



nelson mandela bay
M U N I C I P A L I T Y
PORT ELIZABETH | UITENHAGE | DESPATCH

2012/13 – 2014/15 BUDGET

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PART 1 – ANNUAL BUDGET

1.1 EXECUTIVE MAYOR’S REPORT

We are tabling the IDP and Budget at a crucial time in our country's history, while we are still battling with considerable service delivery and economic challenges. Against this backdrop, the Municipality has its own challenges, as is reflected in the feedback received from our communities through public participation processes and in recent service delivery protests. The duty of Government collectively across the different spheres is to respond to these challenges and to ensure that there is effective and efficient service delivery. As the sphere of government closest to the people, our communities look towards the Municipality to provide them with services, improve their quality of life and restore their dignity. Our challenges are further compounded by the fact that the Eastern Cape is one of the poorest of South Africa's nine provinces. As the economic hub of the Eastern Cape, there is a heavy load on the Metro, and all these factors combine to create an extremely challenging environment for this Municipality.

The 2012/13 IDP Review and MTREF Budget in tandem address some of these challenges, in response to the needs highlighted by our communities. Efficiency and financial discipline will be vital in ensuring the long-term financial sustainability of the institution and that the scarce resources available are channeled to areas of greatest need.

We have identified poor and under-developed wards for special attention in service delivery and budget allocation.

Furthermore, the institution is in the process of establishing a multi-disciplinary Rapid Response Task Team to proactively address service delivery issues.

In order to address the above, this Budget aims to, amongst others, improve operational efficiencies. In this regard, the following areas will be prioritised internally:

- (a) Reduction in overtime, telephone and cellphone usage, travelling and the use of out of town venues.
- (b) Streamlining the use of contracted security services.
- (c) Addressing fraud and corruption.
- (d) Organisational re-engineering.

Fiscal issues that will be prioritised and will increase budget availability include the following:

- (a) Enhancing revenue collection.
- (b) Increasing the revenue base and attracting investments (in this regard, a Team was recently established under the Executive Mayor to consider how the institution will vigorously pursue additional sources of funding).
- (c) Focusing on repairs and maintenance to reduce water and electricity losses.
- (d) Streamlining trading services to ensure long-term sustainability.

External areas contributing towards the longer term financial sustainability of the Metro, service delivery and job creation that will be prioritised, include the following:

- (a) The Presidential Infrastructure Co-ordinating Commission Projects (PICC). These include 17 major national job creation infrastructure projects. Of these, the Special Infrastructure Projects 7 (SIP 7) that were recently launched address the following areas applicable to Nelson Mandela Bay:
 - Wastewater treatment and environment
 - Roads and stormwater

- Cycle paths
- Economic development
- Bucket eradication programme

Furthermore, the State President and the Premier's Address referred to the commencement of Project Mthombo within the Coega IDZ. This has culminated in an agreement signed between SINOPEC and PetroSA to undertake a feasibility study of an Oil Refinery. In addition, economic development in our area will be enhanced by the reduction in port charges and the planned upgrade of our railway network.

- (b) Drought mitigation project (Nooitgedacht Low Level Scheme).
- (c) Promoting the Coega IDZ and other initiatives such as inner-city and tourism investments.

The fact that we celebrate the Centenary of the ANC in 2012, makes it particularly incumbent on us to ensure that the noble ideals of the ruling party find expression in the Municipality's IDP and Budget so that the ANC-led local state is able to bring a better life for all.

CLLR ZANOXOLO WAYILE
EXECUTIVE MAYOR

1.2 **COUNCIL RESOLUTIONS**

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

1. The annual budget of the Nelson Mandela Bay Municipality for the financial year 2012/13 and the indicative allocations for the projected outer years 2013/14 and 2014/15; and the multi-year and single year capital appropriations be approved for the purpose of complying with section 24(2) of the Municipal Finance Management Act (MFMA) No. 56 of 2003, as set-out in the following tables:
 - 1.1 Budgeted Financial Performance (revenue and expenditure by standard classification); [Page 26]
 - 1.2 Budgeted Financial Performance (revenue and expenditure by municipal vote); [Page 27]
 - 1.3 Budgeted Financial Performance (revenue by source and expenditure by type); [Page 28]
 - 1.4 and Multi-year and single year capital appropriations by municipal vote and standard classification and associated funding by source. [Page 30]
2. The budgeted financial position, budgeted cash flows, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets be noted as set-out in the following tables:
 - 2.1 Budgeted Financial Position; [Page 32]
 - 2.2 Budgeted Cash Flows; [Page 34]
 - 2.3 Cash backed reserves and accumulated surplus reconciliation; [Page 35]
 - 2.4 Asset management; [Page 36]
 - 2.5 Basic service delivery measurement. [Page 38]
3. The consolidated budget that includes the financial impact of the municipal entity (Mandela Bay Development Agency) be noted.
4. The Integrated Development Plan (IDP) be approved as reflected elsewhere in the agenda.
5. Tariffs be increased as follows with effect from 1 July 2012:

Property rates	-	13%
Water	-	13%
Sanitation	-	13%
Refuse	-	13%
Electricity:		
- Small business	-	8%
- Medium & Large business	-	11.03%
- Inclining Block Tariffs (IBT):		

ATTP Domestic Customers

<u>IBT Categories</u>	<u>Proposed Tariff</u>
0 - 75 kwh	Free
75 - 350 kwh	65,67c per kwh
351 - 600 kwh	105c per kwh
601 kwh and above	129c per kwh

Non-ATTP Domestic Customers

<u>IBT Categories</u>	<u>Proposed Tariff</u>
0 - 350 kwh	91,305c per kwh
351 - 600 kwh	109c per kwh
601 kwh and above	129c per kwh

6. Indicative tariffs for 2013/14 and 2014/15 be increased as follows:

	<u>2013/14</u>	<u>2014/15</u>
Property rates	13%	13%
Water	13%	13%
Sanitation	13%	13%
Refuse	13%	13%
Electricity (average increase in income)	11.03%	11.03%

7. The Acting Municipal Manager, in conjunction with the relevant Executive Directors report on their respective project plans, including the capacity to implement the draft 2012/13 to 2014/15 Capital Budget and Programme, so as to ensure the achievement of a minimum spending level of 95%.
8. The Acting Municipal Manager obtain written confirmation from the Provincial Government as to the transfers to be allocated for housing, transportation and library services for the 2012/13 to 2014/15 financial years, and that the possibility of a Metro delegation engaging the Provincial Government in this regard be considered.
9. It be noted that the depleted Capital Replacement Reserve (CRR) is impacting on the Municipality's ability to fund capital expenditure from its internal sources.
10. It be noted that the 2012/13 Budget is currently "unfunded" by approximately R120 million, based on one month's working capital requirements.
11. The National Treasury comments relating to the 2012/13 MTREF, as attached per Annexure "B", be considered by Council.
12. The Acting Municipal Manager report on a quarterly basis to Council regarding the effectiveness of the implementation of the Operational Efficiency Workplan, so as to ensure that the identified budget savings are realised.
13. The Acting Municipal Manager report to Council on a proposed framework to deal with the filling of critical vacancies in the first instance, in line with the available budgetary provisions for such purpose.

1.3 EXECUTIVE SUMMARY

The key service delivery priorities, as reflected in the IDP, and the need to maintain the Municipality's financial sustainability, informed the development of the Budget.

Specific revenue collection strategies are being implemented by the Municipality, such as the debt relief programme, in order to improve the collection of outstanding consumer debt.

National Treasury's MFMA Circulars No. 48, 51, 54, 55 and 58 were used to guide the compilation of the 2012/13 MTREF.

The Municipality faced the following significant challenges during the compilation of the 2012/13 MTREF:

- Reprioritisation of capital projects and operating expenditure within the revised financial affordability limits of the Budget, taking the cash position into account;
- Maintaining revenue collection rates at the targeted levels;
- Uncertainty as to the final negotiated salary increases for municipal employees, as the Salary and Wage Collective Agreement for the 2012/13 to 2014/15 financial years has not yet been concluded;
- Increased costs associated with bulk electricity and water, placing upward pressure on tariff increases to consumers. Continued high tariff increases may soon render municipal services financially unaffordable;
- Depleted Capital Replacement Reserve, impacting on the Municipality's ability to fund capital expenditure from internal sources;
- Allocation of the required operating budget provision for newly created infrastructure and facilities, with a consequential impact on rates and tariff increases.

The following budget principles and guidelines directly informed the compilation of the 2012/13 MTREF:

- The priorities and targets in relation to the key strategic focus areas as determined in the IDP.
- The level of property rates and tariff increases to take into account the need to address maintenance and infrastructural backlogs, including the expansion of services.
- The level of property rates and tariff increases to ensure the delivery of services on a financially sustainable basis.
- An assessment of the relative human resources capacity to implement the Budget.
- No budget allocation has been made to programmes and projects, unless the respective programme and project plans have been submitted by the relevant Executive Directors.
- The need to enhance the municipality's revenue base.
- No loan funding is available to support the Capital Budget, in view of financial affordability considerations.
- In accordance with Section 19 of the Municipal Finance Management Act, the affected Executive Directors to submit comprehensive reports in relation to new projects, inter alia, dealing with the total project costs, funding sources, future operating budget implications and associated tariff implications, before Council finally approves the implementation of any new project.

In view of the aforementioned, the following table represents a consolidated overview of the proposed 2012/13 Medium-term Revenue and Expenditure Framework:

Table 1 (Consolidated Overview of the 2012/13 MTREF)

R thousands	Adjustments Budget 2011/12	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Total Operating Revenue	6,553,464	7,237,960	7,645,238	8,516,229
Total Operating Expenditure	6,935,287	7,364,312	7,646,149	8,354,284
Surplus/(Deficit)	(381,823)	(126,352)	(911)	161,944
Total Capital Expenditure	1,234,602	1,039,459	1,320,646	1,649,349

Total operating revenue has increased by 10.4% or R684 million for the 2012/13 financial year, compared to the 2011/12 Adjustments Budget. For the two outer years, operational revenue increases by 5,6% and 11,4% respectively, resulting in a total revenue growth of R1,96 billion over the MTREF, when compared to the 2011/12 financial year.

Total operating expenditure for the 2012/13 financial year amounts to R7,4 billion, resulting in a budgeted deficit of R126.4 million. Compared to the 2011/12 Adjustments Budget, operational expenditure increased by 6.2% in the 2012/13 budget; and by 3.8% and 9.3% for each of the respective outer years of the MTREF. The operating deficit for year two reduces to R0.9 million, with year 3 reflecting an operating surplus of R161.9 million.

The major operating expenditure items for 2012/13 are employee costs (24.3%), bulk electricity and water purchases (30.6%), general expenses (10.9%), grants and subsidies paid (5.5%), repairs and maintenance (6.8%) and depreciation (10.0%).

Funding for the 2012/13 Operating Budget is obtained from various sources, the major sources being service charges such as electricity, water, sanitation and refuse collection and disposal (54.6%), property rates (14.8%), grants and subsidies received from National and Provincial Governments (18.8%).

In order to support the 2012/13 Operating Budget, the following increase in rates and service charges are being proposed, with effect from 1 July 2012:

Property rates	-	13%
Water	-	13%
Sanitation	-	13%
Refuse	-	13%
Electricity	-	11,03% (average increase in income)

The capital budget of R1,04 billion for 2012/13 is 15.8% less than the 2011/12 Adjustment Budget. The decrease is mainly attributable to the unspent Integrated Public Transport System (IPTTS) and Drought Relief Grants not being included in the 2012/13 Budget at this stage, pending approval by National Treasury. The Capital Budget increases to R1.32 billion and R1,65 billion, respectively in the 2013/14 and 2014/15 financial years. The Capital Budget over the MTREF will be solely funded from government grants and subsidies, as the Municipality has reached its prudential borrowing limits, whilst no internal funding is available.

1.4 OPERATING REVENUE FRAMEWORK

The continued provision and expansion of services is largely dependent on the Municipality generating the required revenues. Efficient and effective revenue management is thus critical in ensuring the ongoing financial sustainability of the Municipality. It is worth noting that, in accordance with the MFMA, expenditure has to be limited to the realistically anticipated revenues.

The Municipality's revenue management strategy includes the following key components:

- National Treasury's guidelines in this regard;
- Growth in the revenue base;
- Efficient revenue management, targeting a 95,% annual collection rate for property rates and service charges, after discounting Assistance to the Poor (ATTP) subsidies;
- Electricity bulk tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Water bulk tariff increases as approved by the Department of Water Affairs (DWA);
- Ensuring fully cost reflective tariffs for trading services;
- The Property Rates Policy;
- The ATTP Policy and provision of free basic services;
- Tariff Policies;
- The level of property rates and tariff increases must ensure financially sustainable services delivery.
- The level of property rates and tariff increases to provide for the maintenance and replacement of infrastructure, including the expansion of services.

The following table is a summary of the 2012/13 MTREF (classified by main revenue source):

Table 2 (Summary of main revenue sources)

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
				R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget
Revenue By Source									
Property rates	659,777	756,499	838,855	961,565	961,565	961,565	1,074,628	1,214,336	1,372,205
Service charges - electricity revenue	1,502,322	1,807,751	2,185,508	2,753,364	2,718,364	2,718,364	3,028,384	3,393,651	3,817,477
Service charges - water revenue	344,730	407,918	569,883	465,383	402,068	402,068	455,547	514,768	586,836
Service charges - sanitation revenue	226,507	228,020	246,692	295,170	283,094	283,094	312,033	352,598	401,961
Service charges - refuse revenue	96,266	105,486	120,675	134,861	136,727	136,727	155,075	175,312	199,953
Rental of facilities and equipment	13,336	15,545	17,641	18,791	18,431	18,431	19,820	20,992	22,235
Interest earned - external investments	166,128	61,760	16,447	21,257	28,000	28,000	25,528	27,059	28,683
Interest earned - outstanding debtors	92,041	82,762	113,347	78,993	81,993	81,993	86,913	92,128	97,655
Fines	27,533	23,415	23,736	24,998	24,119	24,119	32,328	34,268	36,324
Licences and permits	8,552	8,242	8,153	7,399	7,399	7,399	9,014	9,555	10,129
Agency services	1,152	1,220	1,611	1,402	1,402	1,402	1,400	1,484	1,573
Transfers recognised - operational	1,021,115	1,454,743	1,363,358	1,384,487	1,234,094	1,234,094	1,361,248	1,065,840	1,155,403
Other revenue	186,624	265,161	357,912	207,738	656,207	656,207	676,041	743,247	785,794
Gains on disposal of PPE	6		1,698						
Total Revenue (excluding capital transfers and contributions)	4,346,087	5,218,523	5,865,515	6,355,409	6,553,464	6,553,464	7,237,960	7,645,238	8,516,229

Table 3 (Mix of main revenue sources)

Description	Current Year 2011/12		2012/13 Medium Term Revenue & Expenditure Framework						
	R thousand	Adjusted Budget	%	Budget Year 2012/13	%	Budget Year +1 2013/14	%	Budget Year +2 2014/15	%
Revenue By Source									
Property rates		961,565	14.7%	1,074,628	14.8%	1,214,336	15.9%	1,372,205	16.1%
Service charges - electricity revenue		2,718,364	41.5%	3,028,384	41.8%	3,393,651	44.4%	3,817,477	44.8%
Service charges - water revenue		402,068	6.1%	455,547	6.3%	514,768	6.7%	586,836	6.9%
Service charges - sanitation revenue		283,094	4.3%	312,033	4.3%	352,598	4.6%	401,961	4.7%
Service charges - refuse revenue		136,727	2.1%	155,075	2.1%	175,312	2.3%	199,953	2.4%
Rental of facilities and equipment		18,431	0.3%	19,820	0.3%	20,992	0.3%	22,235	0.3%
Interest earned - external investments		28,000	0.4%	25,528	0.4%	27,059	0.4%	28,683	0.3%
Interest earned - outstanding debtors		81,993	1.3%	86,913	1.2%	92,128	1.2%	97,655	1.1%
Fines		24,119	0.4%	32,328	0.4%	34,268	0.4%	36,324	0.4%
Licences and permits		7,399	0.1%	9,014	0.1%	9,555	0.1%	10,129	0.1%
Agency services		1,402	0.0%	1,400	0.0%	1,484	0.0%	1,573	0.0%
Transfers recognised - operational		1,234,094	18.8%	1,361,248	18.8%	1,065,840	13.9%	1,155,403	13.6%

Description	Current Year 2011/12		2012/13 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2012/13	%	Budget Year +1 2013/14	%	Budget Year +2 2014/15	%
R thousand								
Other revenue	656,207	10.0%	676,041	9.3%	743,247	9.7%	785,794	9.2%
Total Revenue (excluding capital transfers and contributions)	6,553,464	100.0%	7,237,960	100.0%	7,645,238	100.0%	8,516,229	100.0%
Total Revenue from Rates and Service Charges	4,501,818	68.7%	5,025,667	69.4%	5,650,665	73.9%	6,378,432	74.9%

In the 2011/12 financial year, rates and service charges amounted to R4,5 billion or 68,7%. This increases to R5,0 billion, R5,7 billion and R6,4 billion in the 2012/13, 2013/14 and 2014/15 financial years, respectively. A significant trend is the increase in the total percentage of revenue generated from rates and service charges, which increases from 68.7% in 2012/13 to 74,9% in 2014/15. This growth is mainly attributable to increased electricity revenue, as a result of significant increases in the Eskom bulk electricity tariffs.

Operating grants and transfers (second largest revenue source) amounted to R1,36 billion in the 2012/13 financial year and reduces to R1,16 billion in 2014/15. The year-on-year growth for the 2012/13 financial year amounts to 10.3%, then reduces by 21,7% in 2013/14 and increases by 8,4% in 2014/15.

Property rates represent the third largest revenue source, amounting to 14,8% or R1,08 billion in 2012/13 and increasing to R1,4 billion in 2014/15. The fourth largest revenue source is 'other revenue' which consists of items such as building plan fees and disconnection and re-connection fees. Directorates are required to review these charges on an annual basis to ensure that they are cost reflective and market related, where applicable.

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

Table 4 (Operating Transfers and Grant Receipts)

Description	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand						
RECEIPTS:						
Operating Transfers and Grants						
National Government:	1,270,578	828,265	828,265	953,174	1,062,088	1,151,651
Local Government Equitable Share	656,653	656,653	656,653	729,226	781,838	841,201
Electricity Demand Side Management	20,000	20,000	20,000			
Finance Management	1,250	1,250	1,250	1,250	1,250	1,250
Water Services Operating Subsidy		600	600			
Public Transport Infrastructure & Systems Grant		140,000	140,000	198,702	270,000	300,000
Fuel levy	419,132	-		-		
Expanded Public Works Programme	173,543	9,762	9,762	14,696	0	0
Infrastructure skills development grant				5,300	5,000	5,200
LG SETA				4,000	4,000	4,000
Provincial Government:	100,728	447,481	447,481	403,752	3,752	3,752
Health subsidy	96,228	91,183	91,183			
Housing		350,000	350,000	400,000		
Sports and recreation	4,500					
Library Subsidies		6,298	6,298	3,752	3,752	3,752
Other grant providers:	-	6,770	6,770	0	0	0

Description	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand						
Donor Management Services		6,770	6,770	0	0	0
Total Operating Transfers and Grants	1,371,306	1,282,515	1,282,515	1,356,926	1,065,840	1,155,403

The Municipality is faced with the challenge of providing services with its limited financial resources. Against the aforementioned background, the Municipality has undertaken the tariff determination process relating to property rates and service charges as follows.

1.4.1 Property Rates

Property rates fund the costs associated with the provision of general services, such as recreational, library and roads and stormwater services.

The following provisions in the Draft Property Rates Policy are highlighted:

- The first R15,000 of the market value of a property used for residential purposes is excluded from the rateable value (Section 17(h) of the MPRA).
- 100% rebate will be granted to registered indigents in terms of the Indigent Policy.
- Pensioners, physically and mentally disabled property owners of rateable property may on submission of an application be granted a rebate. In this regard the following stipulations are relevant to the applicant:
 - (a) must be a natural person;
 - (b) be the owner of the property which is categorised as residential;
 - (c) occupy the property as his or her normal residence or where the owner is unable to occupy the property due to no fault of his/her own, the spouse or minor children may satisfy the occupancy requirement;
 - (d) produce a bar-coded identity document;
 - (e) - *pensioners*: be at least 60 years of age on 1 July of the financial year concerned; or if the owner turns 60 during the year the rebate will be granted on a pro rata basis from the date on which the applicant turned 60;
- *disabled*: be in receipt of disability grant / pension and submit proof and nature of disability e.g. letter from doctor with application.
 - (f) be in receipt of a total gross annual income from all sources, excluding medical aid contributions, child support / grant but including the income of the spouse of the owner and all persons normally residing on that property, not exceeding R87,620 per annum (R7,302 per month); submit pension statements, previous 3 months (or the number of months determined necessary by the Chief Financial Officer) bank statements from all bank and investment accounts of owner and spouse, and proof of gross salary of any other persons living on the property (not just rental received). All documents provided must clearly state who it is for – documents which do not reflect person's name or ID No. will not be considered;
 - (g) not be in receipt of an indigent subsidy;
 - (h) provide a certified affidavit declaring any assistance from any other sources. Assistance received from family members not residing on property, will not however be included in the calculation of total household income;
 - (i) provide a certified affidavit to explain any once-off monies received e.g. gifts, donations, etc; and
 - (j) ensure that his/her accounts are not in arrears (or arrangements made to pay all outstanding amounts) before applying for the rebate and continue to pay the rates account in full until rebate is granted as no interest will be reversed;
 - (k) a usufructuary will be regarded as the owner;
 - (l) the criteria of a natural person may be waived at the sole discretion of the municipality

to allow for a property owned by a trust where the total number of beneficiaries meets all of the other requirements of this policy; and provided further that the gross monthly income of all persons residing on that property be added to the gross monthly income of the beneficiaries staying on that property;

- (m) owners qualify for only one rebate per year, if financial circumstances change they can only apply for future years;
- Sporting organisations, the sole purpose of which is to use the property owned/leased by them for sporting purposes, whether for gain or not, may qualify for a rebate, with amateur bodies being granted 100% and professional bodies 40%. Any profits earned must be invested in the betterment of the organisation and not be for private gain. Audited financial statement must be provided, if however the sporting body does not have audited financial statement reasons therefore must be provided on the clubs official letterhead.
- 75% rebate may be granted to the owners of Game Parks. In this regard the following stipulations are relevant:
 - (a) the property must be used predominantly as a game park with the sole purpose of viewing of animals by the general public at an affordable price and for encouraging tourists to the area;
 - (b) the usage of the property must be in accordance with the zoning scheme of the area;
 - (c) the owner must be registered with the South African Revenue Service and provide proof thereof with the application. If proof of registration with SARS cannot be produced due to recent ownership change, upon application, a municipal official, authorised by the Municipal Manager shall issue a certificate of compliance to the owner, after an inspection of the property has been conducted and the municipal official is satisfied that such land is used predominately as a game park;
 - (d) the owner must run educational programs for schools and not for gain institutions at a nominal fee. Proof of such activities must be submitted with the application;
 - (e) the land owner must prove that he/she has complied with the National Veld and Forest Fire Act (Act 101 of 1998) and legislation governing the control of alien invasive species; and
 - (f) property used for hunting of game shall not qualify for the rebate.
- If the usage of a property changes during a financial year, the rebate applicable will be reduced *pro rata* for the balance of the financial year.
- All accounts of the applicant must be up to date or arrangements must be made to pay any outstanding balances before any rebate will be granted. The applicant must continue to pay the rates account in full until the rebate is granted as no interest will be reversed.

A property rates increase of 13% is proposed as from 1 July 2012.

1.4.2 Sale of Water and Impact of Tariff Increases

In accordance with National Treasury's MFMA Circulars, no. 51, 55 and 58, Municipalities are encouraged to review the level and structure of their water tariffs to ensure:

- Fully cost reflective water tariffs – tariffs should include the costs associated with maintenance and renewal of purification plants, water networks and water reticulation expansion;
- Water tariffs are structured to protect basic levels of service; and
- Water tariffs are designed to encourage efficient and sustainable consumption.

National Treasury has also urged municipalities to ensure that water tariffs are fully cost reflective by 2014. In this regard a phased-in approach has been proposed to ensure that tariffs are fully cost reflective by 2014.

A tariff increase of 13% is proposed as from 1 July 2012. The proposed tariff increase is mainly influenced by the following:

- The cost of bulk water purchases increased by 10.0%;
- Repairs and maintenance of water infrastructure increased by 6,2%;
- Costs of servicing existing external borrowing to fund water infrastructure; and
- Providing for debt impairment.

The water tariff structure is designed in such a manner that higher levels of consumption are progressively charged at a higher rate.

1.4.3 Sale of Electricity and Impact of Tariff Increases

NERSA has determined that the Eskom bulk electricity tariff to municipalities would increase by 13.50% as from 1 July 2012. Considering the Eskom tariff increase, the Municipality's consumer tariffs will be increased by 11,03% on average to offset the additional electricity bulk purchase costs as from 1 July 2012, in line with the NERSA tariff guidelines.

On 24 February 2010, NERSA approved the implementation of Inclining Block tariffs (IBT). On 25 November 2010, NERSA issued its '*Guideline on municipal price increase for 2011/12*', which required all municipalities to implement the IBT specified by NERSA for all domestic / residential consumers as from 1 July 2011. This stepped tariff structure will result in consumers with higher consumption levels paying progressively more for electricity.

National Treasury noted the concerns raised by SALGA and its member municipalities, together with Eskom, regarding the implementation of the IBT as proposed by NERSA. On 7 March 2011, NERSA agreed with the different stakeholders that there was a need for further research on the IBT and that NERSA would engage extensively with stakeholders to develop a revised IBT proposal in preparation for the 2012/13 municipal budgets.

At the meeting of 7 March 2011, it was further agreed that municipalities should regard NERSA's current proposals on IBT as a guideline, and that when a municipality applies to NERSA for the approval of its electricity tariffs (in line with the normal process), it should indicate to what extent it is able to implement an IBT structure. It was further agreed that NERSA would not enforce the current IBT proposal, but that municipalities should nevertheless start restructuring their electricity tariffs to accommodate an IBT structure, appropriate to the municipality's circumstances.

The Municipality accordingly advised NERSA that it would only be able to implement IBT as from the 2012/13 financial year.

The proposed tariff increases are mainly influenced by the following:

- The cost of bulk electricity purchases increased by 15,8%;
- Repairs and maintenance of electricity infrastructure increased by 16.4%;
- Costs of servicing existing external borrowing to fund electricity infrastructure;
- Providing for debt impairment.

The proposed electricity tariff increases have been finally approved by NERSA.

1.4.4 Sanitation and Impact of Tariff Increases

In accordance with National Treasury's MFMA Circulars, no. 51, 55 and 58, Municipalities are encouraged to review the level and structure of their sanitation tariffs to ensure:

- Fully cost reflective sanitation tariffs – tariffs should include the costs associated with maintenance and renewal of treatment plants, sanitation networks and sanitation infrastructure expansion;
- Sanitation tariffs are structured to protect basic levels of service; and

- Sanitation tariffs are designed to encourage efficient and sustainable consumption.

National Treasury has also urged municipalities to ensure that sanitation tariffs are fully cost reflective by 2014. In this regard a phased-in approach has been proposed to ensure that tariffs are fully cost reflective by 2014.

Sanitation charges are determined based on the volume of water consumed, which is appropriately reduced by the percentage of water discharged into the sewer system.

A tariff increase of 13% is proposed as from 1 July 2012. The proposed tariff increase is mainly influenced by the following:

- Repairs and maintenance of sanitation infrastructure increased by 3.7%;
- Costs of servicing existing external borrowing to fund sanitation infrastructure;
- Providing for debt impairment.

1.4.5 Refuse Collection and Disposal and Impact of Tariff Increases

The refuse collection and disposal service is currently operating on a break even basis. A tariff increase of 13% is proposed for the refuse collection and disposal service, as from 1 July 2012.

The proposed tariff increase is mainly influenced by the following:

- Costs of servicing existing external borrowing to fund refuse infrastructure;
- Providing for debt impairment.

National Treasury has also urged municipalities to ensure that refuse tariffs are fully cost reflective by 2015.

1.4.6 Overall impact of tariff increases on households

The following table reflects the anticipated impact of the proposed tariff increases on a middle income and affordable range household, as well as an indigent household receiving free basic services.

It is to be noted that the overall impact of the proposed tariff increases on household bills has been maintained to between 9.5% and 17.0%, with indigent households decreasing by 15.6%. The increase in household bills is largely influenced by the electricity tariff increase.

Table 5 (Table SA14 – Household bills)

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework				
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year 2012/13
							% incr.				
<u>Monthly Account for Household - 'Middle Income Range'</u>											
Rates and services charges:											
Property rates (Erf: 1000m2 ; 150m2 improvements)	453.61	492.16	541.38	603.64	603.64	603.64	13.0%	682.11	770.79	878.70	
Electricity: Basic levy											
Electricity: Consumption(1000 Kwh)	532.19	598.72	748.40	913.04	913.04	913.04	21.4%	1,108.07	1,230.29	1,366.00	
0 - 350								319.57	354.82	393.96	
351 – 600								272.50	302.56	335.93	

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework			
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Sub-total	188.29	202.46	229.60	258.53	258.53	258.53	-15.5%	218.56	246.97	279.07
VAT on Services	24.92	26.78	30.42	34.27	34.27	34.27		28.42	32.12	36.30
Total small household bill:	213.21	229.24	260.02	292.80	292.80	292.80	15.6%	246.98	279.09	315.37
% increase/decrease		7.5%	13.4%	12.6%	-	-		-15.6%	13.0%	13.0%

The basis used for calculating the municipal accounts for the different categories of households is as follows:-

Description	Land (m ²)	Improvements (m ²)	Electricity (kwh)	Water (kl)
Household – Middle Income	1000m ²	150m ²	1000kwh	30kl
Household – Affordable Range	300m ²	48m ²	498kwh	25kl
Indigent Household receiving free services	300m ²	48m ²	75kwh	8kl

1.5 OPERATING EXPENDITURE FRAMEWORK

The Municipality's expenditure framework for the 2012/13 budget and MTREF is informed by the following:

- The funding of the budget over the medium-term is informed by the requirements of Section 18 and 19 of the MFMA;
- A balanced budget approach by limiting operating expenditure to the operating revenue;
- The asset renewal strategy and the repairs and maintenance plan;
- Strict adherence to the principle of "no budget allocations without a project implementation plan".

The following table is a high level summary of the 2012/13 budget and MTREF (classified per main type of operating expenditure):

Table 6 (Summary of operating expenditure by standard classification item)

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand									
Expenditure By Type									
Employee related costs	1,280,871	1,624,444	1,887,362	1,859,569	1,849,569	1,849,569	1,792,973	1,957,323	2,137,456
Remuneration of councillors	41,255	44,886	45,053	51,084	51,084	51,084	54,583	60,041	66,645
Debt impairment	175,549	419,467	554,265	288,147	282,151	282,151	251,274	282,523	318,911
Depreciation & asset impairment	406,256	546,468	571,060	689,192	720,156	720,156	736,107	711,542	656,940
Finance charges	82,500	113,315	177,630	221,117	215,162	215,162	203,137	191,728	181,086
Bulk purchases	941,832	1,237,381	1,575,087	1,931,746	1,944,128	1,944,128	2,250,539	2,560,006	2,915,757
Other materials	381,616	408,104	415,638	458,472	468,404	468,404	497,216	535,607	577,637
Contracted services	93,202	147,765	144,271	269,675	194,461	194,461	376,041	458,332	496,814
Transfers and grants	265,764	364,571	307,556	417,961	370,961	370,961	402,053	451,752	509,521
Other expenditure	603,354	812,113	728,563	418,512	839,212	839,212	800,389	437,295	493,517
Loss on disposal of PPE	7,538	2,933	5,057				-		
Total Expenditure	4,279,736	5,721,445	6,411,541	6,605,474	6,935,287	6,935,287	7,364,312	7,646,149	8,354,284

The total operating expenditure increased by R429 million (6.2%) from R6,9 billion in 2011/12 to R7,4 billion in 2012/13. Below is a discussion of the main expenditure components.

Employee related costs

The 2012/13 draft budget provides for annual increments, where applicable, and a general increase of 6%. As the budget only provides for an overall 3,6% increase, any increase negotiated in excess of the budget provision will place upward pressure on this component of the Municipality's Budget. A Salary and Wage Collective Agreement for the 2012/13 to 2014/15 financial years has not yet been concluded.

The total budget provision of R1,793 billion represents a decrease of 3.1% over the 2011/12 Adjustments budget. It is to be noted that the 2011/12 Adjustments Budget included an amount of R118,1 million for primary health care services, which has been provincialised (no provision has been made for the primary health care service in the 2012/13 to 2014/15 Budget). Upon exclusion of the primary health care service, the 2012/13 budget provision represents an effective 3.6% increase over the 2011/12 Adjustments Budget.

An amount of approximately R22 million has been provided to ensure the implementation of the new wage curve in the 2012/13 financial year, as agreed to by the South African Local Government Bargaining Council. This budget allocation covers the back pay, in accordance with the wage curves collective agreement. In order to curtail personnel costs, the rationalisation of the Municipality's organisational structure should be considered.

Council's target for 2012/13 is to restrict personnel costs to 34% of total expenditure. Personnel costs in the 2012/13 Budget represent 24.3% of total expenditure.

Remuneration of Councillors

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 preparing the budget. As the budget provides for a 6,8% increase, Councillors' remuneration should be limited to the budget allocated for this purpose.

Debt Impairment

The provision for debt impairment was determined based on a targeted annual collection rate of 95%, excluding ATTP subsidies. For the 2012/13 financial year this amounted to R251.3 million and increases to R318.9 million in 2014/15. While this expenditure represents a non-cash flow item, it is taken into account in determining the total costs associated with the rendering of municipal services and the realistically anticipated revenues.

Depreciation and Asset Impairment

The provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. The budget amounts to R736,1 million for the 2012/13 financial and equates to 10% of the total operating expenditure.

Finance Charges

Finance charges consist primarily of the repayment of interest on existing long-term borrowing (cost of capital). Finance charges constitute 2,8% (R203 million) of total operating expenditure for 2012/13 and reduces to R181 million in 2014/15. It is to be noted that no new borrowing will be raised.

Bulk Electricity Purchases

Purchase of Power has increased from R1,879 billion in 2011/12 to R2,177 billion in 2012/13, an increase of 15,8%.

NERSA has approved a 13,5% increase in the Eskom bulk tariff for the 2012/13 financial year. The 2012/13 budget accordingly allows for a 15,8% increase for bulk power purchases from Eskom. It has been estimated, however, that energy consumption levels will not reflect any growth, due to the following:

- Significant increases in electricity prices;
- Consumer awareness of the need to conserve energy; and
- The implementation of energy conservation measures.

Bulk Water Purchases

The bulk purchase of water increased by R6 680 820 (10%) from R66 808 130 in 2011/12 to R73 488 950 in 2012/13, as follows:

	2011/12	2012/13	%
DWAF	63 631 710	69 994 880	10
Water Resource Management charge	2 231 631	2 454 790	10
Consumptive charges (includes Return on Assets charge, Depreciation & Operation & Maintenance charges)	61 400 079	67 540 090	10
Gamtoos Irrigation Board	1 673 860	1 841 250	10
Sundays River Irrigation Board	1 502 560	1 652 820	10
Total	66 808 130	73 488 950	10

The total budget provision of R73.5 million is influenced by the declining water consumption patterns, in addition to a water tariff increase of approximately 16.59%.

Other Materials

Other materials comprise, amongst others, the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. In line with the Municipality's repairs and maintenance plan, expenditure has been prioritised to ensure sustainability of the Municipality's infrastructure. The budget for 2012/13 amounts to R497.2 million and increases by 7,7% and 7,8% for the two outer years.

Contracted Services

In the 2012/13 financial year, the budget provision amounts to R376,0 million. For the two outer years the increases amount to 21.9% and 8,4% respectively.

Other Expenditure

Other expenditure comprises of various line items relating to the daily operations of the municipality. This expenditure has been identified as an area in which cost savings and efficiencies can be achieved. The expenditure decreased by 4.6% for 2012/13 and then reduces by 45.4% for 2013/14. The reduction in expenditure is mainly attributable to the fact that the expenditure associated with Housing Top Structures has not been included in the budget pending written confirmation of the housing top structures funding by the Provincial Government. In the 2014/15 financial year the expenditure increases by 12.9%.

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

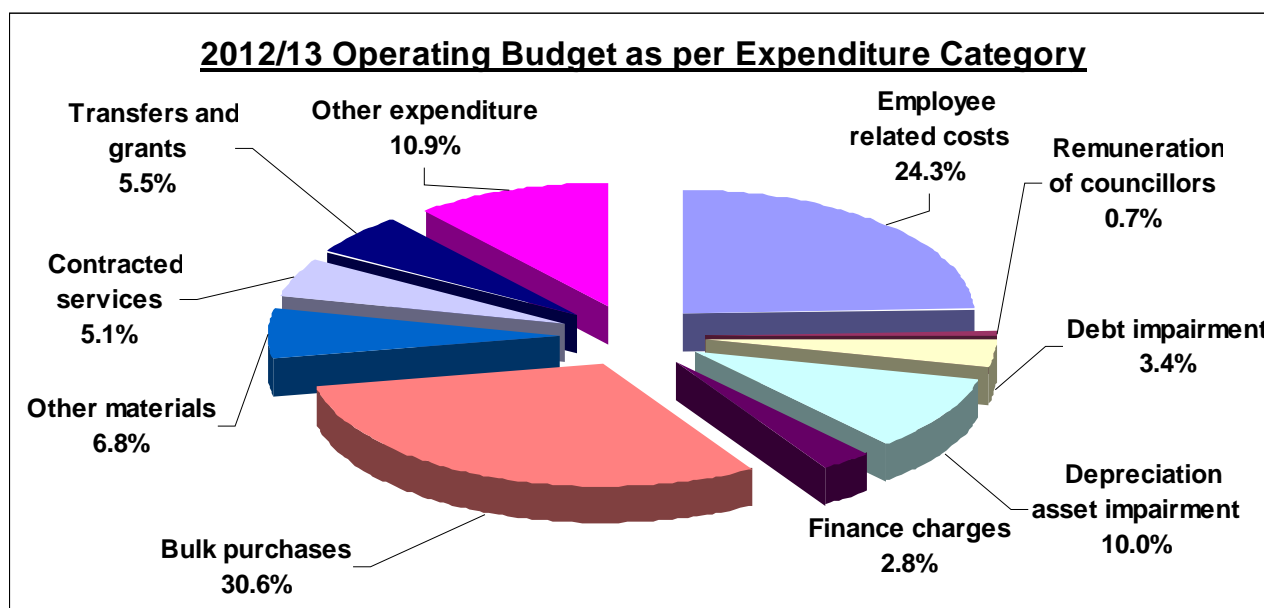


Figure 1 Main operational expenditure categories for the 2011/12 financial year

1.5.1 Priority relating to repairs and maintenance

In line with the Municipality's stated intention to preserve and maintain its existing infrastructure, the 2012/13 budget and MTREF provide for reasonable growth in the asset maintenance budget, as informed by the asset renewal strategy and repairs and maintenance plan of the Municipality.

During the compilation of the 2012/13 MTREF operational repairs and maintenance was identified as a strategic priority in view of the aging infrastructure and certain deferred maintenance. Repairs and maintenance was accordingly increased by 6.2% in the 2012/13 financial year, from R468,4 million to R497.2 million. The growth for the two outer years amount to 7,7% and 7,8%, respectively. In relation to the total operating expenditure, repairs and maintenance constitutes 6,8%, 7.0% and 6,9% 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 7 (Repairs and maintenance per asset class)

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand									
<u>Repairs and maintenance expenditure by Asset Class/Sub-class</u>									
<u>Infrastructure</u>	304,163	324,392	335,745	369,802	378,309	378,309	399,353	430,465	464,223
Infrastructure - Road transport	65,336	66,113	73,310	89,773	90,165	90,165	90,672	96,112	101,879
Infrastructure - Electricity	33,965	34,912	28,585	38,059	36,085	36,085	42,006	45,691	49,560
Infrastructure - Water	102,375	117,915	119,415	120,635	117,634	117,634	131,853	144,439	157,702
Infrastructure - Sanitation	100,392	103,325	111,701	116,606	124,696	124,696	129,312	138,336	148,790
Infrastructure - Other	2,095	2,127	2,735	4,729	9,729	9,729	5,510	5,887	6,291

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand									
<u>Community</u>	31,701	29,167	31,853	29,304	30,578	30,578	35,387	38,409	41,877
<u>Other assets</u>	44,776	54,545	48,040	59,366	59,517	59,517	62,476	66,733	71,537
Total Repairs and Maintenance Expenditure	381,616	408,104	415,638	458,472	468,404	468,404	497,216	535,607	577,637

For the 2012/13 financial year an amount of R399,4 million (80,3%) of total repairs and maintenance, will be spent on infrastructure assets.

1.5.2 Free Basic Services: Basic Social Services Package

The social package assists indigent households that have limited financial ability to pay for municipal services. In order to qualify for free services the households are required to register in terms of the Municipality's Assistance to the Poor Policy. Detail relating to free services, cost of free basic services, as well as basic service delivery measurement is contained in Table A10 (Basic Service Delivery Measurement).

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

1.6 CAPITAL EXPENDITURE

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

Table 8 (2012/13 Medium-term capital budget per vote)

Description	Current Year 2011/12		2012/13 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2012/13	%	Budget Year +1 2013/14	%	Budget Year +2 2014/15	%
<u>Capital expenditure - Municipal Vote</u>								
Budget and Treasury	27,865	2.26%	7,480	0.729%	10,300	0.78%	10,350	0.63%
Public Health	41,706	3.38%	17,500	1.68%	20,000	1.51%	20,000	1.21%
Housing Land	102,000	8.26%	165,868	15.96%	185,336	14.03%	186,928	11.33%
Economic Development and Recreational Services	61,318	4.97%	10,400	1.00%	16,500	1.25%	30,000	1.82%
Corporate Administration	36,339	2.94%	18,200	1.75%	22,000	1.67%	22,600	1.37%
Rate and General Engineers	299,162	24.23%	269,662	25.94%	393,817	29.82%	585,909	35.53%
Water Service	410,000	33.21%	134,402	12.93%	204,850	15.51%	235,950	14.31%
Sanitation	118,723	9.62%	234,600	22.57%	295,800	22.40%	380,900	23.09%
Electricity and Energy	86,000	6.97%	121,147	11.92%	157,343	11.91%	160,212	9.71%
Executive and Council	12,000	0.97%	11,200	1.17%	10,000	0.76%	11,500	0.70%
Safety and Security	4,809	0.39%	3,000	0.29%	2,300	0.17%	5,000	0.30%
Strategic Programmes Directorate	34,680	2.81%	46,000	4.43%	2,400	0.18%	-	0.00%
Total Capital Expenditure	1,234,602	100.00%	1,039,459	100.00%	1,320,646	100.00%	1,649,349	100.00%

Of the total amount of R1,04 billion for 2012/13, an amount of R805.8 million has been appropriated for the development of infrastructure, which represents 77.5% of the total capital budget. In the outer years this amount totals R1,05 billion (79.8%) and R1,36 billion (82.6%) respectively for each of the financial years. Transport and Roads Services receives the highest allocation of R269.7 million in 2012/13, which equates to 25.9% followed by Sanitation at R234,6 million (22.6%), Housing

Reticulation Services at R165,9 million (16.0%), Water at R134.4 million (12.9%) and Electricity Services at R121.1 million (11.7%).

Total new assets represent 39.5% or R410.5 million of the total capital budget while asset renewal/rehabilitation equates to 60.5% or R628.9 million. National Treasury has suggested that 40% of the capital budget should be allocated for asset renewal/rehabilitation. Further detail relating to asset classes and proposed capital expenditure is contained in Table A9 (Asset Management). Some of the major projects to be undertaken over the medium-term includes, amongst others:

- Reticulation services for housing delivery – R458.1 million;
- Construction of new scientific services laboratory – R15 million;
- Replacement of fleet – R31.5 million;
- Tarring of gravel roads – R180 million;
- Stormwater Improvement – R130.6 million;
- Construction of Major Roads – R19.5 million;
- Informal Housing Electrification – R60 million;
- Provision of sidewalks – R15 million;
- Electricity infrastructure – R215.2 million;
- Integrated Public Transportation System – R652.3 million;
- Water treatment works – R190 million;
- Water Reticulation Network – R244.8 million;
- Bulk Sewers – R263.9 million;
- Waste Water Treatment Works – R471.3 million;
- Greening and beautification – R6,5 million;
- Refuse sites and recycling stations – R6.4 million;
- Urban renewal – R48,4 million; and
- Sports and Recreational facilities – R56.9million.

Annexure “A” provides a summary of the capital projects included in the Capital budget.

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

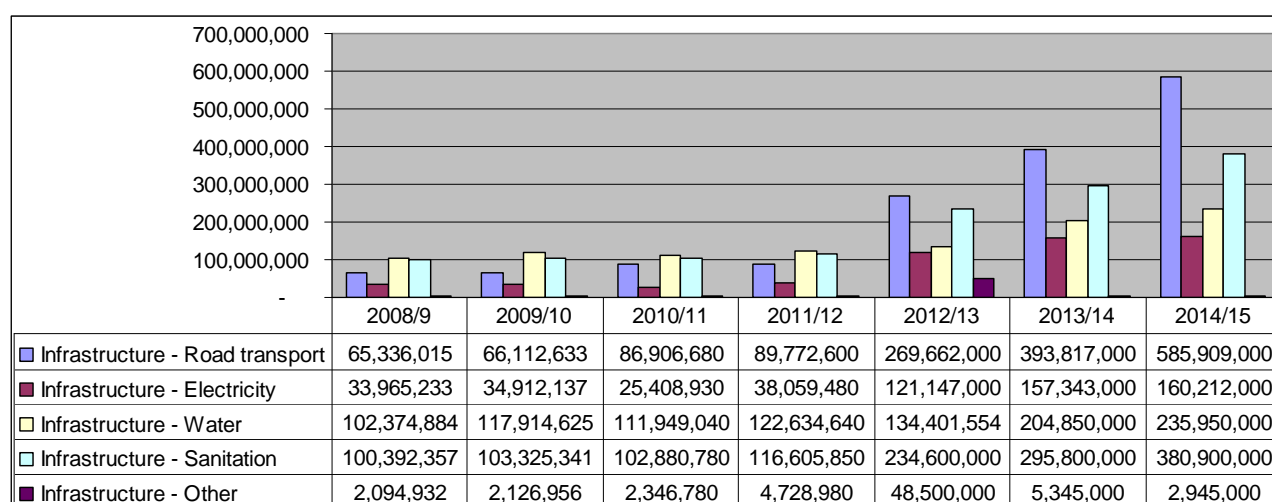


Figure 2 Capital Infrastructure Programme

1.7 ANNUAL BUDGET TABLES - PARENT MUNICIPALITY

The ten main budget tables, as required in terms of the Municipal Budget and Reporting Regulations, are included in this section. These tables set out the Municipality's 2012/13 budget and MTREF to be considered for approval by Council. Each table is accompanied by *explanatory notes*.

Table 9 (Table A1 - Budget Summary)

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousands									
<u>Financial Performance</u>									
Property rates	659,777	756,499	838,855	961,565	961,565	961,565	1,074,628	1,214,336	1,372,205
Service charges	2,169,825	2,549,175	3,122,758	3,648,779	3,540,253	3,540,253	3,951,039	4,436,329	5,006,227
Investment revenue	166,128	61,760	16,447	21,257	28,000	28,000	25,528	27,059	28,683
Transfers recognised - operational	1,021,115	1,454,743	1,363,358	1,384,487	1,234,094	1,234,094	1,361,248	1,065,840	1,155,403
Other own revenue	329,243	396,346	524,097	339,321	789,551	789,551	825,517	901,674	953,710
Total Revenue (excluding capital transfers and contributions)	4,346,087	5,218,523	5,865,515	6,355,409	6,553,464	6,553,464	7,237,960	7,645,238	8,516,229
Employee costs	1,280,871	1,624,444	1,887,362	1,859,569	1,849,569	1,849,569	1,792,973	1,957,323	2,137,456
Remuneration of councillors	41,255	44,886	45,053	51,084	51,084	51,084	54,583	60,041	66,645
Depreciation & asset impairment	406,256	546,468	571,060	689,192	720,156	720,156	736,107	711,542	656,940
Finance charges	82,500	113,315	177,630	221,117	215,162	215,162	203,137	191,728	181,086
Materials and bulk purchases	1,323,448	1,645,485	1,990,725	2,390,218	2,412,532	2,412,532	2,747,755	3,095,613	3,493,394
Transfers and grants	265,764	364,571	307,556	417,961	370,961	370,961	402,053	451,752	509,521
Other expenditure	879,642	1,382,277	1,432,156	976,334	1,315,823	1,315,823	1,427,704	1,178,150	1,309,241
Total Expenditure	4,279,736	5,721,445	6,411,541	6,605,474	6,935,287	6,935,287	7,364,312	7,646,149	8,354,284
Surplus/(Deficit)	66,351	(502,922)	(546,026)	(250,066)	(381,823)	(381,823)	(126,352)	(911)	161,944
Transfers recognised - capital	970,072	993,724	505,614	1,249,467	1,040,506	1,040,506	774,932	1,011,688	1,301,074
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	1,036,423	490,802	(40,412)	999,401	658,684	658,684	648,580	1,010,777	1,463,018
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	1,036,423	490,802	(40,412)	999,401	658,684	658,684	648,580	1,010,777	1,463,018
<u>Capital expenditure & funds sources</u>									
Capital expenditure	2,797,395	2,273,293	1,517,496	1,360,007	1,234,602	1,234,602	1,039,459	1,320,646	1,649,349
Transfers recognised - capital	1,643,032	956,989	512,292	1,249,467	1,040,506	1,040,506	774,932	1,011,688	1,301,074
Public contributions & donations	23,348	94,452	15,537	38,000	38,000	38,000	23,000	33,500	33,500
Borrowing	563,075	745,200	470,000	-	-	-	-	-	-
Internally generated funds	567,939	476,652	519,667	122,540	156,096	156,096	241,527	275,458	314,775
Total sources of capital funds	2,797,395	2,273,293	1,517,496	1,410,007	1,234,602	1,234,602	1,039,459	1,320,646	1,649,349
<u>Financial position</u>									
Total current assets	2,110,605	1,980,743	1,425,756	1,484,224	1,815,738	1,815,738	2,161,892	2,422,509	2,848,649

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	R thousands Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Total non current assets	9,545,409	11,384,686	12,351,271	12,865,135	12,925,754	12,925,754	13,249,006	13,858,110	14,850,519
Total current liabilities	2,085,650	2,061,221	1,853,843	1,474,867	1,799,233	1,799,233	2,124,459	2,251,249	2,356,010
Total non current liabilities	1,223,452	2,466,494	3,125,880	2,946,397	2,951,548	2,951,548	3,040,479	3,060,694	3,095,576
Community wealth/Equity	8,346,913	8,837,715	8,797,304	9,928,094	9,990,710	9,990,710	10,245,961	10,968,677	12,247,583
<u>Cash flows</u>									
Net cash from (used) operating	1,344,887	938,304	916,465	1,617,491	1,697,626	1,697,626	1,364,440	1,633,852	2,101,036
Net cash from (used) investing	(2,303,651)	(2,301,966)	(1,499,718)	(1,363,169)	(1,291,421)	(1,291,421)	(1,048,473)	(1,282,527)	(1,606,479)
Net cash from (used) financing	(68,054)	1,113,172	381,141	(89,696)	(89,543)	(89,543)	(100,719)	(106,159)	(113,968)
Cash/cash equivalents at the year end	880,260	629,770	427,658	442,619	763,935	763,935	979,183	1,224,348	1,604,938
<u>Cash backing/surplus reconciliation</u>									
Cash and investments available	880,987	630,725	428,805	442,639	763,955	763,955	979,203	1,224,368	1,604,958
Application of cash and investments	1,280,673	1,340,069	1,002,379	542,089	729,503	729,503	867,579	975,489	1,051,640
Balance - surplus (shortfall)	(399,686)	(709,344)	(573,574)	(99,450)	34,452	34,452	111,624	248,879	553,318
<u>Asset management</u>									
Asset register summary (WDV)	9,450,710	11,304,137	12,289,797	12,801,616	12,862,235	12,862,235	13,183,986	13,793,090	14,785,499
Depreciation & asset impairment	406,256	546,468	571,060	689,192	720,156	720,156	736,107	711,542	656,940
Renewal of Existing Assets	190,818	241,358	268,333	287,900	513,158	513,158	628,949	937,545	1,231,633
Repairs and Maintenance	381,616	408,104	415,638	458,472	468,404	468,404	497,216	535,607	577,637
<u>Free services</u>									
Cost of Free Basic Services provided	191,776	216,810	187,997	178,057	209,907	209,907	231,118	262,507	300,449
Revenue cost of free services provided <u>Households below minimum service level</u>	231,313	265,171	265,134	293,663	284,475	284,475	323,048	361,352	413,403
Water:	34	-	-	-	-	-	-	-	-
Sanitation/sewerage:	39	22	23	22	22	22	22	22	22
Energy:	-	-	-	-	-	-	-	-	-
Refuse:	8	12	16	1	1	1	1	1	1

Explanatory notes to Table A1 - Budget Summary

The aim of the Budget Summary is to provide a concise overview of the proposed budget from all of the major financial perspectives (operating expenditure, capital expenditure, financial position, cash flow, and MFMA funding compliance). The table provides an overview of the amounts to be approved by Council within the context of operating performance, resources utilised for capital expenditure, financial position, cash and funding compliance, as well as the Municipality's commitment to eliminating basic service delivery backlogs.

Table 10 (Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification))

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand									
Revenue - Standard									
<i>Governance and administration</i>	1,951,261	1,410,393	1,683,291	1,689,573	1,747,017	1,747,017	1,927,558	2,117,857	2,309,748
Executive and council	545,117	73,760	28,864	1,237	1,277	1,277	51	51	52
Budget and treasury office	1,396,709	1,324,803	1,639,876	1,670,069	1,726,898	1,726,898	1,911,578	2,101,375	2,292,543
Corporate services	9,436	11,829	14,550	18,268	18,841	18,841	15,929	16,430	17,153
<i>Community and public safety</i>	(74,403)	583,695	368,542	169,151	523,893	523,893	475,241	75,341	81,683
Community and social services	2,429	34,083	42,473	14,917	24,386	24,386	18,703	15,211	15,899
Sport and recreation	(403,802)	21,156	16,677	42,316	52,056	52,056	22,301	23,840	27,315
Public safety	54,685	34,528	25,145	27,700	26,820	26,820	33,714	35,737	37,881
Housing	197,679	401,935	247,171	5,899	356,450	356,450	400,425	450	477
Health	74,606	91,993	37,076	78,319	64,181	64,181	98	104	110
<i>Economic and environmental services</i>	36,960	117,463	229,513	322,848	239,091	239,091	391,356	460,555	502,068
Planning and development	-	8,265	164,024	282,683	187,182	187,182	167,545	163,939	173,856
Road transport	14,230	101,736	40,791	18,796	18,946	18,946	219,997	292,572	323,927
Environmental protection	22,730	7,463	24,697	21,369	32,963	32,963	3,814	4,043	4,286
<i>Trading services</i>	2,419,604	2,973,145	3,582,192	4,161,277	4,036,031	4,036,031	4,431,465	4,978,404	5,608,863
Electricity	1,449,936	1,905,681	2,295,991	2,903,915	2,870,827	2,870,827	3,120,937	3,503,315	3,934,407
Water	440,910	522,577	710,227	571,200	511,991	511,991	581,395	654,278	742,493
Waste water management	347,989	350,803	374,300	437,816	426,384	426,384	474,317	534,959	608,663
Waste management	180,769	194,084	201,674	248,347	226,830	226,830	254,816	285,852	323,300
<i>Other</i>	12,668	133,826	1,979	12,559	7,431	7,431	12,341	13,081	13,866
Total Revenue - Standard	4,346,089	5,218,522	5,865,516	6,355,408	6,553,463	6,553,463	7,237,960	7,645,238	8,516,229
Expenditure - Standard									
<i>Governance and administration</i>	803,788	1,308,361	1,127,638	978,127	1,060,340	1,060,340	1,106,730	1,189,093	1,259,722
Executive and council	173,874	321,203	133,149	172,195	155,308	155,308	172,395	190,524	206,926
Budget and treasury office	601,184	768,615	742,417	563,805	569,748	569,748	581,519	621,017	677,196
Corporate services	28,731	218,543	252,072	242,127	335,284	335,284	352,816	377,552	375,600
<i>Community and public safety</i>	959,770	1,104,899	1,236,597	930,311	1,186,168	1,186,168	1,209,028	870,450	945,092
Community and social services	19,556	114,386	100,957	211,283	136,869	136,869	138,968	145,554	156,805
Sport and recreation	274,590	100,362	156,012	146,248	136,488	136,488	152,041	163,150	175,923
Public safety	272,496	308,868	369,380	338,366	338,104	338,104	348,237	375,790	408,119
Housing	273,160	434,102	342,597	34,328	389,950	389,950	432,052	35,028	38,361
Health	119,969	147,181	267,650	200,086	184,756	184,756	137,730	150,929	165,884

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast
<i>Economic and environmental services</i>	409,176	834,709	613,602	998,158	839,084	839,083	1,017,932	1,134,112	1,202,257
Planning and development	-	29,762	337,285	519,211	453,972	453,972	590,142	677,937	739,095
Road transport	211,198	274,859	185,199	215,246	148,087	148,087	180,593	195,210	198,577
Environmental protection	197,978	530,088	91,118	263,701	237,025	237,025	247,196	260,965	264,585
<i>Trading services</i>	2,099,238	2,420,633	3,423,377	3,647,871	3,785,593	3,785,593	3,967,051	4,409,864	4,921,239
Electricity	1,277,045	1,484,720	2,119,477	2,490,120	2,531,635	2,531,635	2,782,901	3,114,728	3,500,277
Water	377,979	529,530	662,700	491,633	483,678	483,678	518,942	571,430	630,914
Waste water management	255,792	261,769	369,219	433,987	480,322	480,322	456,585	490,124	529,044
Waste management	188,423	144,615	271,981	232,132	289,959	289,959	208,622	233,581	261,003
<i>Other</i>	7,764	52,843	10,327	51,008	64,103	64,103	63,571	42,630	25,976
Total Expenditure - Standard	4,279,736	5,721,445	6,411,541	6,605,474	6,935,288	6,935,288	7,364,312	7,646,149	8,354,285
Surplus/(Deficit) for the year	66,353	(502,922)	(546,025)	(250,066)	(381,825)	(381,825)	(126,352)	(912)	161,943

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

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

Table 11 (Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote))

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast
<u>Revenue by Vote</u>									
Vote 1 - Budget and Treasury	1,396,709	1,324,803	1,639,901	1,670,081	1,726,921	1,726,921	1,911,592	2,101,390	2,292,558
Vote 2 - Public Health	278,104	293,540	262,975	350,853	326,541	326,541	261,472	292,908	330,780
Vote 3 - Human Settlements	197,679	401,935	263,368	25,661	376,211	376,211	421,369	22,652	24,011
Vote 4 - Economic Development and Recreational Services	103,149	151,124	142,470	149,110	147,232	147,232	133,555	140,500	152,760
Vote 5 - Corporate Services	11,865	11,829	10,668	11,933	13,574	13,574	8,828	9,096	9,381
Vote 6 - Rate and General Engineers	14,230	101,736	28,309	146,058	37,006	37,006	202,201	273,709	303,932
Vote 7 - Water Services	440,910	522,576	710,228	571,200	511,991	511,991	581,395	654,278	742,493
Vote 8 - Sanitation Services	347,989	350,803	374,212	437,816	426,384	426,384	474,317	534,959	608,663
Vote 9 - Electricity and Energy	1,449,936	1,905,681	2,295,991	2,903,915	2,870,827	2,870,827	3,120,937	3,503,315	3,934,407
Vote 10 - Executive and Council	498,110	10,887	5,537	1,636	1,774	1,774	658	502	528
Vote 11 - Safety and Security	54,685	52,139	43,031	45,540	44,661	44,661	53,796	57,024	60,446
Vote 12 - Nelson Mandela Bay Stadium	(477,009)	63,444	62,760	-	37,000	37,000	37,000	37,000	37,000

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast
R thousand									
Vote 13 - Strategic Programmes Directorate	29,733	28,024	26,066	41,605	33,342	33,342	30,840	17,904	19,270
Total Revenue by Vote	4,346,090	5,218,522	5,865,516	6,355,409	6,553,464	6,553,463	7,237,960	7,645,238	8,516,229
Expenditure by Vote, to be appropriated									
Vote 1 - Budget and Treasury	601,184	768,615	725,772	541,437	548,799	548,799	561,807	598,274	652,743
Vote 2 - Public Health	506,369	852,515	646,547	712,821	728,161	728,161	610,319	661,390	709,252
Vote 3 - Human Settlements	273,160	434,102	446,336	137,041	488,024	488,024	533,541	146,139	159,110
Vote 4 - Economic Development and Recreational Services	282,355	296,144	255,969	463,840	404,725	404,725	389,218	391,554	406,898
Vote 5 - Corporate Services	48,286	218,543	262,883	237,239	355,712	355,712	356,377	378,498	376,079
Vote 6 - Rate and General Engineers	211,198	274,859	244,138	472,828	320,459	320,459	500,086	604,360	645,125
Vote 7 - Water Services	377,979	529,530	664,564	491,633	481,831	481,831	519,466	571,987	631,504
Vote 8 - Sanitation Services	255,792	261,769	340,166	385,192	387,279	387,279	396,910	428,055	465,695
Vote 9 - Electricity and Energy	1,277,045	1,484,720	2,119,457	2,491,320	2,531,635	2,531,635	2,782,901	3,114,728	3,500,277
Vote 10 - Executive and Council	123,321	169,065	160,321	202,171	194,843	194,843	201,471	221,654	240,838
Vote 11 - Safety and Security	272,496	270,619	376,367	346,276	345,351	345,351	356,370	384,788	417,769
Vote 12 - Nelson Mandela Bay Stadium	20,852	131,203	131,644	88,939	120,708	120,708	123,523	125,353	128,279
Vote 13 - Strategic Programmes Directorate	29,701	29,762	37,376	34,739	27,761	27,761	32,321	19,368	20,715
Total Expenditure by Vote	4,279,736	5,721,445	6,411,541	6,605,474	6,935,288	6,935,288	7,364,312	7,646,149	8,354,285
Surplus/(Deficit) for the year	66,354	(502,923)	(546,025)	(250,065)	(381,824)	(381,825)	(126,352)	(912)	161,944

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

- The purpose of the format in which the budget is presented, is to enable the Council to enforce a vote in accordance with the municipality's organisational structure, so as to assign responsibility for the revenue and expenditure recorded against these votes to the Municipal Manager and Executive Directors concerned. Operating revenue and expenditure is thus presented by 'vote'. A 'vote' is defined as one of the main segments into which a budget of a municipality is divided into, for the appropriation of funds.

Table 12 (Table A4 - Budgeted Financial Performance (revenue and expenditure))

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast
Revenue By Source									
Property rates	659,777	756,499	838,855	961,565	961,565	961,565	1,074,628	1,214,336	1,372,205
Service charges - electricity revenue	1,502,322	1,807,751	2,185,508	2,753,364	2,718,364	2,718,364	3,028,384	3,393,651	3,817,477
Service charges - water revenue	344,730	407,918	569,883	465,383	402,068	402,068	455,547	514,768	586,836
Service charges - sanitation revenue	226,507	228,020	246,692	295,170	283,094	283,094	312,033	352,598	401,961
Service charges - refuse revenue	96,266	105,486	120,675	134,861	136,727	136,727	155,075	175,312	199,953

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	R thousand Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Rental of facilities and equipment	13,336	15,545	17,641	18,791	18,431	18,431	19,820	20,992	22,235
Interest earned - external investments	166,128	61,760	16,447	21,257	28,000	28,000	25,528	27,059	28,683
Interest earned - outstanding debtors	92,041	82,762	113,347	78,993	81,993	81,993	86,913	92,128	97,655
Fines	27,533	23,415	23,736	24,998	24,119	24,119	32,328	34,268	36,324
Licences and permits	8,552	8,242	8,153	7,399	7,399	7,399	9,014	9,555	10,129
Agency services	1,152	1,220	1,611	1,402	1,402	1,402	1,400	1,484	1,573
Transfers recognised - operational	1,021,115	1,454,743	1,363,358	1,384,487	1,234,094	1,234,094	1,361,248	1,065,840	1,155,403
Other revenue	186,624	265,161	357,912	207,738	656,207	656,207	676,041	743,247	785,794
Gains on disposal of PPE	6		1,698						
Total Revenue (excluding capital transfers and contributions)	4,346,087	5,218,523	5,865,515	6,355,409	6,553,464	6,553,464	7,237,960	7,645,238	8,516,229
Expenditure By Type									
Employee related costs	1,280,871	1,624,444	1,887,362	1,859,569	1,849,569	1,849,569	1,792,973	1,957,323	2,137,456
Remuneration of councillors	41,255	44,886	45,053	51,084	51,084	51,084	54,583	60,041	66,645
Debt impairment	175,549	419,467	554,265	288,147	282,151	282,151	251,274	282,523	318,911
Depreciation & asset impairment	406,256	546,468	571,060	689,192	720,156	720,156	736,107	711,542	656,940
Finance charges	82,500	113,315	177,630	221,117	215,162	215,162	203,137	191,728	181,086
Bulk purchases	941,832	1,237,381	1,575,087	1,931,746	1,944,128	1,944,128	2,250,539	2,560,006	2,915,757
Other materials	381,616	408,104	415,638	458,472	468,404	468,404	497,216	535,607	577,637
Contracted services	93,202	147,765	144,271	269,675	194,461	194,461	376,041	458,332	496,814
Transfers and grants	265,764	364,571	307,556	417,961	370,961	370,961	402,053	451,752	509,521
Other expenditure	603,354	812,113	728,563	418,512	839,212	839,212	800,389	437,295	493,517
Loss on disposal of PPE	7,538	2,933	5,057			-			
Total Expenditure	4,279,736	5,721,445	6,411,541	6,605,474	6,935,287	6,935,287	7,364,312	7,646,149	8,354,284
Surplus/(Deficit)	66,351	(502,922)	(546,026)	(250,066)	(381,823)	(381,823)	(126,352)	(911)	161,944
Transfers recognised - capital	970,072	993,724	505,614	1,249,467	1,040,506	1,040,506	774,932	1,011,688	1,301,074
Contributions recognised - capital	-	-	-	-	-	-	-	-	-
Contributed assets									
Surplus/(Deficit) after capital transfers & contributions	1,036,423	490,802	(40,412)	999,401	658,684	658,684	648,580	1,010,777	1,463,018
Taxation									
Surplus/(Deficit) after taxation	1,036,423	490,802	(40,412)	999,401	658,684	658,684	648,580	1,010,777	1,463,018
Attributable to minorities									
Surplus/(Deficit) attributable to municipality	1,036,423	490,802	(40,412)	999,401	658,684	658,684	648,580	1,010,777	1,463,018
Share of surplus/ (deficit) of associate									
Surplus/(Deficit) for the year	1,036,423	490,802	(40,412)	999,401	658,684	658,684	648,580	1,010,777	1,463,018

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

Revenue

1. The Financial Performance Budget is required to be approved concurrently by revenue source and expenditure type, so as to ensure consistency with annual reporting format requirements. A key aim is to facilitate comparison between the annual results and the original budget, so as to assess performance.
2. Total revenue amounts to R7,2 billion in 2012/13 and increases to R8,5 billion in 2014/15. This represents a year-on-year increase of 10.4% for the 2012/13 financial year, 5,6% for the 2013/14 financial year and 11,4% for the 2014/15 financial year.
3. Revenue from property rates amounts to R1,1 billion in the 2012/13 financial year and increases to R1,4 billion in 2014/15, which amounts to 14.8% of the total operating revenue base of the Municipality. It remains relatively constant over the medium-term, whilst tariff increases of 13% have been provided for 2012/13 and 13% for the two outer years.
4. Services charges relating to electricity, water, sanitation and refuse collection and removal constitute the biggest component of the total revenue base, amounting to R3,95 billion for the 2012/13 financial year and increasing to R5,0 billion in 2014/15. For the 2012/13 financial year services charges amount to 54.6% of the total revenue base and grows to 58.8 % in 2014/15. This growth is mainly attributable to the increase in the bulk price of electricity.
5. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It is to be noted that the grants increased by 10.3% for 2012/13 and reduces by 21.7% for 2013/14. In the 2014/15 financial year the grants increase by 8,4%.

Expenditure

6. Bulk purchases have increased significantly over the 2008/09 to 2012/13 period, increasing from R941,8 million to R2,3 billion. These increases are mainly attributable to the substantial increases in the cost of bulk electricity from Eskom.

Table 13 (Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source)

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand									
Capital expenditure - Vote									
Multi-year expenditure to be appropriated									
Vote 1 - Budget and Treasury	27,306	51,396	55,769	54,965	27,865	27,865	7,480	10,300	10,350
Vote 2 - Public Health	94,182	81,242	108,310	25,094	41,706	41,706	17,500	20,000	20,000
Vote 3 - Human Settlements	57,683	79,531	-	90,000	102,000	102,000	165,868	185,336	186,928
Vote 4 - Economic Development and Recreational Services	164,809	214,808	193,547	32,000	61,318	61,318	10,400	16,500	30,000
Vote 5 - Corporate Services	69,411	46,471	88,482	30,500	36,339	36,339	18,200	22,000	22,600
Vote 6 - Rate and General Engineers	907,170	976,761	587,299	395,300	299,162	299,162	269,662	393,817	585,909
Vote 7 - Water Services	188,807	215,412	145,187	473,000	410,000	410,000	134,402	204,850	235,950
Vote 8 - Sanitation Services	111,993	131,950	125,357	116,373	118,723	118,723	234,600	295,800	380,900

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast
Vote 9 - Electricity and Energy	257,520	217,874	170,849	86,000	86,000	86,000	121,147	157,343	160,212
Vote 10 - Executive and Council	15,650	6,199	7,541	12,000	12,000	12,000	11,200	10,000	11,500
Vote 11 - Safety and Security	44,256	88,929	16,998	6,500	4,809	4,809	3,000	2,300	5,000
Vote 12 - Nelson Mandela Bay Stadium	843,000	141,600	-	-	-	-	-	-	-
Vote 13 - Strategic Programmes Directorate	15,607	21,119	18,157	38,275	34,680	34,680	46,000	2,400	-
Capital multi-year expenditure sub-total	2,797,395	2,273,293	1,517,496	1,360,007	1,234,602	1,234,602	1,039,459	1,320,646	1,649,349
Total Capital Expenditure - Vote	2,797,395	2,273,293	1,517,496	1,360,007	1,234,602	1,234,602	1,039,459	1,320,646	1,649,349
Capital Expenditure - Standard									
Governance and administration	112,367	282,017	151,792	97,465	76,204	76,204	36,880	42,300	44,450
Executive and council	15,650	6,199	7,541	12,000	12,000	12,000	11,200	10,000	11,500
Budget and treasury office	27,306	112,710	55,769	54,965	27,865	27,865	7,480	10,300	10,350
Corporate services	69,411	163,109	88,482	30,500	36,339	36,339	18,200	22,000	22,600
Community and public safety	360,930	440,575	221,070	112,094	143,698	143,698	179,768	204,136	221,928
Community and social services	164,809	35,465	42,170	3,000	3,000	3,000	3,000	10,500	10,000
Sport and recreation		376,238	151,209	9,000	28,225	28,225	7,400	6,000	20,000
Public safety	44,256	2,670	16,998	6,500	4,809	4,809	3,000	2,300	5,000
Housing	57,683	-	-	90,000	102,000	102,000	165,868	185,336	186,928
Health	94,182	26,203	10,694	3,594	5,664	5,664	500	-	-
Economic and environmental services	922,777	902,107	610,376	464,575	377,026	377,026	328,162	410,712	601,304
Planning and development	15,607	45,397	18,157	58,275	64,772	64,772	46,000	2,400	-
Road transport	907,170	856,710	587,299	395,300	299,162	299,162	269,662	393,817	585,909
Environmental protection			4,920	11,000	13,092	13,092	12,500	14,495	15,395
Trading services	558,321	648,593	534,091	685,873	637,673	637,673	494,649	663,498	781,667
Electricity	257,520	333,489	170,849	86,000	86,000	86,000	121,147	157,343	160,212
Water	188,807	197,870	145,187	473,000	410,000	410,000	134,402	204,850	235,950
Waste water management	111,993	117,234	125,357	116,373	118,723	118,723	234,600	295,800	380,900
Waste management			92,697	10,500	22,950	22,950	4,500	5,505	4,605
Other	843,000		168						
Total Capital Expenditure - Standard	2,797,395	2,273,293	1,517,496	1,360,007	1,234,602	1,234,602	1,039,459	1,320,646	1,649,349
Funded by:									
National Government	1,585,935	956,989	481,969	1,222,467	1,013,581	1,013,581	771,932	1,011,688	1,301,074
Provincial Government	57,097		8,304	-	-	-			
District Municipality				-	-	-			
Other transfers and grants			22,019	27,000	26,925	26,925	3,000	-	-
Transfers recognised - capital	1,643,032	956,989	512,292	1,249,467	1,040,506	1,040,506	774,932	1,011,688	1,301,074

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast
R thousand									
Intangible	324,974	411,509	430,472	401,071	431,399	431,399	431,399	431,399	431,399
Other non-current assets									
Total non current assets	9,545,409	11,384,686	12,351,271	12,865,135	12,925,754	12,925,754	13,249,006	13,858,110	14,850,519
TOTAL ASSETS	11,656,015	13,365,430	13,777,026	14,349,358	14,741,492	14,741,492	15,410,899	16,280,620	17,699,169
LIABILITIES									
Current liabilities									
Bank overdraft									-
Borrowing	51,828	92,458	92,055	98,682	97,444	97,444	105,159	112,968	104,093
Consumer deposits	77,115	79,850	111,125	82,585	82,585	82,585	113,500	114,500	115,500
Trade and other payables	1,913,310	1,840,534	1,548,072	1,240,000	1,565,604	1,565,604	1,820,800	1,933,680	2,040,911
Provisions	43,398	48,380	102,591	53,600	53,600	53,600	85,000	90,100	95,506
Total current liabilities	2,085,650	2,061,221	1,853,843	1,474,867	1,799,233	1,799,233	2,124,459	2,251,249	2,356,010
Non current liabilities									
Borrowing	386,657	1,459,787	1,841,851	1,729,021	1,734,172	1,734,172	1,629,013	1,516,045	1,411,952
Provisions	836,795	1,006,706	1,284,029	1,217,376	1,217,376	1,217,376	1,411,466	1,544,649	1,683,624
Total non current liabilities	1,223,452	2,466,494	3,125,880	2,946,397	2,951,548	2,951,548	3,040,479	3,060,694	3,095,576
TOTAL LIABILITIES	3,309,102	4,527,715	4,979,723	4,421,264	4,750,781	4,750,781	5,164,938	5,311,943	5,451,586
NET ASSETS	8,346,913	8,837,715	8,797,304	9,928,094	9,990,710	9,990,710	10,245,961	10,968,677	12,247,583
COMMUNITY WEALTH/EQUITY									
Accumulated Surplus/(Deficit)	3,392,252	3,243,190	3,607,569	3,535,230	4,251,094	4,251,094	3,963,987	4,769,384	6,119,257
Reserves	4,954,661	5,594,525	5,189,734	6,392,864	5,739,616	5,739,616	6,281,974	6,199,293	6,128,326
Minorities' interests									
TOTAL COMMUNITY WEALTH/EQUITY	8,346,913	8,837,715	8,797,304	9,928,094	9,990,710	9,990,710	10,245,961	10,968,677	12,247,583

Explanatory notes to Table A6 - Budgeted Financial Position

- The table presents Assets less Liabilities as Community Wealth. The order of items within each group is also aligned to the convention of showing items in order of liquidity; i.e. assets readily converted to cash or liabilities immediately required to be met from cash appear first.
- Any movement on the Budgeted Financial Performance or the Capital Budget will invariably impact on the Budgeted Financial Position. For example, the collection rate assumption will impact on the cash position of the municipality and consequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption informs the budget provision for debt impairment, which in turn impacts on the provision for bad debts. 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 directly informed by forecasting the statement of financial position.

Table 15 (Table A7 - Budget cash flow statement)

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Ratepayers and other	2,852,209	2,704,202	5,412,124	4,261,084	4,670,097	4,670,097	5,197,167	5,820,175	6,507,782
Government - operating	1,021,115	1,454,743	1,363,358	1,371,306	1,282,407	1,282,407	1,356,926	1,065,840	1,155,403
Government - capital	970,072	993,724	531,295	1,246,467	1,249,768	1,249,768	771,932	1,011,688	1,301,074
Interest	258,168	167,543	16,447	21,257	28,000	28,000	25,528	27,059	28,683
Dividends									
Payments									
Suppliers and employees	(3,637,899)	(4,136,060)	(5,933,419)	(4,987,425)	(5,229,724)	(5,229,724)	(5,702,869)	(6,011,445)	(6,618,042)
Finance charges	(82,500)	(145,978)	(177,110)	(208,791)	(213,337)	(213,337)	(205,239)	(193,867)	(182,546)
Transfers and Grants	(36,277)	(99,870)	(296,231)	(86,407)	(89,584)	(89,584)	(79,005)	(85,600)	(91,318)
NET CASH FROM/(USED) OPERATING ACTIVITIES	1,344,887	938,304	916,465	1,617,491	1,697,626	1,697,626	1,364,440	1,633,852	2,101,036
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on disposal of PPE	6		2,250						
Decrease (Increase) in non-current debtors									
Decrease (increase) other non-current receivables	23,007	31,484	19,096	1,297	1,297	1,297			
Decrease (increase) in non-current investments	10,561								
Payments									
Capital assets	(2,337,225)	(2,333,450)	(1,521,064)	(1,364,466)	(1,292,718)	(1,292,718)	(1,048,473)	(1,282,527)	(1,606,479)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(2,303,651)	(2,301,966)	(1,499,718)	(1,363,169)	(1,291,421)	(1,291,421)	(1,048,473)	(1,282,527)	(1,606,479)
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
Short term loans									
Borrowing long term/refinancing		1,165,000	470,000						
Increase (decrease) in consumer deposits	(11,615)			2,515	2,515	2,515	(3,275)	(1,000)	(1,000)
Payments									
Repayment of borrowing	(56,438)	(51,828)	(88,859)	(92,211)	(92,058)	(92,058)	(97,444)	(105,159)	(112,968)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(68,054)	1,113,172	381,141	(89,696)	(89,543)	(89,543)	(100,719)	(106,159)	(113,968)
NET INCREASE/ (DECREASE) IN CASH HELD	(1,026,818)	(250,490)	(202,112)	164,626	316,662	316,662	215,248	245,165	380,589
Cash/cash equivalents at the year begin:	1,907,077	880,260	629,770	277,992	447,273	447,273	763,935	979,183	1,224,348
Cash/cash equivalents at the year end:	880,260	629,770	427,658	442,619	763,935	763,935	979,183	1,224,348	1,604,938

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

- The budgeted cash flow statement represents the first measurement in determining whether the budget is funded.

2. It reflects the expected cash in-flows versus cash out-flows that is likely to result from the implementation of the budget.
3. The cash position of the Municipality declined significantly over the 2007/08 to 2011/12 period, from R1.9 billion to R763.9 million.
4. The 2012/13 MTREF has been informed by the planning principle of striving to ensure adequate cash reserves over the medium-term.
5. Cash and cash equivalents amounts to R979,2 million as at the end of the 2012/13 financial year and increases to R1.6 billion in 2014/15. The 2012/13 cash balance is significantly influenced by the unspent grants of approximately R580 million relating to the previous year(s).

Table 16 (Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation)

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13
R thousand										
Cash and investments available										
Cash/cash equivalents at the year end	880,260	629,770	427,658	442,619	763,935	763,935	979,183	1,224,348	1,604,938	
Other current investments > 90 days	0	935	1,127	0	(0)	(0)	0	(0)	0	
Non current assets - Investments	727	20	20	20	20	20	20	20	20	
Cash and investments available:	880,987	630,725	428,805	442,639	763,955	763,955	979,203	1,224,368	1,604,958	
Application of cash and investments										
Unspent conditional transfers	645,367	206,196	301,712	-	325,604	325,604	580,800	619,280	654,219	
Unspent borrowing	-	-	-	-	-	-	-	-	-	
Statutory requirements										
Other working capital requirements	148,666	687,821	107,292	374,740	356,899	356,899	239,779	306,989	345,848	
Other provisions										
Long term investments committed	-	-	-	-	-	-	-	-	-	
Reserves to be backed by cash/investments	486,640	446,052	593,375	167,349	47,000	47,000	47,000	49,220	51,573	
Total Application of cash and investments:	1,280,673	1,340,069	1,002,379	542,089	729,503	729,503	867,579	975,489	1,051,640	
Surplus(shortfall)	(399,686)	(709,344)	(573,574)	(99,450)	34,452	34,452	111,624	248,879	553,318	

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. The table assesses 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.
3. As part of the budgeting and planning guidelines that informed the compilation of the 2012/13 MTREF, the end objective of the medium-term framework was to ensure the budget is funded as required in accordance with section 18 of the MFMA.
4. It is to be noted that the budget progressively moves from a funding surplus of R111.6 million in 2012/13 to a surplus of R553.3 million in 2014/15.

Table 17 (Table A9 - Asset Management)

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast
R thousand									
CAPITAL EXPENDITURE									
Total New Assets	2,276,898	1,994,760	1,043,023	1,072,107	721,447	721,447	410,510	383,101	417,716
<i>Infrastructure - Road transport</i>	684,505	794,839	381,159	248,800	131,811	131,811	118,112	107,385	114,648
<i>Infrastructure - Electricity</i>	221,504	313,885	159,885	60,400	4,100	4,100	26,500	26,500	24,500
<i>Infrastructure - Water</i>	107,808	151,610	102,135	435,000	372,450	372,450	16,000	18,000	20,000
<i>Infrastructure - Sanitation</i>	33,092	87,150	92,140	38,073	2,500	2,500	7,500	7,500	7,500
<i>Infrastructure - Other</i>	21,675	-	32,304	-	29,295	29,295	148,668	158,836	160,428
Infrastructure	<i>1,068,585</i>	<i>1,347,484</i>	<i>767,622</i>	<i>782,273</i>	<i>540,156</i>	<i>540,156</i>	<i>316,780</i>	<i>318,221</i>	<i>327,076</i>
Community	1,052,133	425,850	142,164	90,369	46,814	46,814	58,000	15,900	28,700
Heritage assets	9,850	-	-	-	-	-	-	-	-
Investment properties	57,683	-	-	120,000	102,000	102,000	-	-	-
Other assets	35,170	186,974	133,237	14,500	4,312	4,312	23,530	34,400	46,900
Agricultural Assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Intangibles	53,477	34,452	-	64,965	28,165	28,165	12,200	14,580	15,040
Total Renewal of Existing Assets	190,818	241,358	268,333	287,900	513,158	513,158	628,949	937,545	1,231,633
<i>Infrastructure - Road transport</i>	107,910	80,448	-	112,500	164,690	164,690	148,550	280,852	453,221
<i>Infrastructure - Electricity</i>	15,516	10,802	10,965	25,600	81,900	81,900	94,647	130,843	135,712
<i>Infrastructure - Water</i>	37,068	63,802	43,052	45,000	37,550	37,550	116,402	182,850	211,950
<i>Infrastructure - Sanitation</i>	30,324	51,325	33,218	78,300	116,225	116,225	225,100	284,300	369,400
<i>Infrastructure - Other</i>	-	-	59,084	10,500	27,773	27,773	-	-	-
Infrastructure	<i>190,818</i>	<i>206,377</i>	<i>146,319</i>	<i>271,900</i>	<i>428,138</i>	<i>428,138</i>	<i>584,699</i>	<i>878,845</i>	<i>1,170,283</i>
Community	-	10,843	68,837	-	41,801	41,801	11,300	15,900	17,700
Heritage assets	-	-	21,920	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-
Other assets	-	24,138	31,257	16,000	31,458	31,458	23,450	27,800	27,650
Agricultural Assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Intangibles	-	-	-	-	11,762	11,762	9,500	15,000	16,000
Total Capital Expenditure									
<i>Infrastructure - Road transport</i>	792,415	875,287	381,159	361,300	296,500	296,500	266,662	388,237	567,869
<i>Infrastructure - Electricity</i>	237,020	324,687	170,849	86,000	86,000	86,000	121,147	157,343	160,212
<i>Infrastructure - Water</i>	144,876	215,412	145,187	480,000	410,000	410,000	132,402	200,850	231,950
<i>Infrastructure - Sanitation</i>	63,416	138,475	125,357	116,373	118,725	118,725	232,600	291,800	376,900
<i>Infrastructure - Other</i>	21,675	-	91,388	10,500	57,068	57,068	148,668	158,836	160,428
Infrastructure	<i>1,259,403</i>	<i>1,553,861</i>	<i>913,941</i>	<i>1,054,173</i>	<i>968,293</i>	<i>968,293</i>	<i>901,479</i>	<i>1,197,066</i>	<i>1,497,359</i>

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast
R thousand									
Community	1,052,133	436,693	211,001	90,369	88,616	88,616	69,300	31,800	46,400
Heritage assets	9,850	-	21,920	-	-	-	-	-	-
Investment properties	57,683	-	-	120,000	102,000	102,000	-	-	-
Other assets	35,170	211,112	164,494	30,500	35,770	35,770	46,980	62,200	74,550
Agricultural Assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Intangibles	53,477	34,452	-	64,965	39,927	39,927	21,700	29,580	31,040
TOTAL CAPITAL EXPENDITURE - Asset class	2,467,716	2,236,118	1,311,356	1,360,007	1,234,606	1,234,606	1,039,459	1,320,646	1,649,349
ASSET REGISTER SUMMARY - PPE (WDV)									
<i>Infrastructure - Road transport</i>	2,792,685	4,193,173	2,849,752	4,833,478	3,044,971	3,044,971	3,560,061	3,867,292	4,305,505
<i>Infrastructure - Electricity</i>	1,151,199	1,306,508	1,437,655	1,435,590	1,441,066	1,441,066	1,478,616	1,559,783	1,646,401
<i>Infrastructure - Water</i>	902,709	1,153,966	941,776	1,580,403	1,323,249	1,323,249	1,646,091	2,009,725	2,316,271
<i>Infrastructure - Sanitation</i>	596,584	683,428	771,160	837,347	878,338	878,338	1,089,231	1,351,179	1,734,868
<i>Infrastructure - Other</i>	41,139	83,424	2,268,138	165,258	1,918,907	1,918,907	1,585,096	1,268,473	1,203,447
Infrastructure	5,484,316	7,420,499	8,268,480	8,852,076	8,606,531	8,606,531	9,359,094	10,056,453	11,206,492
Community	1,339,657	2,726,258	2,810,627	2,591,040	2,856,504	2,856,504	2,908,307	2,940,515	2,732,039
Heritage assets	59,146	111,083	126,474	99,982	126,474	126,474	126,474	126,474	121,474
Investment properties	1,865,722	70,763	71,231	-	71,231	71,231	71,231	71,231	71,231
Other assets	376,896	564,026	582,513	857,447	770,096	770,096	287,481	167,018	222,864
Agricultural Assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Intangibles	324,974	411,509	430,472	401,071	431,399	431,399	431,399	431,399	431,399
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	9,450,710	11,304,137	12,289,797	12,801,616	12,862,235	12,862,235	13,183,986	13,793,090	14,785,499
EXPENDITURE OTHER ITEMS									
Depreciation & asset impairment	406,256	546,468	571,060	689,192	720,156	720,156	736,107	711,542	656,940
Repairs and Maintenance by Asset Class	381,616	408,104	415,638	458,472	468,404	468,404	497,216	535,607	577,637
<i>Infrastructure - Road transport</i>	65,336	66,113	73,310	89,773	90,165	90,165	90,672	96,112	101,879
<i>Infrastructure - Electricity</i>	33,965	34,912	28,585	38,059	36,085	36,085	42,006	45,691	49,560
<i>Infrastructure - Water</i>	102,375	117,915	119,415	120,635	117,634	117,634	131,853	144,439	157,702
<i>Infrastructure - Sanitation</i>	100,392	103,325	111,701	116,606	124,696	124,696	129,312	138,336	148,790
<i>Infrastructure - Other</i>	2,095	2,127	2,735	4,729	9,729	9,729	5,510	5,887	6,291
Infrastructure	304,163	324,392	335,745	369,802	378,309	378,309	399,353	430,465	464,223
Community	31,701	29,167	31,853	29,304	30,578	30,578	35,387	38,409	41,877
Heritage assets	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-
Other assets	45,752	54,545	48,040	59,366	59,517	59,517	62,476	66,733	71,537
TOTAL EXPENDITURE OTHER ITEMS	787,872	954,572	986,697	1,147,663	1,188,560	1,188,560	1,233,322	1,247,149	1,234,577

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework			
				R thousand	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast
Sanitation (kilolitres per household per month)		115	11	11	11	11	11	11	11	11
Sanitation (Rand per household per month)		61,998	77	86	62	62	98	111	125	
Electricity (kwh per household per month)		75	75	75	75	75	75	75	75	
Refuse (average litres per week)		85			200	200	200	200	200	
Revenue cost of free services provided (R'000)										
Property rates (R15 000 threshold rebate)	39,537	42,700	18,264	18,419	20,599	20,599	23,112	26,106	29,500	
Property rates (other exemptions, reductions and rebates)			26,740	49,717	31,742	31,742	35,884	35,677	41,551	
Water	42,114	45,483	60,418	67,728	59,301	59,301	67,604	77,068	88,628	
Sanitation	57,141	61,998	63,862	56,071	77,343	77,343	88,171	100,515	115,592	
Electricity/other energy	52,691	66,313	51,086	49,110	42,703	42,703	48,100	53,384	59,240	
Refuse	39,830	48,677	44,765	52,618	52,787	52,787	60,177	68,602	78,892	
Municipal Housing - rental rebates										
Housing - top structure subsidies										
Other										
Total revenue cost of free services provided (total social package)	231,313	265,171	265,134	293,663	284,475	284,475	323,048	361,352	413,403	

Explanatory notes to Table A10 - Basic Service Delivery Measurement

- Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.

1.8 Consolidated Budget Tables

The ten main budget tables, as required in terms of the Municipal Budget and Reporting Regulations, are included in this section. These tables set out the Municipality's and the Entity's 2012/13 budget and MTREF to be noted by Council.

Table 19 (Table A1 –Consolidated Budget Summary)

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework			
				R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast
Financial Performance										
Property rates	659,777	756,499	838,855	961,565	961,565	961,565	1,074,628	1,214,336	1,372,205	
Service charges	2,169,774	2,549,064	3,122,678	3,648,779	3,540,253	3,540,253	3,951,039	4,436,329	5,006,227	
Investment revenue	169,411	65,323	19,252	23,757	30,500	30,500	27,328	29,059	31,183	
Transfers recognised - operational	1,021,086	1,458,570	1,365,737	1,384,487	1,234,094	1,234,094	1,361,248	1,065,840	1,155,403	
Other own revenue	335,975	397,335	529,557	348,367	812,571	812,571	832,509	909,136	961,371	
Total Revenue (excluding capital transfers and contributions)	4,356,023	5,226,791	5,876,077	6,366,955	6,578,984	6,578,984	7,246,752	7,654,700	8,526,390	

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
				R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget
Employee costs	1,286,491	1,629,721	1,893,082	1,866,226	1,856,526	1,856,526	1,800,625	1,965,587	2,146,380
Remuneration of councillors	41,255	44,886	45,053	51,084	51,084	51,084	54,583	60,041	66,645
Depreciation & asset impairment	407,147	546,632	571,232	689,301	720,280	720,156	736,327	711,752	657,140
Finance charges	82,503	113,367	177,630	221,117	215,312	215,162	203,317	191,908	181,246
Materials and bulk purchases	1,323,835	1,645,499	1,990,779	2,390,218	2,412,532	2,412,532	2,747,755	3,095,613	3,493,394
Transfers and grants	184,882	283,059	296,231	354,869	307,869	307,869	345,775	390,862	444,377
Other expenditure	898,960	1,393,259	1,448,655	985,213	1,318,045	1,318,045	1,427,714	1,178,160	1,309,249
Total Expenditure	4,225,073	5,656,423	6,422,661	6,558,027	6,881,648	6,881,374	7,316,096	7,593,923	8,298,433
Surplus/(Deficit)	130,950	(429,632)	(546,584)	(191,072)	(302,664)	(302,390)	(69,344)	60,777	227,957
Transfers recognised - capital	926,614	937,373	438,055	1,249,467	1,040,506	1,040,506	774,932	1,011,688	1,301,074
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	1,057,564	507,740	(108,529)	1,058,395	737,842	738,117	705,588	1,072,465	1,529,031
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	1,057,564	507,740	(108,529)	1,058,395	737,842	738,117	705,588	1,072,465	1,529,031
Capital expenditure & funds sources									
Capital expenditure	2,825,767	2,321,134	1,567,555	1,406,732	1,325,827	1,325,827	1,079,076	1,363,240	1,695,098
Transfers recognised - capital	1,643,032	956,989	512,292	1,249,467	1,040,506	1,040,506	774,932	1,011,688	1,301,074
Public contributions & donations	23,348	94,452	17,802	38,000	43,000	43,000	23,000	33,500	33,500
Borrowing	563,075	745,200	470,000	-	-	-	-	-	-
Internally generated funds	596,311	524,493	567,461	169,265	242,320	242,320	281,144	318,052	360,524
Total sources of capital funds	2,825,766	2,321,135	1,567,555	1,456,732	1,325,827	1,325,827	1,079,076	1,363,240	1,695,098
Financial position									
Total current assets	2,156,105	2,024,194	1,440,471	1,500,353	1,839,314	1,839,314	2,194,699	2,451,513	2,871,753
Total non current assets	9,546,844	11,385,477	12,351,503	12,911,752	13,017,769	13,017,769	13,407,513	14,070,759	15,119,651
Total current liabilities	2,080,314	2,035,884	1,867,522	1,474,867	1,799,233	1,799,233	2,157,536	2,280,516	2,379,328
Total non current liabilities	1,224,968	2,467,722	3,126,917	2,946,397	2,951,548	2,951,548	3,040,479	3,060,694	3,095,576
Community wealth/Equity	8,397,666	8,906,064	8,797,535	9,990,840	10,106,302	10,106,302	10,404,198	11,181,062	12,516,500
Cash flows									
Net cash from (used) operating	1,367,101	1,012,481	933,208	1,660,226	1,754,054	1,764,696	1,410,633	1,683,821	2,151,745
Net cash from (used) investing	(2,303,772)	(2,379,759)	(1,499,938)	(1,409,894)	(1,382,646)	(1,382,646)	(1,115,084)	(1,336,285)	(1,663,082)
Net cash from (used) financing	(68,054)	1,112,788	380,950	(89,696)	(89,543)	(89,543)	(100,719)	(106,159)	(113,968)
Cash/cash equivalents at the year end	926,301	671,811	486,031	458,748	787,511	798,153	1,011,895	1,253,272	1,627,967
Cash backing/surplus reconciliation									
Cash and investments available	927,008	672,747	487,159	458,768	787,531	787,531	1,011,915	1,253,292	1,627,987

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
				R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget
Application of cash and investments	1,248,194	1,308,912	1,095,437	541,834	735,803	733,329	901,304	1,005,348	1,075,475
Balance - surplus (shortfall)	(321,187)	(636,164)	(608,278)	(83,066)	51,728	54,202	110,611	247,944	552,512
Asset management									
Asset register summary (WDV)	9,451,369	11,304,879	12,290,587	12,848,233	12,862,235	12,862,235	13,342,493	14,005,739	15,054,631
Depreciation & asset impairment	407,147	546,632	571,232	689,301	720,280	720,156	736,327	711,752	657,140
Renewal of Existing Assets	247,169	319,776	316,127	352,900	600,225	600,225	668,091	979,635	1,276,849
Repairs and Maintenance	381,616	408,104	415,638	458,472	468,404	468,404	497,216	535,607	577,637
Free services									
Cost of Free Basic Services provided	191,776	216,810	187,997	178,057	209,907	209,907	231,118	262,507	300,449
Revenue cost of free services provided	231,313	265,171	265,134	293,663	284,475	284,475	323,048	361,352	413,403
Households below minimum service level									
Water:	34	-	-	-	-	-	-	-	-
Sanitation/sewerage:	39	22	23	22	22	22	22	22	22
Energy:	-	-	-	-	-	-	-	-	-
Refuse:	8	12	16	1	1	1	1	1	1

Table 20 (Table A2 –Consolidated Budget Financial Performance)

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
				R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget
Revenue - Standard									
Governance and administration	1,951,261	1,410,393	1,683,291	1,689,573	1,747,027	1,747,027	1,927,558	2,117,857	2,309,748
Executive and council	545,117	73,760	28,864	1,237	1,277	1,277	51	51	52
Budget and treasury office	1,396,709	1,324,803	1,639,876	1,670,069	1,726,908	1,726,908	1,911,578	2,101,375	2,292,543
Corporate services	9,435	11,829	14,550	18,268	18,841	18,841	15,929	16,430	17,153
Community and public safety	(74,404)	583,695	368,542	169,151	523,893	523,893	475,241	75,341	81,683
Community and social services	2,429	34,083	42,473	14,917	24,386	24,386	18,703	15,211	15,899
Sport and recreation	(403,802)	21,156	16,677	42,316	52,056	52,056	22,301	23,840	27,315
Public safety	54,685	34,528	25,145	27,700	26,820	26,820	33,714	35,737	37,881
Housing	197,679	401,935	247,171	5,899	356,450	356,450	400,425	450	477
Health	74,606	91,993	37,075	78,319	64,181	64,181	98	104	110
Economic and environmental services	46,895	125,732	240,075	334,394	264,601	264,601	400,148	470,017	512,229
Planning and development	9,936	16,533	174,586	294,229	212,692	212,692	176,337	173,401	184,017
Road transport	14,230	101,736	40,791	18,796	18,946	18,946	219,997	292,572	323,927
Environmental protection	22,730	7,463	24,697	21,369	32,963	32,963	3,814	4,043	4,286
Trading services	2,419,603	2,973,145	3,582,192	4,161,277	4,036,031	4,036,031	4,431,465	4,978,404	5,608,863
Electricity	1,449,936	1,905,681	2,295,991	2,903,915	2,870,827	2,870,827	3,120,937	3,503,315	3,934,407
Water	440,910	522,576	710,228	571,200	511,991	511,991	581,395	654,278	742,493

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
				R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget
Waste water management	347,989	350,803	374,300	437,816	426,384	426,384	474,317	534,959	608,663
Waste management	180,769	194,084	201,674	248,347	226,830	226,830	254,816	285,852	323,300
<i>Other</i>	12,668	133,826	1,979	12,559	7,431	7,431	12,341	13,081	13,866
Total Revenue - Standard	4,356,023	5,226,791	5,876,077	6,366,955	6,578,984	6,578,984	7,246,752	7,654,700	8,526,390
Expenditure - Standard									
<i>Governance and administration</i>	803,788	1,308,361	1,127,638	978,127	1,060,340	1,060,340	1,106,730	1,189,093	1,259,722
Executive and council	173,874	321,203	133,149	172,195	155,308	155,308	172,395	190,524	206,926
Budget and treasury office	601,184	768,615	742,417	563,805	569,748	569,748	581,519	621,017	677,196
Corporate services	28,731	218,543	252,072	242,127	335,284	335,284	352,816	377,552	375,600
<i>Community and public safety</i>	905,107	1,039,878	1,236,597	930,311	1,186,168	1,186,168	1,209,028	870,450	945,092
Community and social services	19,556	114,386	100,957	211,283	136,869	136,869	138,968	145,554	156,805
Sport and recreation	219,927	35,341	156,012	146,248	136,488	136,488	152,041	163,150	175,923
Public safety	272,496	308,868	369,380	338,366	338,104	338,104	348,237	375,790	408,119
Housing	273,160	434,102	342,597	34,328	389,950	389,950	432,052	35,028	38,361
Health	119,969	147,181	267,650	200,086	184,756	184,756	137,730	150,929	165,884
<i>Economic and environmental services</i>	409,176	834,709	624,723	1,013,803	848,536	848,261	969,716	1,081,886	1,146,403
Planning and development	-	29,762	348,405	534,856	463,424	463,150	541,926	625,711	683,241
Road transport	211,198	274,859	185,199	215,246	148,087	148,087	180,593	195,210	198,577
Environmental protection	197,978	530,088	91,118	263,701	237,025	237,025	247,196	260,965	264,585
<i>Trading services</i>	2,099,238	2,420,633	3,423,377	3,647,871	3,785,593	3,785,593	3,967,051	4,409,864	4,921,239
Electricity	1,277,045	1,484,720	2,119,477	2,490,120	2,531,635	2,531,635	2,782,901	3,114,728	3,500,277
Water	377,979	529,530	662,700	491,633	483,678	483,678	518,942	571,430	630,914
Waste water management	255,792	261,769	369,219	433,987	480,322	480,322	456,585	490,124	529,044
Waste management	188,423	144,615	271,981	232,132	289,959	289,959	208,622	233,581	261,003
<i>Other</i>	7,764	52,843	10,327	51,008	64,103	64,103	63,571	42,630	25,976
Total Expenditure - Standard	4,225,073	5,656,423	6,422,661	6,621,119	6,944,740	6,944,466	7,316,096	7,593,923	8,298,432
Surplus/(Deficit) for the year	130,950	(429,632)	(546,584)	(254,164)	(365,757)	(365,482)	(69,344)	60,776	227,958

Table 21 (Table A3 –Consolidated Budget Financial Performance by Vote)

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
				R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget
Revenue by Vote									
Vote 1 - Budget and Treasury	1,396,709	1,324,803	1,639,901	1,670,081	1,726,921	1,726,921	1,911,592	2,101,390	2,292,558
Vote 2 - Public Health	278,104	293,540	262,975	350,853	326,541	326,541	261,472	292,908	330,780
Vote 3 - Human Settlements	197,679	401,935	263,368	25,661	376,211	376,211	421,369	22,652	24,011

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14
Vote 4 - Economic Development and Recreational Services	113,084	159,392	153,032	160,657	172,752	172,752	142,347	149,962	162,921
Vote 5 - Corporate Services	11,865	11,829	10,668	11,933	13,574	13,574	8,828	9,096	9,381
Vote 6 - Rate and General Engineers	14,230	101,736	28,309	146,058	37,006	37,006	202,201	273,709	303,932
Vote 7 - Water Services	440,910	522,576	710,228	571,200	511,991	511,991	581,395	654,278	742,493
Vote 8 - Sanitation Services	347,989	350,803	374,212	437,816	426,384	426,384	474,317	534,959	608,663
Vote 9 - Electricity and Energy	1,449,936	1,905,681	2,295,991	2,903,915	2,870,827	2,870,827	3,120,937	3,503,315	3,934,407
Vote 10 - Executive and Council	498,110	10,887	5,537	1,636	1,774	1,774	658	502	528
Vote 11 - Safety and Security	54,685	52,139	43,031	45,540	44,661	44,661	53,796	57,024	60,446
Vote 12 - Nelson Mandela Bay Stadium	(477,009)	63,444	62,760	-	37,000	37,000	37,000	37,000	37,000
Vote 13 - Strategic Programmes Directorate	29,733	28,024	26,066	41,605	33,342	33,342	30,840	17,904	19,270
Total Revenue by Vote	4,356,023	5,226,791	5,876,077	6,366,955	6,578,984	6,578,984	7,246,752	7,654,700	8,526,390
Expenditure by Vote to be appropriated									
Vote 1 - Budget and Treasury	601,184	768,615	725,772	541,437	548,799	548,799	561,807	598,274	652,743
Vote 2 - Public Health	506,369	852,515	646,547	712,821	728,161	728,161	610,319	661,390	709,252
Vote 3 - Human Settlements	273,160	434,102	446,336	137,041	488,024	488,024	533,541	146,139	159,110
Vote 4 - Economic Development and Recreational Services	227,691	231,122	267,090	479,485	414,177	413,903	341,002	339,328	351,045
Vote 5 - Corporate Services	48,286	218,543	262,883	237,239	355,712	355,712	356,377	378,498	376,079
Vote 6 - Rate and General Engineers	211,198	274,859	244,138	472,828	320,459	320,459	500,086	604,360	645,125
Vote 7 - Water Services	377,979	529,530	664,564	491,633	481,831	481,831	519,466	571,987	631,504
Vote 8 - Sanitation Services	255,792	261,769	340,166	385,192	387,279	387,279	396,910	428,055	465,695
Vote 9 - Electricity and Energy	1,277,045	1,484,720	2,119,457	2,491,320	2,531,635	2,531,635	2,782,901	3,114,728	3,500,277
Vote 10 - Executive and Council	123,321	169,065	160,321	202,171	194,843	194,843	201,471	221,654	240,838
Vote 11 - Safety and Security	272,496	270,619	376,367	346,276	345,351	345,351	356,370	384,788	417,769
Vote 12 - Nelson Mandela Bay Stadium	20,852	131,203	131,644	88,939	120,708	120,708	123,523	125,353	128,279
Vote 13 - Strategic Programmes Directorate	29,701	29,762	37,376	34,739	27,761	27,761	32,321	19,368	20,715
Total Expenditure by Vote	4,225,073	5,656,423	6,422,661	6,621,119	6,944,740	6,944,466	7,316,096	7,593,923	8,298,432
Surplus/(Deficit) for the year	130,950	(429,632)	(546,584)	(254,164)	(365,756)	(365,482)	(69,344)	60,776	227,958

Table 22 (Table A4 –Consolidated Budget Financial Performance Revenue and Expenditure)

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework			
	R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Revenue By Source										
Property rates	659,777	756,499	838,855	961,565	961,565	961,565	1,074,628	1,214,336	1,372,205	
Property rates - penalties & collection charges										
Service charges - electricity revenue	1,502,271	1,807,640	2,185,428	2,753,364	2,718,364	2,718,364	3,028,384	3,393,651	3,817,477	
Service charges - water revenue	344,730	407,918	569,883	465,383	402,068	402,068	455,547	514,768	586,836	
Service charges - sanitation revenue	226,507	228,020	246,692	295,170	283,094	283,094	312,033	352,598	401,961	
Service charges - refuse revenue	96,266	105,486	120,675	134,861	136,727	136,727	155,075	175,312	199,953	
Service charges - other										
Rental of facilities and equipment	14,667	15,545	17,641	18,791	18,431	18,431	19,820	20,992	22,235	
Interest earned - external investments	169,411	65,323	19,252	23,757	30,500	30,500	27,328	29,059	31,183	
Interest earned - outstanding debtors	92,041	82,762	113,347	78,993	81,993	81,993	86,913	92,128	97,655	
Dividends received							-			
Fines	27,533	23,415	23,736	24,998	24,119	24,119	32,328	34,268	36,324	
Licences and permits	8,552	8,242	8,153	7,399	7,399	7,399	9,014	9,555	10,129	
Agency services	1,152	1,220	1,611	1,402	1,402	1,402	1,400	1,484	1,573	
Transfers recognised - operational	1,021,086	1,458,570	1,365,737	1,384,487	1,234,094	1,234,094	1,361,248	1,065,840	1,155,403	
Other revenue	191,918	266,150	363,371	216,784	679,227	679,227	683,033	750,709	793,455	
Gains on disposal of PPE	114		1,698							
Total Revenue (excluding capital transfers and contributions)	4,356,023	5,226,791	5,876,077	6,366,955	6,578,984	6,578,984	7,246,752	7,654,700	8,526,390	
Expenditure By Type										
Employee related costs	1,286,491	1,629,721	1,893,082	1,866,226	1,849,869	1,849,869	1,800,625	1,965,587	2,146,380	
Remuneration of councillors	41,255	44,886	45,053	51,084	51,084	51,084	54,583	60,041	66,645	
Debt impairment	175,618	419,470	554,275	288,147	282,151	282,151	251,284	282,533	318,919	
Depreciation & asset impairment	407,147	546,632	571,232	689,301	720,280	720,156	736,327	711,752	657,140	
Finance charges	82,503	113,367	177,630	221,117	215,312	215,162	203,317	191,908	181,246	
Bulk purchases	941,832	1,237,381	1,575,087	1,931,746	1,944,128	1,944,128	2,250,539	2,560,006	2,915,757	
Other materials	382,003	408,118	415,692	458,472	468,404	468,404	497,216	535,607	577,637	
Contracted services	94,976	147,765	144,271	269,675	194,461	194,461	376,041	458,332	496,814	
Transfers and grants	184,882	283,059	296,231	417,961	370,961	370,961	345,775	390,862	444,377	
Other expenditure	620,828	823,092	745,052	427,391	848,091	840,091	800,389	437,295	493,517	
Loss on disposal of PPE	7,538	2,933	5,057				-			
Total Expenditure	4,225,073	5,656,423	6,422,661	6,621,119	6,944,739	6,944,739	7,316,096	7,593,923	8,298,433	
Surplus/(Deficit)	130,950	(429,632)	(546,584)	(254,164)	(365,755)	(365,755)	(69,344)	60,777	227,957	
Transfers recognised - capital	926,614	937,373	438,055	1,249,467	1,040,506	1,040,506	774,932	1,011,688	1,301,074	

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast
R thousand									
Contributions recognised - capital	-	-	-	-	-	-	-	-	-
Contributed assets									
Surplus/(Deficit) after capital transfers & contributions	1,057,564	507,740	(108,529)	995,303	674,751	674,751	705,588	1,072,465	1,529,031
Taxation									
Surplus/(Deficit) after taxation	1,057,564	507,740	(108,529)	995,303	674,751	674,751	705,588	1,072,465	1,529,031
Attributable to minorities									
Surplus/(Deficit) attributable to municipality	1,057,564	507,740	(108,529)	995,303	674,751	674,751	705,588	1,072,465	1,529,031
Share of surplus/ (deficit) of associate									
Surplus/(Deficit) for the year	1,057,564	507,740	(108,529)	995,303	674,751	674,751	705,588	1,072,465	1,529,031

Table 23 (Table A5 –Consolidated Budget Capital Expenditure – Standard Classification)

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast
R thousand									
Capital expenditure - Vote									
Multi-year expenditure to be appropriated									
Vote 1 - Budget and Treasury	27,306	51,396	55,769	54,965	27,865	27,865	7,480	10,300	10,350
Vote 2 - Public Health	94,182	81,242	108,310	25,094	41,706	41,706	17,500	20,000	20,000
Vote 3 - Human Settlements	57,683	79,531	-	90,000	102,000	102,000	165,868	185,336	186,928
Vote 4 - Economic Development and Recreational Services	193,181	262,649	243,606	78,725	152,543	152,543	50,017	59,094	75,749
Vote 5 - Corporate Services	69,411	46,471	88,482	30,500	36,339	36,339	18,200	22,000	22,600
Vote 6 - Rate and General Engineers	907,170	976,761	587,299	395,300	299,162	299,162	269,662	393,817	585,909
Vote 7 - Water Services	188,807	215,412	145,187	473,000	410,000	410,000	134,402	204,850	235,950
Vote 8 - Sanitation Services	111,993	131,950	125,357	116,373	118,723	118,723	234,600	295,800	380,900
Vote 9 - Electricity and Energy	257,520	217,874	170,849	86,000	86,000	86,000	121,147	157,343	160,212
Vote 10 - Executive and Council	15,650	6,199	7,541	12,000	12,000	12,000	11,200	10,000	11,500
Vote 11 - Safety and Security	44,256	88,929	16,998	6,500	4,809	4,809	3,000	2,300	5,000
Vote 12 - Nelson Mandela Bay Stadium	843,000	141,600	-	-	-	-	-	-	-
Vote 13 - Strategic Programmes Directorate	15,607	21,119	18,157	38,275	34,680	34,680	46,000	2,400	-
Capital multi-year expenditure sub-total	2,825,767	2,321,134	1,567,555	1,406,732	1,325,827	1,325,827	1,079,076	1,363,240	1,695,098
Total Capital Expenditure - Vote	2,825,767	2,321,134	1,567,555	1,406,732	1,325,827	1,325,827	1,079,076	1,363,240	1,695,098
Capital Expenditure - Standard									
Governance and administration	112,367	282,017	151,792	97,465	76,204	76,204	36,880	42,300	44,450
Executive and council	15,650	6,199	7,541	12,000	12,000	12,000	11,200	10,000	11,500
Budget and treasury office	27,306	112,710	55,769	54,965	27,865	27,865	7,480	10,300	10,350
Corporate services	69,411	163,109	88,482	30,500	36,339	36,339	18,200	22,000	22,600

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast
<i>Community and public safety</i>	360,930	440,575	221,070	112,094	143,698	143,698	179,768	204,136	221,928
Community and social services	164,809	35,465	42,170	3,000	3,000	3,000	3,000	10,500	10,000
Sport and recreation		376,238	151,209	9,000	28,225	28,225	7,400	6,000	20,000
Public safety	44,256	2,670	16,998	6,500	4,809	4,809	3,000	2,300	5,000
Housing	57,683	-	-	90,000	102,000	102,000	165,868	185,336	186,928
Health	94,182	26,203	10,694	3,594	5,664	5,664	500	-	-
<i>Economic and environmental services</i>	951,149	949,948	660,435	511,300	468,251	468,251	367,779	453,306	647,053
Planning and development	43,979	93,238	68,216	105,000	118,997	118,997	85,617	44,994	45,749
Road transport	907,170	856,710	587,299	395,300	336,162	336,162	269,662	393,817	585,909
Environmental protection			4,920	11,000	13,092	13,092	12,500	14,495	15,395
<i>Trading services</i>	558,321	648,593	534,091	685,873	637,673	637,673	494,649	663,498	781,667
Electricity	257,520	333,489	170,849	86,000	86,000	86,000	121,147	157,343	160,212
Water	188,807	197,870	145,187	473,000	410,000	410,000	134,402	204,850	235,950
Waste water management	111,993	117,234	125,357	116,373	118,723	118,723	234,600	295,800	380,900
Waste management			92,697	10,500	22,950	22,950	4,500	5,505	4,605
<i>Other</i>	843,000		168						
Total Capital Expenditure - Standard	2,825,767	2,321,134	1,567,555	1,406,732	1,325,827	1,325,827	1,079,076	1,363,240	1,695,098
Funded by:									
National Government	1,585,935	956,989	481,969	1,222,467	1,013,581	1,013,581	771,932	1,011,688	1,301,074
Provincial Government	57,097		8,304	-					
District Municipality				-					
Other transfers and grants			22,019	27,000	26,925	26,925	3,000	-	-
Transfers recognised - capital	1,643,032	956,989	512,292	1,249,467	1,040,506	1,040,506	774,932	1,011,688	1,301,074
Public contributions & donations	23,348	94,452	17,802	38,000	43,000	43,000	23,000	33,500	33,500
Borrowing	563,075	745,200	470,000	-			-	-	-
Internally generated funds	596,311	524,493	567,461	169,265	242,320	242,320	281,144	318,052	360,524
Total Capital Funding	2,825,766	2,321,135	1,567,555	1,456,732	1,325,827	1,325,827	1,079,076	1,363,240	1,695,098

Table 24 (Table A6 –Consolidated Budget Financial Position)

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework			
				R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast
ASSETS										
Current assets										
Cash	141,424	166,404	189,039	200,000	200,130	200,130	200,712	200,924	201,030	
Call investment deposits	784,877	506,343	298,120	258,748	587,381	587,381	811,183	1,052,348	1,426,937	
Consumer debtors	867,462	599,488	446,368	761,585	546,368	546,368	580,516	616,798	655,348	
Other debtors	230,467	616,938	392,172	180,000	390,715	390,715	480,648	452,403	452,398	
Current portion of long-term receivables	647	34	13	20	20	20	20	20	20	
Inventory	131,228	134,987	114,759	100,000	114,700	114,700	121,620	129,020	136,020	
Total current assets	2,156,105	2,024,194	1,440,471	1,500,353	1,839,314	1,839,314	2,194,699	2,451,513	2,871,753	
Non current assets										
Long-term receivables	93,972	80,529	61,454	63,499	63,499	63,499	65,000	65,000	65,000	
Investments	707			20	20	20	20	20	20	
Investment property	1,865,722	70,763	71,231		71,231	71,231	71,231	71,231	71,231	
Investment in Associate	795	69	(538)							
Property, plant and equipment	7,260,666	10,822,514	11,788,816	12,447,162	12,451,620	12,451,620	12,839,763	13,502,919	14,551,731	
Agricultural										
Biological										
Intangible	324,982	411,602	430,540	401,071	431,399	431,399	431,499	431,589	431,669	
Other non-current assets										
Total non current assets	9,546,844	11,385,477	12,351,503	12,911,752	13,017,769	13,017,769	13,407,513	14,070,759	15,119,651	
TOTAL ASSETS	11,702,949	13,409,671	13,791,974	14,412,104	14,857,083	14,857,083	15,602,212	16,522,272	17,991,404	
LIABILITIES										
Current liabilities										
Bank overdraft									-	
Borrowing	52,291	92,824	93,116	98,682	97,444	97,444	105,159	112,968	104,093	
Consumer deposits	77,115	79,850	111,125	82,585	82,585	82,585	113,500	114,500	115,500	
Trade and other payables	1,907,302	1,814,484	1,560,401	1,240,000	1,565,604	1,565,604	1,853,397	1,962,447	2,063,709	
Provisions	43,607	48,727	102,880	53,600	53,600	53,600	85,480	90,600	96,026	
Total current liabilities	2,080,314	2,035,884	1,867,522	1,474,867	1,799,233	1,799,233	2,157,536	2,280,516	2,379,328	
Non current liabilities										
Borrowing	388,173	1,461,016	1,842,888	1,729,021	1,734,172	1,734,172	1,629,013	1,516,045	1,411,952	
Provisions	836,795	1,006,706	1,284,029	1,217,376	1,217,376	1,217,376	1,411,466	1,544,649	1,683,624	
Total non current liabilities	1,224,968	2,467,722	3,126,917	2,946,397	2,951,548	2,951,548	3,040,479	3,060,694	3,095,576	
TOTAL LIABILITIES	3,305,282	4,503,607	4,994,439	4,421,264	4,750,781	4,750,781	5,198,015	5,341,210	5,474,904	
NET ASSETS	8,397,666	8,906,064	8,797,535	9,990,840	10,106,302	10,106,302	10,404,198	11,181,062	12,516,500	

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework			
				R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast
COMMUNITY WEALTH/EQUITY										
Accumulated Surplus/(Deficit)	3,443,006	3,311,539	3,607,801	3,597,976	4,266,159	4,266,159	3,917,080	4,709,947	6,047,103	
Reserves	4,954,661	5,594,525	5,189,734	6,392,864	5,840,142	5,840,142	6,487,118	6,471,115	6,469,397	
Minorities' interests										
TOTAL COMMUNITY WEALTH/EQUITY	8,397,666	8,906,064	8,797,535	9,990,840	10,106,302	10,106,302	10,404,198	11,181,062	12,516,500	

Table 25 (Table A7 –Consolidated Budgeted Cash Flows)

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework			
				R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Ratepayers and other	2,929,742	2,716,954	5,279,253	4,270,130	4,656,955	4,656,955	5,197,167	5,820,175	6,507,782	
Government - operating	1,021,115	1,454,743	1,363,358	1,371,306	1,282,407	1,282,407	1,356,926	1,065,840	1,155,403	
Government - capital	970,072	993,724	531,295	1,246,467	1,249,768	1,249,768	771,932	1,011,688	1,301,074	
Interest	261,451	148,086	132,598	23,757	30,500	30,500	27,328	29,059	31,183	
Dividends										
Payments										
Suppliers and employees	(3,696,500)	(4,088,377)	(5,899,956)	(5,019,328)	(5,225,746)	(5,225,746)	(5,714,573)	(6,024,186)	(6,634,817)	
Finance charges	(82,503)	(112,779)	(177,110)	(208,791)	(213,337)	(213,337)	(205,419)	(194,047)	(182,706)	
Transfers and Grants	(36,277)	(99,870)	(296,231)	(23,315)	(26,492)	(26,492)	(22,728)	(24,709)	(26,174)	
NET CASH FROM/(USED) OPERATING ACTIVITIES	1,367,101	1,012,481	933,208	1,660,226	1,754,054	1,754,054	1,410,633	1,683,821	2,151,745	
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE	140		2,250							
Decrease (Increase) in non-current debtors										
Decrease (increase) other non-current receivables	23,007	10,379	(19,096)	1,297	1,297	1,297				
Decrease (increase) in non-current investments	10,561									
Payments										
Capital assets	(2,337,480)	(2,390,138)	(1,483,093)	(1,411,191)	(1,383,943)	(1,383,943)	(1,115,084)	(1,336,285)	(1,663,082)	
NET CASH FROM/(USED) INVESTING ACTIVITIES	(2,303,772)	(2,379,759)	(1,499,938)	(1,409,894)	(1,382,646)	(1,382,646)	(1,115,084)	(1,336,285)	(1,663,082)	
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans										
Borrowing long term/refinancing		1,164,616	469,809							
Increase (decrease) in consumer deposits	(11,615)			2,515	2,515	2,515	(3,275)	(1,000)	(1,000)	
Payments										
Repayment of borrowing	(56,438)	(51,828)	(88,859)	(92,211)	(92,058)	(92,058)	(97,444)	(105,159)	(112,968)	

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast
R thousand									
NET CASH FROM/(USED) FINANCING ACTIVITIES	(68,054)	1,112,788	380,950	(89,696)	(89,543)	(89,543)	(100,719)	(106,159)	(113,968)
NET INCREASE/ (DECREASE) IN CASH HELD	(1,004,725)	(254,490)	(185,780)	160,636	281,864	281,864	194,830	241,377	374,695
Cash/cash equivalents at the year begin:	1,931,026	926,301	671,811	298,112	505,647	505,647	817,065	1,011,895	1,253,272
Cash/cash equivalents at the year end:	926,301	671,811	486,031	458,748	787,511	787,511	1,011,895	1,253,272	1,627,967

Table 26 (Table A8 –Consolidated Cash backed Reserves)

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast
R thousand									
<u>Cash and investments available</u>									
Cash/cash equivalents at the year end	926,301	671,811	486,031	458,748	787,511	787,511	1,011,895	1,253,272	1,627,967
Other current investments > 90 days	(0)	936	1,128	(0)	(0)	(0)	(0)	0	(0)
Non current assets - Investments	707			20	20	20	20	20	20
Cash and investments available:	927,008	672,747	487,159	458,768	787,531	787,531	1,011,915	1,253,292	1,627,987
<u>Application of cash and investments</u>									
Unspent conditional transfers	645,367	206,196	301,712	-	325,604	325,604	580,800	619,280	654,219
Unspent borrowing	-	-	-	-	-	-	-	-	-
Statutory requirements									
Other working capital requirements	116,187	656,664	200,350	374,485	363,199	363,199	273,504	336,848	369,683
Other provisions									
Long term investments committed	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	486,640	446,052	593,375	167,349	47,000	47,000	47,000	49,220	51,573
Total Application of cash and investments:	1,248,194	1,308,912	1,095,437	541,834	735,803	735,803	901,304	1,005,348	1,075,475
Surplus(shortfall)	(321,187)	(636,164)	(608,278)	(83,066)	51,728	51,728	110,611	247,944	552,512

Table 27 (Table A9 –Consolidated Asset Management)

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast
R thousand									
CAPITAL EXPENDITURE									
<u>Total New Assets</u>	2,277,089	1,994,901	1,045,614	1,072,473	725,605	725,605	410,985	383,605	418,249
Infrastructure - Road transport	684,505	794,839	381,159	248,800	131,811	131,811	118,112	107,385	114,648
Infrastructure - Electricity	221,504	313,885	159,885	60,400	4,100	4,100	26,500	26,500	24,500
Infrastructure - Water	107,808	151,610	102,135	435,000	372,450	372,450	16,000	18,000	20,000
Infrastructure - Sanitation	33,092	87,150	92,140	38,073	2,500	2,500	7,500	7,500	7,500
Infrastructure - Other	21,675	-	32,304	-	29,295	29,295	148,668	158,836	160,428
Infrastructure	1,068,585	1,347,484	767,622	782,273	540,156	540,156	316,780	318,221	327,076
Community	1,052,133	425,850	142,164	90,369	46,814	46,814	58,000	15,900	28,700
Heritage assets	9,850	-	2,265	-	3,793	3,793	-	-	-
Investment properties	57,683	-	-	120,000	102,000	102,000	-	-	-
Other assets	35,361	187,115	133,458	14,786	4,652	4,652	23,905	34,798	47,321

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast
Intangibles	53,477	34,452	105	65,045	28,190	28,190	12,300	14,686	15,152
Total Renewal of Existing Assets	247,169	319,776	316,127	352,900	600,225	600,225	668,091	979,635	1,276,849
<i>Infrastructure - Road transport</i>	164,261	158,866	47,794	170,500	236,647	236,647	177,692	317,942	498,437
<i>Infrastructure - Electricity</i>	15,516	10,802	10,965	25,600	81,900	81,900	94,647	130,843	135,712
<i>Infrastructure - Water</i>	37,068	63,802	43,052	45,000	37,550	37,550	116,402	182,850	211,950
<i>Infrastructure - Sanitation</i>	30,324	51,325	33,218	78,300	116,225	116,225	225,100	284,300	369,400
<i>Infrastructure - Other</i>	-	-	59,084	10,500	27,773	27,773	-	-	-
Infrastructure	247,169	284,795	194,113	329,900	500,095	500,095	613,841	915,935	1,215,499
Community	-	10,843	68,837	-	41,801	41,801	11,300	15,900	17,700
Heritage assets	-	-	21,920	-	-	-	-	-	-
Other assets	-	24,138	31,257	23,000	46,568	46,568	33,450	32,800	27,650
Intangibles	-	-	-	-	11,762	11,762	9,500	15,000	16,000
Total Capital Expenditure									
<i>Infrastructure - Road transport</i>	848,766	953,705	428,953	419,300	368,457	368,457	295,804	425,327	613,085
<i>Infrastructure - Electricity</i>	237,020	324,687	170,849	86,000	86,000	86,000	121,147	157,343	160,212
<i>Infrastructure - Water</i>	144,876	215,412	145,187	480,000	410,000	410,000	132,402	200,850	231,950
<i>Infrastructure - Sanitation</i>	63,416	138,475	125,357	116,373	118,725	118,725	232,600	291,800	376,900
<i>Infrastructure - Other</i>	21,675	-	91,388	10,500	57,068	57,068	148,668	158,836	160,428
Infrastructure	1,315,754	1,632,279	961,735	1,112,173	1,040,250	1,040,250	930,627	1,234,156	1,542,575
Community	1,052,133	436,693	211,001	90,369	88,616	88,616	69,300	31,800	46,400
Heritage assets	9,850	-	24,185	-	3,793	3,793	-	-	-
Investment properties	57,683	-	-	120,000	102,000	102,000	-	-	-
Other assets	35,361	211,253	164,715	37,786	51,220	51,220	57,355	67,598	74,971
Agricultural Assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Intangibles	53,477	34,452	105	65,045	39,952	39,952	21,800	29,686	31,152
TOTAL CAPITAL EXPENDITURE - Asset class	2,524,258	2,314,677	1,361,741	1,425,373	1,325,831	1,325,831	1,079,076	1,363,240	1,695,098
ASSET REGISTER SUMMARY - PPE (WDV)									
<i>Infrastructure - Road transport</i>	2,792,685	4,193,173	2,849,752	4,833,478	3,044,971	3,044,971	3,560,061	3,867,292	4,305,505
<i>Infrastructure - Electricity</i>	1,151,199	1,306,508	1,437,655	1,435,590	1,441,066	1,441,066	1,478,616	1,559,783	1,646,401
<i>Infrastructure - Water</i>	902,709	1,153,966	941,776	1,580,403	1,323,249	1,323,249	1,646,091	2,009,725	2,316,271
<i>Infrastructure - Sanitation</i>	596,584	683,428	771,160	837,347	878,338	878,338	1,089,231	1,351,179	1,734,868
<i>Infrastructure - Other</i>	41,139	83,424	2,268,138	165,258	1,918,907	1,918,907	1,585,096	1,268,473	1,203,447
Infrastructure	5,484,316	7,420,499	8,268,480	8,852,076	8,606,537	8,606,537	9,359,094	10,056,453	11,206,492
Community	1,339,657	2,726,258	2,810,627	2,591,040	2,856,504	2,856,504	2,908,307	2,940,515	2,732,039
Heritage assets	59,146	111,083	126,474	99,982	126,474	126,474	126,474	126,474	121,474
Investment properties	1,865,722	70,763	71,231	-	71,231	71,231	71,231	71,231	71,231
Other assets	377,547	564,674	583,235	904,064	770,096	770,096	445,888	379,477	491,726
Intangibles	324,982	411,602	430,540	401,071	431,399	431,399	431,499	431,589	431,669
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	9,451,369	11,304,879	12,290,587	12,848,233	12,862,235	12,862,235	13,342,493	14,005,739	15,054,631
EXPENDITURE OTHER ITEMS									
Depreciation & asset impairment	407,147	546,632	571,232	689,301	720,280	720,156	736,327	711,752	657,140
Repairs and Maintenance by Asset Class	381,616	408,104	415,638	458,472	468,404	468,404	497,216	535,607	577,637
<i>Infrastructure - Road transport</i>	65,336	66,113	73,310	89,773	90,165	90,165	90,672	96,112	101,879
<i>Infrastructure - Electricity</i>	33,965	34,912	28,585	38,059	36,085	36,085	42,006	45,691	49,560
<i>Infrastructure - Water</i>	102,375	117,915	119,415	120,635	117,634	117,634	131,853	144,439	157,702
<i>Infrastructure - Sanitation</i>	100,392	103,325	111,701	116,606	124,696	124,696	129,312	138,336	148,790
<i>Infrastructure - Other</i>	2,095	2,127	2,735	4,729	9,729	9,729	5,510	5,887	6,291
Infrastructure	304,163	324,392	335,745	369,802	378,309	378,309	399,353	430,465	464,223
Community	31,701	29,167	31,853	29,304	30,578	30,578	35,387	38,409	41,877
Other assets	45,752	54,545	48,040	59,366	59,517	59,517	62,476	66,733	71,537

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
				Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand	Outcome	Outcome	Outcome						
Other energy sources									
<i>Below Minimum Service Level sub-total</i>	-	-	-	-	-	-	-	-	-
Total number of households	264,615	268,000	393,750	271,000	271,000	271,000	304,500	304,500	304,500
<u>Refuse:</u>									
Removed at least once a week	170,102	172,000	137,561	275,083	275,083	275,083	297,090	297,090	297,090
<i>Minimum Service Level and Above sub-total</i>	170,102	172,000	137,561	275,083	275,083	275,083	297,090	297,090	297,090
Removed less frequently than once a week	7,400	9,000	13,428						
Using communal refuse dump									
Using own refuse dump									
Other rubbish disposal									
No rubbish disposal	886	3,000	2,371	1,191	1,191	1,191	1,096	1,096	1,096
<i>Below Minimum Service Level sub-total</i>	8,286	12,000	15,799	1,191	1,191	1,191	1,096	1,096	1,096
Total number of households	178,388	184,000	153,360	276,274	276,274	276,274	298,185	298,185	298,185
<u>Households receiving Free Basic Service</u>									
Water (6 kilolitres per household per month)	108,000	115,000	79,035	85,156	75,241	75,241	74,867	75,166	75,467
Sanitation (free minimum level service)	108,000	115,000	79,035	85,156	75,241	75,241	74,867	75,166	75,467
Electricity/other energy (50kwh per household per month)	99,000	105,000	79,035	85,156	67,800	67,800	67,158	67,427	67,696
Refuse (removed at least once a week)	80,000	83,000	79,035	78,705	70,321	70,321	68,485	68,759	69,034
<u>Cost of Free Basic Services provided (R'000)</u>									
Water (6 kilolitres per household per month)	42,114	45,483	45,313	20,258	59,834	59,834	50,703	57,801	66,471
Sanitation (free sanitation service)	57,141	61,998	63,862	56,071	55,145	55,145	88,171	100,515	115,592
Electricity/other energy (50kwh per household per month)	52,691	66,313	34,058	49,110	41,882	41,882	32,067	35,589	39,493
Refuse (removed once a week)	39,830	43,016	44,765	52,618	53,046	53,046	60,177	68,602	78,892
Total cost of FBS provided (minimum social package)	191,776	216,810	187,997	178,057	209,907	209,907	231,118	262,507	300,449
<u>Highest level of free service provided</u>									
Property rates (R value threshold)		42,700	15	15,000	15,000	15,000	15,000	15,000	15,000
Water (kilolitres per household per month)		45,483	8	8	8	8	8	8	8
Sanitation (kilolitres per household per month)		115	11	11	11	11	11	11	11
Sanitation (Rand per household per month)		61,998	77	86	62	62	98	111	125
Electricity (kwh per household per month)		75	75	75	75	75	75	75	75
Refuse (average litres per week)		85			200	200	200	200	200
<u>Revenue cost of free services provided (R'000)</u>									
Property rates (R15 000 threshold rebate)	39,537	42,700	18,264	18,419	20,599	20,599	23,112	26,106	29,500
Property rates (other exemptions, reductions and rebates)			26,740	49,717	31,742	31,742	35,884	35,677	41,551

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
				Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand	Outcome	Outcome	Outcome						
Water	42,114	45,483	60,418	67,728	59,301	59,301	67,604	77,068	88,628
Sanitation	57,141	61,998	63,862	56,071	77,343	77,343	88,171	100,515	115,592
Electricity/other energy	52,691	66,313	51,086	49,110	42,703	42,703	48,100	53,384	59,240
Refuse	39,830	48,677	44,765	52,618	52,787	52,787	60,177	68,602	78,892
Municipal Housing - rental rebates									
Housing - top structure subsidies									
Other									
Total revenue cost of free services provided (total social package)	231,313	265,171	265,134	293,663	284,475	284,475	323,048	361,352	413,403

PART 2 – SUPPORTING DOCUMENTATION

2.1 OVERVIEW OF ANNUAL BUDGET PROCESS

The Budget process started in August 2011 after the approval of a timetable and strategy to guide the preparation of the 2012/13 to 2014/15 Operating and Capital Budgets.

The timetable provides broad timeframes for the IDP and Budget preparation process. It allows for consultation with stakeholders, such as the elected public representatives, employees of the Municipality, Civil Society, State departments, business and labour, during April/May 2012. The main aims of the timetable were to ensure that a revised IDP and a balanced Budget were tabled in March 2012. The IDP and Budget was tabled by the Executive Mayor at a Council meeting held on 29 March 2012, following which it was submitted to National Treasury as well as being subjected to a consultation process with stakeholders, such as the elected public representatives, employees of the Municipality, Civil Society, business, labour, National and Provincial Governments.

The consultation took the form of a series of public meetings in the various wards under the direction and leadership of the Executive Mayor and his Mayoral Committee. Taking the inputs of the aforementioned consultations into account, the Executive Mayor tabled the IDP and Budget for consideration and approval at a Council meeting held on 30 May 2012.

The Service Delivery and Budget Implementation Plan is the mechanism that ensures that the IDP and the Budget is aligned.

The Budget was also considered by the Budget Task Team. The Task Team consists of Councillors of the Budget and Treasury Committee, whilst being chaired by the Portfolio Councillor. The main objective of the Budget Task Team is to ensure that the budget is maintained within the affordability levels, taking the IDP deliverables into account. The capacity to spend the Budget by the relevant Directorates, efficient and effective utilisation of budget allocations and the need to adequately maintain the Municipality's infrastructure and facilities were highlighted as key challenges, in addition to the ongoing financial sustainability of the Budget.

The deliberations of the Budget Task Team were considered by the IDP and Budget Steering Committee under the direction of the Executive Mayor. The IDP and Budget Steering Committee consists of the Executive Mayor, the Chairperson of the Budget and Treasury Standing Committee, the Municipal Manager and senior officials. The primary aims of the Committee are to ensure that:

- The budget compilation process complies with legislation;
- There is proper alignment between the service delivery priorities as set out in the Municipality's IDP and the budget, taking into account the need to maintain the financial sustainability of the Municipality;
- The Municipality's revenue and tariff determination strategies generate sufficient cash resources to deliver services; and
- The various spending priorities of the different municipal directorates are properly evaluated and prioritized in the allocation of resources.

2.1.1 IDP & Budget Timetable 2012/13 to 2014/15

The preparation of the 2012/13 to 2014/15 IDP and Budget was guided by the following schedule of key deadlines as approved by Council on 28 July 2011.

Activity	Date
IDP/Budget Schedule approved by Council	28 July 2011
Budget Strategy and Assumptions approved by Council	7 September 2011
Tabling of draft IDP and Budget in Council	29 March 2012
Public Participation	4 to 24 April 2012
Final adoption of IDP and Budget by Council	30 May 2012
Approval of SDBIP by Executive Mayor	27 June 2012

2.2 ALIGNMENT OF ANNUAL BUDGET WITH INTEGRATED DEVELOPMENT PLAN

The Integrated Development Plan (IDP) determines and prioritises the needs of the community.

The review of the IDP in terms of the Municipal Systems Act was guided and informed by the following principles:

- Achievement of the five strategic priorities of NMBM.
- Focus on service delivery of backlogs and the maintenance of infrastructure.
- Address community priorities (needs) as identified in the IDP.

The review of the IDP focused on establishing measurable performance indicators and targets. These targets informed the preparation of the multi-year budget, as well as the Service Delivery and Budget Implementation Plan (SDBIP).

The 2012/13 to 2014/15 Operating and Capital Budgets were prepared in accordance with the IDP. The key strategic focus areas of the IDP are as follows:

- Municipal transformation and development
- Service delivery and infrastructure development
- Local economic development
- Financial sustainability and viability
- Good governance and public participation

The abovementioned strategic focus areas informed the preparation of the Budget.

After the tabling of the budget, a series of meetings was held throughout the municipal area to consult with the elected public representatives, employees of the Municipality, Civil Society, business, labour, National and Provincial Governments on how the budget addresses the IDP priorities and objectives. The feedback flowing from these meetings was referred to the relevant Directorates for their attention.

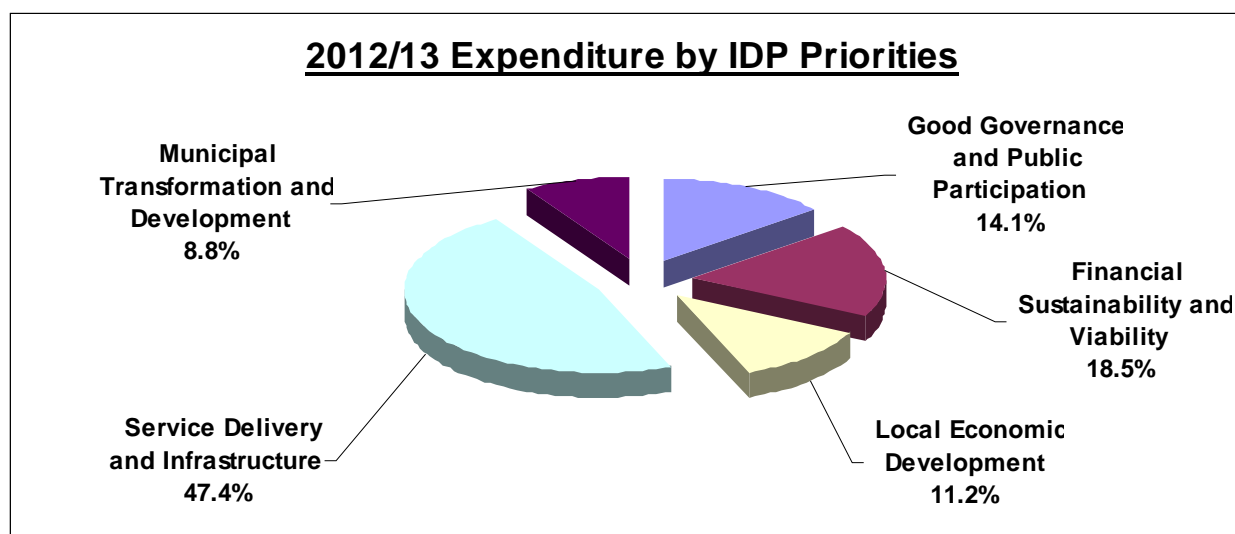
The linking of capital projects to the IDP priorities has been relatively simple, whilst the difficulty in the past has been to link the Operating budget to the IDP. This is now facilitated through the SDBIP.

Below is a table, which illustrates the link between the Budget and the IDP.

BUDGET ALLOCATION ACCORDING TO IDP PRIORITIES

	Municipal Transformation and Development	Service Delivery and Infrastructure Development	Local Economic Development	Financial Sustainability and Viability	Good Governance and Public Participation	Total
	R '000	R '000	R '000	R '000	R '000	R '000
2012/13 Budget						
Capital Expenditure	5,280	887,088	134,521	6,990	5,580	1,039,459
Operating Expenditure	736,431	3,093,011	810,074	1,546,505	1,178,290	7,364,312
Total	741,711	3,980,099	944,595	1,554,495	1,183,870	8,403,171
2013/14 Budget						
Capital Expenditure	5,500	1,104,135	196,616	8,000	6,395	1,320,646
Operating Expenditure	764,615	3,211,383	841,076	1,605,691	1,223,384	7,646,149
Total	770,115	4,315,518	1,037,692	1,613,691	1,229,779	8,966,795
2014/15 Budget						
Capital Expenditure	5,725	1,342,569	284,485	8,550	8,020	1,649,349
Operating Expenditure	835,428	3,508,799	918,971	1,754,400	1,336,686	8,354,284
Total	841,153	4,851,368	1,203,456	1,762,950	1,344,706	10,003,633

Figure 3 – 2012/13 Expenditure by IDP Priorities



2.2.1 Alignment with National and Provincial Priorities

The Municipality's priorities are aligned to those of the National and Provincial Governments.

Description of financial indicator	Basis of calculation	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Water Distribution Losses (2)	% Volume (units purchased and own source less units sold)/Total units purchased and own source	30.0%	29.3%	26.3%	24.3%	24.3%	24.3%	24.3%	24.3%	24.3%
Employee costs	Employee costs/(Total Revenue - capital revenue)	29.5%	31.1%	32.2%	29.3%	28.2%	28.2%	24.8%	25.6%	25.1%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	30.4%	32.0%	32.9%	30.1%	29.0%	29.0%	25.5%	26.4%	25.9%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	8.8%	7.8%	7.1%	7.2%	7.1%	7.1%	6.9%	7.0%	6.8%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	11.2%	12.6%	12.8%	14.3%	14.3%	14.3%	13.0%	11.8%	9.8%
IDP regulation financial viability indicators										
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year	15.2	35.7	39.7	41.4	41.4	41.4	44.4	46.4	52.0
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	38.7%	36.6%	22.2%	20.3%	20.7%	20.7%	21.0%	18.9%	17.3%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	3.5	1.8	1.1	1.1	1.8	1.8	2.2	2.5	3.0

2.3.1 Performance indicators and benchmarks

2.3.1.1 Borrowing Management

Capital expenditure may be funded from capital grants, internal sources and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependant on its creditworthiness and financial position. The following financial performance indicators formed part of the compilation of the 2012/13 MTREF:

- *Capital charges to operating expenditure* is a measure of the cost of borrowing, compared to the total operating expenditure. The cost of borrowing is decreasing from 4,1% in 2012/13 to 3,5% in 2014/15. The decrease is attributable to no further borrowing being planned over the MTREF period.

2.3.1.2 Safety of Capital

- *The gearing ratio* is a measure of the total long term borrowings over funds and reserves. Between 2007/08 and 2010/11 the gearing ratio peaked at 35,5%. This was mainly as a result of increased borrowing levels. Over the 2012/13 MTREF, the ratio decreases from 25.9% in 2012/13 to 23.0% in 2014/15.

2.3.1.3 Liquidity

- *The current ratio* is a measure of the current assets divided by the current liabilities. The Municipality has set a benchmark limit of 1. For the 2012/13 MTREF the current ratio increases from 1.0 in 2012/13 to 1.2 in 2014/15.
- *The liquidity ratio* is a measure of the municipality's ability to utilise cash and cash equivalents to meets its current liabilities. A liquidity ratio of 1 should be maintained. Over the MTREF, the ratio increases from 0,5 in 2012/13 to 0,7 in 2014/15. This represents a pertinent risk for the Municipality, as any under collection of revenue will result in serious financial challenges for the Municipality. As part of the medium term financial planning objectives, this ratio must be maintained at a minimum of 1.

2.3.1.4 Revenue Management

- As part of the Financial Recovery Plan, an aggressive revenue management framework is being implemented to increase cash inflows from current billings, as well as from debtors that are in arrears in excess of 90 days.

2.3.2 Drinking Water Quality and Waste Water Management

The Municipality performs the dual roles of a Water Service Authority and a Water Service Provider, in managing the provision of drinking water and the treatment of wastewater.

The Municipality achieved a scoring of 95.1% in relation to its Blue Drop status for the supply of water, compared to the scoring of 95.08% achieved in the previous assessment. The improvement is attributable to concerted efforts by the Municipality to improve the management of Drinking Water Quality over the past 12 months, especially a significant improvement in overall chemical quality. The cleanliness and sound condition of assets was also a major contributing factor. In order to enhance its Blue Drop status in the next assessment cycle, the Municipality will have to focus specifically on its water safety plan.

An average Green Drop Score of 80.8% was achieved for the seven Waste Water Treatment Systems managed by the Municipality, compared to the scoring of 70% achieved in the previous assessment.

The assessment revealed the following: -

- Training of process controllers not yet adequate, even though there is a significant improvement since the previous assessment.
- Special attention should be given to process optimisation (especially disinfection, to ensure compliance with authorisation limits).

Despite the areas requiring attention to improve the Green Drop rating of the Municipality, it achieved the second highest average score for the Eastern Cape Province.

It is furthermore, the Municipality's intention to address the areas requiring attention in the forthcoming financial year.

2.3.3 Basic social services package for indigent households

The Constitution stipulates that a municipality must structure and manage its administration, budgeting and planning so as to give priority to the basic needs of the community and to promote their social and economic development. The basic social package is an affirmation of the Municipality's commitment to push back the frontiers of poverty by providing social welfare to those residents who cannot afford to pay, as a result of adverse social and economic conditions.

The initiatives carried out by the Municipality in this regard are detailed below.

Service	Social Package	Approximate Cost R'000	Est. No. of Housholds
Assessment Rates	All residential property owners are exempted from paying rates on the first R15 000 of their property values.	20 545	254 007
	Full credit for property rates for indigent consumers	54 196	57 852
Water	The first 8kl of water per month provided free to indigent consumers	67 728	85 156
Electricity	The first 75kwh of electricity provided free to indigent consumers	49 110	56 156
Refuse removal	Full credit for the monthly charge.	52 618	78 705
Sewerage	Full credit for monthly charge of sewerage to indigent consumers (For waterborne sewerage removal the maximum credit is based on 11kl per month)	56 071	85 156
MURP Allocation	Developmental Nodal Areas	21 221	
Indigent control admin costs	Costs to administer and monitor indigent customers	15 392	
Water maintenance	Maintenance provided in Wards where the majority are indigent consumers	20 049	
Sewerage Maintenance	Maintenance provided in Wards where the majority are indigent consumers	6 000	
Refuse co-ops	Co-ops to clean indigent and informal residential areas	14 073	
Total Operating Costs		377 003	

In addition to the aforementioned operating costs, the Equitable Share allocation is fully utilised towards capital projects linked to the Wards where the majority of the indigent consumers reside.

The Municipality thus fully utilises the Equitable Share allocation towards assisting the poor. It is however clear that the Equitable Share allocation is not sufficient to assist in addressing all the needs of the communities and the pressure on this vital funding source is ever increasing due to the high increases in specifically the electricity tariffs.

2.4 OVERVIEW OF BUDGET RELATED POLICIES

The MFMA and the Budget and Reporting Regulations require budget related policies to be reviewed, and where applicable, be updated on an annual basis.

2.4.1 Financial Management Policies

The policies were adopted by the Council in May 2010. The policies govern the financial management functions of the Municipality, such as budgeting, virements, financial statements, etc.

2.4.2 Review of credit control and debt collection policies

The Collection Policy was reviewed and approved by Council in March 2011. A review of certain components of the policy was considered necessary to achieve a higher collection rate.

The 2012/13 MTREF has been prepared on the basis of achieving an average revenue collection rate of 95% on current billings, excluding ATTP subsidies. In addition, the collection of debt in excess of

90 days has been prioritised as a specific strategy, in order to improve the Municipality's cash position.

2.4.3 Budget Adjustment Policy (part of Financial Management Policies)

The adjustments budget process is regulated by the MFMA and is aimed at entrenching increased levels of discipline, responsibility and accountability in the financial management practices of the Municipality. In order to ensure that the Municipality continues to deliver on its core service delivery mandate, the mid-year review and adjustments budget processes are utilised to ensure that underperforming functional areas are identified and funds redirected to performing functional areas.

2.4.4 Supply Chain Management Policy

A revised Supply Chain Management Policy was adopted by Council in December 2011.

2.4.5 Cash Management and Investments Policy

The Cash Management and Investments Policy was amended by Council in December 2005. The aim of the policy is to ensure that surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves.

2.4.6 Tariff Policies

The different tariff policies provide a broad framework for the determination of tariffs. The different policies were approved on various dates, whilst a consolidated tariff by-law is in the process of being finalised.

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

- Asset Management Policy;
- Property Rates Policy;
- Funding and Reserves Policy;
- Borrowing Policy;
- Basic Social Services Package (Assistance to the Poor Policy);
- Financial Management Policies, which includes virement policy.

2.5 OVERVIEW OF BUDGET ASSUMPTIONS

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

The municipal fiscal environment is influenced by a variety of macro economic control measures. National Treasury provides guidelines on the ceiling of year-on-year increases in the total Operating Budget, whilst the National Electricity Regulator of South Africa (NERSA) regulates bulk electricity tariff increases and the Department of Water Affairs (DWA) regulates bulk water tariff increases. The Municipality's employee related costs are also influenced by collective agreements concluded in the South African Local Government Bargaining Council. Various government departments also affect municipal service delivery through the level of grants and subsidies.

The following principles and guidelines directly informed the compilation of the Budget:

- The priorities and targets in relation to the key strategic focus areas as determined in the IDP.
- The level of property rates and tariff increases to take into account the need to address maintenance and infrastructural backlogs, including the expansion of services.

- The level of property rates and tariff increases to ensure the delivery of municipal services on a financially sustainable basis.
- An assessment of the relative human resources capacity to implement the Budget.
- No budget allocation has been made to programmes and projects, unless the respective programme and project plans have been submitted by the relevant Executive Directors.
- The need to enhance the municipality's revenue base.
- No loan funding is available to support the Capital Budget, in view of financial affordability considerations.
- No growth in revenue sources has been provided for in view of current consumption trends in municipal services.
- No growth in property rates income has been provided for, in view of the depressed property market.

The Municipality faced the following significant challenges in preparing the 2012/13 – 2014/15 Budget:

- Reprioritisation of capital projects and operating expenditure within the revised financial affordability limits of the Budget, taking the cash position into account;
- Maintaining revenue collection rates at the targeted levels;
- Uncertainty as to the final negotiated salary increases for municipal employees, as the Salary and Wage Collective Agreement for the 2012/13 to 2014/15 financial years has not yet been concluded;
- Increased costs associated with bulk electricity and water, placing upward pressure on tariff increases to consumers. Continued high tariff increases may soon render municipal services financially unaffordable;
- Depleted Capital Replacement Reserve, impacting on the Municipality's ability to fund capital expenditure from internal sources;
- Allocation of the required operating budget provision for newly created infrastructure and facilities, with a consequential impact on rates and tariff increases.

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

	Assumptions	2012/13 Budget	2013/14 Budget	2014/15 Budget
Income	%	%	%	%
Tariff increases for water	13	13	13	13
Tariff increases for sanitation & refuse	13	13	13	13
Property rates increase	13	13	13	13
Electricity (average increase in income)	25	11.03	11.03	11.03
Revenue collection rates (excluding ATTP subsidies)	93.75	95	95	95
Total expenditure increase allowed (excluding repairs and maintenance)	6	6.2	3.5	9.4
Salary increase	9	6.5	7.5	9.1
Increase in repairs and maintenance	10	6.2	7.7	7.8
Increase in bulk purchase of power costs	26,71	13.5	13.5	13.5

No growth in revenue sources has been provided for, in view of current consumption trends relating to municipal services. Furthermore, no growth in property rates has been provided for, in view of the depressed property market.

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

2.6 OVERVIEW OF BUDGET FUNDING

2.6.1 Medium-term outlook: operating revenue

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

Table 29 (Breakdown of the operating revenue over the medium-term)

Description	2012/13 Medium Term Revenue & Expenditure Framework					
	Budget Year 2012/13		Budget Year +1 2013/14		Budget Year +2 2014/15	
R thousand						
Revenue By Source						
Property rates	1,074,628	14.8%	1,214,336	15.9%	1,372,205	16.1%
Service charges	3,951,039	54.6%	4,436,329	58.1%	5,006,227	58.8%
Investment Revenue	25,528	0.4%	27,059	0.4%	28,683	0.3%
Transfers recognised - operational	1,361,248	18.8%	1,065,840	13.9%	1,155,403	13.6%
Other revenue	825,516	11.4%	901,674	11.8%	953,710	11.2%
Total Revenue (excluding capital transfers and contributions)	7,237,960	100.0%	7,645,238	100.0%	8,516,229	100.0%
Total Expenditure	7,364,312		7,646,149		8,354,284	
Surplus/(Deficit) for the year	(126,352)		(911)		161,944	

The following graph is a breakdown of the operational revenue per main category for the 2012/13 financial year.

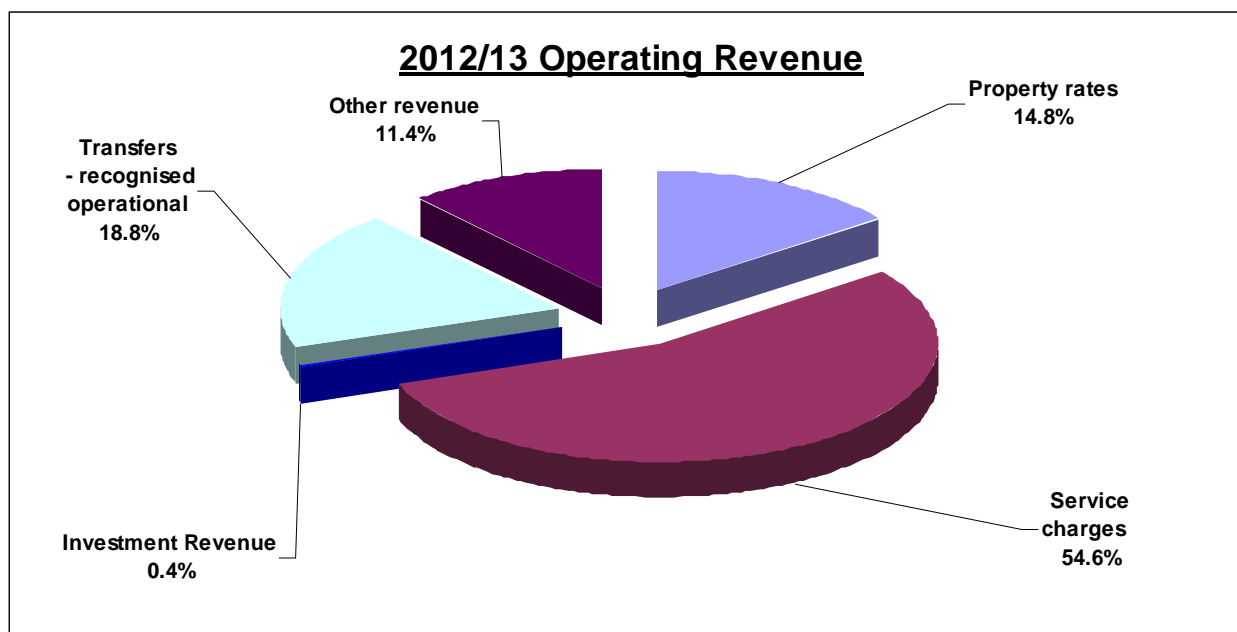


Figure 4 Breakdown of operating revenue over the 2012/13 MTREF

Tariff determination plays a vital role in ensuring the appropriate levels of revenue, so as to achieve a credible and funded budget. Operating revenue is mainly derived from service charges, such as water, electricity, sanitation and refuse collection and disposal, property rates and operating grants.

The revenue management strategy includes the following key components:

- Growth in the revenue base;
- Targeting a 95% annual collection rate for property rates and service charges, after discounting ATTP subsidies;
- National Treasury guidelines;

- Electricity bulk tariff increases as approved by NERSA;
- Water bulk tariff increases as approved by DWA;
- Ensuring fully cost reflective tariffs;
- The level of property rates and tariff increases must ensure financially sustainable service delivery;
- The Property Rates Policy, and
- The level of property rates and tariff increases to provide for the maintenance and replacement of infrastructure, including the expansion of services.

The above principles guide the annual increases in property rates and tariffs, charged to the consumers.

Property rates amount to R1,1 billion in the 2012/13 financial year and increases to R1,4 billion in 2014/15, representing 14.8% of the total operating revenue. It remains relatively constant over the medium-term.

Services charges relating to electricity, water, sanitation and refuse collection and disposal constitute the largest component of the revenue base, amounting to R3,9 billion in the 2012/13 financial year and increasing to R5,0 billion in 2014/15. For the 2012/13 financial year, services charges amount to 54,6% of the total revenue base and increases to 58,8% in 2014/15. This escalation is mainly attributable to the significant increases in the bulk electricity tariffs.

Operational grants and subsidies amount to R1,36 billion, R1,06 billion and R1,15 billion for each of the respective financial years of the MTREF, or 18.8%, 13.9% and 13,6% of total operating revenue.

The tables below provide investment information and investment particulars by maturity.

Table 30 (SA15 – Detail Investment Information)

Investment type	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand									
<u>Parent municipality</u>									
Deposits - Bank	785,604	506,363	298,140	242,639	563,955	563,955	779,203	1,024,368	1,404,958
Total	785,604	506,363	298,140	242,639	563,955	563,955	779,203	1,024,368	1,404,958

As a result of the Municipality's cashflow forecasting, cashflow management and monitoring functions, investments are anticipated to increase from R779,2 million in 2012/13 to R1.40 billion in 2014/15. However this amount includes funding in respect of unspent conditional grants in the amount of approximately R580 million.

Table 31 (SA16 – Investment particulars by maturity)

Investments by Maturity	Period of Investment	Type of Investment	Expiry date of investment	Monetary value	Interest to be realised
Name of institution & investment ID	Yrs/Months			Rand millions	
Investec	1-3 months	Call account / money market	Variable	170,000	5,343
Stanlib	1-3 months	Call account / money market	Variable	180,000	5,677
Nedbank	1-3 months	Call account / money market	Variable	140,000	4,890
Standard Bank	1 year	Short term deposit	Variable	150,000	4,902
First National Bank	1-3 months	Call account / money market	Variable	139,203	4,716
TOTAL INVESTMENTS AND INTEREST				779,203	25,528

2.6.2 Medium-term outlook: capital revenue

The following table provides a breakdown of the funding components of the 2012/13 medium-term capital programme:

Table 32 (Sources of capital revenue over the MTREF)

Description	Current Year 2011/12		2012/13 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2012/13	%	Budget Year +1 2013/14	%	Budget Year +2 2014/15	%
<u>Capital Transfers and Grants</u>								
National Government:	1,037,506	84.0	771,932	74.3	1,011,688	76.6	1,301,074	78.9
Provincial Government:	–		–		–			
Other grant providers:	3,000	0.2	3,000	0.3	0	0	0	0
Transfers recognised - capital	1,040,506	84.3	774,932	74.6	1,011,688	76.6	1,301,074	78.9
Public contributions and donations	38,000	3.1	23,000	2.2	33,500	2.5	33,500	2.0
Internally generated funds	156,096	12.6	241,527	23.2	275,458	20.9	314,775	19.1
Total Capital Transfers and Grants	1,234,602	100.0	1,039,459	100.0	1,320,646	100.0	1,649,349	100.0

The above table is graphically represented as follows for the 2012/13 financial year.

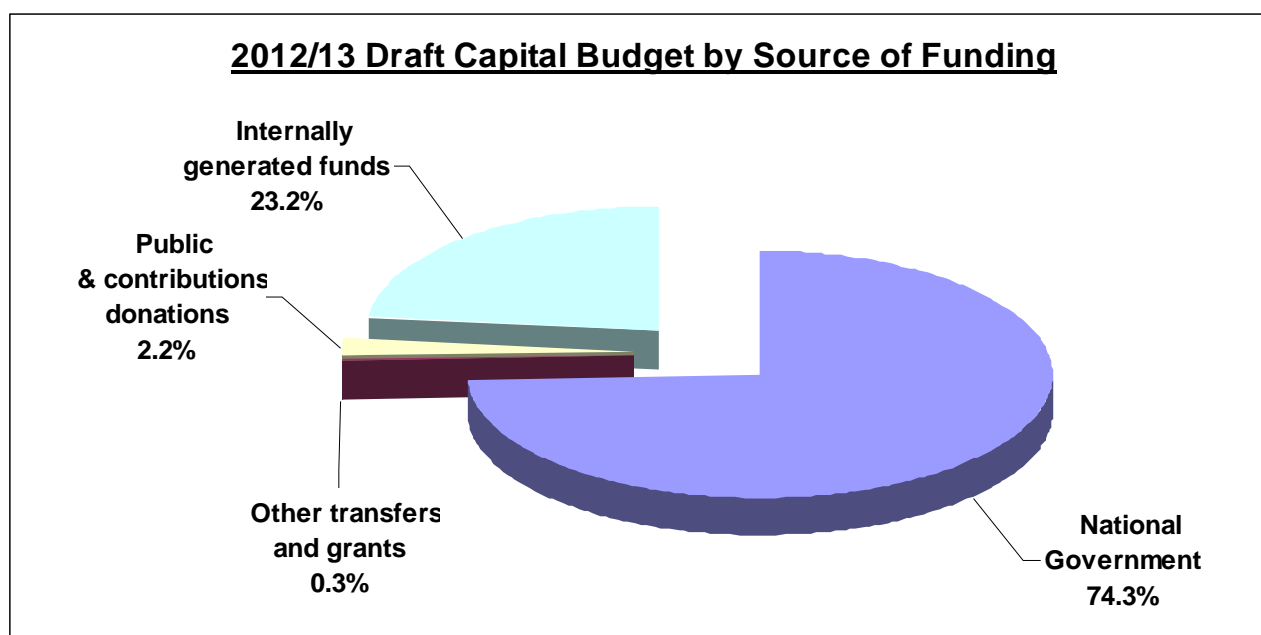


Figure 5 Sources of capital revenue for the 2012/13 financial year

Capital grants constitute 74.6% of the total funding sources, amounting to R774.9 million for the 2012/13 financial year and amounting to R1,30 billion or 78.9% in 2014/15. It is to be noted that no borrowing is planned for the 2012/13 MTREF, in view of financial affordability considerations.

The following table provides a detailed analysis of the Municipality's borrowings.

Table 33 (Table SA 17 - Detail of borrowings)

Borrowing - Categorized by type	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Audited Outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Parent municipality									
Long-Term Loans (annuity/reducing balance)	385,472	1,459,787	1,841,851	1,729,021	1,734,172	1,734,172	1,629,013	1,516,045	1,411,952
Local registered stock	1,185								
Total Borrowing	386,657	1,459,787	1,841,851	1,729,021	1,734,172	1,734,172	1,629,013	1,516,045	1,411,952

The following graph illustrates the growth in outstanding borrowing for the 2007/08 to 2013/14 period:

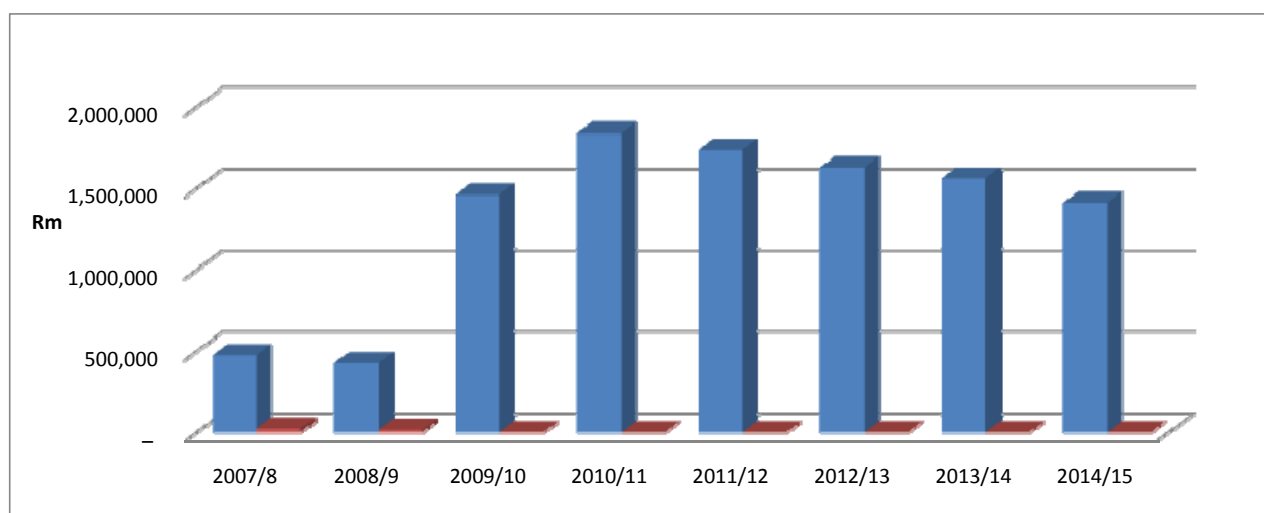


Figure 6 Growth in outstanding borrowing (long-term liabilities)

The following table indicates the capital transfers and grant receipts:

Table 34 (Table SA 18 - Capital transfers and grant receipts)

Description	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand						
Capital Transfers and Grants						
National Government:	1,222,467	1,234,467	1,234,467	771,932	1,011,688	1,301,074
Urban Settlements Development Grant (USDG)	487,467	499,467	499,467	592,870	727,986	845,778
Public Transport and Systems	200,000	200,000	200,000	100,000	228,702	395,571
Neighbourhood Development Partnership	60,000	60,000	60,000	64,062	35,000	39,725
Water Drought Relief	450,000	450,000	450,000			
Integrated National Electrification Programme	25,000	25,000	25,000	15,000	20,000	20,000
Other capital transfers/grants [insert desc]				0		
Provincial Government:	-	-	-	-	-	-
Other capital transfers/grants [insert description]						
Other grant providers:	24,000	24,000	24,000	0	0	0
<i>Coega Grant</i>	15,000	15,000	15,000	0	0	0
<i>Bay West Development Grant</i>	9,000	9,000	9,000	0	0	0
Total Capital Transfers and Grants	1,246,467	1,258,467	1,258,467	771,932	1,011,688	1,301,074

2.6.3 Cash Flow Management

Cash flow management and forecasting is a critical step in determining whether the budget is funded over the medium-term. The table includes some specific features:

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

Table 35 (Table A7 - Budget cash flow statement)

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast
R thousand									
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Ratepayers and other	2,852,209	2,704,202	5,412,124	4,261,084	4,670,097	4,670,097	5,197,167	5,820,175	6,507,782
Government - operating	1,021,115	1,454,743	1,363,358	1,371,306	1,282,407	1,282,407	1,356,926	1,065,840	1,155,403
Government - capital	970,072	993,724	531,295	1,246,467	1,249,768	1,249,768	771,932	1,011,688	1,301,074
Interest	258,168	167,543	16,447	21,257	28,000	28,000	25,528	27,059	28,683
Dividends									
Payments									
Suppliers and employees	(3,637,899)	(4,136,060)	(5,933,419)	(4,987,425)	(5,229,724)	(5,229,724)	(5,702,869)	(6,011,445)	(6,618,042)
Finance charges	(82,500)	(145,978)	(177,110)	(208,791)	(213,337)	(213,337)	(205,239)	(193,867)	(182,546)
Transfers and Grants	(36,277)	(99,870)	(296,231)	(86,407)	(89,584)	(89,584)	(79,005)	(85,600)	(91,318)
NET CASH FROM/(USED) OPERATING ACTIVITIES	1,344,887	938,304	916,465	1,617,491	1,697,626	1,697,626	1,364,440	1,633,852	2,101,036
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on disposal of PPE	6		2,250						
Decrease (Increase) in non-current debtors									
Decrease (increase) other non-current receivables	23,007	31,484	19,096	1,297	1,297	1,297			
Decrease (increase) in non-current investments	10,561								
Payments									
Capital assets	(2,337,225)	(2,333,450)	(1,521,064)	(1,364,466)	(1,292,718)	(1,292,718)	(1,048,473)	(1,282,527)	(1,606,479)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(2,303,651)	(2,301,966)	(1,499,718)	(1,363,169)	(1,291,421)	(1,291,421)	(1,048,473)	(1,282,527)	(1,606,479)
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
Short term loans									
Borrowing long term/refinancing		1,165,000	470,000						
Increase (decrease) in consumer deposits	(11,615)			2,515	2,515	2,515	(3,275)	(1,000)	(1,000)
Payments									
Repayment of borrowing	(56,438)	(51,828)	(88,859)	(92,211)	(92,058)	(92,058)	(97,444)	(105,159)	(112,968)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(68,054)	1,113,172	381,141	(89,696)	(89,543)	(89,543)	(100,719)	(106,159)	(113,968)
NET INCREASE/ (DECREASE) IN CASH HELD	(1,026,818)	(250,490)	(202,112)	164,626	316,662	316,662	215,248	245,165	380,589
Cash/cash equivalents at the year begin:	1,907,077	880,260	629,770	277,992	447,273	447,273	763,935	979,183	1,224,348
Cash/cash equivalents at the year end:	880,260	629,770	427,658	442,619	763,935	763,935	979,183	1,224,348	1,604,938

The table reflects that the cash and cash equivalents were largely depleted between the 2007/08 and 2010/11 financial years, decreasing from a positive cash balance of R1,9 billion to a balance of R763.9 million in the 2011/12 Adjustments budget. For the 2012/13 MTREF, the cash and cash

equivalents over the medium-term is anticipated to increase from R979.2 million to R1.6 billion in 2014/15. The 2012/13 cash balance is significantly influenced by the unspent grants of approximately R580 million relating to the previous year(s).

Table 36 (Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation)

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Cash and investments available									
Cash/cash equivalents at the year end	880,260	629,770	427,658	442,619	763,935	763,935	979,183	1,224,348	1,604,938
Other current investments > 90 days	0	935	1,127	0	(0)	(0)	0	(0)	0
Non current assets - Investments	727	20	20	20	20	20	20	20	20
Cash and investments available:	880,987	630,725	428,805	442,639	763,955	763,955	979,203	1,224,368	1,604,958
Application of cash and investments									
Unspent conditional transfers	645,367	206,196	301,712	-	325,604	325,604	580,800	619,280	654,219
Unspent borrowing	-	-	-	-	-	-	-	-	-
Statutory requirements									
Other working capital requirements	148,666	687,821	107,292	374,740	356,899	356,899	239,779	306,989	345,848
Other provisions									
Long term investments committed	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	486,640	446,052	593,375	167,349	47,000	47,000	47,000	49,220	51,573
Total Application of cash and investments:	1,280,673	1,340,069	1,002,379	542,089	729,503	729,503	867,579	975,489	1,051,640
Surplus(shortfall)	(399,686)	(709,344)	(573,574)	(99,450)	34,452	34,452	111,624	248,879	553,318

The underlying purpose of Table A8 is to reflect the predicted cash and investments that are available at the end of a particular budget year and how these funds were used. A surplus would indicate that sufficient cash and investments were available to meet commitments, whilst a shortfall would indicate inadequate cash and investments were available to meet commitments.

The available cash and investments amount to R979.2 million in the 2012/13 financial year and increases to R1.60 billion in 2014/15. The following is a breakdown of the application of this funding:

- Unspent conditional transfers (grants) – unspent grant funding is anticipated over the 2012/13 MTREF.
- There is no unspent borrowing from previous financial years.
- The main purpose of the other working capital requirements is to ensure that sufficient funds are available to meet commitments as and when they fall due. A key challenge is often the mismatch between the timing of receipts from debtors and payments due to employees and creditors. High levels of non-payment by debtors will result in a greater requirement for working capital, ultimately causing cash flow challenges.

For the purposes of the cash backed reserves and accumulated surplus reconciliation, a provision equivalent to one month's operational expenditure has been provided for. The desired cash levels are, however, two months' operational expenditure in order to ensure the continued liquidity of the Municipality. Any underperformance in relation to debtor collections could place upward pressure on the Municipality's ability to meet its commitments.

- Reserves must be cash backed in order to support the budget. The reserves requiring cash backing, includes the Self Insurance Fund and COID.

It is concluded that the Municipality's cash backed and accumulated surpluses reconciliation reflects surpluses of R111.6 million, R248.9 million and R553.3 million for the 2012/13, 2013/14 and 2014/15 financial years respectively.

It is to be noted that for all practical purposes that the 2010/11 and 2011/12 MTREF was unfunded, when considering the funding requirements of section 18 and 19 of the MFMA.

2.6.5 Funding Compliance Measurement

National Treasury requires the Municipality to assess its financial sustainability against the different measures outlined below.

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Funding measures									
Cash/cash equivalents at the year end - R'000	880,260	629,770	427,658	442,619	763,935	763,935	979,183	1,224,348	1,604,938
Cash + investments at the yr end less applications - R'000	(399,686)	(709,344)	(573,574)	(99,450)	34,452	34,452	111,624	248,879	553,318
Cash year end/monthly employee/supplier payments	3.5	1.8	1.1	1.1	1.8	1.8	2.2	2.5	3.0
Surplus/(Deficit) excluding depreciation offsets: R'000	952,359	855,369	633,675	999,401	658,684	657,983	1,282,848	1,632,577	2,035,325
Service charge rev % change - macro CPIX target exclusive	N.A.	10.8%	13.8%	10.4%	(8.4%)	(6.0%)	5.6%	6.4%	6.9%
Cash receipts % of Ratepayer & Other revenue	90.3%	73.0%	120.7%	86.1%	88.3%	88.3%	88.8%	88.8%	88.8%
Debt impairment expense as a % of total billable revenue	6.2%	12.6%	13.9%	6.2%	6.2%	6.2%	5.0%	5.0%	5.0%
Capital payments % of capital expenditure	83.6%	102.6%	100.2%	100.3%	104.7%	104.7%	100.9%	97.1%	97.4%
Borrowing receipts % of capital expenditure (excl. transfers)	0.0%	88.5%	46.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations							100.0%	100.0%	100.0%
Current consumer debtors % change - incr(decr)	N.A.	10.6%	(27.4%)	6.7%	(0.5%)	0.0%	13.2%	0.8%	3.6%
Long term receivables % change - incr(decr)	N.A.	(14.3%)	(23.7%)	3.3%	0.0%	0.0%	2.4%	0.0%	0.0%
R&M % of Property Plant & Equipment	5.3%	3.8%	3.5%	3.7%	3.8%	3.8%	3.9%	4.0%	4.0%
Asset renewal % of capital budget	6.8%	10.6%	17.7%	21.2%	41.6%	41.6%	60.5%	71.0%	74.7%

Below is a discussion of the different measures.

2.6.5.1 Cash/cash equivalent position

The forecasted cash and cash equivalents for the 2012/13 MTREF amounts to R979.2 million, R1.22 billion and R1.60 billion for the respective financial years.

2.6.5.2 Cash plus investments less application of funds

For the 2012/13 to 2014/15 budgets, the available cash and investments exceed the application of funds by an amount of R111.6 million, R248.9 million and R553.3 million respectively.

2.6.5.3 Monthly average payments covered by cash or cash equivalents

The ratio has been declining significantly for the period 2008/09 to 2011/12, moving from 3,5 to 1,8. As part of the 2012/13 MTREF, the cash position causes the ratio to move from 2.2 to 3.0.

2.6.5.4 Surplus/deficit excluding depreciation offsets

For the 2012/13 MTREF the indicative outcome is a surplus of R1,28 billion, R1.63 billion and R2.03 billion. The surplus is made up as follows:

	2012/13	2013/14	2014/15
	R	R	R
Operating Budget Surplus (Deficit)	(126,352)	(911)	161,944
Capital Grants (Transfers)	774,932	1 011,688	1 301,074
Depreciation Offsets	634,267	621,800	572,306
Total	R1,282,848	R1,632,577	R2,035,325

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

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

This is calculated by deducting the maximum macro-economic inflation target (which is currently 3 - 6 %), so as to determine the real increase in revenue. The percentage growth totals 5,6%, 6,4% and 6,9% for the respective financial years of the 2012/13 MTREF. The real increases in revenue are more or less in line with the inflation target figures.

2.6.5.6 Cash receipts as a percentage of ratepayer and other revenue

The outcome is 88,8% for each of the respective financial years.

2.6.5.7 Debt impairment expense as a percentage of billable revenue

The provision has been set at 5% over the MTREF, in line with the revenue collection trends.

2.6.5.8 Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into account in forecasting the cash position.

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

No borrowing has been planned for the 2012/13 MTREF.

2.6.5.10 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. All transfers are included in the budget.

2.6.5.11 Repairs and maintenance expenditure level

The expenditure constitutes 3.9% of Property, Plant and Equipment, whilst National Treasury has suggested an 8% level.

2.6.5.12 Asset renewal/rehabilitation expenditure level

The expenditure constitutes 60.5% of the capital budget, whilst National Treasury has suggested a 40% level.

2.7 EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES

GRANTS RECEIVED

Description	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	R thousand	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14
RECEIPTS:						
Operating Transfers and Grants						
National Government:	1,270,578	828,265	828,265	953,174	1,062,088	1,151,651
Local Government Equitable Share	656,653	656,653	656,653	729,226	781,838	841,201
Electricity Demand Side Management	20,000	20,000	20,000			
Finance Management	1,250	1,250	1,250	1,250	1,250	1,250
Water Services Operating Subsidy		600	600			
Public Transport Infrastructure and Systems Grant		140,000	140,000	198,702	270,000	300,000
Fuel Levy	419,132	-		-		
Other	173,543	9,762	9,762	0	0	0
Expanded Public Works Programme				14,696	0	0
Infrastructure Skills Development Grant				5,300	5,000	5,200
LGSETA				4,000	4,000	4,000
Provincial Government:	100,728	447,481	447,481	403,752	3,752	3,752
Health subsidy	96,228	91,183	91,183			
Housing		350,000	350,000	400,000		
Sports and Recreation	4,500					
Library Subsidy		6,298	6,298	3,752	3,752	3,752
Other grant providers:	-	2,081	2,081	0	0	0
		1,560	1,560	0	0	0
		521	521			
Total Operating Transfers and Grants	1,371,306	1,277,827	1,277,827	1,154,719	1,073,480	1,163,403
Capital Transfers and Grants						
National Government:	1,222,467	1,234,467	1,234,467	771,932	1,011,688	1,301,074
Urban Settlements Development Grant	487,467	499,467	499,467	592,870	727,986	845,778
Public Transport Infrastructure and Systems	200,000	200,000	200,000	100,000	228,702	395,571
Neighbourhood Development Partnership	60,000	60,000	60,000	64,062	35,000	39,725
Water Drought Relief Fund	450,000	450,000	450,000			
Integrated National Electrification Programme	25,000	25,000	25,000	15,000	20,000	20,000
Other capital transfers/grants [insert desc]				0		
Provincial Government:	-	-	-	-	-	-

Description	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	R thousand	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14
Other capital transfers/grants [insert description]						
Other grant providers:	24,000	24,000	24,000	0	0	0
<i>Coega Grant</i>	15,000	15,000	15,000	0	0	0
<i>Bay West Development Grant</i>	9,000	9,000	9,000	0	0	0
Total Capital Transfers and Grants	1,246,467	1,258,467	1,258,467	771,932	1,011,688	1,301,074
TOTAL RECEIPTS OF TRANSFERS & GRANTS	2,617,773	2,536,294	2,536,294	2,128,858	2,077,528	2,456,477

GRANTS EXPENDITURE

Description	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	R thousand	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14
EXPENDITURE:						
Operating expenditure of Transfers and Grants						
National Government:	1,328,260	768,459	768,459	953,174	1,062,088	1,151,651
Local Government Equitable Share	656,653	656,653	656,653	729,226	781,838	841,201
Electricity Demand Side Management	20,000	58,288	58,288			
Finance Management	1,250	1,250	1,250	1,250	1,250	1,250
Public Transport Infrastructure and Systems Grant		30,000	30,000	198,702	270,000	300,000
Fuel Levy	419,132					
Other	231,225	22,268	22,268	0	0	0
Expanded Public Works Programme				14,696	0	0
Infrastructure Skills Development Grant				5,300	5,000	5,200
LGSETA				4,000	4,000	4,000
Provincial Government:	106,227	456,398	456,398	403,752	3,752	3,752
Health subsidy	96,228	95,152	95,152			
Housing	5,499	350,000	350,000	400,000		
Library Subsidy		5,747	5,747	3,752	3,752	3,752
Sports and Recreation	4,500					
Other		5,499	5,499			
Other grant providers:	-	12,656	12,656	4,322	0	0
<i>National Lotteries</i>		12,656	12,656	2,542	0	0
<i>Donated Grants</i>				1,780	0	0
Total operating expenditure of Transfers and Grants:	1,434,487	1,237,513	1,237,513	1,361,248	1,065,840	1,155,403
Capital expenditure of Transfers and Grants						
National Government:	1,172,467	1,013,581	1,013,581	771,932	1,011,688	1,301,074
Municipal Infrastructure Grant (MIG)	487,467	499,768	499,768	592,870	727,986	845,778
Public Transport and Systems	200,000	75,000	75,000	100,000	228,702	395,571

Description	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	R thousand	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14
Neighbourhood Development Partnership	60,000	56,309	56,309	64,062	35,000	39,725
Integrated National Electrification Programme	25,000	25,000	25,000	15,000	20,000	20,000
Water Drought Relief Fund	400,000	354,504	354,504	0		
Other capital transfers/grants (insert desc)		3,000	3,000	0		
Other grant providers:	27,000	26,925	26,925	3,000	0	0
Coega Grant	15,000	15,000	15,000	0	0	0
Bay West Development Grant	12,000	11,925	11,925	0	0	0
Mendi Bottle Store Funds				3,000		
Total capital expenditure of Transfers and Grants	1,199,467	1,040,506	1,099,467	774,932	1,011,688	1,301,074
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS	2,633,954	2,278,019	2,295,094	2,136,180	2,077,528	2,456,477

GRANTS RECONCILIATION

Description	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	R thousand	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14
Operating transfers and grants:						
National Government:						
Balance unspent at beginning of the year	57,682	174,985	174,985	233,963	233,963	233,963
Current year receipts	1,270,578	828,265	828,265	953,174	1,062,088	1,151,651
Conditions met - transferred to revenue	1,328,260	776,455	776,455	951,174	1,062,088	1,151,651
Conditions still to be met - transferred to liabilities		226,795	226,795	233,963	233,963	233,963
Provincial Government:						
Balance unspent at beginning of the year	5,499	17,410	17,410	11,360	11,360	11,360
Current year receipts	100,728	447,481	447,481	403,752	3,752	3,752
Conditions met - transferred to revenue	106,227	453,531	453,531	403,752	3,752	3,752
Conditions still to be met - transferred to liabilities		11,360	11,360	11,360	11,360	11,360
Other grant providers:						
Balance unspent at beginning of the year		20,658	20,658	14,900	10,578	10,578
Current year receipts		6,770	6,770	0	0	0
Conditions met - transferred to revenue	-	12,528	12,528	4,322	0	0
Conditions still to be met - transferred to liabilities		14,900	14,900	10,578	10,578	10,578
Total operating transfers and grants revenue	1,434,487	1,242,514	1,242,514	1,361,246	1,065,840	1,155,403
Total operating transfers and grants - CTBM	-	253,055	253,055	255,901	255,901	255,901
Capital transfers and grants:						
National Government:						
Balance unspent at beginning of the year		37,908	37,908	240,331	240,331	240,331
Current year receipts	1,222,467	1,234,467	1,234,467	771,932	1,011,688	1,301,074
Conditions met - transferred to revenue	1,222,467	1,030,582	1,030,582	771,932	1,011,688	1,301,074

Description	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	R thousand	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14
Conditions still to be met - transferred to liabilities		241,793	241,793	240,331	240,331	240,331
Other grant providers:						
Balance unspent at beginning of the year	3,000	12,271	12,271	19,445	16,445	16,445
Current year receipts	24,000	24,000	24,000	0	0	0
Conditions met - transferred to revenue	27,000	27,000	27,000	3,000	0	0
Conditions still to be met - transferred to liabilities		9,271	9,271	16,445	16,445	16,445
Total capital transfers and grants revenue	1,249,467	1,057,582	1,057,582	774,932	1,011,688	1,301,074
Total capital transfers and grants - CTBM	-	251,064	251,064	256,776	256,776	256,776
TOTAL TRANSFERS AND GRANTS REVENUE	2,683,954	2,300,096	2,300,096	2,136,180	2,077,528	2,456,477
TOTAL TRANSFERS AND GRANTS - CTBM	-	504,119	504,119	512,677	512,677	512,677

2.8 ALLOCATIONS AND GRANTS MADE BY THE MUNICIPALITY

The table below reflects the grants and allocations made by the Municipality. It includes grants-in-aid made in accordance with the Municipality's grants-in-aid policy and transfers to entities and other organisations to primarily support their operational expenditure.

ALLOCATIONS AND GRANTS MADE BY THE MUNICIPALITY

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework			
	R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Cash Transfers to Entities/Other External Mechanisms										
<i>MBDA</i>	13,620	76,885	19,953	63,092	63,092	63,092	56,778	60,890	65,144	
Centenary Hall Promotions Former Entity	129									
Feather Market Promotions - Former Entity	1,188									
Total Cash Transfers To Entities/Ems'	14,937	76,885	19,953	63,092	63,092	63,092	56,778	60,890	65,144	
Cash Transfers to Organisations										
<i>Grants in Aid</i>	6,722	6,314	7,117	7,159	7,159	7,159	7,618	8,058	8,523	
Grants to Other Organisations	14,618	16,671	15,352	16,155	16,235	16,235	15,109	16,652	17,651	
Total Cash Transfers To Organisations	21,340	22,985	22,469	23,315	23,395	23,395	22,728	24,709	26,174	
Total Cash Transfers To Groups Of Individuals:	-	-	-	-	-	-	-	-	-	
TOTAL CASH TRANSFERS AND GRANTS	36,277	99,870	42,422	86,407	86,487	86,487	79,005	85,600	91,318	
Groups of Individuals										
<i>Indigent</i>	229,487	264,701	265,134	331,555	284,475	284,475	323,048	366,152	418,203	
Total Non-Cash Grants To Groups Of Individuals:	229,487	264,701	265,134	331,555	284,475	284,475	323,048	366,152	418,203	
TOTAL NON-CASH TRANSFERS AND GRANTS	229,487	264,701	265,134	331,555	284,475	284,475	323,048	366,152	418,203	
TOTAL TRANSFERS AND GRANTS	265,764	364,571	307,556	417,961	370,961	370,961	402,053	451,752	509,521	

2.9 COUNCILLORS AND BOARD MEMBERS ALLOWANCES AND EMPLOYEE BENEFITS

COUNCILLORS & BOARD MEMBER ALLOWANCES AND EMPLOYEE BENEFITS

Summary of Employee and Councillor remuneration	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14
	A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)									
Basic Salaries and Wages	39,995	43,509	43,671	49,518	49,518	49,518	52,917	58,209	64,612
Cellphone Allowance	1,261	1,376	1,382	1,565	1,565	1,565	1,665	1,832	2,034
Sub Total - Councillors	41,255	44,886	45,053	51,084	51,084	51,084	54,583	60,041	66,645
% increase		8.8%	0.4%	13.4%	-	-	6.8%	10.0%	11.0%
Senior Managers of the Municipality									
Basic Salaries and Wages	10,909	11,404	11,845	17,171	16,069	16,069	17,924	19,551	20,848
Performance Bonus	1,317	1,546	162	1,872	2,114	2,114	2,256	2,476	2,737
Sub Total - Senior Managers of Municipality	12,226	12,950	12,006	19,043	18,183	18,183	20,180	22,027	23,585
% increase		5.9%	(7.3%)	58.6%	(4.5%)	-	11.0%	9.2%	7.1%
Other Municipal Staff									
Basic Salaries and Wages	832,011	992,483	1,092,794	1,292,152	1,269,163	1,269,163	1,231,667	1,347,961	1,472,596
Pension and UIF Contributions	198,819	146,594	167,615	187,825	183,923	183,923	189,387	207,384	228,706
Medical Aid Contributions	63,346	78,130	92,186	98,739	93,862	93,862	97,369	108,056	119,935
Overtime	65,958	87,600	72,264	56,020	66,407	66,407	56,884	60,459	65,562
Performance Bonus	12,351	13,537	16,417	15,487	15,960	15,960	13,353	13,602	14,208
Motor Vehicle Allowance	63,131	43,768	46,308	46,503	50,116	50,116	47,370	47,414	47,463
Housing Allowances	13,971	9,875	8,266	8,700	8,018	8,018	7,447	7,449	7,451
Other benefits and allowances		54,085	75,902	65,761	103,715	103,715	56,848	61,512	65,116
Long service awards	19,057	23,926	26,592	29,205	88	88	30,241	35,078	41,429
Post-retirement benefit obligations		161,496	277,012	40,134	40,134	40,134	42,227	46,380	51,405
Sub Total - Other Municipal Staff	1,268,644	1,611,494	1,875,355	1,840,526	1,831,386	1,831,386	1,772,793	1,935,296	2,113,871
% increase		27.0%	16.4%	(1.9%)	(0.5%)	-	(3.2%)	9.2%	9.2%
Total Parent Municipality	1,322,126	1,669,329	1,932,415	1,910,652	1,900,652	1,900,652	1,847,556	2,017,364	2,204,101
		26.3%	15.8%	(1.1%)	(0.5%)	-	(2.8%)	9.2%	9.3%
TOTAL SALARY, ALLOWANCES & BENEFITS	1,322,126	1,669,329	1,932,415	1,910,652	1,900,652	1,900,652	1,847,556	2,017,364	2,204,101
% increase		26.3%	15.8%	(1.1%)	(0.5%)	-	(2.8%)	9.2%	9.3%
TOTAL MANAGERS AND STAFF	1,280,871	1,624,444	1,887,362	1,859,569	1,849,569	1,849,569	1,792,973	1,957,323	2,137,456

DISCLOSURE OF SALARIES, ALLOWANCES & BENEFITS

Disclosure of Salaries, Allowances & Benefits	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum						
Councillors						
Speaker	882,872		20,536			903,408
Chief Whip	827,692		20,536			848,228
Executive Mayor	1,103,589		41,150			1,144,739
Deputy Executive Mayor	882,872		20,536			903,408
Executive Committee	827,692		20,536			848,228
Total for all other councillors	48,392,325		1,542,154			49,934,479
Total Councillors	52,917,042	-	1,665,448			54,582,490
Senior Managers of the Municipality						
Municipal Manager (MM)	1,939,460			462,760		2,402,220
Chief Finance Officer	1,395,550			195,380		1,590,930
Executive Director- Corporate Services	1,247,310			174,630		1,421,940
Executive Directors –Infrastructure	1,408,800					1,408,800
Executive Directors - Electricity & Energy	1,150,100			161,000		1,311,100
Executive Directors- Human Settlement, Special Projects	3,343,240			50,000		3,393,240
Executives Directors - Health	1,205,250			174,630		1,379,880
Executives Directors Economic Development	1,189,400			156,500		1,345,900
Executives Directors - Safety & Security	1,258,530			176,210		1,434,740
<i>List of each official with packages >= senior manager</i>						
Chief Operating Officer	1,292,180			180,910		1,473,090
Strategic Manager	1,247,300			174,720		1,422,020
Office of the Executive Mayor	1,247,310			174,630		1,421,940
Chief of Staff				174,630		174,630
Total Senior Managers of the Municipality	17,924,430	-	-	2,256,000		20,180,430
TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION	70,841,472	-	1,665,448	2,256,000		74,762,920

2.10 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

MONTHLY CASH FLOWS	Budget Year 2012/13												Medium Term Revenue and Expenditure Framework		
	R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2012/13	Budget Year +1 2013/14
<u>Cash Receipts By Source</u>													1		
Property rates	80,350	80,336	71,384	89,785	77,215	85,297	78,652	80,538	80,399	80,399	80,135	80,361	964,851	1,090,365	1,231,537
Service charges - electricity revenue	207,306	229,325	291,722	269,512	238,396	227,183	232,285	207,896	247,123	212,884	237,837	229,800	2,831,269	3,173,253	3,570,325
Service charges - water revenue	26,511	29,327	37,306	34,466	30,487	29,053	29,705	26,587	31,603	27,224	30,415	35,862	368,546	415,815	473,297
Service charges - sanitation revenue	15,800	17,479	22,234	20,541	18,170	17,315	17,704	15,845	18,835	16,225	18,127	14,392	212,669	239,479	272,051
Service charges - refuse revenue	6,648	7,354	9,355	8,643	7,645	7,285	7,449	6,667	7,925	6,827	7,627	6,730	90,153	101,375	115,008
Rental of facilities and equipment	1,652	1,652	1,652	1,652	1,652	1,652	1,652	1,652	1,652	1,652	1,652	1,652	19,820	20,992	22,235
Interest earned - external investments	3,870	3,500	2,800	2,300	2,000	2,100	1,800	1,400	1,100	1,800	1,500	1,358	25,528	27,059	28,683
Fines	2,314	2,446	2,826	2,889	3,054	2,806	2,814	2,800	2,513	2,580	2,547	2,739	32,328	34,268	36,324
Licences and permits	815	730	800	820	899	846	854	930	560	585	548	628	9,014	9,555	10,129
Agency services	117	117	117	117	117	117	117	117	117	117	117	117	1,400	1,484	1,573
Transfer receipts - operational	339,428	104,650	34,333	33,333	282,288	98,280	33,333	114,639	216,639	33,333	33,333	33,333	1,356,926	1,065,840	1,155,403
Other revenue	18,132	164,974	19,132	19,132	19,132	164,974	19,132	19,132	162,973	19,132	19,132	22,141	667,116	733,589	775,304
Cash Receipts by Source	702,943	641,888	493,662	483,189	681,054	636,907	425,497	478,203	771,439	402,757	432,970	429,113	6,579,621	6,913,074	7,691,868
<u>Other Cash Flows by Source</u>															
Transfer receipts - capital	203,623	51,506	3,000	1,800	198,823	51,328	-	232,918	28,934	-	-	0	771,932	1,011,688	1,301,074
Increase (decrease) in consumer deposits	(273)	(273)	(273)	(273)	(273)	(273)	(273)	(273)	(273)	(273)	(273)	(273)	(3,275)	(1,000)	(1,000)
Total Cash Receipts by Source	906,293	693,121	496,389	484,716	879,604	687,962	425,224	710,848	800,100	402,484	432,697	428,840	7,348,278	7,923,762	8,991,942
<u>Cash Payments by Type</u>															
Employee related costs	161,308	143,011	143,888	143,381	196,340	145,371	143,619	143,513	142,869	142,815	142,764	142,897	1,791,776	1,956,042	2,136,085
Remuneration of councillors	4,224	4,224	4,224	4,224	4,224	4,224	5,714	4,705	4,705	4,705	4,705	4,704	54,583	60,041	66,645
Finance charges	40,311	-	28,826		23,670	9,964	40,042	-	27,830	-	23,331	11,266	205,239	193,867	182,546

MONTHLY CASH FLOWS	Budget Year 2012/13												Medium Term Revenue and Expenditure Framework		
	R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2012/13	Budget Year +1 2013/14
Bulk purchases - Electricity	240,644	236,703	280,741	160,108	160,157	167,083	143,368	163,239	148,593	144,013	145,171	152,011	2,141,832	2,440,457	2,781,303
Bulk purchases - Water & Sewer	6,287	5,281	6,102	5,294	6,995	6,694	5,067	6,124	5,994	6,205	6,278	6,318	72,639	81,451	91,225
Other materials	33,700	34,667	30,525	42,840	54,748	49,990	46,764	46,059	35,245	35,245	44,089	41,651	495,523	533,932	575,804
Contracted services	35,129	26,647	24,408	30,780	21,843	30,609	33,003	20,635	28,497	27,497	26,497	35,447	340,994	442,200	489,097
Transfers and grants - other	3,042	-	7,047	1,384	5,835	-	35,172	1,170	18,106	1,915	-	5,333	79,005	85,600	91,318
Other expenditure	224,783	50,422	50,316	48,941	52,304	51,851	52,650	54,931	54,354	53,354	55,354	56,262	805,523	497,321	477,882
Cash Payments by Type	749,427	500,955	576,078	436,953	526,116	465,786	505,399	440,377	466,194	415,750	448,189	455,889	5,987,113	6,290,911	6,891,906
Other Cash Flows/Payments by Type															
Capital assets	121,960	31,841	40,805	68,054	77,196	86,052	87,229	101,904	102,564	98,721	103,877	128,270	1,048,473	1,282,527	1,606,479
Repayment of borrowing	12,073		16,738		4,109	15,000	12,342		17,733		4,448	15,000	97,444	105,159	112,968
Other Cash Flows/Payments												-			
Total Cash Payments by Type	883,460	532,796	633,621	505,007	607,421	566,838	604,970	542,281	586,491	514,471	556,514	599,159	7,133,030	7,678,597	8,611,352
NET INCREASE/(DECREASE) IN CASH HELD	22,833	160,325	(137,233)	(20,291)	272,183	121,124	(179,746)	168,567	213,609	(111,987)	(123,817)	(170,319)	215,248	245,165	380,590
Cash/cash equivalents at the month/year begin:	763,935	786,768	947,093	809,860	789,569	1,061,753	1,182,876	1,003,130	1,171,697	1,385,306	1,273,320	1,149,502	763,935	979,183	1,224,348
Cash/cash equivalents at the month/year end:	786,768	947,093	809,860	789,569	1,061,753	1,182,876	1,003,130	1,171,697	1,385,306	1,273,320	1,149,502	979,183	979,183	1,224,348	1,604,937

2.11 ANNUAL BUDGETS AND SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLANS –DIRECTORATES

In terms of section 53 (1)(c)(ii) of the MFMA, the Service Delivery and Budget Implementation Plan (SDBIP) constitutes a detailed plan for implementing the Municipality's delivery of services and its annual budget, which must include the following:

- (a) Monthly projections of
- Revenue to be collected, by source; and
 - Operational and capital expenditure, by vote.
- (b) Service delivery targets and performance indicators for each quarter.

In accordance with Section 53 of the MFMA, the Executive Mayor is required to approve the SDBIP within 28 days after the approval of the budget. Furthermore, the Executive Mayor must ensure that the revenue and expenditure projections for each month and the service delivery targets and performance indicators, as set out in the SDBIP, are made public within 14 days after the approval of the SDBIP.

The SDBIP gives effect to the IDP and Budget of the Municipality. It includes the service delivery targets and performance indicators for each quarter, which forms the basis for the performance agreements of the Executive Directors. It therefore facilitates oversight over the financial and non-financial performance of the Municipality and allows the Municipal Manager to monitor the performance of the Executive Directors, the Executive Mayor/Council to monitor the performance of the Municipal Manager, and the Community to monitor the performance of the Municipality.

The SDBIP relating to the 2012/13 financial year will be approved by the Executive Mayor during July 2012, following the approval of the Budget.

2.12 CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS

Below the schedule of contracts impacting on future budgets:

Contracts impacting on the Municipality's revenue

	Description of lease	Start of lease contract	End of lease contract	Escalation %	Period	2011/12	2012/13	2013/14	2014/15
1	Isimilo Investments (PTY) LTD (Beachview, Maitland 487/35 & Maitland Beach)	01-10-04	30-09-44	0	40	240,000	240,000	240,000	240,000
2	Buhlebendalo Properties (PTY) LTD (Van Staden Resorts)	05-08-04	04-08-44	0	40	240,000	240,000	240,000	240,000
3	Logistics Park Lease	01-04-08	31-05-58	0	50	1	1	1	1
4	Rental of Uitenhage Fresh Produce Market	01-09-03	31-08-13	10	10	298,679	328,548	361,403	397,543
						778,680	808,548	841,404	877,544

	Description of lease	Start of lease contract	End of lease contract	Escalation %	Period	2011/12	2012/13	2013/14	2014/15
27	Monthly Rental for Minolco C451 - K040003479 - Water - ETB	01-02-09	31-01-2012	0%	3	17386			
28	Monthly Rental for J040001404 - c550 - I & E - Brister	15-09-08	14-09-2011	0%	3	9362			
29	Monthly Rental for C10 s/n 263000833 - Roads and Stormwater - Struandale – Minolco	01-11-08	31-10-2011	0%	3	1393			
30	Monthly Rental for Konica Monolta-E041005029	01-03-09	29-02-2012	0%	3	14734			
31	Rental of Konica Minolta c253 E041002063	01-03-09	28-02-2012	0%	3	14734			
32	Monthly Rental for COPIER C203, S/N E04003113 - Minolta	01-05-09	30-04-2012	0%	3	17891			
33	Monthly rental of Konica Minolta C353	01-11-08	31-10-2011	0%	3	6663			
34	Monthly rental of Konica Minolta B163	01-10-08	30-09-2011	0%	3				
35	Rental of Office space from Cleary Park office no 93	01-08-05	31-07-2010	9%	5				
36	Rental of Parking Bay - Cleary Park Shopping Centre no 93	01-08-05	31-07-2010	9%	5				
37	Rental of Office space from Unique Mbane(SA) (Pty) LTD	01-05-09	30-04-2012	11%	3	603870			
38	Rental of Konica Minolta B420	01-12-08	30-11-2011	0%	3	8988			
39	Rental Konica Minolta B250	01-08-08	31-07-2011	0%	3	867			
40	Konica Minolta c353	01-04-09	31-03-2012	0%	3	19361			
41	Rental of Konica Minolta C353	01-04-09	31-03-2012	0%	3	19361			
42	Rental of Konica Minolta B163	01-12-08	30-11-2011	0%	3	3143			
43	Konica Photocopier - 7020 Leased from The Rental Company Trust	01-10-05	30-09-2010	0%	3				
44	Panasonic Equipment - DP1820P - leased from Panasonic Business Systems	08-01-07	07-01-2012	0%	5	3006			
45	Rental for B211 Copier S/N Addo Depot from MINOLTA SA	01-12-08	30-11-2011	0%	3	2468			
46	Photocopier - Leased from Minolta SA B211 Copier	01-02-09	31-01-2012	0%	3	2961			

	Description of lease	Start of lease contract	End of lease contract	Escalation %	Period	2011/12	2012/13	2013/14	2014/15
47	Photocopier - Leased from Minolta SA B211 Copier	01-05-09	31-05-2012	0%	3	4474			
48	Rental of AF2016 Copier, S/N K8166621392, Leased From Nashua EC	01-11-06	31-10-2011	15%	5	4282			
49	Rental of B211 Copier, S/N 4104481, Leased From Minolta SA	01-04-08	31-03-2011	0%	3				
50	Premises situated at 66 Caledon Street, Uitenhage leased from JU-THY Eindomme Trust	01-10-09	30-09-2012	10%	3	326681	83570		
51	Property (Buick Street) - Leased from Eastern Province Livestock Agency	01-09-04	31-07-2014	5%	10	10370	10888	11433	12005
52	Rental of AX1450 Copier, S/N 75054739, Leased From Sharp Electronics	01-01-08	31-12-2010	0%	3				
53	Rental of AR1163 Copier Sharp S/N 75069589	01-05-08	30-04-2011	0%	3				
54	Rental of Xerox 123 Digital Copier With Multi Coin Box, S/N 3551913820 Main Library Leased from Technologies Acceptances (Pty) Ltd	01-08-05	31-07-2010	0%	5				
55	Rental of Xerox 123 Digital Copier With Multi Coin Box, S/N 3551913901	01-08-05	31-07-2010	0%	5				
56	Rental of Xerox 123 Digital Copier With Multi Coin Box, S/N 3551917087	01-08-05	31-07-2010	0%	5				
57	Rental of Xerox M123 Digital Copier With Multi Coin Box, S/N 3551910414	01-08-05	31-07-2010	0%	5				
58	Rental of Xerox M123 Digital Copier With Multi Coin Box, S/N 3551911887	01-08-05	31-07-2010	0%	5				
59	Rental of Xerox M123 Digital Copier With Multi Coin Box, S/N 3551912360	01-08-05	31-07-2010	0%	5				
60	Rental of Xerox M123 Digital Copier With Multi Coin Box, S/N 3551915645	01-08-05	31-07-2010	0%	5				

	Description of lease	Start of lease contract	End of lease contract	Escalation %	Period	2011/12	2012/13	2013/14	2014/15
61	Rental of Xerox M123 Digital Copier With Multi Coin Box, S/N 3551908436 - Walmer Library	01-08-05	31-07-2010	0%	5				
62	Rental of Xerox M123 Digital Copier With Multi Coin Box, S/N 3551952826 - West End Library	01-08-05	31-07-2010	0%	5				
63	Rental of Xerox M123 Digital Copier With Multi Coin Box, S/N 3551913510 - Zwide Library	01-08-05	31-07-2010	0%	5				
64	Rental of Xerox M123 Digital Copier With Multi Coin Box, S/N 3551915823	01-08-05	31-07-2010	0%	5				
65	Rental of Xerox C128 Copier, S/N 3313647365 from Technologies Acceptance (Pty) Ltd	01-12-07	30-11-2010	10%	3				
66	Rental of Xerox C128 Copier, S/N 3313646644, from Technologies Acceptance (Pty) Ltd	01-12-07	30-11-2010	10%	3				
67	Rental of Xerox C128 Copier, S/N 3313644889, from Technologies Acceptance (Pty) Ltd	01-12-07	30-11-2010	10%	3				
68	Rental of Xerox C128 Copier, S/N 3313645095, from Technologies Acceptance (Pty) Ltd	01-12-07	30-11-2010	10%	3				
69	Rental of Xerox C128 Copier, S/N 3313652830, from Technologies Acceptance (Pty) Ltd	01-12-07	30-11-2010	10%	3				
70	Rental of Xerox C128 Copier, S/N 3313650382, from Technologies Acceptance (Pty) Ltd	01-12-07	30-11-2010	10%	3				
71	Rental of Xerox C128 Copier, S/N 3313650447 - Newton Park Library, from Technologies Acceptance (Pty) Ltd	01-12-07	30-11-2010	10%	3				
72	Rental of Xerox C128 Copier, S/N 3313651460 - North End Library, from Technologies Acceptance (Pty) Ltd	01-12-07	30-11-2010	10%	3				

	Description of lease	Start of lease contract	End of lease contract	Escalation %	Period	2011/12	2012/13	2013/14	2014/15
73	Rental of Xerox C128 Copier, S/N 3313654183 - Zwide Library, from Technologies Acceptance (Pty) Ltd	01-12-07	30-11-2010	10%	3				
74	Rental of Xerox C128 Copier, S/N 3313651532, from Technologies Acceptance (Pty) Ltd	01-12-07	30-11-2010	10%	3				
75	Rental of Office Space from Africorp International (Kwantu Towers 3rd + 4th Floors)	01-04-06	31-03-2009	10%	3				
76	Standard Bank Ltd								
						5709520	3558087	1553582	1,705,749

2.13 LEGISLATION COMPLIANCE STATUS

Below a discussion of the Municipality's progress relating to the implementation of the MFMA:

Implementation of the MFMA

The municipality has been implementing the provisions of the MFMA in accordance with a documented Implementation Plan. The municipality monitors its implementation status on an ongoing basis through reporting via its Committees, including the following:

- The Municipal Manager's Management Team includes all Executive Directors, which meets fortnightly and attends to MFMA issues requiring attention.
- The Budget and Treasury Committee – a standing committee of the Council, which meets every six weeks. The committee considers specific MFMA implementation issues and reports via the Mayoral Committee to Council.
- Meetings between the Municipal Manager, COO and Acting CFO to discuss MFMA implementation issues, as and when necessary. Issues requiring attention are monitored so that actions are taken to ensure compliance.

The following reflects the status of implementation of some of the key MFMA areas:

IDP

The IDP review process has been concluded. A draft revised 2012/13 IDP has been developed, which was considered and approved at a Council meeting held on 29 March 2012. The IDP includes specific deliverables that forms the basis for the Budget and SDBIP.

Budget

The annual budget document has been developed taking the MFMA and National Treasury (NT) requirements into account. Budgets are being tabled and approved within the required legislated timeframes.

Annual Report

The Annual Report has been developed taking the MFMA and NT requirements into account. The 2010/11 Annual Report was tabled in January 2012.

Oversight Report

The Municipal Public Accounts Committee is considering the 2010/11 annual report. Its Oversight Report was considered and adopted at a Council meeting held on 29 March 2012.

In-Year Reporting

The municipality submits the various reports required to the Executive Mayor, Council, and NT on an ongoing basis, in accordance with the MFMA.

Supply Chain Management Policy (SCM)

A Supply Chain Management Policy has been adopted and implemented in accordance with the MFMA and NT requirements.

All the required committee structures are in place. Whilst the municipality is working at making these new processes operate more efficiently and effectively, it is considered that the municipality is currently complying with the MFMA and NT guidelines.

Budget and Treasury

A Budget and Treasury Office has been established in accordance with the MFMA and NT requirements, consisting of an Acting CFO and municipal officials reporting to the Acting CFO.

Audit Committee

An Audit Committee has been established and meets on a quarterly basis.

Internal Audit Function

The Municipality has an Internal Audit sub-directorate reporting to the Chief Operating Officer and operating in accordance with an audit plan.

In relation to the 2012/13 financial year and beyond, the municipality plans to focus on the following high priority areas:

- Maintaining the unqualified audit opinion expressed by the Auditor-General (AG) in relation to the 2010/11 Financial Statements. An action plan has been developed to address any shortcomings. Implementation of the plan is monitored by the Municipal Manager in the first instance.
- Further strengthening of the integration and linkages between the IDP, Budget, SDBIP and Annual Report.

Internship Programme

The Municipality currently has two Interns on the Municipal Financial Management Internship programme, as approved by National Treasury. All but one of the Municipality's previous Interns, have been appointed in permanent positions within the Municipality. The Interns undergo training in various sections of the Budget and Treasury Directorate and monthly meetings are held to assess their progress and to discuss their future assignments. All Interns have completed the National Treasury MFMA Learnership programme.

2.14 CAPITAL EXPENDITURE DETAILS

A summary of the budgeted capital expenditure is reflected in Annexure "A".

2.15 ACTING MUNICIPAL MANAGER'S QUALITY CERTIFICATION

Quality Certificate

I, THEMBA HANI, Acting Municipal Manager of Nelson Mandela Bay Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the Municipality

Print Name: THEMBA HANI

Acting Municipal Manager of Nelson Mandela Bay Municipality (EC000)

Signature _____

Date _____