

# **ELUNDINI LOCAL MUNICIPALITY**



## **2011/12 -2013/14 ADJUSTMENTS BUDGET**

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## **PART 1 – ADJUSTMENTS BUDGET**

### **1.1 Executive Mayor's Report**

The Municipality reaffirms its commitment to the achievement of the goals enshrined within Vision 2012, namely:

- Meeting basic service delivery needs of communities to improve their lives;
- Building a clean, efficient, responsive and accountable Municipality;
- Strengthening oversight over the Municipality's service delivery and financial performance;
- Changing the socio- economic landscape by investing in Infrastructure, human resource development and promoting enterprise development;
- Strengthening partnerships between the Municipality, communities and civil society.

**COUNCILLOR N. LENGIS  
FEBRUARY 2012**

## 1.2 **Budget Resolutions**

(a) The Mayor recommends that the Council resolves that:

1. That in terms of section 28 of the Municipal Finance Management Act, 56 of 2003, the adjustments budget of the Elundini Municipality for the financial year 2011/2012, and indicative allocations for the two projected outer years 2012/2013 and 2013/2014, and the multi-year and single year capital appropriations be approved as set out in the following tables:
  - a. Budgeted Financial Performance( Revenue and Expenditure by Standard Classification);
  - b. Budgeted Financial Performance( Revenue and Expenditure by Municipal Vote);
  - c. Budgeted Financial Performance( Revenue by Source and Expenditure by Type); and
  - d. Multi-year and single year capital appropriations by municipal vote and standard classification and associated funding by source.
2. That the revised financial position, cashflow, cash backed reserves/accumulated surplus, asset management and basic service delivery targets be adopted as set out in the following tables:
  - a. Budgeted Financial Position;
  - b. Budgeted Cash Flows;
  - c. Cash Backed Reserves and accumulated surplus reconciliation;
  - d. Asset Management; and
  - e. Basic Service Delivery Measurement

### 1.3 Executive Summary

In accordance with the outcomes of the Mid Year Budget and Performance Assessment conducted and reported in compliance with the provision of Section 72 of the Municipal Finance Management Act, Act 56 of 2003, read in conjunction with section 28(2), the Accounting Officer has proposed a revision of the annual budget, through an adjustments budget.

The Adjustments Budget comprises revisions to the approved Operating and Capital Budgets, which is a requirement of the Constitution and the Municipal Finance Management Act (MFMA). The capital budget generally contain new or replacement assets such as roads, vehicles, buildings, etc. The Operating Budget, which is by far the largest component of the Budget, includes the provision of services, such as electricity, water, refuse collection, etc.

The assumptions and principles applied in the development of the adjustments budget are mainly based upon the actual performance of the Budget in relation to planned performance for the period ending December 2011, coupled with material amendments centering around major funding streams unlocked post adoption of the budget for 2011/2012. The IDP's strategic focus areas informed the development of the adjustments budget, in addition to assessing the relative capacity to implement the Budget, taking affordability considerations into account. The aforementioned guidelines were considered appropriate to inform the development of the revised budget.

The Operating Budget totals R 149.397 Million, which funds the continued provision of services provided by the Municipality.

The major expenditure items are employee costs (41%), bulk electricity and water purchases (10%), general expenses (53%), repairs and maintenance (7%)

Funding is obtained from various sources, the major sources being service charges such as electricity, water, sanitation and refuse collection and disposal (16%), property rates (7%), grants and subsidies received from National and Provincial Governments 43%),

A revised provision of R 59 million has been set aside to cover potential bad debts arising from property rates and service charges not collected. This is based upon a level of payment of debtors' accounts averaging 22%.

The revised Capital Budget amounts R 56.857 million and this is funded mainly through revenue from operations 16%), Government grants (39%). Grants and subsidies are mainly earmarked road infrastructural projects, and public donations for roads and electrification projects (45%) .

Similarly, a funding agreement was concluded with the Eastern Cape Development Corporation in 2010/11 for specific capital investments within the town of Ugie in the sum of R 37.275 Million and that grant could not been spent in full in that year hence the amount of R25,372m has been rolled over this year.

Annexure "A" provides a summary of the capital projects included in the Capital Budget.

Annexure "A"

R'000

MIG projects	21 342
ECDC Roads projects	16 815
ECDC Electrical project	4 915
Inerg Electrical project	1 000
Solid waste	2 000
Dengwane access road	1 500
Sports facilities	500
Mayoral vehicle	550
Hawker stalls	1 868
Furniture manufacturing	1 070
Madiba corridor	700
Fencing	180
Other capital items	4 417
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>R56 857 million</b>

### **1.3.1 Total revised Service Delivery Package of the Municipality and associated financial implications**

The Municipality provides the following services:

<b>Services Provided</b>	<b>Operating Expenditure</b>
	<b>R'000</b>
<b>Governance and Administration</b>	<b>70,234</b>
Budget and Treasury	28,023
Corporate Services	22,128
Executive and Council	20,083
<b>Community and Public Safety</b>	<b>6,662</b>
Community and social services	2,326
Housing and Land	582
Economic Development and Recreational Services	3,754
<b>Economic and Environmental Services</b>	<b>31,236</b>

Planning and development	4,342
Road Transport	26,026
Environmental Protection	868
<b>Trading Services</b>	<b>41,265</b>
Electricity	22,531
Water Service	7,180
Waste Water Management	3,276
Waste Management	8,278
<b>Total Costs</b>	<b>149,397</b>
<b>Funded as follows: -</b>	
Transfers recognised – operating	67,502
Service Charges	25,552
Investment revenue	5,956
Property Rates	15,272
Other Own Revenue	47,020
<b>Total</b>	<b>157,536</b>

### 1.3.2 Effect of the Adjustment Budget

In this section the adjusted Operating and Capital Budgets are discussed.

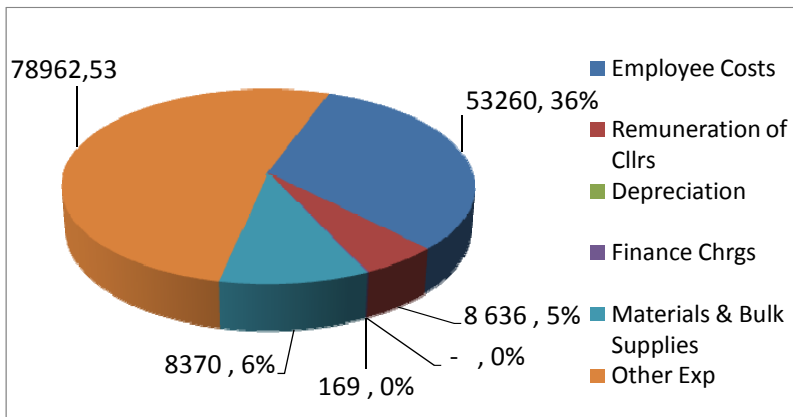
#### 1.3.2.1 Operating Budget

The revised operating budget amounts to R 149,397 million.

The graph below reflects the expenditure components of the budgeted statement of financial performance.

### 2011/2012 Statement of Financial Performance- Budget Expenditure

R'000



Below is a discussion of the main expenditure components:

### ***Employee Costs***

The 2010/11 budget provided for annualised increments, where applicable, and a general increase of 8.48% in line with the negotiated agreement.

The adjustments budget provision of R61,897 million represents an increase of 4% over the 2011/2012 original estimates; the above-mentioned increase is attributed to essential policy statement reviews conducted and approved that authorised the reintroduction of overtime on essential services operations, new positions that were not funded on the original budget and the general increase that has of 7,5% for all the contracted employees.

### ***Depreciation and Asset Impairment***

The 2011/2012 budget provided for R 4,090 Million towards the depreciation costs of the organization, as a result of the adoption of directive 4 on low capacity municipalities, this requirement has omitted from the original budget. Due to the unbudging exercise non



commissioned to ensure full Grap 17 compliance this cost has now been quantified and brought into the budget structure.

### ***Other Materials***

The 2011/2012 budget provided for R 8,120 Million towards repairs and maintenance on all services; the budgetary allocation has been increased by 3% to R 8,369 Million, and reprioritised to other critical functioning of Council.

### ***Other Expenditure***

The 2011/2012 budget provided for R 43,877 million to cover other related expenditure, it is generally understood that the level of financing available to support the IDP's KPA's have historically been curtailed, due to limitations imposed by available cash reserves

The adjustments budget presented has proposed an increased allocation of R 3,827 Million towards the achievement of priorities within the IDP.

Most noticeably, Youth Development, Woman Development, Business development, Community Democratic structures, Poverty alleviation and general institutional improvement like storm master plan and master systems plan initiatives are all key functional areas being supported by the increased allocations.

The funding of these allocations are as a result of projected savings on internally funded capital projects, savings within projected operational costs, and improvements realised within available cash resources brought about by improved revenue collections.

### ***Sources of Funding***

The Municipality receives its funding from many sources including property rates, services charges and government grants. The following table identifies the revised sources of funding for the current financial year 2011/12 and the projected budgets for 2012/13 to 2013/14.

See table B4

### ***Rates Revenue***

There are no amendments on the rates income the estimate is still as it on the original budget.

### ***Other Revenue***

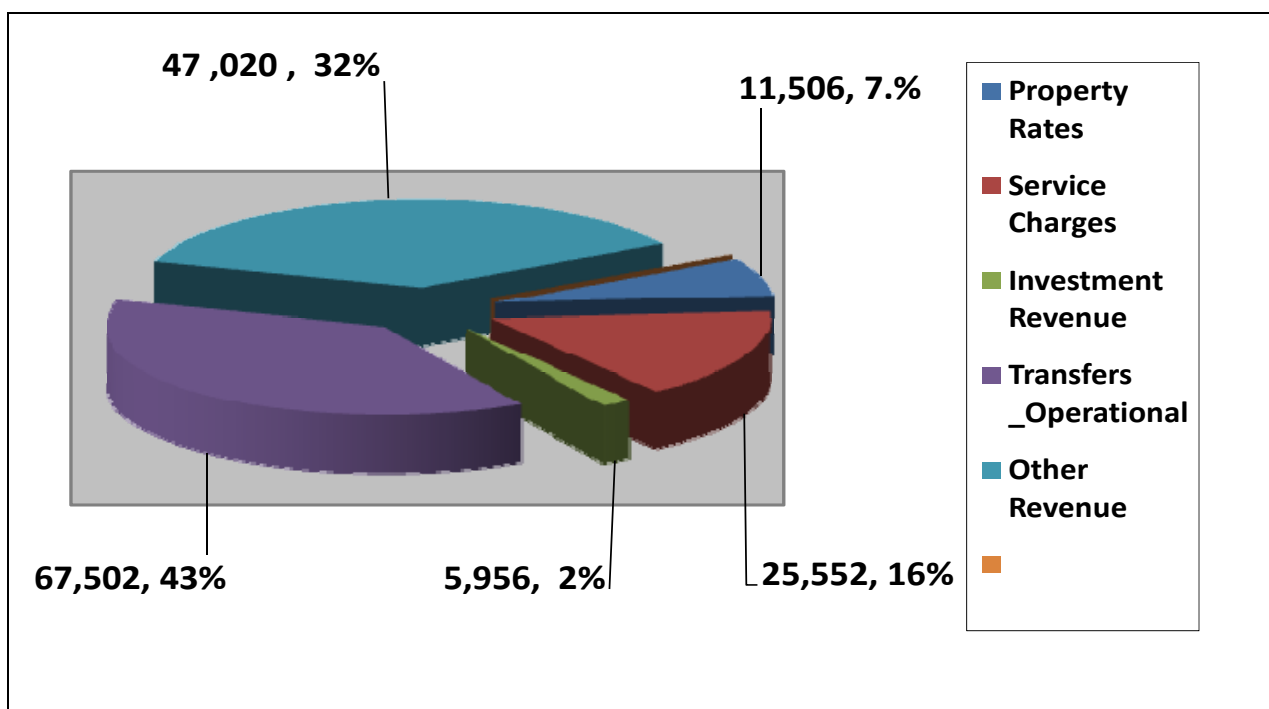
The 2011/2012 budget provided for R 25.918 Million in other revenue, the funding sources are primarily associated with internal reserve held to finance operational expenditure.

Importantly the revised estimates propose an R 8.637 Million additional allocation from available resources( surplus investments) to fund the budget.

Below is a graph reflecting the revised revenue components of the budgeted statement of financial performance.

### 2011/2012 Statement of Financial Performance- Budget Revenue

R'000



#### **1.3.2.2 Capital Budget**

The revised 2011/12 Capital Budget amounts to R56,857 million, an increase of R12.776 Million over the original approved budget allocation.

The increase within the capital budget framework is due to a to a significant public contribution which has been received in 2010/2011 from the Eastern Cape Development Corporation in the sum of R37 million aimed at recapitalization of the entire electricity distribution network within the Ugie area.

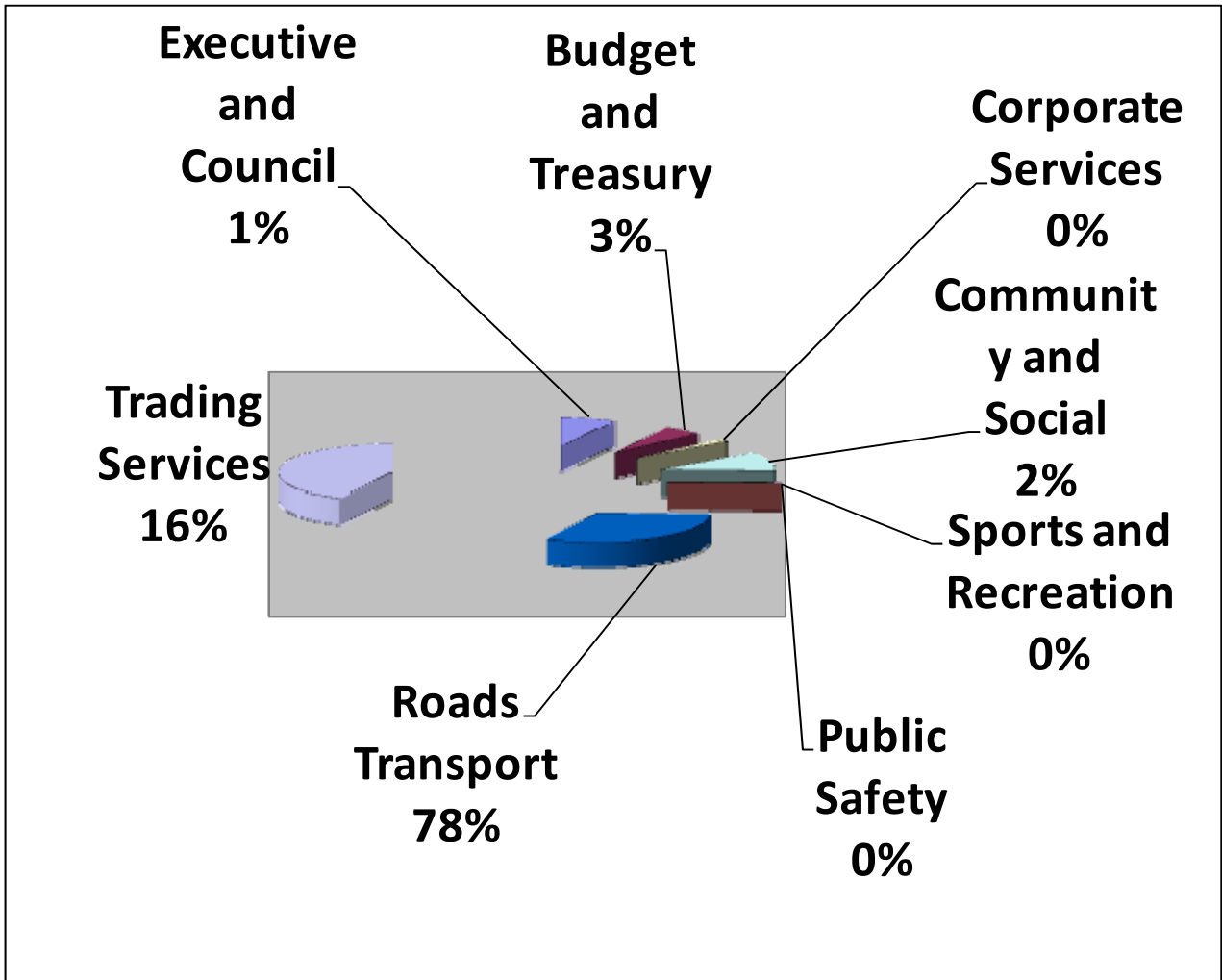
This grant was not fully spent in 2010/2011 financial year, that is why there was a need to adjust the budget in order to bring this funding to the budget.

The 2010/11 adjusted budget will be funded as follows:

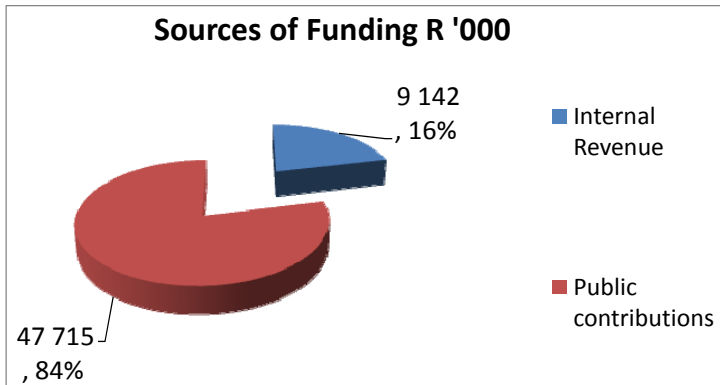
<b>Funded by:</b>	<b>R'000</b>
National Government	22 343
Provincial Government	-
District Municipality	-
Other transfers and grants	-
Transfers recognised - capital	-
Public contributions & donations	25372-
Borrowing	-
Internally generated funds	9142
<b>Total Capital Funding</b>	<b>56 857</b>

The graphs below reflect the 2010/11 Capital Budget by Directorate and finance source.

**2011/2012 Capital Budget By Directorate**



### 2011/2012 Capital Sources of Financing



#### **1.3.3 Basic Service Delivery**

In accordance with the original budgeted Basic Service Delivery targets approved, as relates to the original budget, no amendments are proposed based on the adjustments budget presented.

Significant investments within Infrastructure centre on the re-capitalisation of existing networks to ensure the continuation of access to reliable and efficient service delivery and improved revenue streams within the organisation.

Description	Ref	Budget Year 2010/11				Budget Year +1 2011/12	Budget Year +2 2012/13
		Original Budget A	Other Adjusts. 12 F	Total Adjusts. 13 G	Adjusted Budget 14 H	Adjusted Budget	Adjusted Budget
Total number of households	5	-	-	-	-	-	-
<b><u>Energy:</u></b>							
Electricity (at least min. service level)		5	-	-	5	5	5
Electricity - prepaid (> min.service level)							
<i>Minimum Service Level and Above sub-total</i>		5	-	-	5	5	5
Electricity (< min.service level)							
Electricity - prepaid (< min. service level)							

Other energy sources				-	-		
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-
<b>Total number of households</b>	5	5	-	-	5	5	5
<b><u>Refuse:</u></b>							
Removed at least once a week (min.service)		12		-	12	12	12
Minimum Service Level and Above sub-total		12	-	-	12	12	12
Removed less frequently than once a week				-	-		
Using communal refuse dump				-	-		
Using own refuse dump				-	-		
Other rubbish disposal				-	-		
No rubbish disposal		22		-	22	22	22
<i>Below Minimum Service Level sub-total</i>		22	-	-	22	22	22
<b>Total number of households</b>	5	34	-	-	34	34	34
<b><u>Households receiving Free Basic Service</u></b>	15						
Water (6 kilolitres per household per month)		8		-	8	8	9
Sanitation (free minimum level service)		1		-	1	1	1
Electricity/other energy (50kwh per household per month)		10		-	10	10	11
Refuse (removed at least once a week)		8		-	8	8	8
<b><u>Cost of Free Basic Services provided (R'000)</u></b>	16						
Water (6 kilolitres per household per month)		3 355 660		-	3 356	3 770 000	4 236 000
Sanitation (free sanitation service)		756 336		-	756	849 000	954 000
Electricity/other energy (50kwh per household per month)		3 103 920		-	3 104	3 733 000	4 585 000
Refuse (removed once a week)		6 662 170		-	6 662	7 474 000	8 408 000
<b>Total cost of FBS provided (minimum social package)</b>		13 878 086	-	-	13 878	15 826 000	18 183 000
<b><u>Highest level of free service provided</u></b>							
Property rates (R'000 value threshold)		15		-	0	15 000	15 000
Water (kilolitres per household per month)		6		-	0	6	6
Sanitation (kilolitres per household per month)		-		-	-	-	-
Sanitation (Rand per household per month)		59		-	0	62	66
Electricity (kw per household per month)		50		-	0	50	50
Refuse (average litres per week)		40		-	0	40	40
<b><u>Revenue cost of free services provided (R'000)</u></b>	17						
Property rates (R15 000 threshold rebate)		1 525		-	1 525	1 620	1 715
Property rates (other exemptions, reductions and rebates)		3 063		-	3 063	1 902	592
Water		3 116		-	3 116	3 309	3 504
Sanitation		131		-	131	139	148

Electricity/other energy		1 700		-	1 700	1 805	1 912
Refuse		1 325		-	1 325	1 407	1 490
Municipal Housing - rental rebates				-	-		
Housing - top structure subsidies	6			-	-		
Other				-	-		
Total revenue cost of free services provided (total social package)		10 861		-	10 861	10 182	9 361

### 1.3.4 Funding of the Budget

#### *Fiscal Overview*

#### 1.3.4.1 2011/2012 Projected Financial Performance (REVISED)

The municipality's financial performance and position is sound, and is expected to continue based on the following:

- Budgets are balanced, being funded from the current financial year's revenues.
- The municipality operates within its annual budget, as approved by Council.
- The municipality maintains a positive cash and investments position.
- Planned revenue collection rates are being achieved.

#### 1.3.4.1.1 Operating Budget

In accordance with the original estimates of revenue and expenditure, the organization planned for a surplus of R 119,597; based on the revised estimates proposed, expenditure will decrease R548,000 to R 149,397 million, and income sources will increase by an additional R18,667 million to R206,397 million.

The current financial year's revenues are sufficient to cover the operating expenditures.

The original budget assumptions relied upon as relates to the level of debt impairment provided for, underpinning the net revenue position of the budget remains unchanged.

The Municipality has implemented a Revenue enhancement strategy, aimed at ensuring the systematic improvement of collections over the MTREF to 80% of billed revenue thereby ensuring sustainable growth and the achievement of the IDP objectives.

#### 1.3.4.1.2 Capital Budget

The Capital budget framework has shown a significant increase of R12,776 million over the original approved allocation, the funding sources secured to fund the capital investment has been sourced from Government Grants amounting to R23.343 million, Public Contributions roll over R 25.372 million and internal revenue sources R9.142 million.

### **1.3.4.2 Financial Ratios**

The current and projected financial picture is reflected in the various ratios, monitored by the municipality on a monthly basis. Ratios such as levels of cash, loan debt, debtors to total revenue, etc. – are expected to improve slightly from their current levels over the mid-term outlook of this Budget.

On the whole the financial positioning of Council is stable as reflective within the Performance indicators and benchmarks.

### ***Ongoing issues requiring monitoring and evaluation***

The municipality is closely monitoring certain issues that could have a significant financial impact on future budgets. If one or more of them require substantial resources beyond what is included in the mid-term budget, the municipality will have to adjust its spending plans to maintain its financial position. Many of the items listed below could have major and permanent impacts on the operating budget, and would therefore require permanent increases in revenue, or commensurate reductions in other services. Consequently, they should be carefully monitored and evaluated:

- Maintenance backlogs in respect of Council's assets – adequacy of budgetary provisions;
- Staffing requirements and the impact on the personnel expenditure target;
- Improvement of current collection rates;
- Reviewing and enhancing the level of the Capital Replacement Reserve, to ensure that the Municipality is able to cover the purchase of new and replacement assets;
- Financial implications associated with the outcomes of the Section 78 processes- Solid Waste.
  
- Electricity distribution losses



### 1.3.5 Medium Term Revenue and Expenditure

The revised Projected Financial Results over the MTEF are as follows:

See table B4

### 1.3.6 Priorities and linkages to the SDBIP

Adjustment to budgeted performance and indicators

Description of financial indicator	Basis of calculation	Budget Year 2010/11			Budget Year +1 2011/12	Budget Year +2 2012/13
		Original Budget	Prior Adjusted	Adjusted Budget	Adjusted Budget	Adjusted Budget
<b><u>Borrowing Management</u></b>						
Borrowing to Asset Ratio	Total Long-term Borrowing/ Total Assets	0.1%	0.0%	0.1%	0.1%	0.0%
Credit Rating	Short term/long term rating	N/A		N/A	N/A	N/A
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.2%	0.0%	0.2%	0.0%	0.0%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants	0.0%	0.0%	0.0%	0.0%	0.0%
<b><u>Safety of Capital</u></b>						
Debt to Equity	Loans, Creditors, Overdraft & Tax Provision/ Funds & Reserves	112.9%	0.0%	- 7381879.6%	0.0%	0.0%
Gearing	Long Term Borrowing/ Funds & Reserves	2.3%	0.0%	-84276.7%	0.0%	0.0%
<b><u>Liquidity</u></b>						
Current Ratio	Current assets/current liabilities	671.8%	0.0%	501.3%	711.1%	730.1%
Current Ratio adjusted for aged debtors	Current assets/current liabilities less debtors > 90 days/current liabilities	2016.2%	0.0%	0.0%	0.0%	0.0%
Liquidity Ratio	Monetary Assets/Current Liabilities	2.8	0.0	2.4	3.2	3.3
<b><u>Revenue Management</u></b>						
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/ Last 12 Mths Billing	40%		40%	60%	80%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	19.2%	0.0%	17.9%	20.2%	19.7%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old	0.0%	0.0%	0.0%	0.0%	0.0%
<b><u>Creditors Management</u></b>						
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA s 65(e))	100		100	100	100
<b><u>Funding of Provisions</u></b>						
Provisions not funded - %	Unfunded Provns./Total Provisions	100%		100%	100%	100%

<b><u>Other Indicators</u></b>						
Electricity Distribution Losses (2)	% Volume (units purchased and generated less units sold)/units purchased and generated	30%		34.2%	25%	15%
Water Distribution Losses (2)	% Volume (units purchased and own source less units sold)/Total units purchased and own source	N/A		N/A	N/A	N/A
Employee costs	Employee costs/(Total Revenue - capital revenue)	34.5%	0.0%	0.0%	0.0%	0.0%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	5.8%	0.0%	0.0%	0.0%	0.0%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	4.0%	0.0%	0.1%	4.1%	3.9%
<b><u>IDP regulation financial viability indicators</u></b>						
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	122150.9%	0.0%	137504.1%	114587.2%	128525.7%
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	19.2%	0.0%	17.9%	20.2%	19.7%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	0.3	0.0	0.3	0.3	0.3

## **1.4 Annual Budget Tables**

The annual budget tables are included in this section.

### **1.4.1 Budget Summary**

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

Taking the aforementioned budget strategy, assumptions and principles into consideration the revised 2011/12 to 2013/14 Budget was arrived at as follows:

See attached table B1

### **1.4.2 Consolidated Financial Performance 2010/11-2012/13**

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

See attached table B2

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

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

See attached table B3

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

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

See attached table B4

### **1.4.3 Capital Budget Summary**

Taking the aforementioned constraints into account the following capital budget was arrived at.

#### **Table A5 Budgeted Capital Expenditure by vote, standard classification and funding**

Table A5 seeks to meet three requirements, namely it shows:

- Adjusted capital expenditure by municipal vote;
- Adjusted capital expenditure by standard classification; and
- Adjusted funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial governments that fund the capital budget.

See attached table B5

### **1.4.4 Budgeted Financial Statements**

The financial statements below identify the financial viability of the Municipality. It is evident from this statement that value of the Municipality is increasing and liquidity although appropriate at this point of time, will require monitoring.

#### **1.4.4.1 Table B6 Budgeted Financial Position**

The table presents Adjusted Assets less Liabilities as Community Wealth. The order of items within each group is also aligned to the convention of showing items in order of liquidity; i.e. assets readily converted to cash or liabilities immediately required to be met from cash appear first.

See attached table B6

#### **1.4.4.2 Table B7 Budgeted Cash Flows**

Table B7 includes, some specific features:

- Clear separation of receipts and payments within each cash flow category
- Clear separation of capital and operating receipts from Government, and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt)

#### **1.4.4.3 Table B8 Cash backed reserves/accumulated surplus reconciliation**

The underlying purpose of the table is to reflect the predicted cash and investments that are available at the end of a particular budget year and how those funds were used. A surplus would indicate that sufficient cash and investments was available to meet commitments, whilst a shortfall would indicate inadequate cash and investments was available to meet commitments.

See attached table B8

#### **1.4.5 Table B9 Asset Management**

This table provides a summarised version of the adjusted capital programme divided into new assets and renewal of existing assets and also reflects the relevant asset categories. The associated repairs and maintenance and depreciation is also reflected.

It also provides an indication of the resources deployed for maintaining and renewing existing assets, as well as the extent of asset expansion.

See attached table B9

#### **1.4.6 Table B10 Basic service delivery measurement**

This table provides basic service delivery information that the municipality approves basic service delivery targets aligned to national priorities.

See attached table B10

## PART 2 – SUPPORTING DOCUMENTATION

### 2.1 Overview of Budget Assumptions

Budget assumptions/parameters are determined in advance of the budget process to allow budgets to be constructed to support the achievement of the longer-term financial and strategic targets.

The municipal fiscal environment is influenced by a variety of macro- economic control measures. National Treasury provides guidelines on the ceiling of year-on-year increases in the total Operating Budget, whilst the National Electricity Regulator of South Africa (NERSA) regulates bulk electricity tariff increases and the Department of Water Affairs (DWA) regulates bulk water tariff increases. Various government departments also affect municipal service delivery through the level of grants and subsidies.

- The adjustment budget presented has resulted in increased % allocations towards salaries, wages and allowances by an additional 0.9% over the original general salary increase parameter, likewise general expenditure has increased by an additional 13.07% increase over the original 6% increased authorized; the additional allocation towards General expenditure has not altered the original budget assumptions relating to income sources as the financing stream is retained earnings, cash backed.

The adjusted multi-year budget is therefore underpinned by the following assumptions:

	2010/11	2011/12	2012/13
<b>Income</b>	%	%	%
Water Tariff Increase	6.0	6.2	5.9
Sanitation Tariff Increase	6.0	6.2	5.9
Refuse Tariff Increase	6.0	6.2	5.9
Property Rates Increase	6.0	6.2	5.9
Electricity Tariff Increase	19.0	19.0	19.0
Revenue collection rates	40.0	60.0	80.0
<b>Expenditure</b>			
Total Expenditure Increase allowed (excluding repairs and maintenance)	13.07	6.2	5.9
Salary increase	8.57	6.2	5.9
Increase in repairs and maintenance	27.1	6.2	5.9
Increase in bulk purchase of power costs	29.8	25.8	25.9

It is to be noted that the Budget has been prepared, based on Generally Recognised Accounting Practice (GRAP).

## 2.2 Overview of Budget Funding

### 2.2.1 Funding the Budget

#### 2.2.1.1 Funding of operating expenditure

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

See table B4

#### 2.2.1.2 Funding of capital expenditure

See attached table B5

#### Adjustments Capital Expenditure Budget by vote and funding -

Description	Ref	Budget Year 2010/11				Budget Year +1 2012/13	Budget Year +2 2013/14
		Original Budget	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands		A	10 F	11 G	12 H		
<b>Funded by:</b>							
National Government		22 342	-	-	22 342	23661	25 951
Provincial Government				-	-		
District Municipality				-	-		
Other transfers and grants			25 372	25 372	25 372	26 869	28 454
<b>Total Capital transfers recognised</b>	4	<b>17 746</b>	<b>-</b>	<b>-</b>	<b>17 746</b>	<b>50 530</b>	<b>53 511</b>
Public contributions & donations		14 893	- 14 893	-14 893	0		
Borrowing				-	-		
Internally generated funds		12 008	-2 297	-2 297	9 142	9 681	10 252
<b>Total Capital Funding</b>		<b>44 081</b>	<b>12 776</b>	<b>12 776</b>	<b>56 857</b>	<b>60 211</b>	<b>63 764</b>

## 2.2.2 Reconciliation showing that Operating and Capital Expenditure remain funded in accordance with Section 18 of the MFMA

EC141 Elundini - Supporting Table SB6 Adjustments Budget - funding measurement -

Description	Ref	MFMA section	Medium Term Revenue and Expenditure Framework				
			Original Budget	Prior Adjusted	Adjusted Budget	Budget Year +1 2011/12	Budget Year +2 2012/13
<b>R thousands</b>							
<b>Funding measures</b>	-	-					
Cash/cash equivalents at the year end - R'000	1	18(1)b	18 122	-	22 308	21 535	23 853
Cash + investments at the yr end less applications - R'000	2	18(1)b	19 724	-	13 566	16 647	18 677
Cash year end/monthly employee/supplier payments	3	18(1)b	0	-	0	0	0
Surplus/(Deficit) excluding depreciation offsets: R'000	4	18(1)	29 905	-	-	-	-
Service charge rev % change - macro CPIX target exclusive	5	18(1)a,(2)	0.0%	0.0%	0.0%	2.1%	0.2%
Cash receipts % of Ratepayer & Other revenue	6	18(1)a,(2)	58.1%	0.0%	0.0%	0.0%	0.0%
Debt impairment expense as a % of total billable revenue	7	18(1)a,(2)	30.0%	0.0%	31.7%	0.0%	0.0%
Capital payments % of capital expenditure	8	18(1)c;19	100.0%	0.0%	0.0%	0.0%	0.0%
Borrowing receipts % of capital expenditure (excl. transfers)	9	18(1)c	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	10	18(1)a	100.0%	0.0%	100.0%	100.0%	100.0%
Current consumer debtors % change - incr(decr)	11	18(1)a				7.8%	7.1%
Long term receivables % change - incr(decr)	12	18(1)a				0.0%	0.0%
R&M % of Property Plant & Equipment	13	20(1)(vi)	5.8%	0.0%	4.0%	3.5%	3.1%
Asset renewal % of capital budget	14	20(1)(vi)	0.0%	0.0%	0.0%	0.0%	0.0%

The aforementioned table reflects that the 2011/12 to 2013/14 Adjustments Budget is fully funded.



### 2.2.3 Estimated Collection Levels

The estimates informing the original approved budget of 40% collection rate for 2011/2012 has been maintained, this is primarily due to the fact that the formal implementation of the Revenue Enhancement Strategy has been planned to commence on 1 March 2011, and it is expected that material improvements will only accrue to the organization within the 2011/2012 fiscal year. In line with planned performance and budget assumptions the collection rate improvement for 2011/2012 is modeled around 60%, increasing to a targeted level of 80% by 2012/13.

### 2.2.4 Particulars of Monetary Investments held

Monetary investments underpinning the adjusted budget have decreased to R40,451 Million from the original estimates held.

EC141 Elundini - Supporting Table Investment particulars by maturity

Investments by Maturity	Ref	Period of Investment	Type of Investment	Expiry date of investment	Monetary value	
Name of institution & investment ID	1	Yrs/Months			Rand thousand	
<b>Parent municipality</b>						
First National Bank		3 Months	Call Accounts		30 955	
Standard Bank		3 months	Call Accounts		10 496	
ABSA Bank		3 months	Call Accounts		-	
<b>Municipality sub-total</b>					40 451	
<b>TOTAL INVESTMENTS AND INTEREST</b>	1				40 451	

### **2.3 Expenditure on allocations and grant programmes**

#### **Adjustment to contributions**

In accordance with the adjusted budget presented, the organization has recognized public contributions towards capital expansion programmes in the sum of R 56,857 million.

See attached table SB7

#### **Adjustments to expenditure on allocations and grants programmes**

See attached SB8

#### **Allocations or Grants made by the Municipality**

No grant allocations are made by the municipality

See attached SB9

## 2.4 Councillors and board members allowances and employee benefits provide the following information

### COUNCILLORS & BOARD MEMBER ALLOWANCES AND EMPLOYEE BENEFITS

Amendment to the budget have been primarily brought about by the re-introduction of the overtime policy as relates to essential services; new positions that have been brought forward into the adjustment budget.

See attached SB 11

## 6 Adjustment to service delivery and budget implementation plan

EC141 Elundini - Supporting Table SB4 Adjustments to budgeted performance indicators and benchmarks -

Description of financial indicator	Basis of calculation	Budget Year 2010/11			Budget Year +1 2011/12	Budget Year +2 2012/13
		Original Budget	Prior Adjusted	Adjusted Budget	Adjusted Budget	Adjusted Budget
<b><u>Borrowing Management</u></b>						
Borrowing to Asset Ratio	Total Long-term Borrowing/ Total Assets	0.1%	0.0%	0.1%	0.1%	0.0%
Credit Rating	Short term/long term rating	N/A	N/A	N/A	N/a	N/a
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.2%	0.0%	0.2%	0.0%	0.0%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants	0.0%	0.0%	0.0%	0.0%	0.0%
<b><u>Safety of Capital</u></b>						
Debt to Equity	Loans, Creditors, Overdraft & Tax Provision/ Funds & Reserves	112.9%	0.0%	- 7381879.6%	0.0%	0.0%
Gearing	Long Term Borrowing/ Funds & Reserves	2.3%	0.0%	-84276.7%	0.0%	0.0%
<b><u>Liquidity</u></b>						
Current Ratio	Current assets/current liabilities	671.8%	0.0%	501.3%	711.1%	730.1%

Current Ratio adjusted for aged debtors	Current assets/current liabilities less debtors > 90 days/current liabilities	2016.2%	0.0%	0.0%	0.0%	0.0%
Liquidity Ratio	Monetary Assets/Current Liabilities	2.8	0.0	2.4	3.2	3.3
<b>Revenue Management</b>						
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/ Last 12 Mths Billing	40	40	40	60	80
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	19.2%	0.0%	17.9%	20.2%	19.7%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Creditors Management</b>						
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA s 65(e))	100		100	100	100
<b>Funding of Provisions</b>						
Provisions not funded - %	Unfunded Provs./Total Provisions	100	100	100	100	100
<b>Other Indicators</b>						
Electricity Distribution Losses (2)	% Volume (units purchased and generated less units sold)/units purchased and generated	36	0	36	15	15
Water Distribution Losses (2)	% Volume (units purchased and own source less units sold)/Total units purchased and own source	N/a		N/a	N/a	N/a
Employee costs	Employee costs/(Total Revenue - capital revenue)	34.5%	0.0%	0.0%	0.0%	0.0%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	5.8%	0.0%	0.0%	0.0%	0.0%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	4.0%	0.0%	0.1%	4.1%	3.9%
<b>IDP regulation financial viability indicators</b>						
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	122150.9%	0.0%	137504.1%	114587.2%	128525.7%
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	19.2%	0.0%	17.9%	20.2%	19.7%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	0.3	0.0	0.3	0.3	0.3

### **2.6.1 Monthly targets for Revenue, Expenditure and Cashflow**

**See attached SB 13**

**See attachéd SB14**

**Cash flows per source document.**

### **2.5 Adjustments to Capital expenditure**

Capital expenditure is detailed by asset type, See attached SB18a table.

## **2.8 Municipal Manager's Quality Certification**

### **Quality Certificate**

**I, Khaya Gashi, Municipal Manager of Elundini Local Municipality, hereby certify that the adjustments budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the adjustments budget and supporting documents are consistent with the Integrated Development Plan of the Municipality**

**Print Name** \_\_\_\_\_

**Municipal Manager of Elundini Local Municipality Municipality (EC41)**

**Signature** \_\_\_\_\_

**Date** \_\_\_\_\_