserves	8.8%	38.0%	6.6%	63.3%	10.8%	10.8%	12.3%	11.4%	10.5%
Liquidity										
Current Ratio	Current assets/current liabilities	1.3	2.8	2.5	4.0	2.4	2.4	2.3	2.3	2.3
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	1.3	2.8	2.5	4.0	2.4	2.4	2.3	2.3	2.3
Liquidity Ratio	Monetary Assets/Current Liabilities	0.3	0.7	1.1	1.1	1.2	1.2	1.2	1.3	1.4
Revenue Management										
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		150.8%	218.1%	176.5%	176.5%	176.5%	99.1%	99.1%	99.1%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	68.2%	111.7%	45.0%	32.5%	36.4%	36.4%	30.0%	26.0%	22.4%
Other Indicators										
Employee costs	Employee costs/(Total Revenue - capital revenue)	56.1%	50.3%	38.7%	40.1%	36.9%	36.9%	35.7%	35.0%	34.1%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	14.5%	8.2%	4.4%	7.9%	7.7%	7.7%	7.0%	6.9%	6.6%
IDP regulation financial viability indicators										
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	69.5	8.1	21.9	16.1	16.1	16.1	14.5	15.8	17.5
ii.O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	102.7%	192.4%	70.1%	50.1%	57.4%	57.4%	47.6%	39.9%	33.8%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	3.4	3.6	3.2	2.1	2.4	2.4	3.0	3.6	4.1

2.4.1 Performance indicators and benchmarks

2.4.1.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, KSD Municipality's borrowing strategy is primarily informed by the affordability of debt repayments.

The structure of the Municipality's debt portfolio is dominated by annuity loans. The following financial performance indicators have formed part of the compilation of the 2011/12 MTREF:

- *Borrowing to asset ratio* is a measure of the long-term borrowing as a percentage of the total asset base of the municipality. This ratio is 7.1 percent in 2011/12. This ratio must not be considered a measure on borrowing capacity in isolation of other ratios and measures.

- *Capital charges to operating expenditure* is a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing has steadily increased from 1.5 percent in 2008/09 to 3.6 percent in 2011/12. This increase can be attributed to the raising of loans to fund portions of the capital programme. While borrowing is considered a prudent financial instrument in financing capital infrastructure development, this indicator will have to be carefully monitored going forward as the Municipality will eventually reach its prudential borrowing limits.

- *Borrowing funding of own capital expenditure* measures the degree to which own capital expenditure (excluding grants and contributions) has been funded by way of borrowing. The figure for 2011/12 is 74.3 percent which substantiates the above mentioned statement that the Municipality is reaching its prudential borrowing limits.

The Municipality's debt profile provides some interesting insights on the Municipality's future borrowing capacity. Firstly, the use of amortising loans leads to high debt service costs at the beginning of the loan, which declines steadily towards the end of the loan's term.

2.4.1.2 Safety of Capital

- *The debt-to-equity ratio* is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors, overdraft and tax provisions as a percentage of funds and reserves. During the 2007/08 financial year the ratio was 54.5 percent. As part of the planning guidelines over the last few years, ensuring proper cash-backing of reserves and funds has been considered a prudent financial sustainability objective, hence the steady decrease to 29 percent in the 2011/12 financial year.

- *The gearing ratio* is a measure of the total long term borrowings over funds and reserves. In 2008/09 the gearing ratio peaked at 38 percent. The gearing ratio is currently 12.3 percent in 2011/12.

2.4.1.3 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the Municipality has set a limit of 1, hence at no point in time should this ratio be less than 1. For the 2011/12 MTREF the current ratio is 2.3. Going forward it will be necessary to maintain these levels.

- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2007/08 financial year the ratio was 0.3 and as part of the financial planning strategy it has been increased to 1.2 in the 2011/12 financial year. A negative liquidity ratio needs to be considered a pertinent risk for the municipality as any under collection of revenue will translate into serious financial challenges for the Municipality. As part of the longer term financial planning objectives this ratio will always have to be set at a minimum of 1.

2.4.1.4 Revenue Management

- As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection.

Strict implementation and maintenance of this strategy resulted in *outstanding debtors to revenue* to decrease from a high of 111.7 percent in 2008/09 to 30% in 2011/12.

2.4.1.5 Other Indicators

- Employee costs as a percentage of operating revenue continues to decrease over the MTREF. This is primarily owing to the high increase in bulk purchases which directly increase revenue levels, as well as increased allocation relating to operating grants and transfers.

2.4.2 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality. Only registered indigents qualify for the free basic services.

A summary of the free basic services package is set out below:

- All registered indigents, including consumers in the rural areas, will receive 50 kWh of electricity per month fully subsidised.
- All registered indigents shall be fully subsidised for refuse removal.
- All registered indigents shall be fully subsidised for the payment of property rates (including Fire Service Levies).
- In the event of the death of a member of an indigent household, the municipality may exempt the household from the cost of digging and preparation of a grave, provided that the burial takes place in a municipal cemetery.
- All registered indigents shall be fully subsidised for the payment of site rental.

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.

2.5 Overview of budget related-policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

2.5.1 Review of credit control and debt collection procedures/policies

The Credit Control and Debt Collection Policy as approved by Council in May 2010 is currently under review. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the increasing of the credit periods for the down payment of debt. In addition emphasis will be placed on latest legislation changes and court rulings to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

The 2011/12 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 96 percent on current billings. In addition, the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the Municipality's cash levels. A service provider, to specifically deal with historical debt, has already been appointed.

2.5.2 Asset Management, Infrastructure Investment and Funding Policy

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the Municipality's revenue base.

Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. The Asset Management, Infrastructure and Funding Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

2.5.3 Supply Chain Management Policy

No changes were made to the existing Supply Chain Management Policy.

2.5.4 Budget and Virement Policy

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the Municipality's system of delegations. The Budget and Virement Policy is currently being compiled.

2.5.5 Cash Management and Investment Policy

No changes were made to the Municipality's Cash Management and Investment Policy. The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves.

2.5.6 Tariff Policy

The Municipality's tariff policy provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policy have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation over the next two years.

All the above policies are available on the Municipality's website, as well as the following budget related policies:

- Property Rates Policy; and
- Indigent Policy.

2.6 Overview of budget assumptions

2.6.1 External factors

Domestically, after five years of strong growth, during which about two million jobs were created, our economy shrank by an estimated 1.8 percent last year and about 900 000 people lost their jobs. It is expected that recovery from this deterioration will be slow and uneven, and that growth for 2011 will be 2.3 percent rising to 3.6 percent by 2012.

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

2.6.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2011/12 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration. The wage agreement SALGBC concluded with the municipal workers unions on 31 July 2009 as well as the categorisation and job evaluation wage curves collective agreement signed on 21 April 2010 must be noted.

2.6.3 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The Municipality engages in a number of financing arrangements to minimise its interest rate costs and risk. However, for simplicity the 2011/12 MTREF is based on the assumption that all borrowings are undertaken using fixed interest rates for amortisation-style loans requiring both regular principal and interest payments.

2.6.4 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher that CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (95 percent) of annual billings. Cash flow is assumed to be 96 percent of billings, including an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash inflow once the performance has been carefully monitored.

2.6.5 Salary increases

The collective agreement regarding salaries/wages came into operation on 1 July 2009 and shall remain in force until 30 June 2012. Year three is an across the board increase of 6.08 percent.

2.6.6 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

2.6.7 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of 100 percent is achieved on operating expenditure and on the capital programme for the 2011/12 MTREF of which performance has been factored into the cash flow budget.

2.7 Overview of budget funding

2.7.1 Medium-term outlook: operating revenue

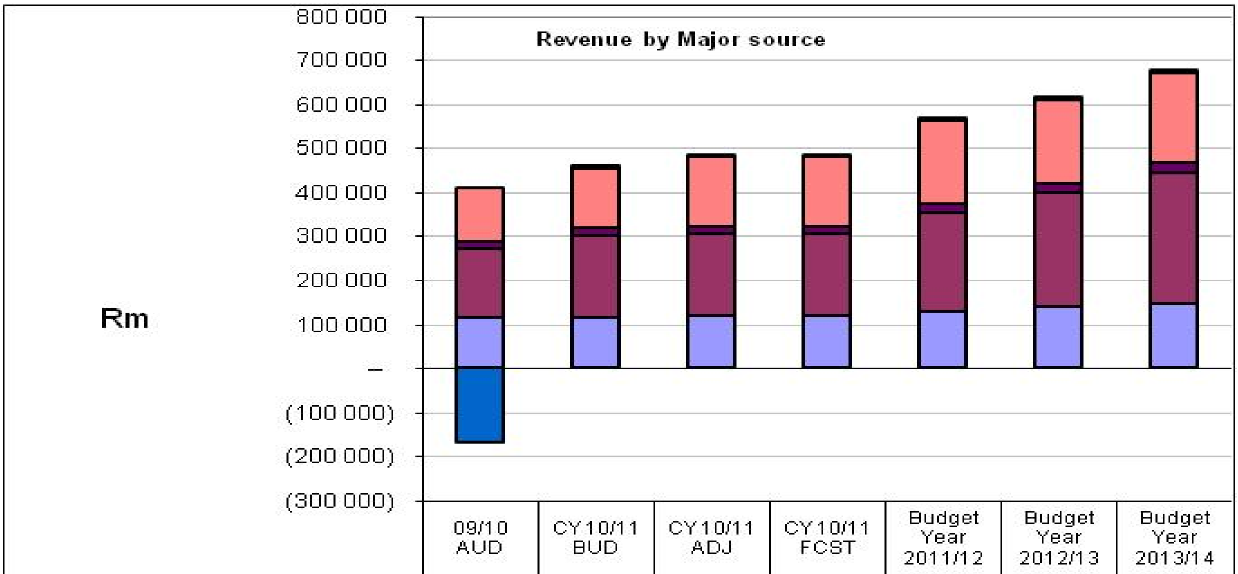
The following table is a breakdown of the operating revenue over the medium-term:

Table 19 Breakdown of the operating revenue over the medium-term

Description	2011/12 Medium Term Revenue & Expenditure Framework					
R thousands	2011/12	%	2012/13	%	2013/14	%
Property rates	128 765	21%	141 641	21%	148 775	20%
Service charges	245 292	39%	280 164	41%	320 151	43%
Investment revenue	2 449	0%	2 596	0%	2 752	0%
Transfers recognised - operational	187 883	30%	189 327	28%	201 584	27%
Other own revenue	59 253	10%	63 993	9%	66 596	9%
Total operating revenue (excluding Capital transfers & contributions)	623 642	100%	677 722	100%	739 858	100%
Total Operating Expenditure	616 071		669 765		731 497	
Surplus/(Deficit)	7 571		7 956		8 361	

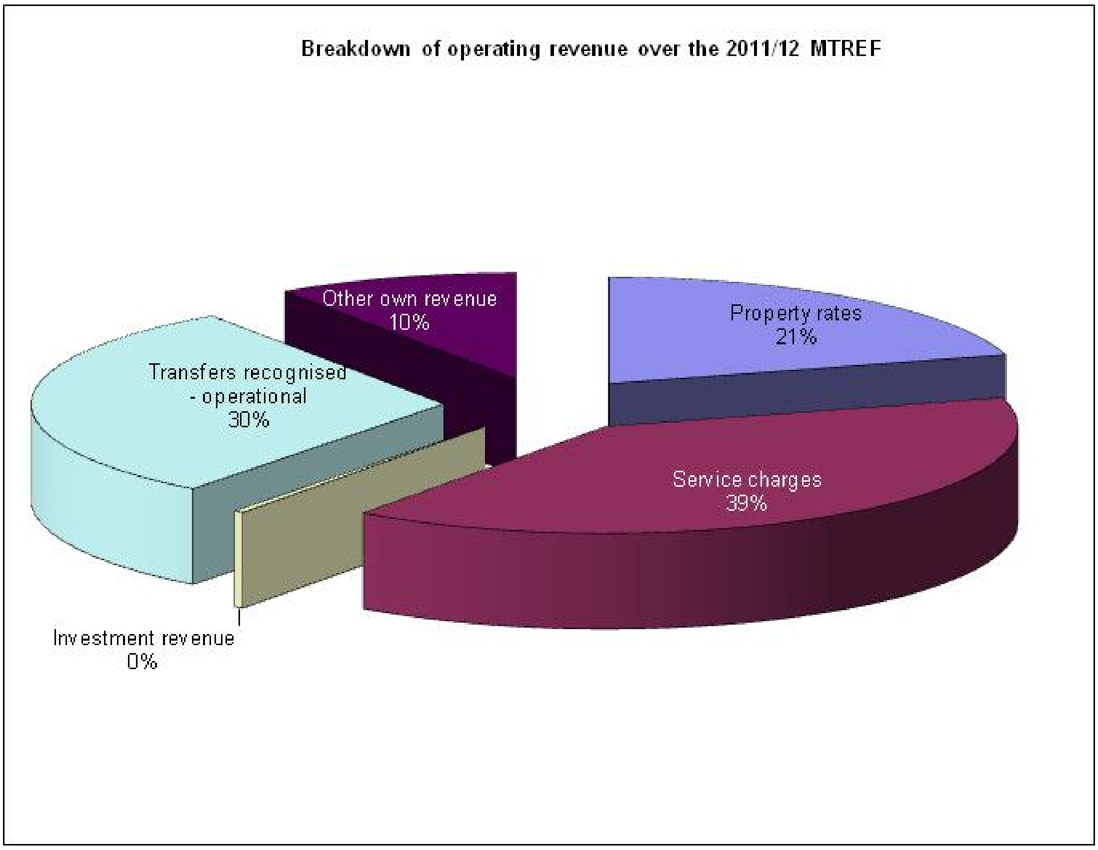
Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The Municipality derives most of its operational revenue from the provision of goods and services such as electricity, and solid waste removal, property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc).

Fig 4: Operating revenue by major source over the medium term



	09/10 AUD	CY10/11 BUD	CY10/11 ADJ	CY10/11 FCST	Budget Year 2011/12	Budget Year 2012/13	Budget Year 2013/14
Transfers recognised - Capital	(167 356)	7 282	5 748	5 748	6 932	7 279	7 642
Transfers recognised - Operational	122 176	134 222	156 886	156 886	187 883	189 327	201 584
Service charges - Refuse Revenue	16 912	18 393	19 593	19 593	21 357	22 638	23 996
Service charges - Sanitation Revenue	–	–	–	–	–	–	–
Service charges - Water Revenue	–	–	–	–	–	–	–
Service charges - Electricity revenue	153 568	184 491	184 491	184 491	223 936	257 526	296 155
Property rates	117 216	117 841	120 341	120 341	128 765	141 641	148 775

Fig 5: Breakdown of the operating revenue - 2011/12



2.7.2 Medium-term outlook: capital revenue

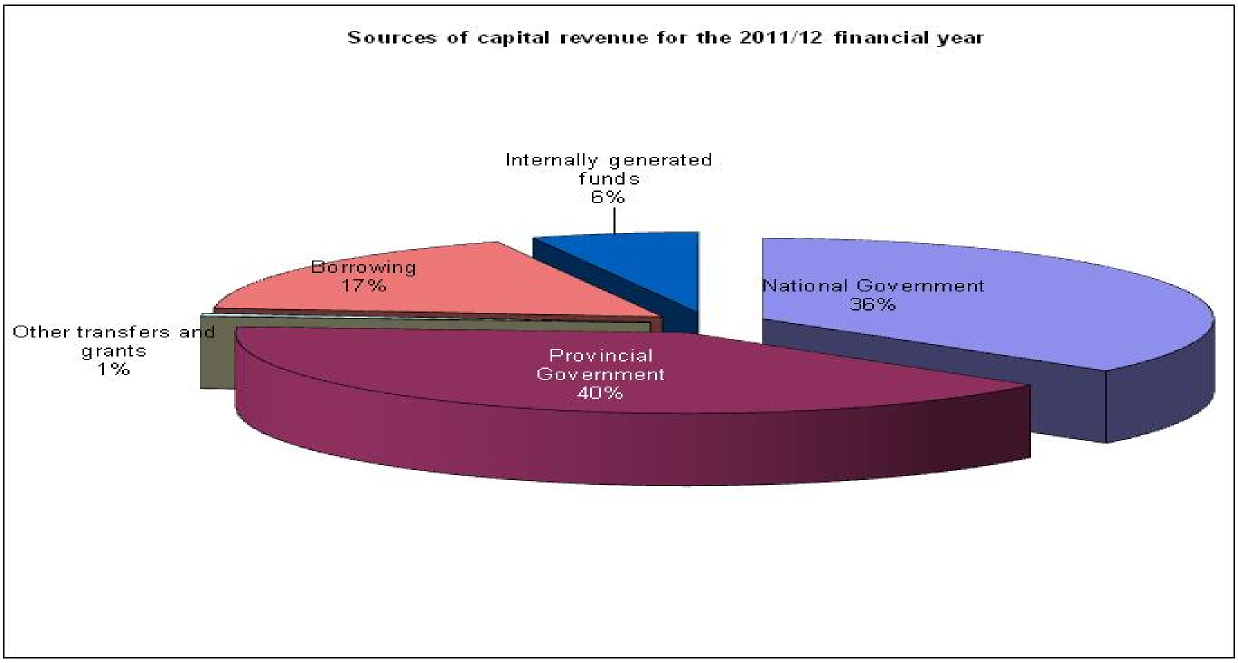
The following table is a breakdown of the funding composition of the 2011/12 medium-term capital programme:

Table 21 Sources of capital revenue over the MTREF

R thousands	2011/12 Medium Term Revenue & Expenditure Framework					
Funded by:	2011/12	%	2012/13	%	2013/14	%
National Government	42 000		10 000		8 000	
Provincial Government	46 279		56 271		59 365	
District Municipality	–		–		–	
Other transfers and grants	651		–		–	
Transfers recognised - capital	88 930	77%	66 271	90%	67 365	90%
Public contributions & donations	–	0%	–	0%	–	0%
Borrowing	20 000	17%	–	0%	–	0%
Internally generated funds	6 932	6%	7 282	10%	7 646	10%
Total Capital Funding	115 862	100%	73 553	100%	75 011	100%

The capital programme is funded from capital and provincial grants and transfers, public contributions and donations, borrowing and internally generated funds from current year surpluses. For 2011/12, capital transfers totals R88.9 million. Borrowing has been provided at R20 million for 2011/12 with internally generated funding totaling R6.9 million.

Fig 6: Sources of capital revenue - 2011/12

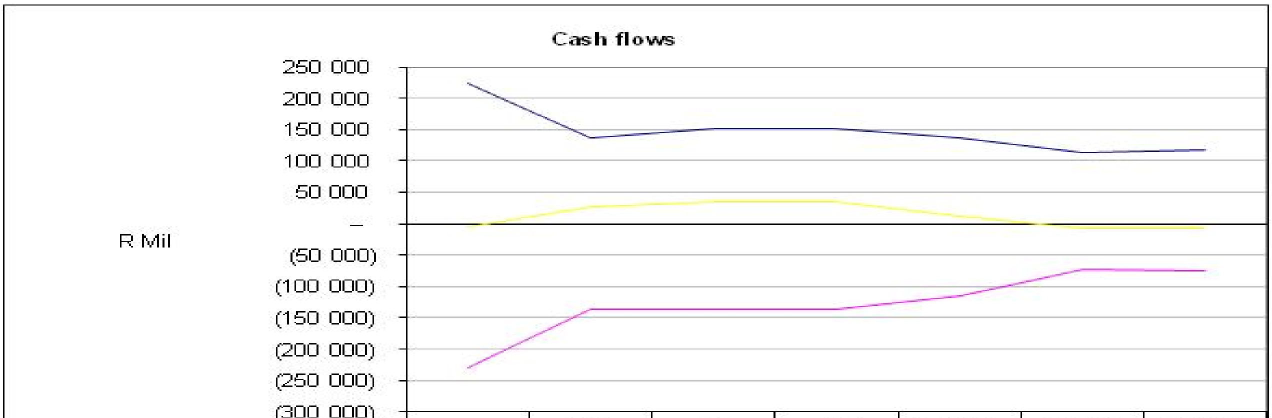


2.7.3 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

Fig 7: Cash flows over the MTREF



	09/10 AUD	CY 10/11 BUD	CY 10/11 ADJ	CY 10/11 FCST	Budget Year 2011/12	Budget Year 2012/13	Budget Year 2013/14
Cash flow - Op. Activities	224 554	135 876	151 824	151 824	136 393	113 113	118 563
Cash flow - Investing	(228 805)	(136 261)	(136 270)	(136 270)	(115 343)	(72 996)	(74 421)
Cash flow - Financing	(4 251)	26 601	35 239	35 239	12 927	(8 073)	(7 436)

Table 22 MBRR NT A7 - Budget cash flow statement

Description	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue &		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Ratepayers and other	311 694	445 908	587 514	365 814	358 395	358 395	358 395	410 728	461 597	509 650
Government - operating	–	–		134 222	156 886	156 886	156 886	187 883	189 327	201 584
Government - capital	–	–		96 761	89 479	89 479	89 479	88 930	66 271	67 365
Interest	3 645	28 437	25 749	2 311	19 114	19 114	19 114	20 765	22 011	23 332
Dividends										
Payments										
Suppliers and employees	(311 753)	(295 121)	(383 621)	(449 832)	(458 067)	(458 067)	(458 067)	(556 533)	(609 789)	(666 085)
Finance charges	1 823	(1 067)	(5 088)	(13 399)	(13 983)	(13 983)	(13 983)	(15 381)	(16 304)	(17 282)
Transfers and Grants										
NET CASH FROM/(USED) OPERATING ACTIVITIES	5 409	178 158	224 554	135 876	151 824	151 824	151 824	136 393	113 113	118 563
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE	654	–	254	500	500	500	500	530	567	601
Decrease (Increase) in non-current debtors	56	54	38		(9)	(9)	(9)	(10)	(11)	(11)
Decrease (increase) other non-current receivables	–									
Decrease (increase) in non-current investments	(36 141)	(20 379)	(57 817)							
Payments										
Capital assets	(29 194)	(121 900)	(145 394)	(136 761)	(136 761)	(136 761)	(136 761)	(115 862)	(73 553)	(75 011)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(64 624)	(142 225)	(202 919)	(136 261)	(136 270)	(136 270)	(136 270)	(115 343)	(72 996)	(74 421)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans	–									
Borrowing long term/refinancing	(223)	(5 106)	(4 375)	40 000	40 000	40 000	40 000	20 000	–	–
Increase (decrease) in consumer deposits	157	392	206		54	54	54	57	60	64
Payments										
Repayment of borrowing	70 827	1 727	(25 968)	(13 399)	(4 815)	(4 815)	(4 815)	(7 130)	(8 134)	(7 499)
NET CASH FROM/(USED) FINANCING ACTIVITIES	70 761	(2 987)	(30 137)	26 601	35 239	35 239	35 239	12 927	(8 073)	(7 436)
NET INCREASE/ (DECREASE) IN CASH HELD	11 546	32 946	(8 501)	26 216	50 792	50 792	50 792	33 977	32 044	36 706
Cash/cash equivalents at the year begin:	(13 731)	(2 185)	30 761	40 334	22 260	22 260	22 260	73 052	107 030	139 073
Cash/cash equivalents at the year end:	(2 185)	30 761	22 260	66 551	73 052	73 052	73 052	107 030	139 073	175 780

2.7.4 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'.

Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

Table 23 MBRR NT A8 - Cash backed reserves/accumulated surplus reconciliation

Description	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Cash and investments available										
Cash/cash equivalents at the year end	78 016	90 582	82 081	66 551	73 052	73 052	73 052	107 030	139 073	175 780
Other current investments > 90 days	(7 082)	33 676	91 493	32 959	151 314	151 314	151 314	151 314	151 314	151 314
Non current assets - Investments	–	–	–	–	–	–	–	–	–	–
Cash and investments available:	70 934	124 259	173 574	99 510	224 367	224 367	224 367	258 344	290 388	327 094
Application of cash and investments										
Unspent conditional transfers	52 256	75 555	106 032	15 000	106 032	106 032	106 032	106 032	106 032	106 032
Other working capital requirements	(40 417)	(231 659)	(105 369)	(75 589)	(17 695)	(17 695)	(17 695)	6 826	22 124	42 994
Reserves to be backed by cash/investments										
Total Application of cash and investments:	11 839	(156 104)	663	(60 589)	88 337	88 337	88 337	112 857	128 155	149 026
Surplus(shortfall)	59 095	280 363	172 912	160 099	136 030	136 030	136 030	145 487	162 233	178 069

2.7.5 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

2.7.5.1 Cash/cash equivalent position

The Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year.

2.7.5.2 Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

2.7.5.3 Monthly average payments covered by cash or cash equivalents

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the Municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts. As indicated above the Municipality aims to achieve at least one month's cash coverage in the medium term, and then gradually move towards two months coverage. This measure will have to be carefully monitored going forward.

2.7.5.4 Surplus/deficit excluding depreciation offsets

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term.

It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective and the first two measures in the table are therefore critical.

Table 24 MBRR NT SA10 - Funding compliance measurement

Description	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue &		
	Audited	Audited	Audited	Original	Adjusted	Full Year	Pre-audit	Budget Year	Budget Year	Budget Year
Funding measures										
Cash/cash equivalents at the year end - R'000	78 016	90 582	82 081	66 551	73 052	73 052	73 052	107 030	139 073	175 780
Cash + investments at the yr end less applications - R'000	59 095	280 363	172 912	160 099	136 030	136 030	136 030	145 487	162 233	178 069
Cash year end/monthly employee/supplier payments	3.4	3.6	3.2	2.1	2.4	2.4	2.4	3.0	3.6	4.1
Surplus/(Deficit) excluding depreciation offsets: R'000	(16 887)	94 176	222 020	(0)	(0)	(0)	(0)	0	(0)	0
Service charge rev % change - macro CPIX target exclusive	N.A.	(1.1%)	53.2%	6.7%	(4.9%)	(6.0%)	(6.0%)	9.2%	6.8%	5.0%
Cash receipts % of Ratepayer & Other revenue	101.6%	118.5%	126.8%	88.9%	95.4%	95.4%	95%	95.0%	96.8%	97.0%
Debt impairment expense as a % of total billable revenue	3.2%	20.0%	4.3%	6.4%	4.9%	4.9%	4.9%	4.2%	4.0%	3.8%
Capital payments % of capital expenditure	100.0%	100.0%	0.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	(25.3%)	10.5%	0.0%	84.6%	84.6%	84.6%	84.6%	74.3%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations								0.0%	0.0%	0.0%
Current consumer debtors % change - incr(decr)	N.A.	96.9%	(43.0%)	(19.3%)	15.9%	0.0%	0.0%	(4.7%)	(5.6%)	(6.2%)
Long term receivables % change - incr(decr)	N.A.	(21.5%)	(19.4%)	(60.9%)	170.1%	0.0%	0.0%	6.2%	5.9%	6.0%
R&M % of Property Plant & Equipment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Asset renewal % of capital budget	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Supporting indicators										
% incr *total service charges (incl prop rates)*		4.9%	59.2%	12.7%	1.1%	0.0%	0.0%	15.2%	12.8%	11.0%
% incr Property Tax		(13.8%)	90.6%	0.5%	2.1%	0.0%	0.0%	7.0%	10.0%	5.0%
% incr Service charges - electricity revenue		19.6%	51.4%	20.1%	(0.0%)	0.0%	0.0%	21.4%	15.0%	15.0%
% incr Service charges - water revenue		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% incr Service charges - refuse revenue		8.8%	13.9%	8.8%	6.5%	0.0%	0.0%	9.0%	6.0%	6.0%
% incr in Service charges - other		19.4%	(100.0%)	0.0%	0.0%	0.0%	0.0%	6.6%	14.2%	(1.3%)
Total billable revenue	181 880	190 994	298 621	337 591	341 291	341 291	341 291	392 485	441 638	489 645
Service charges	172 202	180 684	287 697	324 148	327 848	327 848	327 848	377 706	425 972	473 040
Property rates	71 337	61 490	117 216	117 841	120 341	120 341	120 341	128 765	141 641	148 775
Service charges - electricity revenue	84 784	101 435	153 568	184 491	184 491	184 491	184 491	223 936	257 526	296 155
Service charges - refuse removal	13 648	14 854	16 912	18 393	19 593	19 593	19 593	21 357	22 638	23 996
Service charges - other	2 433	2 905	–	3 423	3 423	3 423	3 423	3 649	4 167	4 114
Rental of facilities and equipment	9 678	10 310	10 924	13 442	13 442	13 442	13 442	14 779	15 666	16 606
Capital expenditure excluding capital grant funding	879	1 249	(209 144)	47 282	47 282	47 282	47 282	26 932	7 282	7 646
Cash receipts from ratepayers	311 751	469 733	561 627	365 814	358 386	358 386	358 386	410 718	461 586	509 638
Ratepayer & Other revenue	206 750	215 445	318 196	365 814	361 640	361 640	361 640	414 464	465 816	514 341
Change in consumer debtors (current and non-current)	100 211	180 800	(158 117)	(40 524)	(13 504)	(13 504)	(13 504)	17 917	(10 543)	(10 957)
Operating and Capital Grant Revenue	103 560	229 519	289 531	126 939	151 138	151 138	151 138	180 951	182 049	193 942
Capital expenditure - total	29 193	121 900	–	136 761	136 761	136 761	136 761	115 862	73 553	75 011
Supporting benchmarks										
Growth guideline maximum	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
CPIX guideline	4.3%	3.9%	4.6%	5.2%	5.2%	5.2%	5.2%	5.1%	4.3%	4.5%
Trend										
Change in consumer debtors (current and non-current)	100 211	180 800	(158 117)	(13 504)	17 917	(10 543)	(10 957)	–	–	–

Description	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue &		
	Audited	Audited	Audited	Original	Adjusted	Full Year	Pre-audit	Budget Year	Budget Year	Budget Year
Total Operating Revenue	273 938	329 265	466 376	519 650	538 140	538 140	538 140	623 642	677 722	739 858
Total Operating Expenditure	330 841	379 226	411 711	512 368	531 811	531 811	531 811	616 071	669 765	731 497
Operating Performance Surplus/(Deficit)	(56 904)	(49 961)	54 664	7 282	6 329	6 329	6 329	7 571	7 956	8 361
Cash and Cash Equivalents (30 June 2012)								107 030		
Revenue										
% Increase in Total Operating Revenue		20.2%	41.6%	11.4%	3.6%	0.0%	0.0%	15.9%	8.7%	9.2%
% Increase in Property Rates Revenue		(13.8%)	90.6%	0.5%	2.1%	0.0%	0.0%	7.0%	10.0%	5.0%
% Increase in Electricity Revenue		19.6%	51.4%	20.1%	(0.0%)	0.0%	0.0%	21.4%	15.0%	15.0%
% Increase in Property Rates & Services Charges		4.9%	59.2%	12.7%	1.1%	0.0%	0.0%	15.2%	12.8%	11.0%
Expenditure										
% Increase in Total Operating Expenditure		14.6%	8.6%	24.4%	3.8%	0.0%	0.0%	15.8%	8.7%	9.2%
% Increase in Employee Costs		7.9%	9.0%	15.4%	(4.6%)	0.0%	0.0%	12.0%	6.4%	6.3%
% Increase in Electricity Bulk Purchases		22.4%	27.2%	43.1%	5.9%	0.0%	0.0%	25.9%	20.0%	20.0%
Debt Impairement % of Total Billable Revenue	3.2%	20.0%	4.3%	6.4%	4.9%	4.9%	4.9%	4.2%	4.0%	3.8%
Capital Revenue										
Internally Funded & Other (R'000)	879	1 249	2 148	7 282	7 282	7 282	7 282	6 932	7 282	7 646
Borrowing (R'000)	–	–	–	40 000	40 000	40 000	40 000	20 000	–	–
Grant Funding and Other (R'000)	28 314	120 651	209 144	89 479	89 479	89 479	89 479	88 930	66 271	67 365
Internally Generated funds % of Non Grant Funding	100.0%	100.0%	100.0%	15.4%	15.4%	15.4%	15.4%	25.7%	100.0%	100.0%
Borrowing % of Non Grant Funding	0.0%	0.0%	0.0%	84.6%	84.6%	84.6%	84.6%	74.3%	0.0%	0.0%
Grant Funding % of Total Funding	97.0%	99.0%	99.0%	65.4%	65.4%	65.4%	65.4%	76.8%	90.1%	89.8%
Capital Expenditure										
Total Capital Programme (R'000)	29 193	121 900	211 292	136 761	136 761	136 761	136 761	115 862	73 553	75 011
Asset Renewal % of Total Capital Expenditure	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash										
Cash Receipts % of Rate Payer & Other	101.6%	118.5%	126.8%	88.9%	95.4%	95.4%	95.4%	95.0%	96.8%	97.0%
Borrowing										
Borrowing to Asset Ratio	1.3%	5.5%	4.7%	8.1%	6.8%	6.8%	6.8%	7.1%	6.2%	5.5%
Capital Charges to Operating	(17.2%)	1.5%	2.3%	5.2%	3.5%	3.5%	3.5%	3.6%	3.6%	3.4%
Borrowing Receipts % of Capital Expenditure	(25.3%)	10.5%	0.0%	84.6%	84.6%	84.6%	84.6%	74.3%	0.0%	0.0%
Reserves										
Surplus/(Deficit)	59 095	280 363	172 912	160 099	136 030	136 030	136 030	145 487	162 233	178 069
High Level Outcome of Funding Compliance										
Total Operating Revenue	273 938	329 265	466 376	519 650	538 140	538 140	538 140	623 642	677 722	739 858
Total Operating Expenditure	330 841	379 226	411 711	512 368	531 811	531 811	531 811	616 071	669 765	731 497
Surplus/(Deficit) Budgeted Operating Statement	(56 904)	(49 961)	54 664	7 282	6 329	6 329	6 329	7 571	7 956	8 361
Surplus/(Deficit) Considering Reserves and Cash Backing	2 192	230 402	227 576	167 381	142 359	142 359	142 359	153 058	170 189	186 430
MTREF Funded (1) / Unfunded (0)	1	1	1	1	1	1	1	1	1	1
MTREF Funded ✓ / Unfunded ✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

2.7.5.5 Property Rates/service charge revenue as a percentage increase less macro inflation target

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

The factor is calculated by deducting the maximum macro-economic inflation target increase (which is currently 3 - 6 percent). The result is intended to be an approximation of the real increase in revenue. Considering the lowest percentage tariff increase in relation to revenue generated from rates and services charges is 7 percent, with the increase in electricity at 20.4 percent it is to be expected that the increase in revenue will exceed the inflation target figures. However, the outcome is lower than it might be due to the slowdown in the economy and a reduction in consumption patterns. This trend will have to be carefully monitored and managed with the implementation of the budget.

2.7.5.6 Cash receipts as a percentage of ratepayer and other revenue

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget.

2.7.5.7 Debt impairment expense as a percentage of billable revenue

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. Considering the debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is well within the accepted leading practice.

2.7.5.8 Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

2.7.5.9 Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)

The purpose of this measurement is to determine the proportion of a municipality's 'own-funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers/grants and contributions) has been excluded. It can be seen that borrowing equates to 74.3 percent of own funded capital.

2.7.5.10 Transfers/grants revenue as a percentage of Government transfers/grants available

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 percent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The Municipality has budgeted for all transfers.

2.7.5.11 Consumer debtors change (Current and Non-current)

The purpose of these measures are to ascertain whether budgeted reductions in outstanding debtors are realistic. Here are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Both measures show a relatively stable trend.

2.7.5.12 Repairs and maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected.

2.7.5.13 Asset renewal/rehabilitation expenditure level

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets.

2.8 Expenditure on grants and reconciliations of unspent funds

Table 25 MBRR SA19 - Expenditure on transfers and grant programmes

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue &		
R thousand	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
EXPENDITURE:									
Operating expenditure of Transfers and Grants									
National Government:	126 422	153 090	110 459	129 808	130 345	130 345	156 602	173 296	184 591
Local Government Equitable Share	60 441	74 217	100 940	127 858	127 858	127 858	153 086	169 585	180 725
Finance Management	500	500		1 200	1 211	1 211	1 450	1 500	1 500
Municipal Systems Improvement	884	735	1 459	750	1 276	1 276	2 066	2 211	2 366
Other transfers/grants [insert description]	64 597	77 638	8 060						
Provincial Government:	96 258	186 224	11 717	19 538	27 817	27 817	31 281	16 031	16 993
Health subsidy	12 990	15 198	11 717	15 124	15 124	15 124	15 124	16 031	16 993
Health subsidy	2 500	100 000							
Housing	76 334	68 184							
Other transfers/grants [insert description]	4 434	2 842		4 414	12 693	12 693	16 157		
District Municipality:	–	–	–	–	–	–	–	–	–
Other grant providers:	–	–	–	–	–	–	–	–	–
Total operating expenditure of Transfers and Grants:	222 680	339 314	122 175	149 346	158 162	158 162	187 883	189 327	201 584
Capital expenditure of Transfers and Grants									
National Government:	41 785	64 814	50 217	32 153	32 000	32 000	42 651	10 000	8 000
Municipal Infrastructure Grant (MIG)	41 785	64 814	31 119	32 153	32 000	32 000	42 651	10 000	8 000
Other capital transfers/grants [insert desc]			19 098						
Provincial Government:	60 317	–	117 139	57 479	57 479	57 479	46 279	56 271	59 365
Other capital transfers/grants [insert description]	60 317		117 139	57 479	57 479	57 479	46 279	56 271	59 365
District Municipality:	–	–	–	–	–	–	–	–	–
[insert description]									
Other grant providers:	12 695	–	–	–	–	–	–	–	–
[insert description]	12 695								
Total capital expenditure of Transfers and Grants	114 797	64 814	167 356	89 632	89 479	89 479	88 930	66 271	67 365
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS	337 477	404 128	289 531	238 977	247 641	247 641	276 813	255 598	268 949

2.9 Contracts having future budgetary implications

In terms of the Municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

2.10 Capital expenditure details

The following tables present details of the Municipality's capital expenditure programme.

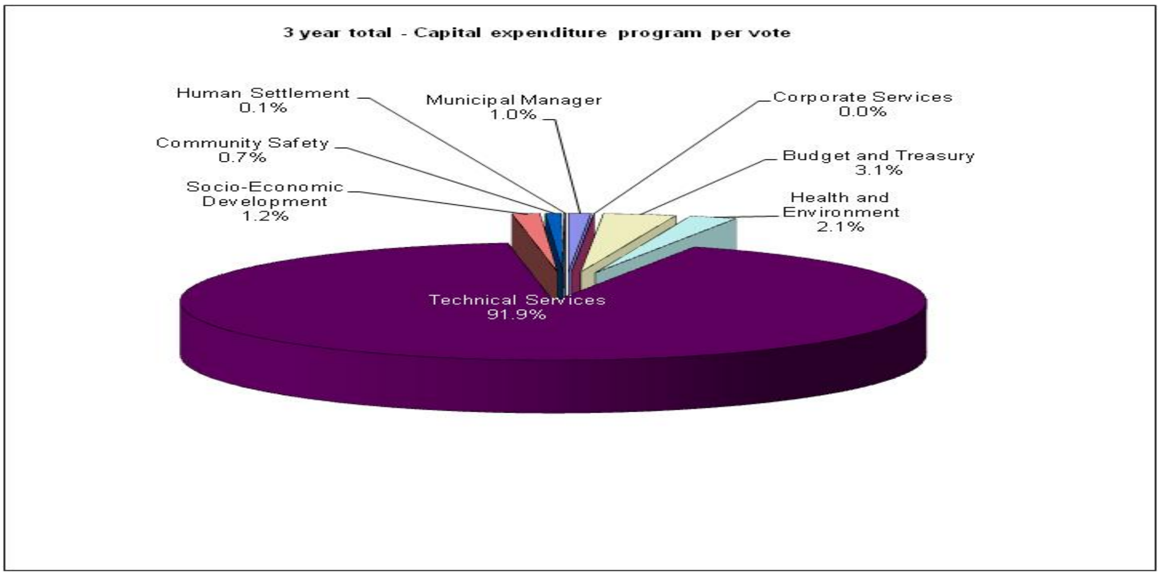
Table 26 2011/12 Medium-term capital budget per vote

Description R thousand	2007/8 Audited Outcome	2008/9 Audited Outcome	Current Year 2010/11 Original Budget	Adjusted Budget	Full Year Forecast	2011/12 Medium Term Capital Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Municipal Manager	39	628	49	49	49	805	848	891
Corporate Services	249	109	457	457	457	17	18	19
Budget and Treasury	306	401	1 790	1 790	1 790	2 631	2 763	2 901
Health and Environment	324	73 844	3 915	3 915	3 915	1 720	1 806	1 896
Technical Services	28 053	44 195	110 931	110 931	110 931	108 609	66 617	67 729
Socio-Economic Development	27	2 683	19 280	19 280	19 280	1 444	833	874
Community Safety	196	41	338	338	338	573	601	631
Human Settlement	–	–	–	–	–	64	67	71
Total Capital Budget	29 193	121 900	136 761	136 761	136 761	115 862	73 553	75 011

Table 27 2011/12 Capital expenditure by asset class

Description R thousand	2007/8 Audited Outcome	2008/9 Audited Outcome	Current Year 2010/11 Original Budget	Adjusted Budget	Full Year Forecast	2011/12 Medium Term Revenue & Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Capital expenditure on new assets by Asset Class/Sub-class								
Infrastructure	27 905	44 083	110 785	110 785	110 785	109 091	66 440	67 542
Infrastructure - Road transport								
Roads, Pavements & Bridges	18 650	38 728	46 785	46 785	46 785	55 091	56 440	59 542
Infrastructure - Electricity								
Transmission & Reticulation	9 255	5 355	64 000	64 000	64 000	54 000	10 000	8 000
Community	324	73 844	19 000	19 000	19 000	–	–	–
Parks & gardens	–	6						
Sportsfields & stadia	262	73 812						
Community halls	27	16						
Clinics	35	10	19 000	19 000	19 000	–	–	–
Investment properties	–	2 644	–	–	–	–	–	–
Housing development		2 644						
Other assets	879	1 328	7 129	7 129	7 129	6 771	7 113	7 469
Plant & equipment			4 271	4 271	4 271	1 950	2 048	2 150
Computers - hardware/equipment	879	1 249	710	710	710	1 364	1 432	1 504
Furniture and other office equipment		79	707	707	707	1 911	2 010	2 110
Other Buildings			1 441	1 441	1 441	1 546	1 624	1 705
Total Capital Expenditure on new assets	29 108	121 900	136 914	136 914	136 914	115 862	73 553	75 011

Fig 8: Total 3 year capital expenditure per vote



2.11 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting
   Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the Municipality's website.

2. Internship programme
   The Municipality is participating in the Municipal Financial Management Internship programme and has employed interns undergoing training in various divisions of the Financial Services Department.

3. Budget and Treasury Office
   The Budget and Treasury Office has been established in accordance with the MFMA.

4. Audit Committee
   An Audit Committee has been established and is fully functional.

5. Service Delivery and Implementation Plan
   The detail SDBIP document is at a draft stage and will be finalised after approval of the 2011/12 MTREF in May 2011 directly aligned and informed by the 2011/12 MTREF.

6. Annual Report
   Annual report has beens compiled in terms of the MFMA and National Treasury requirements.

7. MFMA Training
   The MFMA training module in electronic format is presented at the Municipality's internal centre and training is ongoing.

8. Policies
   An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009, was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.

2.12 Municipal manager's quality certificate

I ____, municipal manager of King Sabata Dalindyebo Municipality hereby certify that the annual budget and supporting documentation have been prepared in accordance with the
Municipal Finance Management Act 56 of 2003 and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Signature

____

MMP Tom
Municipal Manager
King Sabata Dalindyebo Municipality (EC157)

Date: _____________________