

GREATER KOKSTAD MUNICIPALITY

ANNUAL ADJUSTED BUDGET OF

GREATER KOKSTAD MUNICIPALITY

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

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Abbreviations and Acronyms

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

Part 1 – Annual Adjusted Budget

1.1

1.1 MAYORAL ADJUSTMENT BUDGET PRESENTATION



30th January 2012 at the Oval Boardroom.

The preparation process of the Capital and Operating Budget 2011/2012 has commenced as expected by submitting the Budget and IDP Review plan to Council for approval in 31 August 2010. The Executive Managers and Management have submitted their budget proposals timeously and advised for consolidation in one Council Budget. The consolidated budget has been discussed by Management and adjustments were subsequently made.

The submissions were based on the Medium Term Revenue and Expenditure Framework for 2011/2012 to 2013/2014 and these were mainly for the operating estimates as well as Capital estimates. The IDP and Budget review process has been conducted in most wards as coordinated by the office of the Mayor, Ward Councillors, IDP office, Financial Services and the Municipal Managers offices.

This exercise was carried out in order to establish the Capital Budget priorities as per IDP as well as to review the IDP for consideration of the Budget preparation process. The draft budget has been tabled in Council and adopted by 25 March 2011 as required by the MFMA. The final budget as well as budget related policies and proposed tariffs have been presented in budget community meetings/ budget hearings for input by the communities. Final budget has been tabled in Council and adopted by 28 April 2011 as required by the MFMA. These were held during the month of April 2010. Community comments and suggestions from the consultative process have been noted and some considered and incorporated in the budget.

In terms of Section 72 of the MFMA, the Accounting Officer must by the 25th of January of each year assess the performance of the Municipality during the first half of the financial year.

The Accounting Officer is also expected to make recommendations as to whether an adjustment budget is necessary and recommend revised projections for revenue and expenditure to the extent that this may be necessary.

The performance assessment and the budget projections as per the table above will necessitate the adjustments on the 2011/2012 approved budget both on capital and operating projections. According to National Treasury budget regulations; the adjusted budget must be approved by the Council by 28th February as it is informed by the mid-term performance assessment.

The adjustment budget is performed to cater and cover for the over expenditure and unauthorized expenditure and this should be done once in the budget year at least after six months. Once this is done, then the savings or over expenditure realized should be allocated to cover where there are gaps. This needs to be submitted to council for approval and implementation. The adjustment budget for 2011/12 is prepared with other budgeted items being increased or decreased depending on the six months implementation rate.

1.2 Council Resolutions

On 30 January 2012 the Council of Greater Kokstad Municipality met in the Council Chambers to consider the annual adjusted budget of the municipality for the financial year 2011/12. The Council approved and adopted the following resolutions:

1. The Council of Greater Kokstad Municipality , acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
 - 1.1. The annual adjusted budget of the municipality for the financial year 2011/12 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 18 on page 24;
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 19 on page 26;
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 21 on page 28; 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 22 on page 30.
 - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
 - 1.2.1. Budgeted Financial Position as contained in Table 23 on page 32;
 - 1.2.2. Budgeted Cash Flows as contained in Table 24 on page 34;
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 25 on page 34;
 - 1.2.4. Asset management as contained in Table 26 on page 36; and
 - 1.2.5. Basic service delivery measurement as contained in Table 27 on page 38.
2. The Council of Greater Kokstad Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2011 the tariffs for other services, as set out in Annexures E1 to E21 respectively.
3. To give proper effect to the municipality's annual budget, the Council of Greater Kokstad Municipality approves:
 - 3.1. 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.

1.3 Executive Summary

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.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Some of these revenue collection strategies are electricity cut offs of consumers on arrears more than 30 days, signing of acknowledgement of debts and making arrangements as per council policies and bylaws on debt collection and credit control. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 51 and 54 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;
- Aging and poorly maintained roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and with also ensuring the non declining cash position of the municipality;
- The increased cost of bulk electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2011/12 MTREF process; and
- Availability of affordable capital.

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

- The 2011/12 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;
 - An upper limit of R59 million was set for the following items and allocations to these items had to be supported by a list and/or motivation setting out the intention and cost of the expenditure which was used to prioritise expenditures:
 - Strategic Planning and Capacity Building – R1,260,000
 - Community Participation – R1,500,000
 - Communication and Corporate Imaging – R 870,000
 - Internal Audit and Risk Management – R1,200,000
 - Youth, Sport and Recreation Programs – R2,150,000
 - Special Programs – R2,130,000
 - Revenue Management – R10,900,000
 - Supply chain Management – R500,000
 - Asset Management – R3,200,000
 - Budget Reporting and Audit Management – R2,500,000
 - Local Economic Development Initiatives – R2,615,000
 - Planning Projects – R6, 600,000
 - Community Services programs – R5,575,000
 - Community Safety programs – R2,048,000
 - Administration programs – R11,303,800
 - Human Resources Management – R4,310,000

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

R thousand	Adjustments Budget 2011/12	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Total Operating Revenue	313,509,486	312,041,064	353,104,658	329,118,398
Total Operating Expenditure	267,949,466	274,764,064	287,542,658	304,519,859
<i>(Surplus)/Deficit for the year</i>	45,560,020	53,163,560	40,436,746	47,489,655
Total Capital Expenditure	87,042,580	90,440,560	105,998,746	72,088,195

Total adjusted operating revenue has grown by 0.4 per cent or R1.4million for the Adjustments Budget 2011/12 financial year when compared to the 2011/12 Original Budget.

Total adjusted operating expenditure for the 2011/12 financial year has been appropriated at R267.9 million and translates into a budgeted surplus of R45 million. When compared to the 2011/12 Original Budget, operational expenditure has decreased by 2.5 per cent in the 2011/12 adjusted budget. These surpluses will be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

The adjusted capital budget of R87 million for 2011/12 is 3.8 per cent less when compared to the 2011/12 Original Budget. The decrease is due to various projects such as Housing. A substantial portion of the capital budget will be funded from council surpluses over MTREF

with anticipated transfers of R40.4 million in 2012/13 and of R47.4 million for 2013/14 MTREF

Operating Revenue Framework

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

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

Table 2 Summary of Adjusted revenue classified by main revenue source

Description	Current Year 2011/12				Budget Year +1 2012/13	Budget Year +2 2013/14
	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome		
R thousand						
Revenue By Source						
Property rates	74,460	73,139	85,027	42,513	78,928	83,663
Property rates - penalties & collection charges	2,501	2,501	1,577	788	2,651	2,810
Service charges - electricity revenue	91,378	95,274	65,599	32,799	96,861	102,673
Service charges - refuse revenue	15,500	15,500	11,901	5,950	14,840	15,730
Interest earned - external investments	1,000	650	610	305	1,060	1,124
Interest earned - outstanding debtors	10	10	0	0	11	12
Fines	7,000	4,000	2,740	1,372	7,420	7,865
Licences and permits	5,600	4,450	2,264	1,132	5,936	6,292
Transfers recognised - operational	49,306	52,386	45,031	27,554	54,439	57,883
Other revenue	65,286	65,599	63,533	39,753	90,959	51,066
Gains on disposal of PPE	-	-	0	-	-	-
Total Revenue (excluding capital transfers and contributions)	312,041	313,509	278,282	152,166	353,105	329,118

Table 3 Percentage growth in adjusted revenue by main revenue source

Description R thousand	Current Year 2011/12		2011/12 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2011/12	%	Budget Year +1 2012/13	%	Budget Year +2 2013/14	%
Revenue By Source								
Property rates	73,139	23.5%	74,430	23.6%	78,928	22.5%	83,663	25.6%
Property rates - penalties & collection charges	2,501	0.7%	2,501	0.8%	2,651	0.8%	2,810	0.8%
Service charges - electricity revenue	95,274	28.5%	91,378	28.9%	96,561	27.4%	102,673	31.3%
Service charges - water revenue	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	-	-	-	-	-	-	-	-
Service charges - refuse revenue	15,500	4.5%	15,500	4.9%	14,840	4.2%	15,730	4.8%
Service charges - other	-	-	-	-	-	-	-	-
Rental of facilities and equipment	-	-	-	-	-	-	-	-
Interest earned - external investments	650	0.2%	1,000	0.3%	1,060	0.3%	1,124	0.3%
Interest earned - outstanding debtors	10	-	10	0%	11	0%	12	0%
Fines	4,000	1.1%	7,000	2.2%	7,420	2.1%	7,867	2.4%
Licences and permits	4,450	-	5,600	-	-	-	-	-
Agency services	-	-	-	-	-	-	-	-
Transfers recognised - operational	52,386	16.0%	49,306	15.4%	54,439	15.2%	57,883	17.4%
Other revenue	65,599	24.5%	65,286	23.9%	90,959	27.5%	51,066	17.4%
Gains on disposal of PPE	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	313,509	100%	312,041	100%	353,105	100%	329,118	100%
Total revenue from rates and service charges	196,913	61.9%	190,338	63.9%	200,168	76.4%	212,179	55.1%

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.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise more than two thirds of the total revenue mix. In the Adjusted budget for 2011/12 financial year, revenue from rates and services charges totalled R196 million or 61.9 per cent. This increases to R190.3 million, R200, 1 million and R212, 1million in the respective financial years of the MTREF. 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. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality. Details in this regard are contained in Table 64 MBRR SB1 (see page 99).

Property rates is the second largest revenue source totalling 23.5 per cent or R73.1million rand by 2011/12 Adjusted and increases to R74.4million by 2011/12 Original. The third largest sources is 'other revenue' which consists of various items such as income received from permits and licenses, building plan fees, connection fees, transport fees and advertisement fees.

Operating grants and transfers total R49, 3 million in the 2011/12 Original Budget and steadily increases to R52.3 million by 2011/12 Adjusted Budget.

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

Table 4 Adjusted Operating Transfers and Grant Receipts

Description	Budget Year 2011/12							Budget Year +1 2012/13	Budget Year +2 2013/14
	Original Budget	Prior Adjusted	Multi-year capital	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands	A	7 A1	8 B	9 C	10 D	11 E	12 F		
RECEIPTS:									
<u>Operating Transfers and Grants</u>									
National Government:	46,702	-	-	(8,371)	-	(8,371)	38,331	42,946	47,108
Equitable share	42,946	-	-	(6,655)	-	(6,655)	36,291	40,906	45,058
Finance Management	1,250	-	-	-	-	-	1,250	1,250	1,250
Municipal Systems Improvement	790	-	-	-	-	-	790	790	800
Other transfers and grants [insert description]	1,716	-	-	(1,716)	-	(1,716)	-	-	-
Provincial Government:	22,604	-	-	(5,144)	-	(5,144)	17,460	1,811	2,744
Housing	21,200	-	-	(5,144)	-	(5,144)	16,056	-	-
Libraries	1,404	-	-	-	-	-	1,404	1,811	2,744
Other grant providers:	1,200	-	-	-	-	-	1,200	-	-
<i>Seta</i>	1,200	-	-	-	-	-	1,200	-	-
Total Operating Transfers and Grants	70,506	-	-	(13,515)	-	(13,515)	56,991	44,757	49,852
<u>Capital Transfers and Grants</u>									
National Government:	16,820	-	-	1,099	-	1,099	17,919	17,927	23,365
Municipal Infrastructure (MIG)	15,927	-	-	(101)	-	(101)	15,826	15,927	19,365
Public Works	893	-	-	-	-	-	893	-	-
Sport and Recreation	-	-	-	1,200	-	1,200	1,200	-	-
Other capital transfers [insert description]	-	-	-	-	-	-	-	2,000	4,000
Provincial Government:	-	-	-	7,200	-	7,200	7,200	-	-
Small Town Rehabilitation	-	-	-	6,200	-	6,200	6,200	-	-
Pund Development	-	-	-	1,000	-	1,000	1,000	-	-
Other grant providers:	-	-	-	-	-	-	-	44,000	33,385
<i>Housing</i>	-	-	-	-	-	-	-	44,000	33,385
Total Capital Transfers and Grants	16,820	-	-	8,299	-	8,299	25,119	61,927	56,750
TOTAL RECEIPTS OF TRANSFERS & GRANTS	87,326	-	-	(5,216)	-	(5,216)	82,110	106,684	106,602

1.4 Adjusted Operating Expenditure Framework

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

- 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;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services.

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

Table 5 Summary of adjusted operating expenditure by standard classification item

Description	Budget Year 2011/12									Budget Year +1 2012/13	Budget Year +2 2013/14
	Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands	A	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H		
Expenditure By Type											
Employee related costs	73,487	-	-	-	-	-	(5,872)	(5,872)	67,615	77,896	52,570
Remuneration of councillors	4,831	-	-	-	-	-	(517)	(517)	4,314	5,121	5,429
Debt impairment	2,500	-	-	-	-	-	2,500	2,500	5,000	2,650	2,809
Depreciation & asset impairment	2,000	-	-	-	-	-	(1,000)	(1,000)	1,000	2,120	2,247
Finance charges	1,525	-	-	-	-	-	(483)	(483)	1,042	1,617	1,714
Bulk purchases	50,350	-	-	-	-	-	-	-	50,350	53,371	56,573
Other expenditure	86,908	-	-	-	-	-	(2,745)	(2,745)	84,163	104,329	105,688
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure	221,602	-	-	-	-	-	(8,118)	(8,118)	213,484	247,104	227,030
Surplus/(Deficit)	53,164	0	0	0	0	(7,371)	(233)	8,118	45,560	106,001	72,089
Transfers recognised - capital	37,277	-	-	-	-	4,205	-	4,205	41,482	(65,564)	(24,600)
Surplus/(Deficit) before taxation	90,441	0	0	0	0	(3,166)	(233)	12,323	87,042	40,437	47,489
Taxation								-	-		
Surplus/(Deficit) after taxation	90,441	0	0	0	0	(3,166)	(233)	12,323	87,042	40,437	47,489
Attributable to minorities								-	-		
Surplus/(Deficit) attributable to municipality	90,441	0	0	0	0	(3,166)	(233)	12,323	87,042	40,437	47,489
Share of surplus/ (deficit) of associate								-	-		
Surplus/ (Deficit) for the year	90,441	0	0	0	0	(3,166)	(233)	12,323	87,042	40,437	47,489

The budgeted allocation for employee related costs for the 2011/12 Adjusted Budget totals R71.9 million, which equals 33.4 per cent of the total operating expenditure.

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 95 per cent and the Debt Write-off Policy of the Municipality. For the 2011/12 Adjusted Budget this amount equates to R5 million and escalates to R2.8 million by 2013/14. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation 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 R1 million for the 2011/12 Adjusted Budget and equates to 0.4 per cent of the total operating expenditure. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years.

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.

Other material comprises of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. In line with the Municipality's repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the Municipality's infrastructure. For 2011/12 Adjusted Budget the appropriation against this group of expenditure has grown by 39.4 per cent (R84.1 million) .

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. Further details relating to contracted services can be seen in Table 64 MBRR SB1 (see page 100).

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

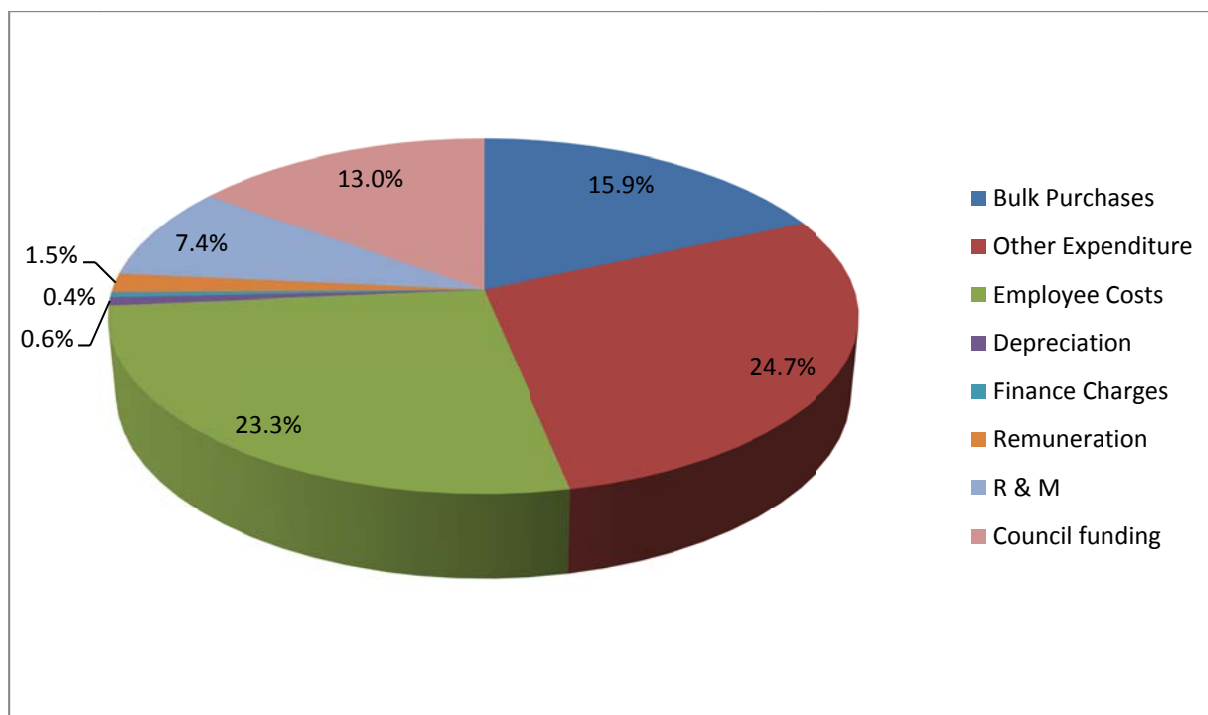


Figure 1 Main adjusted operational expenditure categories for the 2011/12 financial year

1.4.1 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. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services.

During the compilation of the 2011/12 Adjusted 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 by 8.6 per cent in the 2011/12 financial year, from R6.7 million to R7.4 million. During the 2011 Adjustment Budget this allocation was adjusted slightly downwards to R6.2 million owing to the cash flow challenges faced by the Municipality. Notwithstanding this reduction, as part of the 2011/12 MTREF this strategic imperative remains a priority as can be seen by the budget appropriations over the MTREF. The total allocation for 2011/12 equates to R7.4 million a growth of 16.2 per cent in relation to the Adjustment Budget and continues to grow over the MTREF. In relation to the total operating expenditure, repairs and maintenance comprises of 2.36, 2.26 and 2.56 per cent for the respective financial years of the MTREF.

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

Table 6 Adjusted Repairs and maintenance per asset class

Description	Ref	Budget Year 2011/12									Budget Year +1 2012/13	Budget Year +2 2013/14
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands		A	7 A1	8 B	9 C	10 D	11 E	12 F	13 G	14 H		
Repairs and maintenance expenditure by Asset Class/Sub-class												
Infrastructure		5,040	-	-	-	-	-	(1,035)	(1,035)	4,005	5,342	5,663
Infrastructure - Road transport		2,190	-	-	-	-	-	(185)	(185)	2,005	2,321	2,461
<i>Roads, Pavements & Bridges</i>		2,190						(185)	(185)	2,005	2,321	2,461
Infrastructure - Electricity		2,850	-	-	-	-	-	(850)	(850)	2,000	3,021	3,202
<i>Generation</i>		2,850						(850)	(850)	2,000		
<i>Street Lighting</i>									-	-	3,021	3,202
Community		660	-	-	-	-	-	356	356	1,016	1,385	1,547
Parks & gardens		63						188	188	251	67	71
Community halls		163						39	39	202	173	183
Libraries		6						(4)	(4)	2	6	6
Fire, safety & emergency		300						100	100	400	318	337
Security and policing		129						33	33	162	136	145
Other									-	-	685	805
Heritage assets		609	-	-	-	-	-	495	495	1,104	-	-
Buildings		609						495	495	1,104		
Other									-	-		
Other assets		1,127	-	-	-	-	-	(565)	(565)	562	1,081	1,146
General vehicles		1,020						(510)	(510)	510	1,081	1,146
Computers - hardware/equipment		100						(50)	(50)	50		
Furniture and other office equipment		7						(5)	(5)	2		
Total Repairs and Maintenance Expenditure to be adjusted	1	7,436	-	-	-	-	-	(750)	(750)	6,687	7,808	8,356

For the 2011/12 adjusted budget, 2.1 per cent or R6, 6 million of total repairs and maintenance will be spent on infrastructure assets. Electricity infrastructure has received a significant proportion of this allocation totalling 29.9 per cent (R2 million), followed by road infrastructure at 29, 9 per cent (R2 million). Community assets have been allocated R1million of total repairs and maintenance equating to 15, 2 per cent.

1.5 Adjusted Capital expenditure

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

Table 7 2011/12 Medium-term adjusted capital budget per vote

Description	Current Year 2011/12		2011/12 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2011/12	%	Budget Year +1 2012/13	%	Budget Year +2 2013/14	%
Governance and Administration	6,200	7.1%	0	0	0	0	0	0
Corporate Services	750	0.4%	2,000	2.5%	0	0	0	0
Finance Services	1,200	0.7%	1,100	1.2%	650	0.6%	500	0.7%
Safety and Security	2,362	2.1%	7,250	7.6%	5,950	5.6%	700	0.9%
Planning and Economic Development	-	0	128	0.1%	0	0	0	0
Health and Social Development	1,340	1.2%	200	0.2%	212	0.2%	224	0.3%
Sport, Recreation and Community Services	2,491	0.8%	1,000	0.9%	1,060	0.9%	1,124	1.3%
Housing	16,056	21.9%	21,200	22%	33,385	32%	0	0
Environmental Management and Agriculture	2,350	4.7%	150	0.2%	159	0.2%	169	0.2%
Transport and Roads	38,424	53.6%	43,113	45.4%	42,046	35.7%	52,251	70.2%
Electricity	15,870	13.8%	14,300	19.9%	29,600	23.8%	19,000	26.4%
Waste Water	0	0	0	0	0	0	0	0
Water	0	0	0	0	0	0	0	0
Total Capital Budget	87,043	100%	90,441	100%	105,999	100%	72,087	100%

For 2011/12 adjusted budget an amount of R38.4million has been appropriated for the development of infrastructure which represents 44.1 per cent of the total capital budget. Transport and roads receives the highest allocation of R38 million in 2011/12 adjusted budget which equates to 44.1 per cent followed by electricity infrastructure at 13.8 per cent, R15 million.

Further detail relating to asset classes and proposed capital expenditure is contained in Table 26 MBRR B9 (Asset Management) on page 36. In addition to the MBRR Table B9, MBRR Tables SB34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class (refer to pages 88, 89 and 90).

Furthermore pages 92 to 96 contain a detail breakdown of the capital budget per project over the medium-term.

The following graph provides a breakdown of the capital budget to be spent on infrastructure related projects over the MTREF.

1.5.1 Future operational cost of new infrastructure

The future operational costs and revenues associated with the capital programme have been included in Table 61 MBRR SA35 on page 91. This table shows that future operational costs associated with the capital programme totals R90.4million in 2011/12 and escalates to R105.3million by 2012/13. It needs to be noted that as part of the 2011/12 MTREF, this expenditure has been factored into the two outer years of the operational budget.

1.6 Annual Adjustment Budget Tables

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2011/12 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Table 8 MBRR Table B1 – Adjustment Budget Summary

Description	Budget Year 2011/12									Budget Year +1 2012/13	Budget Year +2 2013/14
	Original Budget A	Prior Adjusted 1 A1	Accum. Funds 2 B	Multi-year capital 3 C	Unfore. Unavoid. 4 D	Nat. or Prov. Govt 5 E	Other Adjusts. 6 F	Total Adjusts. 7 G	Adjusted Budget 8 H	Adjusted Budget	Adjusted Budget
R thousands											
Financial Performance											
Property rates	76,961	-	-	-	-	-	(1,321)	(1,321)	75,640	81,578	86,474
Service charges	106,878	-	-	-	-	-	5,524	5,524	112,402	111,701	118,403
Investment revenue	1,011	-	-	-	-	-	(350)	(350)	661	1,071	1,136
Transfers recognised - operational	49,306	-	-	-	-	(7,371)	-	(7,371)	41,935	54,439	57,883
Other own revenue	39,865	-	-	-	-	-	(8,969)	(8,969)	30,896	13,356	14,157
Total Revenue (excluding capital transfers and contributions)	274,021	-	-	-	-	(7,371)	(5,116)	(12,487)	261,534	262,145	278,053
Employee costs	73,487	-	-	-	-	-	(5,872)	(5,872)	67,615	77,896	82,570
Remuneration of councillors	4,831	-	-	-	-	-	(517)	(517)	4,314	5,121	5,429
Depreciation & asset impairment	2,000	-	-	-	-	-	(1,000)	(1,000)	1,000	2,120	2,247
Finance charges	1,525	-	-	-	-	-	(483)	(483)	1,042	1,617	1,714
Materials and bulk purchases	50,350	-	-	-	-	-	-	-	50,350	53,371	56,573
Other expenditure	88,664	-	-	-	-	-	2,989	2,989	91,653	56,456	82,031
Total Expenditure	220,857	-	-	-	-	-	(4,883)	(4,883)	215,974	196,581	230,564
Surplus/(Deficit)	53,164	-	-	-	-	(7,371)	(233)	(7,604)	45,560	65,564	47,489
Transfers recognised - capital	37,277	-	-	-	-	4,206	-	4,206	41,483	40,431	24,600
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	90,441	-	-	-	-	(3,165)	(233)	(3,398)	87,043	105,995	72,089
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year	90,441	-	-	-	-	(3,165)	(233)	(3,398)	87,043	105,995	72,089
Capital expenditure & funds sources											
Capital expenditure	90,440	-	-	-	-	3,256	(6,654)	(3,398)	87,042	105,999	72,088
Transfers recognised - capital	37,277	-	-	-	-	3,256	950	4,206	41,483	65,562	24,599
Internally generated funds	53,163	-	-	-	-	-	(7,604)	(7,604)	45,559	40,437	47,490
Total sources of capital funds	90,440	-	-	-	-	3,256	(6,654)	(3,398)	87,042	105,999	72,089
Financial position											

Total current assets	62,061	-	-	-	-	-	(19,409)	(19,409)	42,652	69,742	81,361
Total non current assets	156,018	-	-	-	-	-	1,317	1,317	157,335	270,746	358,870
Total current liabilities	26,335	-	-	-	-	-	13,168	13,168	39,503	26,825	27,423
Total non current liabilities	1,776	-	-	-	-	-	13,176	13,176	14,952	-	-
Community wealth/Equity	50,044	-	-	-	-	-	95,486	95,486	145,530	44,270	49,947
Cash flows											
Net cash from (used) operating	71,570	-	-	-	-	-	(37,860)	(37,860)	33,710	71,804	132,885
Net cash from (used) investing	(75,318)	-	-	-	-	-	45,301	45,301	(30,017)	(21,208)	24,463
Net cash from (used) financing	(1,387)	-	-	-	-	-	(2,372)	(2,372)	(3,759)	(2,798)	(917)
Cash/cash equivalents at the year end	(290)	-	-	-	-	-	5,921	5,921	5,631	136,526	292,957
Cash backing/surplus reconciliation											
Cash and investments available	38,093	-	-	-	-	-	(33,248)	(33,248)	4,845	38,093	38,093
Application of cash and investments	2,864	-	-	-	-	-	21,464	21,464	24,328	21,637	22,022
Balance - surplus (shortfall)	35,229	-	-	-	-	-	(54,712)	(54,712)	(19,483)	16,456	16,071
Asset Management											
Asset register summary (WDV)	708,838	-	-	-	-	-	-	-	708,838	834,299	929,122
Depreciation & asset impairment	2,000	-	-	-	-	-	(1,000)	(1,000)	1,000	2,120	2,247
Repairs and Maintenance	7,436	-	-	-	-	-	(750)	(750)	6,687	7,808	8,356
Free services											
Cost of Free Basic Services provided	3,777	-	-	-	-	-	-	-	3,777	3,966	4,164
Revenue cost of free services provided <u>Households below minimum service level</u>	23,139	-	-	-	-	-	-	-	23,139	24,584	25,998
Energy:	673	-	-	-	-	-	-	-	673	703	735
Refuse:	0	-	-	-	-	-	-	-	0	0	0

Explanatory notes to MBRR Table B1 – Adjustment Budget Summary

- Table B1 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).
- 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.
- 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:
 - The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
 - Capital expenditure is balanced by capital funding sources, of which
 - Transfers recognised is reflected on the Financial Performance Budget;
 - Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
- Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years.
- The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. But over the MTREF there is progressive improvement in the level of cash-backing of obligations.

6. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs.

Table 9 MBRR Table B2 – Adjusted Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Description	Budget Year 2011/12									Budget Year +1 2012/13	Budget Year +2 2013/14
	Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands	A	5 A1	6 B	7 C	8 D	9 E	10 F	11 G	12 H		
Revenue - Standard											
<i>Governance and administration</i>	147,183	-	-	-	-	(2,171)	2,337	166	147,349	158,189	167,859
Executive and council	1,000	-	-	-	-	6,200	(4)	6,196	7,196	1,060	1,124
Budget and treasury office	144,483	-	-	-	-	(8,371)	2,322	(6,049)	138,434	155,327	164,825
Corporate services	1,700	-	-	-	-	-	18	18	1,718	1,802	1,910
<i>Community and public safety</i>	37,082	-	-	-	-	-	(3,094)	(3,094)	33,988	16,834	17,846
Community and social services	1,882	-	-	-	-	-	150	150	2,032	1,994	2,115
Sport and recreation	400	-	-	-	-	-	1,050	1,050	1,450	424	450
Public safety	13,600	-	-	-	-	-	850	850	14,450	14,416	15,281
Housing	21,200	-	-	-	-	-	(5,144)	(5,144)	16,056	-	-
<i>Economic and environmental services</i>	19,594	-	-	-	-	-	(228)	(228)	19,367	55,691	23,548
Planning and development	2,769	-	-	-	-	-	(124)	(124)	2,645	36,320	3,112
Road transport	16,825	-	-	-	-	-	(104)	(104)	16,722	19,371	20,436
<i>Trading services</i>	108,182	-	-	-	-	-	4,624	4,624	112,806	122,390	119,868
Electricity	92,682	-	-	-	-	-	4,624	4,624	97,306	107,550	104,138
Waste management	15,500	-	-	-	-	-	-	-	15,500	14,840	15,730
Total Revenue - Standard	312,041	-	-	-	-	(2,171)	3,639	1,468	313,509	353,104	329,121
Expenditure - Standard											
<i>Governance and administration</i>	97,159	-	-	-	-	(455)	17,613	17,158	114,317	108,789	115,840
Executive and council	28,351	-	-	-	-	6,200	1,097	7,297	35,647	30,052	31,855
Budget and treasury office	47,402	-	-	-	-	(6,655)	14,764	8,109	55,511	56,120	59,932
Corporate services	21,407	-	-	-	-	-	1,752	1,752	23,159	22,617	24,053
<i>Community and public safety</i>	49,510	-	-	-	-	(2,944)	3	(2,941)	46,568	37,071	33,689
Community and social services	7,431	-	-	-	-	1,000	(471)	529	7,961	8,089	8,575
Sport and recreation	3,840	-	-	-	-	1,200	17	1,217	5,057	4,972	5,270
Public safety	17,038	-	-	-	-	-	457	457	17,495	24,010	19,844
Housing	21,200	-	-	-	-	(5,144)	-	(5,144)	16,056	-	-
<i>Economic and environmental services</i>	36,856	-	-	-	-	(100)	(2,222)	(2,323)	34,533	97,604	75,756
Planning and development	10,981	-	-	-	-	-	(555)	(555)	10,426	45,025	12,339
Road transport	25,875	-	-	-	-	(100)	(1,668)	(1,768)	24,107	52,579	63,417
<i>Trading services</i>	75,353	-	-	-	-	-	(2,822)	(2,822)	72,531	109,640	103,835
Electricity	65,522	-	-	-	-	-	(1,914)	(1,914)	63,608	99,061	92,621
Waste management	9,830	-	-	-	-	-	(907)	(907)	8,923	10,579	11,214
Total Expenditure - Standard	258,878	-	-	-	-	(3,499)	12,571	9,072	267,949	353,104	329,120
Surplus/ (Deficit) for the year	53,164	-	-	-	-	1,328	(8,932)	(7,604)	45,560	-	1

Explanatory notes to MBRR Table B2 – Adjusted Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table B2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of 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 B4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, but not the Waste management function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue.

Table 10 MBRR Table B3 – Adjusted Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Budget Year 2011/12									Budget Year +1 2012/13	Budget Year +2 2013/14
	Original Budget A	Prior Adjusted A1	Accum. Funds B	Multi-year capital C	Unfore. Unavoid. D	Nat. or Prov. Govt E	Other Adjusts. F	Total Adjusts. G	Adjusted Budget H	Adjusted Budget	Adjusted Budget
R thousands											
Revenue by Vote											
EXECUTIVE AND COUNCIL	1,000	-	-	-	-	6,200	(4)	6,196	7,196	1,060	1,124
CORPORATE SERVICES	1,700	-	-	-	-	-	18	18	1,718	1,802	1,910
BUDGET AND TREASURY	144,482	-	-	-	-	-	(6,048)	(6,048)	138,434	155,326	164,825
COMMUNITY AND SOCIAL SERVICES	1,882	-	-	-	-	-	1,150	1,150	3,032	1,993	2,113
PUBLIC SAFETY	13,600	-	-	-	-	-	(150)	(150)	13,450	14,416	15,281
PARKS AND RECREATION	400	-	-	-	-	-	1,050	1,050	1,450	424	449
WASTE MANAGEMENT	15,500	-	-	-	-	-	-	-	15,500	14,840	15,730
PLANNING AND DEVELOPMENT	23,969	-	-	-	-	-	(5,268)	(5,268)	18,701	36,320	3,111
ROAD TRANSPORT	16,825	-	-	-	-	-	(104)	(104)	16,722	19,371	20,436
ELECTICITY SERVICES	92,682	-	-	-	-	-	4,624	4,624	97,306	107,543	104,138
Total Revenue by Vote	312,040	-	-	-	-	6,200	(4,731)	1,469	313,509	353,095	329,117
Expenditure by Vote											
EXECUTIVE AND COUNCIL	28,351	-	-	-	-	-	7,296	7,296	35,647	30,052	31,855
CORPORATE SERVICES	21,407	-	-	-	-	-	1,751	1,751	23,158	22,618	24,052
BUDGET AND TREASURY	47,402	-	-	-	-	-	8,109	8,109	55,511	56,119	59,933
COMMUNITY AND SOCIAL SERVICES	7,431	-	-	-	-	-	529	529	7,961	8,090	8,575
PUBLIC SAFETY	17,038	-	-	-	-	-	457	457	17,494	24,009	19,844
PARKS AND RECREATION	3,840	-	-	-	-	-	1,217	1,217	5,057	4,831	5,102
WASTE MANAGEMENT	9,830	-	-	-	-	-	(907)	(907)	8,923	10,579	10,215
PLANNING AND DEVELOPMENT	32,181	-	-	-	-	-	(5,698)	(5,698)	26,483	11,640	12,338
ROAD TRANSPORT	25,875	-	-	-	-	-	(1,767)	(1,767)	24,108	29,861	42,987
ELECTICITY SERVICES	65,522	-	-	-	-	-	(1,915)	(1,915)	63,607	89,754	88,621
Total Expenditure by Vote	258,878	-	-	-	-	-	9,072	9,072	267,949	287,553	303,522
Surplus/ (Deficit) for the year	53,162	-	-	-	-	6,200	(13,802)	(7,602)	45,560	65,542	25,595

Explanatory notes to MBRR Table B3 – Adjusted Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table B3 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.
2. Note that the surpluses on these trading accounts are utilised as an internal funding source for the capital programme for asset renewal, refurbishment and the development of new asset infrastructure, *and are not used to cross-subsidise other municipal services.*

Table 11 MBRR Table B4 – Adjusted Budgeted Financial Performance (revenue and expenditure)

Description	Budget Year 2011/12									Budget Year +1 2012/13	Budget Year +2 2013/14
	Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
Revenue By Source											
Property rates	74,460	-	-	-	-	-	(1,321)	(1,321)	73,139	78,927	83,664
Property rates - penalties & collection charges	2,501	-	-	-	-	-	-	-	2,501	2,651	2,810
Service charges - electricity revenue	91,378	-	-	-	-	-	5,524	5,524	96,902	96,861	102,673
Service charges - refuse revenue	15,500	-	-	-	-	-	-	-	15,500	14,840	15,730
Interest earned - external investments	1,000	-	-	-	-	-	(350)	(350)	650	1,060	1,124
Interest earned - outstanding debtors	11	-	-	-	-	-	-	-	11	11	12
Fines	7,003	-	-	-	-	-	(1)	(1)	7,002	7,420	7,865
Licences and permits	5,450	-	-	-	-	-	(150)	(150)	5,300	5,936	6,292
Transfers recognised - operating	49,306	-	-	-	-	(7,371)	-	(7,371)	41,935	54,439	57,883
Other revenue	26,912	-	-	-	-	-	(8,818)	(8,818)	18,094	-	-
Gains on disposal of PPE	500	-	-	-	-	-	-	-	500	-	-
Total Revenue (excluding capital transfers and contributions)	274,021	-	-	-	-	(7,371)	(5,116)	(12,487)	261,534	262,145	278,053
Expenditure By Type											
Employee related costs	73,487	-	-	-	-	-	(5,872)	(5,872)	67,615	77,896	82,570
Remuneration of councillors	4,831	-	-	-	-	-	(517)	(517)	4,314	5,121	5,429
Debt impairment	2,500	-	-	-	-	-	2,500	2,500	5,000	2,650	2,809
Depreciation & asset impairment	2,000	-	-	-	-	-	(1,000)	(1,000)	1,000	2,120	2,247
Finance charges	1,525	-	-	-	-	-	(483)	(483)	1,042	1,617	1,714
Bulk purchases	50,350	-	-	-	-	-	-	-	50,350	53,371	56,573
Other expenditure	86,164	-	-	-	-	-	489	489	86,653	53,806	79,222
Total Expenditure	220,857	-	-	-	-	-	(4,883)	(4,883)	215,974	196,581	230,564
Surplus/(Deficit)	53,164	-	-	-	-	(7,371)	(233)	(7,604)	45,560	65,564	47,489
Transfers recognised - capital	37,277	-	-	-	-	4,206	-	4,206	41,483	40,431	24,600
Surplus/(Deficit) before taxation	90,441	-	-	-	-	(3,165)	(233)	(3,398)	87,043	105,995	72,089
Taxation								-	-		
Surplus/(Deficit) after taxation	90,441	-	-	-	-	(3,165)	(233)	(3,398)	87,043	105,995	72,089
Attributable to minorities								-	-		
Surplus/ (Deficit) for the year	90,441	-	-	-	-	(3,165)	(233)	(3,398)	87,043	105,995	72,089

Explanatory notes to Table B4 – Adjusted Budgeted Financial Performance (revenue and expenditure)

1. Total revenue is R313million in adjusted budget 2011/12. Revenue to be generated from property rates is R73 million in the adjusted budget 2011/12 financial year and increases to R83 million by 2013/14 which represents 12 per cent of the operating revenue base of the Municipality and therefore remains a significant funding source for the municipality. Services charges relating to electricity and refuse removal constitutes the biggest component of the revenue basket of the Municipality totalling R112 million for the adjusted budget 2011/12 financial year and increasing to R119 million by 2013/14. For the 2011/12 financial year services charges amount to 20 per cent of the total revenue base. This growth can mainly be attributed to the increase in the bulk prices of electricity.
2. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. The percentage share of this revenue source increases.
3. The following graph illustrates the major expenditure items per type.

Table 12 MBRR Table B5 – Adjusted Budgeted Capital Expenditure by vote, standard classification and funding source

Description	Budget Year 2011/12									Budget Year +1 2012/13	Budget Year +2 2013/14
	Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
Capital expenditure - Vote <i>Single-year expenditure to be adjusted</i>											
EXECUTIVE AND COUNCIL	-	-	-	-	-	6,200	-	6,200	6,200	-	-
CORPORATE SERVICES	2,000	-	-	-	-	-	(1,250)	(1,250)	750	-	-
BUDGET AND TREASURY	1,147	-	-	-	-	-	53	53	1,200	650	500
COMMUNITY AND SOCIAL SERVICES	280	-	-	-	-	1,000	60	1,060	1,340	212	225
PUBLIC SAFETY	7,250	-	-	-	-	-	(4,888)	(4,888)	2,362	5,950	700
PARKS AND RECREATION	1,000	-	-	-	-	1,200	290	1,490	2,490	1,060	1,124
WASTE MANAGEMENT	150	-	-	-	-	-	2,200	2,200	2,350	159	169
PLANNING AND DEVELOPMENT	21,200	-	-	-	-	(5,144)	-	(5,144)	16,056	33,385	-
ROAD TRANSPORT	43,113	-	-	-	-	-	(4,689)	(4,689)	38,424	34,983	50,370
ELECTICITY SERVICES	14,300	-	-	-	-	-	1,570	1,570	15,870	29,600	19,000
Capital single-year expenditure sub-total	90,440	-	-	-	-	3,256	(6,654)	(3,398)	87,042	105,999	72,088
Total Capital Expenditure - Vote	90,440	-	-	-	-	3,256	(6,654)	(3,398)	87,042	105,999	72,088
Capital Expenditure - Standard											
<i>Governance and administration</i>	3,147	-	-	-	-	6,200	(1,197)	5,003	8,150	650	500
Executive and council	-	-	-	-	-	6,200	-	6,200	6,200	-	-
Budget and treasury office	1,147	-	-	-	-	-	53	53	1,200	650	500
Corporate services	2,000	-	-	-	-	-	(1,250)	(1,250)	750	-	-
<i>Community and public safety</i>	29,730	-	-	-	-	(2,944)	(4,538)	(7,482)	22,248	40,607	2,049
Community and social services	280	-	-	-	-	1,000	60	1,060	1,340	212	225
Sport and recreation	1,000	-	-	-	-	1,200	290	1,490	2,490	1,060	1,124
Public safety	7,250	-	-	-	-	-	(4,888)	(4,888)	2,362	5,950	700
Housing	21,200	-	-	-	-	(5,144)	-	(5,144)	16,056	33,385	-
<i>Economic and environmental services</i>	43,113	-	-	-	-	-	(4,689)	(4,689)	38,424	3,498	50,370
Planning and development	-	-	-	-	-	-	-	-	-	-	-
Road transport	-	-	-	-	-	-	(4,689)	(4,689)	-	3,498	-

	43,113									38,424		50,370
<i>Trading services</i>	14,450	-	-	-	-	-	3,770	3,770		18,220	29,759	19,169
Electricity	14,300	-	-	-	-	-	1,570	1,570		15,870	29,600	19,000
Waste management	150	-	-	-	-	-	2,200	2,200		2,350	159	169
<i>Other</i>	-	-	-	-	-	-	-	-		-	-	-
Total Capital Expenditure - Standard	90,440	-	-	-	-	-	3,256	(6,654)	(3,398)	87,042	74,514	72,088
Funded by:												
National Government	15,927	-	-	-	-	(100)	-	(100)		15,827	22,718	20,430
Provincial Government	21,200	-	-	-	-	(5,144)	-	(5,144)		16,056	33,544	169
Other transfers and grants	150	-	-	-	-	8,500	950	9,450		9,600	9,300	4,000
Total Capital transfers recognised	37,277	-	-	-	-	3,256	950	4,206		41,483	65,562	24,599
Internally generated funds	53,163	-	-	-	-	-	(7,604)	(7,604)		45,559	40,437	47,490
Total Capital Funding	90,440	-	-	-	-	3,256	(6,654)	(3,398)		87,042	105,999	72,089

Explanatory notes to Table B5 – Adjusted 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. In relation to multi-year appropriations, for 2011/12 has been allocated of the total R87 million capital budget, which totals 30 per cent.
3. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
4. The capital programme is funded from capital and provincial grants and transfers, public contributions and donations and internally generated funds from current year surpluses. For 2011/12, capital transfers totals R45 million (44 per cent). These funding sources are further discussed in detail in 2.6 (Overview of Budget Funding).

Table 13 MBRR Table B6 – Adjusted Budgeted Financial Position

Description	Budget Year 2011/12									Budget Year +1 2012/13	Budget Year +2 2013/14
	Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands	A	A1	B	C	D	E	F	G	H		
ASSETS											
Current assets											
Cash							1,226	1,226	1,226		
Call investment deposits	38,093	-	-	-	-	-	(34,474)	(34,474)	3,619	38,093	38,093
Consumer debtors	23,585	-	-	-	-	-	5,634	5,634	29,219	31,243	42,837
Other debtors							3,949	3,949	3,949		
Current portion of long-term receivables							4,161	4,161	4,161		
Inventory	383						95	95	478	406	431
Total current assets	62,061	-	-	-	-	-	(19,409)	(19,409)	42,652	69,742	81,361
Non current assets											
Investment property							16,427	16,427	16,427		
Property, plant and equipment	156,018	-	-	-	-	-	(15,936)	(15,936)	140,082	270,746	358,870
Intangible							826	826	826		
Other non-current assets							-	-	-		
Total non current assets	156,018	-	-	-	-	-	1,317	1,317	157,335	270,746	358,870
TOTAL ASSETS	218,079	-	-	-	-	-	(18,092)	(18,092)	199,987	340,488	440,231
LIABILITIES											
Current liabilities											
Borrowing	4,830	-	-	-	-	-	(4,272)	(4,272)	558	3,808	2,891
Consumer deposits							2,862	2,862	2,862		
Trade and other payables	19,269	-	-	-	-	-	8,890	8,890	28,159	20,646	22,022
Provisions	2,236						5,688	5,688	7,924	2,371	2,510
Total current liabilities	26,335	-	-	-	-	-	13,168	13,168	39,503	26,825	27,423
Non current liabilities											
Borrowing	1,776	-	-	-	-	-	1,744	1,744	3,520	-	-
Provisions	-	-	-	-	-	-	11,432	11,432	11,432	-	-
Total non current liabilities	1,776	-	-	-	-	-	13,176	13,176	14,952	-	-
TOTAL LIABILITIES	28,111	-	-	-	-	-	26,344	26,344	54,455	26,825	27,423
NET ASSETS	189,968	-	-	-	-	-	(44,436)	(44,436)	145,532	313,663	412,808
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)	50,044	-	-	-	-	-	95,486	95,486	145,530	44,270	49,947
Reserves	-	-	-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	50,044	-	-	-	-	-	95,486	95,486	145,530	44,270	49,947

Explanatory notes to Table B6 – Adjusted Budgeted Financial Position

1. Table B6 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. Table 66 is supported by an extensive table of notes (SB3 which can be found on page 102) providing a detailed analysis of the major components of a number of items, including:
 - Call investments deposits;
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions non current;
 - Changes in net assets; and
 - Reserves
4. 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.
5. 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 14 MBRR Table B7 – Adjusted Budgeted Cash Flow Statement

Description	Budget Year 2011/12									Budget Year +1 2012/13	Budget Year +2 2013/14
	Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Ratepayers and other	155,251						(13,167)	(13,167)	142,084	182,699	209,382
Government - operating	39,946						(6,655)	(6,655)	33,291	42,946	47,358
Government - capital	60,890						(29,510)	(29,510)	31,380	34,427	19,365
Interest	500						570	570	1,070	530	561
Dividends	-							-	-		
Payments											
Suppliers and employees	(184,102)						71,243	71,243	(112,859)	(188,315)	(143,369)
Finance charges	(915)						(333)	(333)	(1,248)	(483)	(412)
Transfers and Grants	-						(60,008)	(60,008)	(60,008)		
NET CASH FROM/(USED) OPERATING ACTIVITIES	71,570	-	-	-	-	-	(37,860)	(37,860)	33,710	71,804	132,885
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE	924						(305)	(305)	619	998	1,098
Decrease (Increase) in non-current debtors							310	310	310		
Decrease (increase) other non-current receivables							83	83	83		
Decrease (increase) in non-current investments								-	-		
Payments											
Capital assets	(76,242)						45,213	45,213	(31,029)	(22,206)	23,365
NET CASH FROM/(USED) INVESTING ACTIVITIES	(75,318)	-	-	-	-	-	45,301	45,301	(30,017)	(21,208)	24,463
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans								-	-		
Borrowing long term/refinancing							156	156	156		
Increase (decrease) in consumer deposits								-	-		
Payments											
Repayment of borrowing	(1,387)						(2,528)	(2,528)	(3,915)	(2,798)	(917)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(1,387)	-	-	-	-	-	(2,372)	(2,372)	(3,759)	(2,798)	(917)
NET INCREASE/ (DECREASE) IN CASH HELD	(5,135)	-	-	-	-	-	5,069	5,069	(66)	47,798	156,431
Cash/cash equivalents at the year begin:	4,845						852	-	4,845	88,728	136,526
Cash/cash equivalents at the year end:	(290)						5,921	4,779	136,526	292,957	

Explanatory notes to Table B7 – Adjusted 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.
3. The approved 2011/12 MTREF provide for a further net decrease in cash of R6 million for the 2010/11 financial year resulting in an overall projected positive cash position of R35 million at year end.
4. As part of the 2010/11 mid-year review and Adjustments Budget this unsustainable cash position had to be addressed as a matter of urgency and various interventions were

implemented such as the reduction of expenditure allocations and rationalization of spending priorities.

- The 2011/12 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.

Table 15 MBRR Table B8 – Adjusted Cash Backed Reserves/Accumulated Surplus Reconciliation

Description	Budget Year 2011/12									Budget Year +1 2012/13	Budget Year +2 2013/14
	Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands	A	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H		
Cash and investments available											
Cash/cash equivalents at the year end	(290)	-	-	-	-	-	5,921	5,921	5,631	136,526	292,957
Other current investments > 90 days	38,383	-	-	-	-	-	(39,169)	(39,169)	(786)	(98,433)	(254,864)
Non current assets - Investments	-	-	-	-	-	-	-	-	-	-	-
Cash and investments available:	38,093	-	-	-	-	-	(33,248)	(33,248)	4,845	38,093	38,093
Applications of cash and investments											
Unspent conditional transfers	-	-	-	-	-	-	-	-	-	-	-
Unspent borrowing											
Statutory requirements											
Other working capital requirements	2,864	-					21,464	21,464	24,328	21,637	22,022
Other provisions											
Long term investments committed	-	-									
Reserves to be backed by cash/investments	-	-									
Total Applications of cash and investments:	2,864	-	-	-	-	-	21,464	21,464	24,328	21,637	22,022
Surplus(shortfall)	35,229	-	-	-	-	-	(54,712)	(54,712)	(19,483)	16,456	16,071

Explanatory notes to Table B8 – Adjusted Cash Backed Reserves/Accumulated Surplus Reconciliation

- The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
- In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
- The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
- Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
- Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2010/11 MTREF was not funded owing to the significant deficit.
- As part of the budgeting and planning guidelines that informed the compilation of the 2011/12 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

Table 16 MBRR Table B9 - Asset Management

Description	Budget Year 2011/12									Budget Year +1 2012/13	Budget Year +2 2013/14
	Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands	A	A1	B	C	D	E	F	G	H		
CAPITAL EXPENDITURE											
<u>Total New Assets to be adjusted</u>	90,440	-	-	-	-	7,400	(10,797)	(3,397)	87,043	105,998	72,089
<i>Infrastructure - Road transport</i>	43,113	-	-	-	-	-	(4,689)	(4,689)	38,424	33,403	47,349
<i>Infrastructure - Electricity</i>	14,300	-	-	-	-	-	1,570	1,570	15,870	29,600	19,000
<i>Infrastructure - Other</i>	150	-	-	-	-	-	2,200	2,200	2,350	159	169
Infrastructure	57,563	-	-	-	-	-	(919)	(919)	56,644	63,162	66,518
Community	8,530	-	-	-	-	1,200	(4,537)	(3,337)	5,193	5,572	1,649
Investment properties	21,200	-	-	-	-	-	(5,144)	(5,144)	16,056	33,385	-
Other assets	3,148	-	-	-	-	6,200	(197)	6,003	9,150	3,879	3,922
<u>Total Capital Expenditure to be adjusted</u>											
<i>Infrastructure - Road transport</i>	43,113	-	-	-	-	-	(4,689)	(4,689)	38,424	33,403	47,349
<i>Infrastructure - Electricity</i>	14,300	-	-	-	-	-	1,570	1,570	15,870	29,600	19,000
<i>Infrastructure - Other</i>	150	-	-	-	-	-	2,200	2,200	2,350	159	169
Infrastructure	57,563	-	-	-	-	-	(919)	(919)	56,644	63,162	66,518
Community	8,530	-	-	-	-	1,200	(4,537)	(3,337)	5,193	5,572	1,649
Investment properties	21,200	-	-	-	-	-	(5,144)	(5,144)	16,056	33,385	-
Other assets	3,148	-	-	-	-	6,200	(197)	6,003	9,150	3,879	3,922
TOTAL CAPITAL EXPENDITURE to be adjusted	90,440	-	-	-	-	7,400	(10,797)	(3,397)	87,043	105,998	72,089
ASSET REGISTER SUMMARY - PPE (WDV)											
<i>Infrastructure - Road transport</i>	262,804	-	-	-	-	-	-	-	262,804	290,880	321,293
<i>Infrastructure - Electricity</i>	168,532	-	-	-	-	-	-	-	168,532	204,532	236,632
Infrastructure	431,336	-	-	-	-	-	-	-	431,336	495,412	557,925
Community	154,502	-	-	-	-	-	-	-	154,502	198,502	231,887
Heritage assets	98,596	-	-	-	-	-	-	-	98,596	106,484	115,824
Other assets	24,404	-	-	-	-	-	-	-	24,404	33,901	23,486
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	708,838	-	-	-	-	-	-	-	708,838	834,299	929,122
EXPENDITURE OTHER ITEMS											
<u>Depreciation & asset impairment</u>	2,000	-	-	-	-	-	(1,000)	(1,000)	1,000	2,120	2,247
<u>Repairs and Maintenance by asset class</u>	7,436	-	-	-	-	-	(750)	(750)	6,687	7,808	8,356
<i>Infrastructure - Road transport</i>	2,190	-	-	-	-	-	(185)	(185)	2,005	2,321	2,461
<i>Infrastructure - Electricity</i>	2,850	-	-	-	-	-	(850)	(850)	2,000	3,021	3,202
Infrastructure	5,040	-	-	-	-	-	(1,035)	(1,035)	4,005	5,342	5,663
Community	660	-	-	-	-	-	356	356	1,016	1,385	1,547
Heritage assets	609	-	-	-	-	-	495	495	1,104	-	-
Other assets	1,127	-	-	-	-	-	(565)	(565)	562	1,081	1,146
TOTAL EXPENDITURE OTHER ITEMS to be adjusted	9,436	-	-	-	-	-	(1,750)	(1,750)	7,687	9,928	10,603

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The Municipality meets both these recommendations.
3. The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF. It highlights the Municipality's strategy to address the maintenance backlog.

Table 17 MBRR Table B10 - Basic Service Delivery Measurement

Description	Budget Year 2011/12									Budget Year +1 2012/13	Budget Year +2 2013/14
	Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
Household service targets (000)											
Energy:											
Electricity (at least min. service level)								-	-		
Electricity - prepaid (> min.service level)								-	-		
<i>Minimum Service Level and Above sub-total</i>	-	-	-	-	-	-	-	-	-	-	-
Electricity (< min.service level)	671,301							-	671,301	701,509	733,077
Electricity - prepaid (< min. service level)	1,590							-	1,590	1,661	1,736
Other energy sources								-	-		
<i>Below Minimum Service Level sub-total</i>	672,891	-	-	-	-	-	-	-	672,891	703,170	734,813
Total number of households	672,891	-	-	-	-	-	-	-	672,891	703,170	734,813
Refuse:											
Removed at least once a week (min.service)	198							-	198	207	216
<i>Minimum Service Level and Above sub-total</i>	198	-	-	-	-	-	-	-	198	207	216
Removed less frequently than once a week	233							-	233	243	254
<i>Below Minimum Service Level sub-total</i>	233	-	-	-	-	-	-	-	233	243	254
Total number of households	431	-	-	-	-	-	-	-	431	450	470
Households receiving Free Basic Service											
Electricity/other energy (50kwh per household per month)	3,000							-	3,000	3,000	3,000
Refuse (removed at least once a week)	3,000							-	3,000	3,000	3,000
Cost of Free Basic Services provided (R'000)											
Electricity/other energy (50kwh per household per month)	1,066							-	1,066	1,119	1,175
Refuse (removed once a week)	2,711							-	2,711	2,847	2,989
Total cost of FBS provided (minimum social package)	3,777	-	-	-	-	-	-	-	3,777	3,966	4,164
Highest level of free service provided											
Property rates (R'000 value threshold)	20,000							-	20,000,000	20,000	20,000
Electricity (kw per household per month)	50							-	50,000	50	50
Refuse (average litres per week)								-	-		
Revenue cost of free services provided (R'000)											
Property rates (R15 000 threshold rebate)	20									20	20

Property rates (other exemptions, reductions and rebates)	19,342								-	20		
Electricity/other energy	1,066								-	1,066	1,119	1,175
Refuse	2,711								-	2,711	2,847	2,989
Total revenue cost of free services provided (total social package)	23,139	-	-	-	-	-	-	-	-	23,139	24,584	25,998

Explanatory notes to Table B10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. The Municipality continues to make good progress with the eradication of backlogs:
 - a. Electricity services – backlog will be reduced by 2000 households. As indicated elsewhere, the emphasis in the electricity sector is on addressing urgent network upgrades. Once the most pressing network issues have been addressed, the electrification programme will be prioritised; with 6000 households budgeted to be electrified in 2013/14.
 - b. Refuse services – backlog will be reduced by 21 000 households in 2011/12, and a further 14 000 households in the outer two years of the MTREF. However it should be noted that this function is being investigated with a view to realising greater efficiencies, which is likely to translate into a more rapid process to address backlogs.
3. The budget provides for 90 000 households to be registered as indigent in 2011/12, and therefore entitled to receiving Free Basic Services. The number is set to increase to 105 000 households given the rapid rate of in-migration to the Municipality, especially by poor people seeking economic opportunities.
4. It is anticipated that these Free Basic Services will cost the municipality R23 million in 2011/12, increasing to R25 million in 2013/14. This is covered by the municipality's equitable share allocation from national government.
5. In addition to the Free Basic Services, the Municipality also 'gives' households R23 million in free services in 2011/12, and it increases to R25 million in 2013/14. This 'tax expenditure' needs to be seen within the context of the municipality's overall revenue management strategy – the more the municipality gives away, the less there is available to fund other services. Currently, the 'free services' represent about 4 per cent of total operating revenue.

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 MMC for Finance.

The primary aims of the Budget Steering Committee are 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.

2.1.1 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 26 August 2010. Key dates applicable to the process were:

- **August 2010** – Planning for the next three year budget begins in accordance with the coordination and preparation of the Budget/ IDP process plan.
- **November 2010** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **3 to 7 January 2011** - Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;
- **January 2011** – Submission of report to Council on implementation of budget and financial status of municipality
- **20 January 2011** - Council approves the 2010/11 Mid-year Review s72 and Adjustments Budget;
- **February 2011** - Recommendations of the Mayoral Committee are communicated to the Budget Steering Committee, and on to the respective departments. The draft 2011/12 MTREF is revised accordingly;
- **March 2011** - Tabling in Council of the draft 2011/12 IDP, SDBIP and 2011/12 MTREF for public consultation. Submission of draft Budget to National, Provincial Treasury and Other Stakeholders (MFMA s22)

- **April 2011** – Public consultation and participation;
- **April 2011** – Closing date for written comments ,finalisation of the 2011/12 IDP, SDBIP and 2011/12 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- **May 2011** - Tabling of the 2011/12 MTREF before Council for consideration and approval.

2.1.2 IDP and Adjusted Service Delivery and Budget Implementation Plan

This is the fourth 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.

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 Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

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.

2.1.3 Financial Modelling 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, migration patterns)
- Performance trends

- 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 and 54 has been taken into consideration in the planning and prioritisation process.

2.1.4 Community Consultation

The draft 2011/12 MTREF as tabled before Council on 03 March 2011 for community consultation was published on the municipality's website, and hard copies were made available at customer care offices, municipal notice boards and various libraries.

All documents in the appropriate format (electronic and printed) were 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 were utilised to facilitate the community consultation process from 03 to 08 April 2011, and included nine public briefing sessions. The applicable dates and venues were published in all the local newspapers and on average attendance of 100 were recorded per meeting. This is up on the previous year's process. This can be attributed to the additional initiatives that were launched during the consultation process, including the specific targeting of ratepayer associations. Individual sessions were scheduled with organised business and imbizo's were held to further ensure transparency and interaction. Other stakeholders involved in the consultation included churches, non-governmental institutions and community-based organisations.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant considered as part of the finalisation of the 2011/12 MTREF. Feedback and responses to the submissions received are available on request. The following are some of the issues and concerns raised as well as comments received during the consultation process:

- Capital expenditure is not allocated to the areas in the same ratio as the income derived from those areas. This is a normal practice in a collective taxation environment. The Municipality is responsible for managing the equitable use of resources to ensure that constitutional imperative to progressively improve basic services in undeveloped areas is realized in a sustainable manner over a reasonable period of time;
- Several complaints were received regarding poor service delivery, especially waste removal backlogs and the state of road infrastructure;
- Poor performance of contractors relating to infrastructure development and maintenance especially in the areas of road construction and maintenance were raise
- Remuneration packages of council officials were criticized as being very high, relative their private sector counterparts within the Municipality;
- The affordability of tariff increases, especially electricity, was raised on numerous occasions. This concern was also raised by organized business as an obstacle to economic growth; and
- During the community consultation process large sections of the community made it clear that tariff increases this year was fair to fund additional budget requests. They

indicated that the municipality must do more to ensure efficiencies and value for money.

Significant changes effected in the final 2011/12 MTREF compared to the draft 2011/12 MTREF that was tabled for community consultation, include:

- The final Eskom bulk tariff increase, applicable to municipalities from 1 July 2011, was factored into the proposed consumer tariffs, applicable from 1 July 2011. This resulted in an increase of 20.38 per cent;
- An amount of R315 million (R220million on the Operating Budget and R95 million on the Capital Budget) was included over the medium-term for each of the financial years.
- The SALGBC parties' settlement regarding the salary dispute resulted in a preliminary amount of R78.3 million being provided for in the 2011/12 financial year;
- The 2011 Division of Revenue Act (DORA) grant allocations were finalized and aligned to the gazetted allocations.

2.2 Overview of alignment of adjusted 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.

The municipality is committed to redressing and addressing the needs of the people and values inputs from our communities. During the November and December 2009, the Mayor and the Municipal Manager Offices held consultative forums and imbizo for the stakeholders and members of public in all six wards. Members of communities were required to provide their IDP needs and minutes were recorded for all those meetings. This was done to ensure that there was consultation between the municipality and the communities with regard to their needs and service delivery. 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.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2011/12 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 22 IDP Strategic Objectives

This section aims at providing a synopsis of the development issues arising from the situational analysis of Greater Kokstad Municipality in the form of a SWOT (Strengths, Weaknesses, Opportunities and Threats). For ease reference, the issues raised have been grouped under the 5 KPA's of the Five Year Local Government Strategic Agenda namely:

Basic Services Delivery and Infrastructure
 Local Economic Development
 Financial Viability and Financial Management
 Municipal Transformation and Institutional Development
 Good Governance and Community Participation
 Spatial and Environmental Planning

1. STRENGTHS

Local Economic Development

- It is relatively close to major hubs (Pietermaritzburg and Port Shepstone) in the province
- Quality of agricultural attributes of soil types, climatic diversity and rainfall. High concentration of prime agricultural land in the hands of large commercial sugar cane farmers
- Labour forces
- Strategic location of Kokstad town
- Local Economic Development Strategy
- Historical and cultural sites
- Variety of business services available, e.g. from banks, business partners etc.
- Well established infrastructure with good transport network
- Various government sectors in Kokstad town
- Strong Functionally Chamber of Business

- Vacant land for development
- Social cohesion
- Dedicated housing section
- Availability of land for housing project
- C-MAX Prison

Financial Viability and Financial Management

- Finance Services Department in Place
- Experienced Chief Financial Officer
- Municipal work within its budget

Municipal Transformation and Institutional Development

- Corporate Services Department is in place
- Human resources Development Strategy is in place
- Experienced, qualified and dedicated municipal staff

Good Governance and Community Participation

- Good turnaround strategy
- Good political/administration relationships.
- Statutory governance structures in place.
- Functional ward committees.
- Good communication and community participation strategy
- Up and running Municipal Website

Spatial and Environmental Planning

- Rugged mountainous terrain
- Contrasting grassland
- Greater Kokstad Municipality is strategically located and accessible to all parts of the district.
- Existence of government extension services.
- Identified development urban areas.

2. WEAKNESSES

Basic Services Delivery and Infrastructure

- Limited growth in the manufacturing industry
- Bulk water supply is a major constraint that affects the municipality.
- 5.3% of the population still does not have access to clean water and obtain water from rivers and streams.
- Lack of upgrading and maintenance of infrastructure and services.
- Rural areas still rely on pit latrine or no toilet system at all.
- The urban areas have proper water borne sanitation systems, but rural areas still rely on pit latrines or no system at all. This places tremendous strain on the environment and
- Lack of comprehensive infrastructure and services plan.
- Lack of electricity to an extent that there are areas that still use paraffin and candle as a source of energy
- Storm water is not properly managed

Local Economic Development

- Insufficient water supply
- Lack of LED institution

- Low level of employment opportunities
- Local SMMEs are not geared to take advantage of emerging business and tender opportunities offered.
- Impediments to SMME development in Greater Kokstad Municipality include low levels of education and productive skills of access to finance, inadequate infrastructure, lack in effective demand and communication.
- Lack of Agricultural Development Plan.
- Limited growth in the manufacturing industry
- Lack of skills
- Industrial development is concentrated in Kokstad Town.

Financial Viability and Financial Management

- Lack of a comprehensive strategy for maximizing the income of the Council.
- The outstanding debt on rates and services owed to the Municipalities is still very high

Municipal Transformation and Institutional Development

- Lack of office space
- Lack of staff accommodation

Good Governance and Community Participation

- Implementation of communication and community participation strategy
- Ward Committees still do not have clear understanding on IDP processes.

Spatial and Environmental Planning

- Illegal occupation of land for informal settlement purposes.
- Mushrooming of informal settlements in flood line areas.
- Deterioration of urban areas
- No integration of environmental, land use and transport management system
- Growth and development is only focusing on primary node (Kokstad town) disadvantaged areas and areas of economic opportunity are neglected.
- Illegal small business operators that conducting business from home without permission are increasing. This has given rise to traffic and safety problems as these areas were not designed for such purposes.

3. OPPORTUNITIES

Basic Services Delivery and Infrastructure

- Existing railway lines/infrastructure.
- Infrastructure, Planning and Development Department in place
- Municipal Infrastructure Grant funding is available for the provision of services

Local Economic Development

- Young energetic human capital
- Tourism attractive
- Strong agricultural base and potential to developing agriculture to new high value product
- Desire for development
- Black Economic Empowerment
- Existence of a strong NGOs and CBOs
- Available of agricultural land

Financial Viability and Financial Management

- Implementation of MPRA
- Less grant dependency

Municipal Transformation and Institutional Development

- Construction of new offices.
- Agglomeration of various government sector department in one locality

Good Governance and Community Participation

- Ward Committees have been established
- Communication and Public Participation in place
- 2007 -2012 Comprehensive Municipal IDP document in place

Spatial and Environmental Planning

- Eco tourism development
- Urban greening
- Corridor development
- Urban expansion

4. TREATS**Basic Services Delivery and Infrastructure**

- The occurrence of cholera and related diseases is as a result of the absence of potable water as well as the lack of sanitation
- Non-payment of services could reduce the willingness of services provider to extend and maintain services.
- Land invasion leading to uncontrolled settlement and impact on natural resources

Local Economic Development

- HIV/Aids which has a direct impact on the ability and the area to grow.
- Lack of Infrastructure and services maintenance
- Skills exodus

Financial Viability and Financial Management

- Poverty and Unemployment rate
- Non- payment of rates

Good Governance and Community Participation

- Low levels of participation by certain stakeholders in the IDP process.

Spatial and Environmental Planning

- Erosion and the degradation of field as a result of poor land management due to overgrazing and incorrect cultivation methods need to be addressed by means of control measures and efforts are needed to increase people's awareness of the advantages of good waste management practices.
- Erosion and Water pollution is a common problem in the area as the people use the rivers for all purposes including washing cars and clothes, animal feed, human consumption and other purposes
- Alien plants

Summary of Key Priority/Critical Issues

- In summary the key priority/critical issues that need urgent attention are follows:
- Eradication of the backlogs especially on water, sanitation and electricity;
- Dealing ahead with current conditions of roads and storm water;
- Upgrading the ageing infrastructure and services;
- Address the low to middle income backlogs;
- Creation of economic growth and job opportunities;
- Promote tourism development;
- Dealing with HIV/Aids pandemic;
- Urban regeneration strategy;
- Promotion of nodal development;
- Mainstreaming of gender equality into development programmes;
- Intensification of social services for children and youth;
- Skills development.

The 2011/12 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

2.3 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 targets, 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.

Table 18 MBRR Table SB4 - Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2008/9	2009/10	2010/11	Budget Year 2011/12			Budget Year +1 2012/13	Budget Year +2 2013/14
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Prior Adjusted	Adjusted Budget	Adjusted Budget	Adjusted Budget
<u>Borrowing Management</u>									
Borrowing to Asset Ratio	Total Long-term Borrowing/ Total Assets				0.8%	0.0%	1.8%	0.0%	0.0%
Credit Rating	Short term/long term rating								
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure				1.3%	0.0%	2.3%	2.2%	1.1%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants				0.0%	0.0%	0.0%	0.0%	0.0%
<u>Safety of Capital</u>									
Debt to Equity	Loans, Creditors, Overdraft & Tax Provision/ Funds & Reserves				0.0%	0.0%	0.0%	0.0%	0.0%
Gearing	Long Term Borrowing/ Funds & Reserves				0.0%	0.0%	0.0%	0.0%	0.0%
<u>Liquidity</u>									
Current Ratio	Current assets/current liabilities				235.7%	0.0%	108.0%	260.0%	296.7%
Current Ratio adjusted for aged debtors	Current assets/current liabilities less debtors > 90 days/current liabilities				592.4%	0.0%	0.0%	0.0%	0.0%
Liquidity Ratio	Monetary Assets/Current Liabilities				1.4	0.0	0.1	1.4	1.4
<u>Revenue Management</u>									
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/ Last 12 Mths Billing								
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue				8.6%	0.0%	14.3%	11.9%	15.4%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old				0.0%	0.0%	0.0%	0.0%	0.0%
<u>Creditors Management</u>									
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA s 65(e))								
<u>Funding of Provisions</u>									
Provisions not funded - %	Unfunded Provs./Total Provisions								
<u>Other Indicators</u>									

Electricity Distribution Losses (2)	% Volume (units purchased and generated less units sold)/units purchased and generated								
Water Distribution Losses (2)	% Volume (units purchased and own source less units sold)/Total units purchased and own source								
Employee costs	Employee costs/(Total Revenue - capital revenue)				26.8%	0.0%	0.0%	0.0%	0.0%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)				2.7%	0.0%	0.0%	0.0%	0.0%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)				1.3%	0.0%	0.8%	1.4%	1.4%
IDP regulation financial viability indicators									
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year				5089.8%	0.0%	4973.9%	7894.6%	8368.3%
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services				8.6%	0.0%	11.2%	11.9%	15.4%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure				0.0	0.0	0.0	1.2	2.2

2.3.1 Performance indicators and benchmarks

2.3.1.1 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, Greater Kokstad Municipality’s borrowing strategy is primarily informed by the affordability of debt repayments.

2.3.1.2 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 2011/12 financial year the ratio deteriorated to a level 56.2 per cent. As part of the planning guidelines that informed the compilation of the 2011/12 MTREF ensuring proper cash-backing of reserves and funds has been considered a prudent financial sustainability.

- *The gearing ratio* is a measure of the total long term borrowings over funds and reserves. Between 2007/08 and 2009/10 the gearing ratio peaked at 9.5 per cent. This was primarily a result of the decreased borrowing levels and increasing funds and reserves.

2.3.1.3 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. 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 2010/11 financial year the ratio was 1.7 and as part of the financial planning strategy it has been decreased to 1.4 in the 2011/12 financial year.

2.3.1.4 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.

2.3.1.5 Creditors Management

- The Municipality has managed to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality has managed to ensure a 100 per cent compliance rate to this legislative obligation. This has had a favourable impact on suppliers' perceptions of risk of doing business with the Municipality, which is expected to benefit the Municipality in the form of more competitive pricing of tenders, as suppliers compete for the Municipality's business.

2.3.1.6 Other Indicators

- The initiatives to ensure these targets are achieved include managing illegal connections and theft of electricity by rolling out smart metering systems, including prepaid meters.
- Employee costs as a percentage of operating revenue continues to increase over the MTREF.
- Similar to that of employee costs, repairs and maintenance as percentage of operating revenue is also decreasing owing directly to cost drivers such as bulk purchases increasing far above inflation. In real terms, repairs and maintenance has increased as part of the Municipality's strategy to ensure the management of its asset base.

2.4 Overview of budget assumptions

2.4.1 Headline inflation forecasts

On setting up increases on tariffs and increasing of budget expenditures, the National Treasury issued inflation forecast through MFMA circular No 51 for 2011/12 of 6.2% has been well considered and this resulted to all tariffs except electricity to be increased below 6%.

2.4.2 Revision of rates, tariffs, and other charges

As detailed on paragraph 1 above, when revising tariffs, rates and other charges, inflation forecast has been considered to ensure that all are proposed to increase not above 6%.

Further to the above, the labour and other input costs of services have been taken into account to ensure financial sustainability, local economic conditions and the affordability of services and also taken into consideration the municipality's indigent policy. The proposed rates, tariffs and other charges have been tried to be kept as as low as practically possible.

2.4.3 Eskom bulk tariff increases

On announcement of Eskom bulk increases by NERSA, the municipality proposed increases on electricity tariffs is 20.38% as guided by NERSA final approved tariffs will be subject to NERSA. These will be only tariffs to increase above 6% and this is beyond municipality as electricity is purchased in bulk from Eskom.

2.4.4 Funding choices and management matters

Tough decisions on the expenditure side have been made by giving priority to ensure that service delivery is improved in all aspects as follows,

- Supports of meaningful local economic development initiatives that foster micro and small business opportunities and job creation.
- Day to day operations for provision of service delivery.
- That there is expediting spending on capital projects that are funded by conditional grant and council revenue.
- Supports of meaningful special programs for community groups.

2.4.5 The Municipal Budget and reporting Regulations

Since 1 July 2009, the budgets have been prepared as per requirements of the regulations. The municipality have complied with the formats set out in schedule A, B and C and the relevant attachments to each of the schedules.

2.4.6 MFMA Circular No. 51 and 54

Circular No. 51 has provided guidance on budget preparations on many aspects which on this current budget preparations, the inflation forecast for increases have been considered.

Circular No.54 provides further guidance to municipalities for the preparation of 2011/12 Budgets and Medium Term Revenue and Expenditure Framework. Main guidance provided is on outgoing councils need to ensure that the inputs into 2011/12 budget and MTREF safeguard the financial sustainability of the municipality. More specifically, the council is advised against unrealistically low tariff increases and over-ambitious capital expenditure programmes.

2.4.7 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than 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 per cent) of annual billings. Cash flow is assumed to be 95 per cent of billings, plus 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 in-flow once the performance has been carefully monitored.

2.4.8 Growth or decline in tax base of the municipality

Debtors revenue is assumed to increase at a rate that is influenced by the consumer debtors collection rate, tariff/rate pricing, real growth rate of the Municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

2.4.9 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 6.8 per cent.

2.4.10 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.

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

It is estimated that a spending rate of at least 90 per cent is achieved on operating expenditure and 98 per cent on the capital programme for the 2011/12 MTREF of which performance has been factored into the cash flow budget.

2.5 Overview of budget funding

2.5.1 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					
	Adjusted Budget Year 2011/12	%	Original Budget Year 2012/13	%	Budget Year +1 2013/14	%
Property rates	86,139,156	26%	83,460,819	26%	88,468,468	25%
Service charges	110,774,217	34%	106,878,161	34%	111,700,851	32%
Investment revenue	660,500	1%	1,010,500	1%	1,071,130	0%
Transfers recognised - operational	88,765,560	29%	87,326,000	29%	116,489,200	33%
Other own revenue	27,170,053	10%	35,365,584	10%	35,375,009	10%
Total Operating Revenue (excluding capital transfers and contributions)	313,509,486	100%	312,041,064	100%	353,104,658	100%
Total Operating Expenditure	267,949,466		258,877,504		353,104,658	
Surplus/(Deficit)	45,560,020		53,163,560		0	

The following graph is a breakdown of the operational revenue per main category for the 2011/12 financial year.

Figure 2 Breakdown of operating revenue over the 2011/12 MTREF

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 water, electricity, sanitation 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).

The revenue strategy is a function of key components such as:

- Growth in the municipality and economic development;
- Revenue management and enhancement;
- Achievement of a 95 per cent annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

The proposed tariff increases for the 2011/12 MTREF on the different revenue categories are:

Table 20 Proposed tariff increases over the medium-term

Revenue to be generated from property rates is R86 million in the 2011/12 financial year and increases to R93 million by 2013/14 which represents 19.9 per cent of the operating revenue base of the Municipality. It remains relatively constant over the medium-term. With the implementation of the Municipal Property Rates Act the basis of rating significantly changed.

The Municipality is still in a process of further data verification and validation relating to the valuation roll. In addition there are still outstanding objections, although significant progress was made in dealing with these objections in the 2010/11 financial year. It is anticipated that the process will be concluded by the end of 2011. As the levying of property rates is considered a strategic revenue source a further supplementary valuation process will be undertaken in the 3rd quarter of the 2011/12 financial year. The outcome of this initiative will be closely monitored and reported on a regular basis as part of the quarterly performance reporting.

Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the Municipality totalling R110 million for the 2011/12 financial year and increasing to R118 million by 2013/14. For the 2011/12 financial year services charges amount to 56 per cent of the total revenue base and grows by 1 per cent per annum over the medium-term. This growth can mainly be attributed to the increase in the bulk prices of electricity and water.

Operational grants and subsidies amount to R88million. The percentage of the total operational grants and transfers in relation to the total operating revenue is distorted owing to the high increases in revenue relating to services charges.

It needs to be noted that these allocations have been conservatively estimated and as part of the cash backing of reserves and provisions. The actual performance against budget will be carefully monitored. Any variances in this regard will be addressed as part of the mid-year review and adjustments budget.

2.5.2 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 adjusted capital revenue over the MTREF

Vote Description	2011/12 Medium Term Revenue & Expenditure Framework							
	Adjusted Budget	%	Budget Year 2011/12	%	Budget Year +1 2012/13	%	Budget Year +2 2013/14	%
Funded by:								
National Government	15,826,000		15,927,000		22,718,000		20,430,000	
Provincial Government	25,657,000		25,800,000		42,685,000			
Transfers recognised - capital	41,483,000	31%	37,277,000	44%	65,562,000	62%	24,598,540	30%
Public contributions & donations	0	0%	0	0%	0	0%	0	0%
Borrowing		0%		0%		0%	0	0%
Internally generated funds	45,560,020	69%	53,163,560	56%	40,436,746	38%	47,489,655	70%
Total Capital Funding	87,043,020	100%	90,440,560	100%	105,998,746	100%	72,088,195	100%

The above table is graphically represented as follows for the 2011/12 financial year.

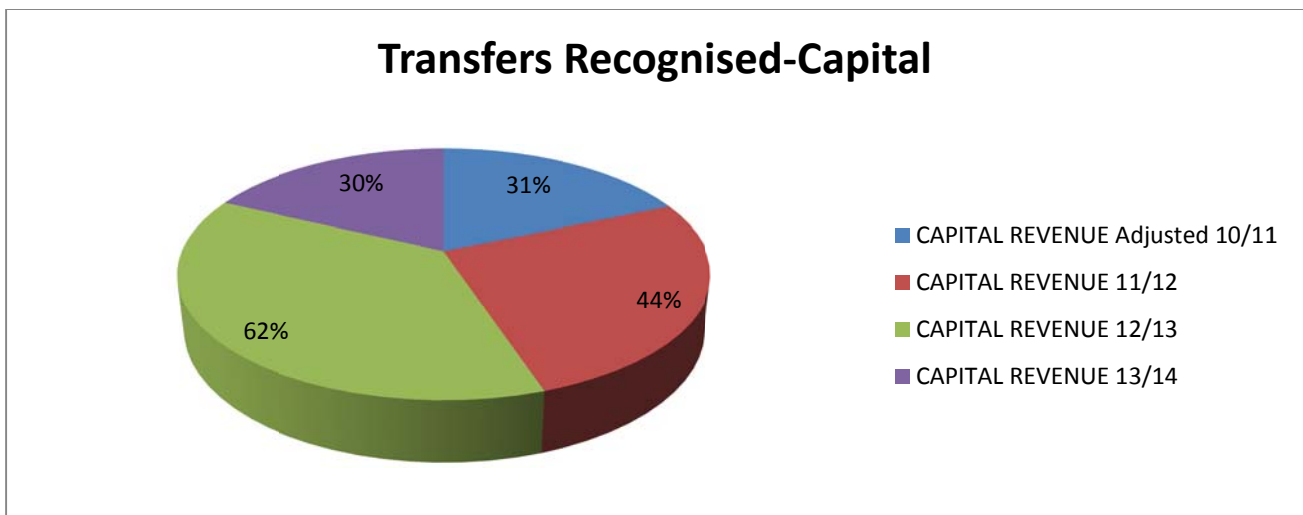


Figure 3 Sources of capital revenue for the 2011/12 financial year

Capital grants and receipts equates to 44 per cent of the total funding source which represents R41 million for the 2011/12 financial year and steadily increase to R65 million or 30 per cent by 2013/14.

2.5.3 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).

Table 22 MBRR Table B7 - Budget cash flow statement

Description	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	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	27,681	15,735	157,315	137,052	141,707	141,707	141,707	155,251	182,699	209,682
Government - operating	-	-	48,902	47,150	33,354	33,354	33,354	39,946	42,946	47,358
Government - capital	-	-	32,049	53,513	19,001	19,001	19,001	60,890	34,427	19,365
Interest	862	726	440	1,081	1,000	1,000	1,000	500	530	561
Dividends	-	-	-	-	-	-	-	-	-	-
Payments										
Suppliers and employees	(33,523)	(16,317)	(186,008)	(145,036)	(145,333)	(138,006)	(73,776)	(184,102)	(188,315)	(143,369)
Finance charges	(2,456)	(2,456)	(1,418)	(1,383)	(1,383)	(1,383)	(1,383)	(915)	(483)	(412)
Transfers and Grants	-	-	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES	(7,435)	(2,311)	51,281	92,377	48,346	55,673	119,902	71,570	71,804	133,185
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE	1,702	-	682	784	824	840	-	924	998	1,098
Decrease (Increase) in non-current debtors	-	-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables	-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-	-	-
Payments										
Capital assets	3,308	(1,650)	(41,859)	(53,513)	(17,750)	(62,888)	(62,888)	(76,242)	(22,206)	(23,365)
NET CASH FROM/(USED) INVESTING ACTIVITIES	5,010	(1,650)	(41,177)	(52,729)	(16,926)	(62,048)	(62,888)	(75,318)	(21,208)	(22,267)

CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans	-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits	32	-	-	-	-	-	-	-	-	-
Payments										
Repayment of borrowing	(3,002)	3,962	(4,150)	(3,208)	(3,208)	(3,208)	(5,546)	(1,387)	(2,798)	(917)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(2,970)	3,962	(4,150)	(3,208)	(3,208)	(3,208)	(5,546)	(1,387)	(2,798)	(917)
NET INCREASE/ (DECREASE) IN CASH HELD	(5,395)	0	5,954	36,440	28,211	(9,584)	51,469	(5,135)	47,798	110,001
Cash/cash equivalents at the year begin:	5,395	(0)	0	5,954	42,394	70,605	42,394	93,862	88,728	136,526
Cash/cash equivalents at the year end:	(0)	0	5,954	42,394	70,605	61,021	93,862	88,728	136,526	246,527

The above table shows that cash and cash equivalents of the Municipality were largely depleted between the 2007/08 and 2010/11 financial year moving from a positive cash balance of R42 million to a surplus of R88 million with the approved 2011/12 MTREF. With the 2010/11 adjustments budget various cost efficiencies and savings had to be realised to ensure the Municipality could meet its operational expenditure commitments. In addition the Municipality undertook an extensive debt collection process to boost cash levels. These initiatives and interventions have translated into a positive cash position for the Municipality and it is projected that cash and cash equivalents on hand will increase to R88 million by the financial year end. For the 2011/12 MTREF the budget has been prepared to ensure high levels of cash and cash equivalents over the medium-term with cash levels anticipated to R136 million by 2012/13 and increasing to R246 million by 2013/14.

2.5.4 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 Table B8 - Cash backed reserves/accumulated surplus reconciliation

Description	Budget Year 2011/12									Budget Year +1	Budget Year +2
	Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands	A	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H		
Cash and investments available											
Cash/cash equivalents at the year end	(290)	-	-	-	-	-	5,921	5,921	5,631	136,526	292,957
Other current investments > 90 days	38,383	-	-	-	-	-	(39,169)	(39,169)	(786)	(98,433)	(254,864)
Non current assets - Investments	-	-	-	-	-	-	-	-	-	-	-
Cash and investments available:	38,093	-	-	-	-	-	(33,248)	(33,248)	4,845	38,093	38,093
Applications of cash and investments											
Unspent conditional transfers	-	-	-	-	-	-	-	-	-	-	-
Unspent borrowing											
Statutory requirements											
Other working capital requirements	2,864	-					21,464	21,464	24,328	21,637	22,022
Other provisions											
Long term investments committed	-	-									
Reserves to be backed by cash/investments	-	-									
Total Applications of cash and investments:	2,864	-	-	-	-	-	21,464	21,464	24,328	21,637	22,022
Surplus(shortfall)	35,229	-	-	-	-	-	(54,712)	(54,712)	(19,483)	16,456	16,071

From the above table it can be seen that the cash and investments available total R32 million in the 2011/12 financial year and progressively increase to R47 million by 2013/14, including the projected cash and cash equivalents as determined in the cash flow forecast. The following is a breakdown of the application of this funding:

- Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year. In the past these have been allowed to 'roll-over' and be spent in the ordinary course of business, but this practice has been discontinued. During the 2010/11 financial year the municipality was required to supply National Treasury with a detailed analysis of the unspent grants as well as an action plan of spending the grants. The Municipality has received the necessary roll-over approval from the National Treasury as the funding appropriation relating to the unspent conditional grants could be motivated as part of existing projects.
- There is no unspent borrowing from the previous financial years. In terms of the municipality's Borrowing and Investments Policy, borrowings are only drawn down once the expenditure has been incurred against the particular project. Unspent borrowing is ring-fenced and reconciled on a monthly basis to ensure no unnecessary liabilities are incurred.
- Provisions for statutory requirements include VAT owing to timing differences resulting from year-end obligations.
- The main purpose of other working capital is to ensure that sufficient funds are available to meet obligations as they fall due. A key challenge is often the mismatch between the timing of receipts of funds from debtors and payments due to employees and creditors. High levels of debtor non-payment and receipt delays will have a greater requirement for working

capital, as was experienced by the Municipality in 2010/11 resulting in cash flow challenges. For the purpose of the cash backed reserves and accumulated surplus reconciliation a provision equivalent to one month's operational expenditure has been provided for. It needs to be noted that although this can be considered prudent, the desired cash levels should be 60 days to ensure continued liquidity of the municipality. Any underperformance in relation to collections could place upward pressure on the ability of the Municipality to meet its creditor obligations.

- Long term investments consist primarily of the sinking funds for the repayment of future borrowings. The sinking fund value is held within long term investments and must be 'held to maturity' and is not available for spending.
- Most reserve fund cash-backing is discretionary in nature, but the reserve funds are not available to support a budget unless they are cash-backed. The reserve funds are not fully cash-backed. The level of cash-backing is directly informed by the municipality's cash backing policy. These include the rehabilitation of landfill sites and quarries.

It can be concluded that the Municipality has a surplus against the cash backed and accumulated surpluses reconciliation. The level of cash-backing progressively increasing over the period 2007/08 to 2010/11 escalating from R21 million to R32 million in 2010/11. It is aimed that by 2013/14 this surplus would have been significantly increased to R47 million. It needs to be noted that for all practical purposes the 2010/11 MTREF was unfunded when considering the funding requirements of section 18 and 19 of the MFMA. The 2011/12 MTREF has been informed by ensuring the financial plan meets the minimum requirements of the MFMA. Nevertheless from a pure cash flow perspective (cash out flow versus cash inflow) the budget is funded and is therefore credible. The challenge for the Municipality will be to ensure that the underlying planning and cash flow assumptions are meticulously managed, especially the performance against the collection rate.

2.5.5 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.

2.5.5.1 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. The forecasted cash and cash equivalents for the 2011/12 MTREF shows R88 million, R136 million and R246 million for each respective financial year.

2.5.5.2 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 detail reconciliation of the cash backed reserves/surpluses is contained in Table 25, on page 25. 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.

2.5.5.3 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.

2.5.5.4 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.

2.5.5.5 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 per cent). The result is intended to be an approximation of the real increase in revenue. From the table above it can be seen that the percentage growth totals 9.4, 8.9 and 9.0 per cent for the respective financial year of the 2011/12 MTREF. Considering the lowest percentage tariff increase in relation to revenue generated from rates and services charges is 6 per cent, with the increase in electricity at 9 per cent 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.

2.5.5.6 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. It can be seen that the outcome is at 57.3, 59.9 and 74.5 per cent for each of the respective financial years. Given that the assumed collection rate was based on a 95 per cent performance target, the cash flow statement has been

conservatively determined. In addition the risks associated with objections to the valuation roll need to be clarified and hence the conservative approach, also taking into consideration the cash flow challenges experienced in the current financial year. This measure and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly.

2.5.5.7 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.

2.5.5.8 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. It can be seen that a 2 per cent timing discount has been factored into the cash position forecasted over the entire financial year. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

2.5.5.9 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. Further details relating to the borrowing strategy of the Municipality can be found on 66.

2.5.5.10 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 per cent 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.

2.5.5.11 Consumer debtors change (Current and Non-current)

The purpose of these measures is to ascertain whether budgeted reductions in outstanding debtors are realistic. There 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 in line with the Municipality's policy of settling debtor's accounts within 30 days.

2.5.5.12 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. Details of the Municipality's strategy pertaining to asset management and repairs and maintenance is contained in Table 60 MBRR SA34C on page 90.

2.5.5.13 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. Further details in this regard are contained in Table 59 MBRR SA34b on page 89.

2.6 Expenditure on grants and reconciliations of unspent funds**Table 24 MBRR SB8 - Expenditure on transfers and grant programmes**

Description	Budget Year 2011/12							Budget Year +1 2012/13	Budget Year +2 2013/14
	Original Budget	Prior Adjusted	Multi-year capital	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands	A	2 A1	3 B	4 C	5 D	6 E	7 F		
EXPENDITURE ON TRANSFERS AND GRANT PROGRAM:									
<u>Operating expenditure of Transfers and Grants</u>									
National Government:	46,702	-	-	(8,371)	-	(8,371)	38,331	42,946	47,108
Equitable share	42,946	-	-	(6,655)	-	(6,655)	36,291	40,906	45,058
Finance Management	1,250	-	-	-	-	-	1,250	1,250	1,250
Municipal Systems Improvement	790	-	-	-	-	-	790	790	800
Other transfers and grants [insert description]	1,716	-	-	(1,716)	-	(1,716)	-	-	-
Provincial Government:	22,604	-	-	(5,144)	-	(5,144)	17,460	45,811	36,129
Housing	21,200	-	-	(5,144)	-	(5,144)	16,056	44,000	33,385
Libraries	1,404	-	-	-	-	-	1,404	1,811	2,744
Other grant providers:	1,200	-	-	-	-	-	1,200	-	-
Seta	1,200	-	-	-	-	-	1,200	-	-
0	-	-	-	-	-	-	-	-	-
Total operating expenditure of Transfers and Grants:	70,506	-	-	(13,515)	-	(13,515)	56,991	88,757	83,237
<u>Capital expenditure of Transfers and Grants</u>									
National Government:	16,820	-	-	1,099	-	1,099	17,919	17,927	23,365
Municipal Infrastructure (MIG)	15,927	-	-	(101)	-	(101)	15,826	15,927	19,365
Public Works	893	-	-	-	-	-	893	-	-
Sport and Recreation	-	-	-	1,200	-	1,200	1,200	-	-
Other capital transfers [insert description]	-	-	-	-	-	-	-	2,000	4,000
Provincial Government:	-	-	-	-	7,200	7,200	7,200	-	-
Small Town Rehabilitation	-	-	-	-	6,200	6,200	6,200	-	-
Pund Development	-	-	-	-	1,000	1,000	1,000	-	-
Total capital expenditure of Transfers and Grants	16,820	-	-	1,099	7,200	8,299	25,119	17,927	23,365
Total capital expenditure of Transfers and Grants	87,326	-	-	(12,416)	7,200	(5,216)	82,110	106,684	106,602

2.7 Councillor and employee benefits

Table 25 MBRR SB11 - Summary of councillor and staff benefits

Summary of remuneration	Budget Year 2011/12									% change
	Original Budget A	Prior Adjusted 5 A1	Accum. Funds 6 B	Multi-year capital 7 C	Unfore. Unavoid. 8 D	Nat. or Prov. Govt 9 E	Other Adjusts. 10 F	Total Adjusts. 11 G	Adjusted Budget 12 H	
R thousands										
Councillors (Political Office Bearers plus Other)										
Salary	3,641						(978)	(978)	2,663	-26.9%
Pension Contributions	-						386	386	386	0.0%
Medical Aid Contributions	-						49	49	49	0.0%
Motor vehicle allowance	961						2	2	963	0.2%
Cell phone allowance	217						35	35	252	
Housing allowance	-							-	-	
In-kind benefits	-							-	-	
Sub Total - Councillors	4,819	-					(506)	(506)	4,313	-10.5%
% increase		(0)							(0)	
Senior Managers of the Municipality										
Salary	2,696						(481)	(481)	2,215	-17.8%
Pension Contributions	-						531	531	531	0.0%
Medical Aid Contributions	-						577	577	577	0.0%
Motor vehicle allowance	800						(72)	(72)	728	-9.0%
Cell phone allowance	79						(29)	(29)	50	
Housing allowance	51						249	249	300	488.2%
Performance Bonus	378						(378)	(378)	-	
Other benefits or allowances	542						(542)	(542)	-	
In-kind benefits								-	-	
Sub Total - Senior Managers of Municipality	4,546	-	-				(145)	(145)	4,401	-3.2%
% increase		(0)							(0)	
Other Municipal Staff										
Basic Salaries and Wages	51,560						(4,943)	(4,943)	46,617	-9.6%
Pension Contributions	7,268						80	80	7,348	1.1%
Medical Aid Contributions	2,330						952	952	3,282	40.9%
Motor vehicle allowance	2,063						1,021	1,021	3,084	49.5%
Cell phone allowance	-						-	-	-	
Housing allowance	70						46	46	116	65.7%
Overtime	869						(290)	(290)	579	-33.4%
Performance Bonus	1,790						-	-	1,790	0.0%
Other benefits or allowances	-						-	-	-	
In-kind benefits	3,004						(2,606)	(2,606)	398	-86.8%
Sub Total - Other Municipal Staff	68,954	-	-	-	-	-	(5,740)	(5,740)	63,214	-8.3%
% increase										
Total Parent Municipality	78,319	-	-	-	-	-	(6,391)	(6,391)	71,928	-8.2%

1.9. Monthly targets for revenue, expenditure and cash flow
Table 26 MBRR SB14- Budgeted monthly revenue and expenditure

Description	Budget Year 2011/12												Full year budget	Medium Term Revenue and Expenditure Framework	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
	July	August	Sept.	October	November	December	January	February	March	April	May	June					
	Outcome	Outcome	Outcome	Outcome	Outcome	Outcome	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget					
R thousands																	
Revenue By Source																	
Property rates	6,095	6,095	6,095	6,095	6,095	6,095	6,095	6,095	6,095	6,095	6,095	6,095	73,139	73,139	78,927	83,664	
Property rates - penalties & collection charges	208	208	208	208	208	208	208	208	208	208	208	208	2,501	2,501	2,651	2,810	
Service charges - electricity revenue	8,075	8,075	8,075	8,075	8,075	8,075	8,075	8,075	8,075	8,075	8,075	8,075	96,902	96,902	96,861	102,673	
Service charges - refuse	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	15,500	15,500	14,840	15,730	
Interest earned - external investments	54	54	54	54	54	54	54	54	54	54	54	54	650	650	1,060	1,124	
Interest earned - outstanding debtors	1	1	1	1	1	1	1	1	1	1	1	1	11	11	11	12	
Fines		584	584	584	584	584	584	584	584	584	584	1,167	7,002	7,002	7,420	7,865	
Licences and permits	442	442	442	442	442	442	442	442	442	442	442	442	5,300	5,300	5,936	6,292	
Transfers recognised - operational	3,495	3,495	3,495	3,495	3,495	3,495	3,495	3,495	3,495	3,495	3,495	3,495	41,935	41,935	54,439	57,883	
Other revenue	1,508	1,508	1,508	1,508	1,508	1,508	1,508	1,508	1,508	1,508	1,508	1,508	18,094	18,094	-	-	
Gains on disposal of PPE	42	42	42	42	42	42	42	42	42	42	42	42	500	500	-	-	
Total Revenue	21,211	21,794	21,794	21,794	21,794	21,794	21,794	21,794	21,794	21,794	21,794	22,378	261,534	261,534	262,145	278,053	
Expenditure By Type																	
Employee related costs	5,635	5,635	5,635	5,635	5,635	5,635	5,635	5,635	5,635	5,635	5,635	5,634	67,615	67,615	77,896	82,570	
Remuneration of councillors	360	360	360	360	360	360	360	360	360	360	360	360	4,314	4,314	5,121	5,429	
Debt impairment	417	417	417	417	417	417	417	417	417	417	417	417	5,000	5,000	2,650	2,809	
Depreciation & asset impairment	83	83	83	83	83	83	83	83	83	83	83	83	1,000	1,000	2,120	2,247	
Finance charges	87	87	87	87	87	87	87	87	87	87	87	86	1,042	1,042	1,617	1,714	
Bulk purchases	4,196	4,196	4,196	4,196	4,196	4,196	4,196	4,196	4,196	4,196	4,196	4,196	50,350	50,350	53,371	56,573	
Other expenditure	7,221	7,221	7,221	7,221	7,221	7,221	7,221	7,221	7,221	7,221	7,221	7,222	86,653	86,653	53,806	79,222	
Total Expenditure	17,998	17,998	17,998	17,998	17,998	17,998	17,998	17,998	17,998	17,998	17,998	17,998	215,974	215,974	196,581	230,564	
Surplus/(Deficit)	3,213	3,797	3,797	3,797	3,797	3,797	3,797	3,797	3,797	3,797	3,797	4,380	45,560	45,560	65,564	47,489	
Transfers recognised - capital	3,248	3,248	3,248	3,248	3,248	3,248	3,248	3,248	3,248	3,248	3,248	3,248	5,755	41,483	40,431	24,600	
Surplus/(Deficit) after capital transfers & contributions	6,461	7,045	7,045	7,045	7,045	7,045	7,045	7,045	7,045	7,045	7,045	10,135	45,560	87,043	105,995	72,089	

Table 27 MBRR SB12 - Budgeted monthly revenue and expenditure (municipal vote)

Description	Budget Year 2011/12												Full year budget	Medium Term Revenue and Expenditure Framework Budget Year 2011/12 Adjusted Budget	Budget Year +1 2012/13 Adjusted Budget	Budget Year +2 2013/14 Adjusted Budget	
	July	August	Sept.	October	November	December	January	February	March	April	May	June					
	Outcome	Outcome	Outcome	Outcome	Outcome	Outcome	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget					
R thousands																	
Revenue by Vote																	
EXECUTIVE AND COUNCIL	600	600	600	600	600	600	600	600	600	600	600	600	600	7,196	7,196	1,060	1,124
CORPORATE SERVICES	143	143	143	143	143	143	143	143	143	143	143	143	143	1,718	1,718	1,802	1,910
BUDGET AND TREASURY	11,536	11,536	11,536	11,536	11,536	11,536	11,536	11,536	11,536	11,536	11,536	11,536	11,536	138,434	138,434	155,326	164,825
COMMUNITY AND SOCIAL SERVICES	253	254	253	253	253	253	253	253	253	253	253	253	252	3,032	3,032	1,993	2,113
PUBLIC SAFETY	1,121	1,121	1,121	1,121	1,121	1,121	1,121	1,121	1,121	1,121	1,121	1,121	1,120	13,450	13,450	14,416	15,281
PARKS AND RECREATION	121	121	121	121	121	121	121	121	121	121	121	121	121	1,450	1,450	424	449
WASTE MANAGEMENT	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	15,500	15,500	14,840	15,730
PLANNING AND DEVELOPMENT	1,558	1,558	1,558	1,558	1,558	1,558	1,558	1,558	1,558	1,558	1,558	1,558	1,558	18,701	18,701	36,320	3,111
ROAD TRANSPORT	1,393	1,393	1,393	1,393	1,393	1,393	1,393	1,393	1,393	1,393	1,393	1,393	1,393	16,722	16,722	19,371	20,436
ELECTICITY SERVICES	8,109	8,109	8,109	8,109	8,109	8,109	8,109	8,109	8,109	8,109	8,109	8,109	8,109	97,306	97,306	107,543	104,138
Total Revenue by Vote	26,126	26,127	26,126	26,126	26,126	26,126	26,126	26,126	26,126	26,126	26,126	26,124	26,124	216,203	313,509	353,095	329,117
Expenditure by Vote																	
EXECUTIVE AND COUNCIL	2,971	2,971	2,971	2,971	2,971	2,971	2,971	2,971	2,971	2,971	2,971	2,971	2,970	35,647	35,647	30,052	31,855
CORPORATE SERVICES	1,930	1,930	1,930	1,930	1,930	1,930	1,930	1,930	1,930	1,930	1,930	1,930	1,929	23,158	23,158	22,618	24,052
BUDGET AND TREASURY	4,626	4,626	4,626	4,626	4,626	4,626	4,626	4,626	4,626	4,626	4,626	4,626	4,626	55,511	55,511	56,119	59,933
COMMUNITY AND SOCIAL SERVICES	663	663	663	663	663	663	663	663	663	663	663	663	663	7,961	7,961	8,090	8,575
PUBLIC SAFETY	1,458	1,458	1,458	1,458	1,458	1,458	1,458	1,458	1,458	1,458	1,458	1,458	1,458	17,494	17,494	24,009	19,844
PARKS AND RECREATION	421	421	421	421	421	421	421	421	421	421	421	421	421	5,057	5,057	4,831	5,102
WASTE MANAGEMENT	744	744	744	744	744	744	744	744	744	744	744	744	744	8,923	8,923	10,579	10,215
PLANNING AND DEVELOPMENT	2,207	2,207	2,207	2,207	2,207	2,207	2,207	2,207	2,207	2,207	2,207	2,207	2,208	26,483	26,483	11,640	12,338
ROAD TRANSPORT	2,009	2,009	2,009	2,009	2,009	2,009	2,009	2,009	2,009	2,009	2,009	2,009	2,008	24,108	24,108	29,861	42,987
ELECTICITY SERVICES	5,301	5,301	5,301	5,301	5,301	5,301	5,301	5,301	5,301	5,301	5,301	5,301	5,300	63,607	63,607	89,754	88,621
Total Expenditure by Vote	22,329	22,329	22,329	22,329	22,329	22,329	22,329	22,329	22,329	22,329	22,329	22,327	22,327	267,949	267,949	287,553	303,522
Surplus/ (Deficit)	3,797	3,798	3,797	3,797	3,797	3,797	3,797	3,797	3,797	3,797	3,797	3,797	3,797	(51,746)	45,560	65,542	25,595

Table 28 MBRR SB13 - Budgeted monthly revenue and expenditure (standard classification)

Description - Standard classification	Budget Year 2011/12												Full year budget	Medium Term Revenue and Expenditure Framework	Budget Year +1 2012/13	Budget Year +2 2013/14	
	July	August	Sept.	October	November	December	January	February	March	April	May	June					
	Outcome	Outcome	Outcome	Outcome	Outcome	Outcome	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget					
R thousands																	
Revenue - Standard																	
<i>Governance and administration</i>	12,279	12,279	12,279	12,279	12,279	12,279	12,279	12,279	12,279	12,279	12,279	12,280	147,349	147,349	158,189	167,859	
Executive and council	600	600	600	600	600	600	600	600	600	600	600	600	7,196	7,196	1,060	1,124	
Budget and treasury office	11,536	11,536	11,536	11,536	11,536	11,536	11,536	11,536	11,536	11,536	11,536	11,536	138,434	138,434	155,327	164,825	
Corporate services	143	143	143	143	143	143	143	143	143	143	143	144	1,718	1,718	1,802	1,910	
<i>Community and public safety</i>	2,832	2,832	2,832	2,832	2,832	2,832	2,832	2,832	2,832	2,832	2,832	2,832	33,988	33,988	16,834	17,846	
Community and social services	169	169	169	169	169	169	169	169	169	169	169	169	2,032	2,032	1,994	2,115	
Sport and recreation	121	121	121	121	121	121	121	121	121	121	121	121	1,450	1,450	424	450	
Public safety	1,204	1,204	1,204	1,204	1,204	1,204	1,204	1,204	1,204	1,204	1,204	1,204	14,450	14,450	14,416	15,281	
Housing	1,338	1,338	1,338	1,338	1,338	1,338	1,338	1,338	1,338	1,338	1,338	1,338	16,056	16,056	-	-	
<i>Economic and environmental services</i>	1,614	1,614	1,614	1,614	1,614	1,614	1,614	1,614	1,614	1,614	1,614	1,613	19,367	19,367	55,691	23,548	
Planning and development	220	220	220	220	220	220	220	220	220	220	220	220	2,645	2,645	36,320	3,112	
Road transport	1,394	1,394	1,394	1,394	1,394	1,394	1,394	1,394	1,394	1,394	1,394	1,393	16,722	16,722	19,371	20,436	
<i>Trading services</i>	9,401	9,401	9,401	9,401	9,401	9,401	9,401	9,401	9,401	9,401	9,401	9,401	112,806	112,806	122,390	119,868	
Electricity	8,109	8,109	8,109	8,109	8,109	8,109	8,109	8,109	8,109	8,109	8,109	8,109	97,306	97,306	107,550	104,138	
Waste management	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	15,500	15,500	14,840	15,730	
Total Revenue - Standard	26,126	26,126	26,126	26,126	26,126	26,126	26,126	26,126	26,126	26,126	26,126	26,126	313,509	313,509	353,104	329,121	
Expenditure - Standard																	
<i>Governance and administration</i>	9,526	9,526	9,526	9,526	9,526	9,526	9,526	9,526	9,526	9,526	9,526	9,526	114,317	114,317	108,789	115,840	
Executive and council	2,971	2,971	2,971	2,971	2,971	2,971	2,971	2,971	2,971	2,971	2,971	2,971	35,647	35,647	30,052	31,855	
Budget and treasury office	4,626	4,626	4,626	4,626	4,626	4,626	4,626	4,626	4,626	4,626	4,626	4,626	55,511	55,511	56,120	59,932	
Corporate services	1,930	1,930	1,930	1,930	1,930	1,930	1,930	1,930	1,930	1,930	1,930	1,930	23,159	23,159	22,617	24,053	
<i>Community and public safety</i>	3,881	3,881	3,881	3,881	3,881	3,881	3,881	3,881	3,881	3,881	3,881	3,880	46,568	46,568	37,071	33,689	
Community and social services	663	663	663	663	663	663	663	663	663	663	663	663	7,961	7,961	8,089	8,575	
Sport and recreation	421	421	421	421	421	421	421	421	421	421	421	421	5,057	5,057	4,972	5,270	
Public safety	1,458	1,458	1,458	1,458	1,458	1,458	1,458	1,458	1,458	1,458	1,458	1,458	17,495	17,495	24,010	19,844	
Housing	1,338	1,338	1,338	1,338	1,338	1,338	1,338	1,338	1,338	1,338	1,338	1,338	16,056	16,056	-	-	
<i>Economic and environmental services</i>	2,878	2,878	2,878	2,878	2,878	2,878	2,878	2,878	2,878	2,878	2,878	2,878	34,533	34,533	97,604	75,756	
Planning and development	869	869	869	869	869	869	869	869	869	869	869	869	10,426	10,426	45,025	12,339	
Road transport	2,009	2,009	2,009	2,009	2,009	2,009	2,009	2,009	2,009	2,009	2,009	2,009	24,107	24,107	52,579	63,417	
<i>Trading services</i>	6,044	6,044	6,044	6,044	6,044	6,044	6,044	6,044	6,044	6,044	6,044	6,044	72,531	72,531	109,640	103,835	

													72,531			
Electricity	5,301	5,301	5,301	5,301	5,301	5,301	5,301	5,301	5,301	5,301	5,301	5,301	63,608	63,608	99,061	92,621
Waste management	744	744	744	744	744	744	744	744	744	744	744	744		8,923	10,579	11,214
Total Expenditure - Standard	22,329	22,329	22,329	22,329	22,329	22,329	22,329	22,329	22,329	22,329	22,329	22,329	233,416	267,949	353,104	329,120
Surplus/ (Deficit) 1.	3,797	3,797	3,797	3,797	3,797	3,797	3,797	3,797	3,797	3,797	3,797	3,798	80,093	45,560	-	1

Table 29 MBRR SB16 - Budgeted monthly capital expenditure (municipal vote)

Description - Municipal Vote	Budget Year 2011/12												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
	Outcome	Outcome	Outcome	Outcome	Outcome	Outcome	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands															
<u>Single-year expenditure appropriation</u>															
EXECUTIVE AND COUNCIL	517	517	517	517	517	517	517	517	517	517	517	517	6,200	-	-
CORPORATE SERVICES	63	63	63	63	63	63	63	63	63	63	63	63	750	-	-
BUDGET AND TREASURY	100	100	100	100	100	100	100	100	100	100	100	100	1,200	650	500
COMMUNITY AND SOCIAL SERVICES	112	12	12	12	12	12	12	12	12	12	12	1,112	1,340	212	225
PUBLIC SAFETY	197	197	197	197	197	197	197	197	197	197	197	197	2,362	5,950	700
PARKS AND RECREATION	208	208	208	208	208	208	208	208	208	208	208	208	2,490	1,060	1,124
WASTE MANAGEMENT	196	196	196	196	196	196	196	196	196	196	196	196	2,350	159	169
PLANNING AND DEVELOPMENT	1,338	1,338	1,338	1,338	1,338	1,338	1,338	1,338	1,338	1,338	1,338	1,338	16,056	33,385	-
ROAD TRANSPORT	3,202	3,202	3,202	3,202	3,202	3,202	3,202	3,202	3,202	3,202	3,202	3,202	38,424	34,983	50,370
ELECTICITY SERVICES	1,323	1,323	1,323	1,323	1,323	1,323	1,323	1,323	1,323	1,323	1,323	1,323	15,870	29,600	19,000
Capital single-year expenditure sub-total	7,254	7,154	7,154	7,154	7,154	7,154	7,154	7,154	7,154	7,154	7,154	8,253	87,042	105,999	72,088
Total Capital Expenditure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Table 30 MBRR SB17 - Budgeted monthly capital expenditure (standard classification)

Description	Budget Year 2011/12												Medium Term Revenue and Expenditure Framework	
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2011/12	Budget Year +2 2013/14
	Outcome	Outcome	Outcome	Outcome	Outcome	Outcome	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands														
Capital Expenditure - Standard														
<i>Governance and administration</i>	679	679	679	679	679	679	679	679	679	679	679	679	8,150	500
Executive and council	517	517	517	517	517	517	517	517	517	517	517	517	6,200	-
Budget and treasury office	100	100	100	100	100	100	100	100	100	100	100	100	1,200	500
Corporate services	63	63	63	63	63	63	63	63	63	63	63	63	750	-
<i>Community and public safety</i>	1,854	1,854	1,854	1,854	1,854	1,854	1,854	1,854	1,854	1,854	1,854	1,854	22,248	2,049
Community and social services	112	112	112	112	112	112	112	112	112	112	112	112	1,340	225
Sport and recreation	208	208	208	208	208	208	208	208	208	208	208	208	2,490	1,124
Public safety	197	197	197	197	197	197	197	197	197	197	197	197	2,362	700
Housing	1,338	1,338	1,338	1,338	1,338	1,338	1,338	1,338	1,338	1,338	1,338	1,338	16,056	-
<i>Economic and environmental services</i>	3,202	3,202	3,202	3,202	3,202	3,202	3,202	3,202	3,202	3,202	3,202	3,202	38,424	50,370
Planning and development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Road transport	3,202	3,202	3,202	3,202	3,202	3,202	3,202	3,202	3,202	3,202	3,202	3,202	38,424	50,370
<i>Trading services</i>	1,518	1,518	1,518	1,518	1,518	1,518	1,518	1,518	1,518	1,518	1,518	1,518	18,220	19,169
Electricity	1,323	1,323	1,323	1,323	1,323	1,323	1,323	1,323	1,323	1,323	1,323	1,323	15,870	19,000
Waste management	196	196	196	196	196	196	196	196	196	196	196	196	2,350	169
Total Capital Expenditure - Standard	7,254	7,254	7,254	7,254	7,254	7,254	7,254	7,254	7,254	7,254	7,254	7,254	87,042	72,088

2.8 Contracts having future budgetary implications

In terms of the Municipality's Supply Chain Management Policy, there were contracts awarded beyond the medium-term revenue and expenditure framework (three years). List attached:-

SERVICE PROVIDER	FILE NUMBER	DATE OF APPOINTMENT	DURATION
AYANDA MBANGA COMMUNICATIONS (PTY) LTD	C45	13-Jun-07	23 SEPTEMBER 2010 - 22 OCTOBER 2013
LUANDI MEDIA MARKETING	C97	01-Jul-09	01 JULY 2009 - 30 JUNE 2012
ELITE SECURITY, ZINCUME MANGENI JV	C103	17-Jun-10	31 AUGUST 2010 - 31 JULY 2012
VULTURE SECURITY, CACULAMA			
AYANDA MBANGA	C106	17-Sep-10	22 AUGUST 2010 - 24 SEPTEMBER 2013
P J PLASTICS	C109	30-Sep-10	03 SEPTEMBER 2011 - 04 OCTOBER 2013
WES BANK	C130	14-Feb-11	14 FEBRUARY 2011 - 13 FEBRUARY 2015
GLENBIZ TRADING/ALOE OFFICE	C134	08-Mar-10	08 MARCH 2011 - 07 FEBRUARY 2013
VODACOM (PTY) LTD	C137	30-Mar-10	30 MARCH 2011 - 28 FEBRUARY 2013

2.9 Capital expenditure details

The following two tables present details of the Municipality's capital expenditure programme, firstly on new assets, then the renewal of assets and finally on the repair and maintenance of assets.

Table 31 MBRR SB 18a - Capital expenditure on new assets by asset class

Description	Budget Year 2011/12									Budget Year +1 2012/13	Budget Year +2 2013/14	
	Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget	
Capital expenditure on new assets by Asset Class/Sub-class												
-												
Infrastructure	57,563	-	-	-	-	-	(919)	(919)	56,644	63,162	66,518	
Infrastructure - Road transport	43,113	-	-	-	-	-	(4,689)	(4,689)	38,424	33,403	47,349	
<i>Roads, Pavements & Bridges</i>	43,113	-	-	-	-	-	(4,689)	(4,689)	38,424	33,403	47,349	
Infrastructure - Electricity	14,300	-	-	-	-	-	1,570	1,570	15,870	29,600	19,000	
<i>Generation</i>	11,300	-	-	-	-	-	570	570	11,870	21,300	15,000	
<i>Street Lighting</i>	3,000	-	-	-	-	-	1,000	1,000	4,000			
Infrastructure - Other	150	-	-	-	-	-	2,200	2,200	2,350	159	169	
<i>Refuse</i>	150	-	-	-	-	-	2,200	2,200	2,350	159	169	
Community	8,530	-	-	-	-	1,200	(4,537)	(3,337)	5,193	5,572	1,649	
Parks & gardens	1,000	-	-	-	-	1,200	291	1,491	2,491	1,060	837	
Community halls	80	-	-	-	-	-	10	10	90	106	112	
Libraries	100	-	-	-	-	-	-	-	100			
Recreational facilities		-	-	-	-	-	-	-	-	1,650	300	
Fire, safety & emergency	2,350	-	-	-	-	-	(1,900)	(1,900)	450	2,756	400	
Security and policing	4,900	-	-	-	-	-	(2,988)	(2,988)	1,912			
Cemeteries	100	-	-	-	-	-	50	50	150			
Investment properties	21,200	-	-	-	-	-	(5,144)	(5,144)	16,056	33,385	-	
Housing development	21,200	-	-	-	-	-	(5,144)	(5,144)	16,056	33,385		
Other assets	3,148	-	-	-	-	6,200	(197)	6,003	9,150	3,879	3,922	
Furniture and other office equipment	1,100	-	-	-	-	-	100	100	1,200	650	500	
Other	2,048	-	-	-	-	6,200	(297)	5,903	7,950	3,229	3,422	
Total Capital Expenditure on new assets to be adjusted	90,440	-	-	-	-	7,400	(10,797)	(3,397)	87,043	105,998	72,089	

Table 59 MBRR SB 18c - Repairs and maintenance expenditure by asset class

Description	Budget Year 2011/12									Budget Year +1 2012/13	Budget Year +2 2013/14
	Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
	A	7 A1	8 B	9 C	10 D	11 E	12 F	13 G	14 H		
R thousands											
Repairs and maintenance expenditure by Asset Class/Sub-class											
-											
Infrastructure	5,040	-	-	-	-	-	(1,035)	(1,035)	4,005	5,342	5,663
Infrastructure - Road transport	2,190	-	-	-	-	-	(185)	(185)	2,005	2,321	2,461
<i>Roads, Pavements & Bridges</i>	2,190						(185)	(185)	2,005	2,321	2,461
Infrastructure - Electricity	2,850	-	-	-	-	-	(850)	(850)	2,000	3,021	3,202
<i>Generation</i>	2,850						(850)	(850)	2,000		
<i>Street Lighting</i>									-	3,021	3,202
Community	660	-	-	-	-	-	356	356	1,016	1,385	1,547
Parks & gardens	63						188	188	251	67	71
Community halls	163						39	39	202	173	183
Libraries	6						(4)	(4)	2	6	6
Fire, safety & emergency	300						100	100	400	318	337
Security and policing	129						33	33	162	136	145
Other									-	685	805
Heritage assets	609	-	-	-	-	-	495	495	1,104	-	-
Buildings	609						495	495	1,104		
Other assets	1,127	-	-	-	-	-	(565)	(565)	562	1,081	1,146
General vehicles	1,020						(510)	(510)	510	1,081	1,146
Computers - hardware/equipment	100						(50)	(50)	50		
Furniture and other office equipment	7						(5)	(5)	2		
Total Repairs and Maintenance Expenditure to be adjusted	7,436	-	-	-	-	-	(750)	(750)	6,687	7,808	8,356

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 three interns undergoing training in various divisions of the Financial Services Department. Of the three interns one has been appointed permanently from July 2008. Three additional interns have been appointed with effect from 1 February 2011.

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 2010/11 MTREF in May 2010 directly aligned and informed by the 2011/12 MTREF.

6. Annual Report

Annual report is 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.

2.10 Other supporting documents

Table 32 MBRR Table SB 1 - Supporting detail to budgeted financial performance

Description	Budget Year 2011/12									Budget Year +1 2012/13	Budget Year +2 2013/14
	Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjus.	Total Adjus.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands	A	6 A1	7 B	8 C	9 D	10 E	11 F	12 G	13 H		
REVENUE ITEMS											
<u>Property rates</u>											
Total Property Rates	83,461	-	-	-	-	-	2,678	2,678	86,139	88,468	93,777
less Revenue Foregone	9,001	-	-	-	-	-	3,999	3,999	13,000	9,541	10,113
Net Property Rates	74,460	-	-	-	-	-	(1,321)	(1,321)	73,139	78,927	83,664
<u>Service charges - electricity revenue</u>											
Total Service charges - electricity revenue	91,378	-	-	-	-	-	5,524	5,524	96,902	96,861	102,673
less Revenue Foregone	-	-	-	-	-	-	-	-	-	-	-
Net Service charges - electricity revenue	91,378	-	-	-	-	-	5,524	5,524	96,902	96,861	102,673
<u>Service charges - refuse revenue</u>											
Total refuse removal revenue	15,500	-	-	-	-	-	-	-	15,500	14,840	15,730
Total landfill revenue	-	-	-	-	-	-	-	-	-	-	-
less Revenue Foregone	-	-	-	-	-	-	-	-	-	-	-
Net Service charges - refuse revenue	15,500	-	-	-	-	-	-	-	15,500	14,840	15,730
Other Revenue By Source											
Fuel levy	-	-	-	-	-	-	-	-	-	-	-
Other revenue	26,912	-	-	-	-	-	(8,818)	(8,818)	18,094	-	-
Total 'Other' Revenue	26,912	-	-	-	-	-	(8,818)	(8,818)	18,094	-	-
EXPENDITURE ITEMS											
<u>Employee related costs</u>											
Salaries and Wages	73,487	-	-	-	-	-	(5,872)	(5,872)	67,615	77,896	82,570
<i>sub-total</i>	73,487	-	-	-	-	-	(5,872)	(5,872)	67,615	77,896	82,570
Less: Employees costs capitalised to PPE	-	-	-	-	-	-	-	-	-	-	-
Total Employee related costs	73,487	-	-	-	-	-	(5,872)	(5,872)	67,615	77,896	82,570
<u>Contributions recognised - capital</u>											
List contributions by contract	38,020	-	-	-	-	3,463	-	3,463	41,483	52,750	20,430
	-	-	-	-	-	-	-	-	-	-	-
Total Contributions recognised - capital	38,020	-	-	-	-	3,463	-	3,463	41,483	52,750	20,430
<u>Depreciation & asset impairment</u>											
Depreciation of Property, Plant & Equipment	2,000	-	-	-	-	-	(1,000)	(1,000)	1,000	2,120	2,247

Total Depreciation & asset impairment	2,000	-	-	-	-	-	(1,000)	(1,000)	1,000	2,120	2,247
Bulk purchases											
Electricity	50,350	-	-	-	-	-	-	-	50,350	53,371	56,573
Water	-	-	-	-	-	-	-	-	-	-	-
Total bulk purchases	50,350	-	-	-	-	-	-	-	50,350	53,371	56,573
Other Expenditure By Type											
Repairs and maintenance <i>(to be deleted)</i>	7,437	-	-	-	-	-	(749)	(749)	6,688	7,808	8,356
Collection costs	600	-	-	-	-	-	-	-	600	636	674
Contributions to 'other' provisions	6,679	-	-	-	-	-	2,644	2,644	9,323	7,068	7,493
Audit fees	2,500	-	-	-	-	-	2,500	2,500	5,000	2,650	2,809
General expenses	68,949	-	-	-	-	-	(3,906)	(3,906)	65,042	35,644	59,890
Total Other Expenditure	86,164	-	-	-	-	-	489	1,238	79,966	53,806	79,222

Table 48 MBRR Table SB2 – Supporting detail to Statement of Financial Position

Description	Budget Year 2011/12									Budget Year +1 2012/13	Budget Year +2 2013/14
	Original Budget	Prior Adjusted 4	Accum. Funds 5	Multi-year capital 6	Unfore. Unavoid. 7	Nat. or Prov. Govt 8	Other Adjusts. 9	Total Adjusts. 10	Adjusted Budget 11	Adjusted Budget	Adjusted Budget
R thousands	A	A1	B	C	D	E	F	G	H		
ASSETS											
Call investment deposits											
Call deposits < 90 days											
Other current investments > 90 days	38,093						(34,474)	(34,474)	3,619	38,093	38,093
Total Call investment deposits	38,093	-	-	-	-	-	(34,474)	(34,474)	3,619	38,093	38,093
Consumer debtors											
Consumer debtors	23,585						5,634	5,634	29,219	31,243	42,837
Less: provision for debt impairment	-	-	-	-	-	-	-	-	-	-	-
Total Consumer debtors	23,585	-	-	-	-	-	5,634	5,634	29,219	31,243	42,837
Property, plant & equipment											
PPE at cost/valuation (excl. finance leases)	156,018						(15,936)	(15,936)	140,082	270,746	358,870
Leases recognised as PPE											
Less: Accumulated depreciation											
Total Property, plant & equipment	156,018	-	-	-	-	-	(15,936)	(15,936)	140,082	270,746	358,870
LIABILITIES											
Current liabilities - Borrowing											
Short term loans (other than bank overdraft)											
Current portion of long-term liabilities	4,830						(4,272)	(4,272)	558	3,808	2,891
Total Current liabilities - Borrowing	4,830	-	-	-	-	-	(4,272)	(4,272)	558	3,808	2,891
Trade and other payables											
Creditors	19,269						8,890	8,890	28,159	20,646	22,022
Unspent conditional grants and receipts											
VAT											
Total Trade and other payables	19,269	-	-	-	-	-	8,890	8,890	28,159	20,646	22,022
Non current liabilities - Borrowing											
Borrowing	1,776						1,744	1,744	3,520	-	-
Finance leases (including PPP asset element)											
Total Non current liabilities - Borrowing	1,776	-	-	-	-	-	1,744	1,744	3,520	-	-
Provisions - non current											
Retirement benefits							11,432	11,432	11,432		
Total Provisions - non current	-	-	-	-	-	-	11,432	11,432	11,432	-	-
CHANGES IN NET ASSETS											
Accumulated surplus/(Deficit)											
Accumulated surplus/(Deficit) - opening balance	50,044						95,486	95,486	145,530	44,270	49,947
Accumulated Surplus/(Deficit)	50,044	-	-	-	-	-	95,486	95,486	145,530	44,270	49,947
TOTAL COMMUNITY WEALTH/EQUITY	50,044	-	-	-	-	-	95,486	95,486	145,530	44,270	49,947

