

SCHEDULE A

AN ANNUAL BUDGET AND SUPPORTING DOCUMENTATION OF A MUNICIPALITY



ANNUAL BUDGET OF

INXUBA YETHEMBA MUNICIPALITY



2012/13 TO 2014/15
MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS

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Abbreviations and Acronyms

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

Part 1 – Annual Budget

1.1 Mayor's Report

In his Budget Speech to Parliament on 22 February 2012, the Minister of Finance said: “The budget sets us on a path, that will be neither easy nor uncontested – hard work and difficult choices lies ahead. But the journey is under way. We have embarked on a long way to economic freedom. All South Africans aspire to these freedoms:

Freedom from poverty,

Freedom from need,

Freedom to exercise our talents and thrive as individuals,

Freedom to work together as communities, as organised social formations, as business, as a proud and forward looking nation”.

The Minister of Finance further stated “Inclusive growth means efforts to cut back poverty and inequality that continue to blight us”.

For us as Inxuba Yethemba Municipality our strategy and approach in ensuring that the new growth path as highlighted by the Finance Minister is inclusive should take these into consideration:

- It must continue to broaden the public investment in infrastructure to make a serious dent in the aging infrastructure that threatens service delivery,
- It must target more labour-absorbing activities both in the capital projects we are undertaking and also the EPWP projects,
- It must also support the rural development through the initiatives with other stake holders like the Sugar beet project.

For the poor the Budget continues to expand spending on housing, LED initiatives and projects, and also to better their lives by ensuring that access to basic services is maintained.

For the workers, our budget emphasises job creation in ensuring that vacant posts are filled and also through initiatives like the EPWP projects, people are able to access the job opportunities,

For the business sector, business opportunities are created through procurement of their services, in the form of capital projects implementation, as well as the operational activities of the municipalities.

For the small business sector, development programmes from LED are targeted to ensure that sustainable growth in our economy is achieved.

Our country has suffered great depression in the form of the economic recession that reverberated the entire country.

Unfortunately Inxuba Yethemba region was in no way immune to the harsh economic realities associated with the recession. Among the impacts are the serious cash flow challenges currently being experienced by the municipality due to among other things declining collection rates; historic expenditure patterns and a general lack of “doing business smarter”.

Increases in food prices and fuel prices have indeed pushed the inflation however the inflation is expected to fall back into the target range by the end of this year.

The budget does seem to be more favourable and optimism seems more appropriate taking into account the hardships and difficulties that this municipality has faced over the years. This I say is due to the ever promising signs of a good forecast for the South African economy. Our economy grew by slightly over 3% in 2011, and the forecasts of the growth rates between 3.3% and 4.2% for the next two years is reasonably expected as the recovery seems to be realistic. The forecast in the inflation is also expected to be within the target range over the next two years.

In line with the vision of the Inxuba Yethemba Municipality of a coherent developmental municipality putting people first and providing a better life for all its citizens, this municipality has resolutely over the years had to do more with little. Today we mark the beginning of yet another commitment made by this council to deliver on our constitutional and legislative mandate of bettering the lives of our people by providing the basic services.

Essentially the core of our budget has not changed over the last few number of years as we need to do more with less. The recession had a profound impact in the country and Cradock was not immune to this. This affected the collectability of the municipal revenues, due to job losses as well as the adverse economic conditions. These inadvertently has impacted on the municipal cash flows as well as the service delivery action plans. However through all of these challenges, the municipality has against all odds, managed to keep above water.

Cash flow challenges have become a permanent feature of our municipality. For us the budget process had become more or less a compliance issue rather than a realistic financial planning process, to guide Council and its administration in both revenue generation and expenditure management in implementing Council's Service Delivery Action Plans. All indications point to the fact that this municipality has been in financial distress since its establishment more than ten years ago.

This municipality has to collect approximately 75% own revenue and the rest comes from the government grants.

Unfortunately we cannot increase the tariffs beyond what is considered reasonable as it would cause considerable strife to our rate payers.

This budget quoting from the words of the our Madam Premier in the Eastern Cape in her 2012 state of the province address speech, "most of our plans and strategies are in place, and now our efforts and resources are focussed on accelerating implementation and action"

This indeed must be a period of action. We must forge ahead in implementing our programmes that will better the lives of our people.

In tabling this budget our aim is to display transparency on how the Cradock and Middelberg communities will benefit from the municipal programmes and projects as well as demonstrating our revenue sources and how the revenue is actually spent.

For the poor the Budget continues to better their lives by providing some of the basic services for free.

For the workers the budget emphasises job creation and expenditure on "social wage" including municipal infrastructure and various projects.

For the youth there are also initiatives aimed at ensuring that our youth are kept busy and not roaming our streets, and honourable coucillors this is aimed to create hope for our youth.

Furthermore to briefly highlight some of the key elements of the budget that Council had to consider.

In line with legislative requirements, communities were consulted before tabling of the Draft Budget at the end of March 2012. This had culminated from the ward committee meetings that were held early on in the financial year to start the budget process and to get the communities

involved. This was done in order to obtain proposals and inputs regarding the budget, and also to explain the process in order to get a buy-in. Some of the inputs from communities have found expression in this draft budget. After the tabling of the draft budget to Council, it was then taken back again to the communities, this time with an indication of the tariffs.

In an ideal world, the budget process would encompass the estimation of the total expenses needed for service delivery and then the tariffs would be determined in order to generate the necessary income needed to cover the expenses. However, the reality today does not conform to this utopian dream. The reality within which we operate suggests that, we first determine potential income and then adjust expenses in line with the anticipated income.

Challenges:

Due to both Eskom's extraordinary increases recurring on a yearly basis and the limitations placed on the percentage increases in the Eskom tariffs by NER, the increase on Council's bulk purchase of electricity far exceed the increases which are passed on to the consumer. The subsidisation of electricity tariffs for the indigents also compounded to these challenges. This has seriously hampered Council's ability to generate income from the most reliable source.

The other reality is that approximately 40% of IYM's properties are located in Lingelihle where Eskom supplies the electricity. Due to this factor, Council's capacity for debt collection is seriously compromised. In addition to this, improved residential property in our municipal area has a market value which is below R50,000.00. This translates into statistics that indicate 76% of our communities are potentially indigent consumers. All of these factors combined, explain the difficulties we have in maintaining Council's infrastructure that is deteriorating by the day.

On compliance issues, national government has set 2014, as a target during which all municipalities are expected to achieve clean audits with regard to their Annual Financial statements. Whilst we are very much aware that meeting this target is not going to be easy, however we are confident that with the assistance of the Office of the Auditor General, everything will be done to ensure that IYM complies with the vision of the National Government. Action plans are in place indeed to ensure that this is achieved.

The recent visit by the Auditor General highlighted some of the key areas that we as the council need to attend to in order to ensure the target of a clean audit by 2014 is realised.

Budget 2011/2012

One of the key issues, we must collectively take note of is that, this budget has prioritised expenditure that is directly linked to service delivery and the IDP. We are very pleased to announce that expenditure on maintenance of infrastructure has been increased by R1,2 million compared to the current financial year. This includes water and sewerage services. The actual breakdown of infrastructure maintenance is as follows:

1. Building Admin (Buildings) R0.5 m
2. Electricity Distribution (Including Electricity Street lighting) R1.5 m
3. Water Services R 2,7 m
4. Sewerage purification R 0,6 m
5. Vehicles R 1,28 m
6. Streets & Storm water drainage R1. 1 m

Honourable speaker to put this into context, the President of the Republic, President Jacob Zuma in his State of the Nation Address beginning of this year, outlined his vision for the future in a clear manner. His vision is to have a country where millions more South Africans have decent employment opportunities, which has a modern infrastructure and where the quality of life is high. His utterances were that we need to do more in order to confront head on the challenges of unemployment, poverty and inequality.

However, as we are aware the challenges facing this municipality are real and the enormous needs from communities are not always made due to the budgetary constraints. But if seen against the background of our constraints, it can be understood as a small step for a man, but a giant leap for human kind.

1.2 Council Resolutions

On 29 May 2012 the Council of Inxuba Yethemba Local Municipality met in the Council Chambers of Inxuba Yethemba Municipality to consider the annual budget of the municipality for the financial year 2012/13. The Council approved and adopted the following resolutions:

1. The Council of Inxuba Yethemba Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:

- 1.1. The annual budget of the municipality for the financial year 2012/13 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 18 on page 24;
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 19 on page 26;
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 21 on page 28; and
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 22 on page 30.
- 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
 - 1.2.1. Budgeted Financial Position as contained in Table 23 on page 32;
 - 1.2.2. Budgeted Cash Flows as contained in Table 24 on page 34;
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 25 on page 34;
 - 1.2.4. Asset management as contained in Table 26 on page 36; and
 - 1.2.5. Basic service delivery measurement as contained in Table 27 on page 38.
2. The Council of Inxuba Yethemba Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2012:
 - 2.1. the tariffs for property rates – as set out in Annexure A,
 - 2.2. the tariffs for electricity – as set out in Annexure B
 - 2.3. the tariffs for the supply of water – as set out in Annexure C
 - 2.4. the tariffs for sanitation services – as set out in Annexure E
 - 2.5. the tariffs for solid waste services – as set out in Annexure F
3. The Council of Inxuba Yethemba Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2012 the tariffs for other services, as set out in Annexures G1 to G21 respectively.
4. To give proper effect to the municipality's annual budget, the Council of Inxuba Yethemba Local Municipality approves:
 - 4.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.
 - 4.2. That the municipality be permitted to enter into long-term loans for the funding of the capital programmes in respect of the 2012/13 financial year limited to an amount of R2 million per financial year of the MTREF (subject to the requirements of Section 46 of the Municipal Finance Management Act being met).
 - 4.3. That the Municipal Manager be authorised to sign all necessary agreements and documents to give effect to the above lending programme.

1.3 Executive Summary

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

The municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items. This has resulted in savings to the municipality of nearly R6 million or 4 percent of the current financial year's adjusted budget. Key areas where savings were realized were on, printing, workshops, overseas and national travel, accommodation, and catering.

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

National Treasury's MFMA Circular No. 58 and 59 were used to guide the compilation of the 2012/13 MTREF.

The main challenges experienced during the compilation of the 2012/13 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained water, roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk water and electricity (due to tariff increases from Rand Water and Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2012/13 MTREF process; and
- Availability of affordable capital/borrowing.

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

- The 2011/12 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2012/13 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;

- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs; (it must be stated that the property rates, refuse charges and the rental of municipal property and own revenue had to be increased by 10% because the revenue from these had to reflect the major part of the cost incurred on the respective related activities).
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- An upper limit of R8.5 million was set for the following items and allocations to these items had to be supported by a list and/or motivation setting out the intention and cost of the expenditure which was used to prioritise expenditures:
 - Special Projects;
 - Consultant Fees;
 - Furniture and office equipment;
 - Special Events;
 - Refreshments and entertainment;
 - Ad-hoc travelling; and
 - Subsistence, Travelling & Conference fees (national & international).
 - Departmental Service Charges

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

Table 1 Consolidated Overview of the 2011/12 MTREF

R thousand	2012/13 Medium Term Revenue & Expenditure Framework			
	Adjusted Budget 2011/12	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Total Revenue	163 677	186 652	200 945	217 495
Total Expenditure	159 723	189 064	201 624	215 892
Surplus/(Deficit) for the year	3 954	(2 412)	(679)	1 603
Total Capital Expenditure	18 904	17 228	23 953	30 760

Total operating revenue has grown by 14 per cent or R22.975 million for the 2012/13 financial year when compared to the 2011/12 Adjustments Budget. For the two outer years, operational revenue will increase by 7.7 and 8.2 per cent respectively, equating to a total revenue growth of R53.8 million over the MTREF when compared to the 2011/12 financial year.

Total operating expenditure for the 2012/13 financial year has been appropriated at R189.1 million and translates into a budgeted deficit of R2.4 million. When compared to the 2011/12 Adjustments Budget, operational expenditure has grown by 18 per cent in the 2012/13 budget and by 6.6 and 7.1 per cent for each of the respective outer years of the MTREF. The operating deficit for the two outer years steadily decreases to R0.679 million and then things turn around in the 2014/15 financial period and stabilise at R1.6 million surplus. These surpluses will be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

The capital budget of R25.7 million for 2012/13 is 135 per cent more than the 2011/12 Adjustment Budget. The increase is due to various projects being undertaken for water services through the grant funding obtained from Chris Hani District Municipality. The capital programme increases to R32.9 million in the 2013/14 financial year and continues to increase in 2013/12 to R39.8 million. A substantial portion of the capital budget will be funded from MIG Funding.

1.4 Operating Revenue Framework

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

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

- National Treasury's guidelines and macroeconomic policy;
- Growth in the municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 90 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the municipality.

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

Table 2 Summary of revenue classified by main revenue source

Description	Ref	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
Revenue By Source										
Property rates	2	12 580	14 511	15 988	12 500	12 500	12 500	13 750	14 575	15 450
Property rates - penalties & collection charges										
Service charges - electricity revenue	2	32 526	43 526	48 114	62 500	62 500	62 500	68 750	75 625	83 188
Service charges - water revenue	2	-	-	-	14 917	14 917	14 917	15 812	16 761	17 767
Service charges - sanitation revenue	2	-	-	-	5 503	5 503	5 503	5 838	6 188	6 559
Service charges - refuse revenue	2	9 853	10 560	11 497	6 500	6 502	6 502	7 152	7 868	8 654
Service charges - other					131	174	174	195	215	236
Rental of facilities and equipment		1 340	1 403	1 572	1 726	1 416	1 416	1 545	1 700	1 870
Interest earned - external investments		9	135	152	65	72	72	76	80	85
Interest earned - outstanding debtors		4 322	504	4 923	4 800	500	500	5 300	5 618	5 955
Dividends received			0							
Fines		43	170	160	178	102	102	112	123	136

Licences and permits		1 022	1 028	1 071	3 256	2 338	2 338	2 571	2 828	3 111
Agency services								18 696	19 818	21 007
Transfers recognised - operational		23 879	60 048	71 661	55 293	54 813	54 813	44 358	46 875	50 624
Other revenue	2	1 606	2 055	3 464	2 477	2 340	2 340	2 496	2 670	2 853
Gains on disposal of PPE				1 440						
Total Revenue (excluding capital transfers and contributions)		87 180	133 941	160 042	169 846	163 677	163 677	186 652	200 945	217 495

Table 3 Percentage growth in revenue by main revenue source

Description	Ref	Current Year 2012/13		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	1								
Revenue By Source									
Property rates	2	12 500	10%	13 750	0.10	14 575	6%	15 450	6%
Service charges - electricity revenue	2	62 500	20%	68 750	0.135	75 625	10%	83 188	10%
Service charges - water revenue	2	14 917	6%	15 812	0.06	16 761	6%	17 767	6%
Service charges - sanitation revenue	2	5 503	6%	5 838	0.06	6 188	6%	6 559	6%
Service charges - refuse revenue	2	6 502	10%	7 152	0.10	7 868	10%	8 654	10%
Service charges - other		174	6%	195	0.12	215	10%	236	10%
Rental of facilities and equipment		1 416	10%	1 545	0.09	1 700	10%	1 870	10%
Interest earned - external investments		72	10%	76	0.06	80	6%	85	6%
Interest earned - outstanding debtors		500	10%	5 300	9.60	5 618	6%	5 955	6%
Fines		102	10%	112	0.10	123	10%	136	10%
Licences and permits		2 338	10%	2 571	0.10	2 828	10%	3 111	10%
Agency services		16 000	6%	18 696	0.17	19 818	6%	21 007	6%
Transfers recognised - operational		38 813	6%	44 358	0.14	46 875	6%	50 624	8%
Other revenue	2	2 340	6%	2 496	0.07	2 670	7%	2 853	7%
Gains on disposal of PPE									
Total Revenue (excluding capital transfers and contributions)		163 677	100%	186 652	100%	200 945	100%	217 495	100%

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

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the municipality. Rates and service charge revenues comprise just under two thirds of the total revenue mix. In the 2011/12 financial year, revenue from rates and services charges totalled R108.6 million or 64.6 per cent. This increases to R117 million, R127.1 million and R137.8 million in the respective financial years of the MTREF. A notable trend is the stability in the percentage revenue generated from rates and services charges which stays the same at 64.4 per cent in 2012/13 and increase slightly to 65.5 per cent in 2014/15. This growth can be mainly attributed to the increased share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality. Details in this regard are contained in Table 64 MBRR SA1 (see page 99).

Service charges – Water Revenue is the second largest revenue source totalling 8.9 per cent or R15.8 million rand and increases to R17.86 million by 2014/15. The third largest sources is Property Rates totalling 7.5 per cent or R13.75 million rand and increases to R15.45 BY 2014/15. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R54.8 million in the 2011/12 financial year and steadily increases to R66 million by 2014/15. Note that the year-on-year growth for the 2012/13 financial year is 10 per cent and then flattens out to 4 and 6 per cent in the two outer years. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 4 Operating Transfers and Grant Receipts

Description	Ref	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
RECEIPTS:	1, 2									
–										
<u>Operating Transfers and Grants</u>										
National Government:		25 279	28 508	36 248	39 293	38 060	38 060	42 335	44 409	46 936
Local Government Equitable Share		23 879	26 658	34 248	37 003	35 770	35 770	39 535	42 109	44 636
Finance Management		1 000	1 250	1 250	1 500	1 500	1 500	1 500	1 500	1 500
Municipal Systems Improvement		400	600	750	790	790	790	800	800	800
Revenue Enhancement Grant								500		
Provincial Government:		–	–	–	–	–	–	–	–	–
Revenue Enhancement Grant										
District Municipality:		–	–	–	16 000	16 000	16 000	16 960	17 978	19 056
Water Services					16 000	16 000	16 000	16 960	17 978	19 056
Other grant providers:		–	–	–	–	–	–	–	–	–
[insert description]										
Total Operating Transfers and Grants	5	25 279	28 508	36 248	55 293	54 060	54 060	59 295	62 387	65 992

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

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible.

The percentage increases of Eskom are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the

municipality's electricity and in these tariffs are largely outside the control of the municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the municipality's future financial position and viability.

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

1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

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

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA).
- 30 per cent rebate will be granted on all Public Service Infrastructure properties (including state owned residential properties);
- For pensioners, physically and mentally disabled persons, a maximum/total rebate of 50 per cent (calculated on a sliding scale) will be granted to owners of rate-able property if the total gross income of the applicant and/or his/her spouse, if any, does not to exceed the amount equal to twice the annual state pension as approved by the National Government for a financial year. In this regard the following stipulations are relevant:
 - The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependants without income;
 - The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension;
 - The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
 - The property must be categorized as residential.
- The Municipality may award a 100 per cent grant-in-aid on the assessment rates of rate-able properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur

sport. The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a grant.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2012/13 financial year based on a 10 per cent increase from 1 July 2012 is contained below:

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

Category	Current Tariff (1 July 2011)	Proposed tariff (from 1 July 2012)
	c	C
Residential properties	0,9075	0,9983
State owned properties	0,2269	0,2496
Business & Commercial	1,0285	1,1314
Agricultural – Bona-fide Farming	0,0660	0,0726
Agricultural – Accommodation Establishment	0,0660	0,0726
Agricultural – Game Farming	0.3403	03743
Municipal rateable	0,000	0,000
Industrial	1,0285	1,1314
Learning Institutions	1,815	1,9965
Public benefit organisation properties	-	-

1.4.2 Sale of Water and Impact of Tariff Increases

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

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

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

Better maintenance of infrastructure, new dam construction and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability.

A tariff increase of 6 per cent from 1 July 2012 for water is proposed. This is based on input cost assumptions of 6 per cent increase in the cost of bulk water, the cost of other inputs increasing by 6 per cent.

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

Table 6.1 Proposed Water Tariffs (Cradock)

CATEGORY	CURRENT TARIFFS 2011/12	PROPOSED TARIFFS 2012/13
	Rand per kℓ	Rand per kℓ
RESIDENTIAL		
(i) 1 to 8 kℓ per 30-day period	3,06	3,24
(ii) 9 to 25 kℓ per 30-day period	3,50	3,71
(iii) 26 to 40 kℓ per 30-day period	3,79	4,02
(iv) More than 60 kℓ per 30-day period:	3,91	4,15
NON-RESIDENTIAL		
(i) 0 – 10 kℓ per 30-day period	3,27	3,46
(ii) 11 – 60 kℓ per 30-day period	3,52	3,74
(iii) More than 60 kℓ per 30-day period	3,79	4,02

Table 7.1 Proposed Water Tariffs (Middelburg – Penalty Tariffs)

CATEGORY	CURRENT TARIFFS 2010/11	PROPOSED TARIFFS 2011/12
	Rand per kℓ	Rand per kℓ
RESIDENTIAL & CHURCHES		
(i) 1 to 8 kℓ per 30-day period	3,06	3,24
(ii) 9 to 25 kℓ per 30-day period	3,50	3,71
(iii) 26 to 40 kℓ per 30-day period	3,79	4,02
(iv) 41 to 60 kℓ per 30-day period	20,63	21,87
(vi) More than 60 kℓ per 30-day period:	27,51	29,16
SCHOOLS & TRANSNET ROSMEAD		
(i) 0 – 10 kℓ per 30-day period	3,27	3,46
(ii) 11 – 60 kℓ per 30-day period	3,52	3,74
(iii) 61 – 370 kℓ per 30-day period	3,79	4,02
(iii) 371 – 400 kℓ per 30-day period	20,63	21,87
(iii) More than 400 kℓ per 30-day period	27,51	29,16
HOSTEL		
(i) 0 – 10 kℓ per 30-day period	3,27	3,46
(ii) 11 – 60 kℓ per 30-day period	3,52	3,74
(iii) 61 – 6200 kℓ per 30-day period	3,79	4,02
(iii) 6201 – 6500 kℓ per 30-day period	20,63	21,87
(iii) More than 6500 kℓ per 30-day period	27,51	29,16

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

Table 8.1 Comparison between current water charges and increases (Domestic) – Cradock

Monthly consumption kℓ	Current amount payable R	Proposed amount payable R	Difference (Increase) R	Percentage change
------------------------------	--------------------------------	------------------------------------	-------------------------------	----------------------

8	24,48	25,95	1,47	6%
25	83,98	89,02	5,04	6%
40	140,81	149,25	8,45	6%
60	216,58	229,57	12,99	6%
80	292,34	309,88	17,54	6%
100	368,11	390,20	22,09	6%

Table 9.2 Comparison between current water charges and increases (Domestic) – Middelburg

Monthly consumption kℓ	Current amount payable R	Proposed amount payable R	Difference (Increase) R	Percentage change
8	24,48	25,95	1,47	6%
25	83,98	89,02	5,04	6%
40	140,81	149,25	8,45	6%
60	553,50	586,71	33,21	6%
80	1103,62	1169,84	66,22	6%
100	1 653,75	1 752,98	99,23	6%

The tariff structure of the 2011/12 financial year has not been changed. The tariff structure is designed to charge higher levels of consumption a higher rate, steadily increasing to a rate of R21.87 per kilolitre for consumption in excess of 60 kℓ per 30 day period.

1.4.3 Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk electricity pricing structure. A 16 per cent increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2012.

Considering the Eskom increases, the consumer tariff had to be increased by 13.5 per cent to offset the additional bulk purchase cost from 1 July 2012. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity.

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

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

Table 10 Comparison between current electricity charges and increases (Domestic)

Monthly consumption kWh	Current amount payable R	Proposed amount payable R	Difference (Increase) R	Percentage change
100	74,20	88,30	14,10	19%
250	185,50	220,75	35,25	19%
500	371,00	441,50	70,50	19%
750	556,50	662,25	105,75	19%
1 000	742,00	883,00	141,00	19%

2 000	1 484,00	1 766,00	282,00	19%
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It should further be noted that NERSA has advised that a stepped tariff structure needs to be implemented from 1 July 2012. The effect thereof will be that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor). The municipality has entered into discussions with NERSA regarding the suitability of the NERSA proposed stepped tariffs compared to those already being implemented by the municipality already. Until the discussions are concluded, the municipality will maintain the current stepped structure of its electricity tariffs.

The inadequate electricity bulk capacity and the impact on service delivery and development remains a challenge for the municipality. Most of the suburbs and inner city reticulation network was designed or strengthened in the early 1990's with an expected 20-25 year life-expectancy. The upgrading of the municipality's electricity network has therefore become a strategic priority, especially the substations and transmission lines.

1.4.4 Sanitation and Impact of Tariff Increases

A tariff increase of 6 per cent for sanitation from 1 July 2012 is proposed. This is based on the input cost assumptions related to water. The following factors also contribute to the proposed tariff increase:

- Sanitation charges are calculated according to the percentage water discharged as indicated in the table below;
- Free sanitation R86,39 will be applicable to registered indigents; and
- The total revenue expected to be generated from rendering this service amounts to R5,8 million for the 2011/12 financial year.

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

Table 11 Comparison between current sanitation charges and increases, single dwelling-houses

Monthly sanitation consumption	Current amount payable R	Proposed amount payable R	Difference (6% increase) R
	81,50	86,39	4,89

1.4.5 Waste Removal and Impact of Tariff Increases

Currently solid waste removal is operating at a surplus. It is widely accepted that the rendering of this service should at least break even, which is currently the case. The municipality will have to implement a solid waste strategy to ensure that this service can continue to be rendered in a sustainable manner over the medium to long-term. The main expenses that put pressure on the financial sustainability are repairs and maintenance on vehicles, increases in general expenditure such as petrol and diesel and the cost of remuneration.

A 10 per cent increase in the waste removal tariff is proposed from 1 July 2012. This increase is necessary due to the overall impact of higher than inflation increases of other services as well as the cost reflective method of these tariffs. Any increase higher than 10 per cent would be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debt.

The following table compares current and proposed amounts payable from 1 July 2012:

Table 12 Comparison between current waste removal fees and increases

	2011/2012	2011/2012 VAT EXCL	2012/2013	2012/2013 VAT EXCL
First bin - household and churches	78.65	68.99	86.52	75.89
First bin - business, industry and government institutions	89.54	78.54	98.49	86.40
First bin - users not included above	89.54	78.54	98.49	86.40
Auto bin	133.10	116.75	146.41	128.43
Bulk container	314.60	275.96	346.06	303.56
Special removal or request	133.10	116.75	146.41	128.43
Re-connection vacuum tank per point	399.30	350.26	439.23	385.29
Vacuum tank service per point	121.00	106.14	133.10	116.75
vacuum tank service per point-rural area				
Refuse bags per packet of 20	14.52	12.74	15.97	14.01

First bin - household and churches
First bin - business, industry and government institutions
First bin - users not included above
Auto bin
Bulk container
Special removal or request

1.4.6 Overall impact of tariff increases on households

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

Note that in all instances the overall impact of the tariff increases on household's bills has been kept to between 6 and 10 per cent, with the increase for indigent households closer to 10 per cent.

Table 13 MBRR Table SA14 – Household bills

Description	Ref	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
Rand/cent							% incr.				
Monthly Account for Household - 'Middle Income Range'	1										
Rates and services charges:											
Property rates		52.93	58.23	64.05	70.45	70.45	70.45		77.50	82.15	87.08
Electricity: Basic levy											
Electricity: Consumption		684.00	916.56	990.43	1123.39	1123.39	1123.39		1234.89	1358.38	1494.21
Water: Basic levy		30.00	33.00	34.98	37.08	37.08	37.08	6%	39.30	41.66	44.16
Water: Consumption		71.18	74.74	79.23	84.04	84.04	84.04	6%	88.99	94.33	99.90
Sanitation		68.75	72.50	76.85	81.50	81.50	81.50	6%	86.39	91.57	97.08
Refuse removal		60.00	65.00	71.50	78.65	78.65	78.65	10%	86.52	91.71	97.21
Other											
sub-total		966.86	1220.03	1317.04	1475.11	1475.11	1475.11	0.09	1613.59	1759.80	1919.64
VAT on Services											
		966.86	1220.03	1317.04	1475.11	1475.11	1475.11	0.09	1613.59	1759.80	1919.64
Total large household bill:											
% increase/decrease			26%	8%	12%	0%	0%		9%	9%	9%
Monthly Account for Household - 'Affordable Range'	2										
Rates and services charges:											
Property rates		37.48	41.23	45.35	49.88	49.88	49.88		54.87	58.16	61.65
Electricity: Basic levy											
Electricity: Consumption		342.00	458.28	471.77	506.08	506.08	506.08		546.85	601.54	661.69
Water: Basic levy		30.00	33.00	34.98	37.08	37.08	37.08	6%	39.30	41.66	44.16
Water: Consumption		56.35	59.17	62.72	66.54	66.54	66.54	6%	70.44	74.67	79.15
Sanitation		68.75	72.50	76.85	81.50	81.50	81.50	6%	86.39	91.57	97.08
Refuse removal		60.00	65.00	71.50	78.65	78.65	78.65	10%	86.52	91.71	97.21
Other											
sub-total		594.58	729.18	763.17	819.73	819.73	819.73	0.08	884.37	959.31	1040.94
VAT on Services											
		594.58	729.18	763.17	819.73	819.73	819.73	0.08	884.37	959.31	1040.94
Total small household bill:											
% increase/decrease			23%	5%	7%	0%	0%		8%	8%	9%
Monthly Account for Household - 'Indigent' Household receiving free basic services	3										
Rates and services charges:											
Property rates		22.02	24.22	26.65	29.31	29.31	29.31		32.24	34.18	36.23
Electricity: Basic levy											
Electricity: Consumption		205.20	274.97	281.71	295.21	295.21	295.21		311.46	342.61	376.87
Water: Basic levy		30.00	33.00	34.98	37.08	37.08	37.08	6%	39.30	41.66	44.16
Water: Consumption		40.78	42.82	45.39	48.13	48.13	48.13	6%	51.00	54.06	57.30
Sanitation		68.75	72.50	76.85	81.50	81.50	81.50	6%	86.39	91.57	97.08
Refuse removal		60.00	65.00	71.50	78.65	78.65	78.65	10%	86.52	91.71	97.21
Other											
sub-total		426.75	512.51	537.08	569.88	569.88	569.88	0.07	606.91	655.79	708.85
VAT on Services											
		426.75	512.51	537.08	569.88	569.88	569.88	0.07	606.91	655.79	708.85
Total small household bill:											
% increase/decrease			20%	5%	6%	0%	0%		6%	8%	8%

1.5 Operating Expenditure Framework

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

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

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

Table 14 Summary of operating expenditure by standard classification item

Description	Ref	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
Expenditure By Type	-									
Employee related costs	2	39 823	44 960	46 493	62 677	57 795	57 795	60 163	63 802	67 646
Remuneration of councillors		3 508	4 265	4 907	5 398	5 284	5 284	5 895	6 249	6 624
Debt impairment	3			41 457	5 752	5 752	5 752	5 917	6 272	6 648
Depreciation & asset impairment	2	-	-	-	3 004	3 004	3 004	3 179	3 366	3 565
Finance charges		431	391	427	500	503	503	530	561	594
Bulk purchases	2	19 656	26 745	36 419	41 000	44 500	44 500	46 860	56 222	61 822
Other materials	8	1 343	2 279	3 150	10 931	8 904	8 904	10 098	10 699	11 335
Contracted services		284	386	310	2 403	2 394	2 394	11 718	6 931	7 292
Transfers and grants		-	16 479	17 202	140	160	160	202	214	227
Other expenditure	4, 5	14 659	12 730	20 079	28 682	31 428	31 428	44 503	47 309	50 139
Loss on disposal of PPE										
Total Expenditure		79 705	108 236	170 444	160 487	159 723	159 723	189 064	201 624	215 892

The budgeted allocation for employee related costs for the 2012/13 financial year totals R60,16 million, which equals 31.8 per cent of the total operating expenditure. Based on the inflation rate and the inflation target band of 3-6 percent, salary increases have been factored into this budget at a percentage increase of 6 per cent for the 2012/13 financial year. This has been done taking into account the fact that 2011/12 financial year was a final year of the collective agreement. An annual increase of 6 per cent has been included in the two outer years of the MTREF. As part of the municipality's cost reprioritization and cash management strategy vacancies have been significantly rationalized downwards. As part of the planning assumptions and interventions all vacancies were originally removed from the budget and a report was compiled by the all the departments relating to the prioritization of critical vacancies within the Municipality. The outcome of this exercise was the inclusion of R1,2 million in the 2012/13 financial year relating to critical and strategically important vacancies. In addition expenditure against overtime was significantly reduced, with provisions against this budget item only being provided for emergency services and other critical functions.

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

The provision of debt impairment was determined based on an annual collection rate of 90 per cent and the Debt Write-off Policy of the municipality. For the 2012/13 financial year this amount equates to R5,9 million and escalates to R6,65 million by 2014/15. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R3,18 million for the 2012/13 financial and equates to 1.7 per cent of the total operating expenditure. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 0.28 per cent (R 0.53 million) of operating expenditure excluding annual redemption for 2012/13 and increases to R 0,59 million by 2014/15. As previously noted, the municipality is well within its prudential limits for borrowing – hence the planned borrowing to finance the capital budget does not result in finance charges as a percentage of operational expenditure increasing – rather it is kept under 1 per cent over the MTREF.

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

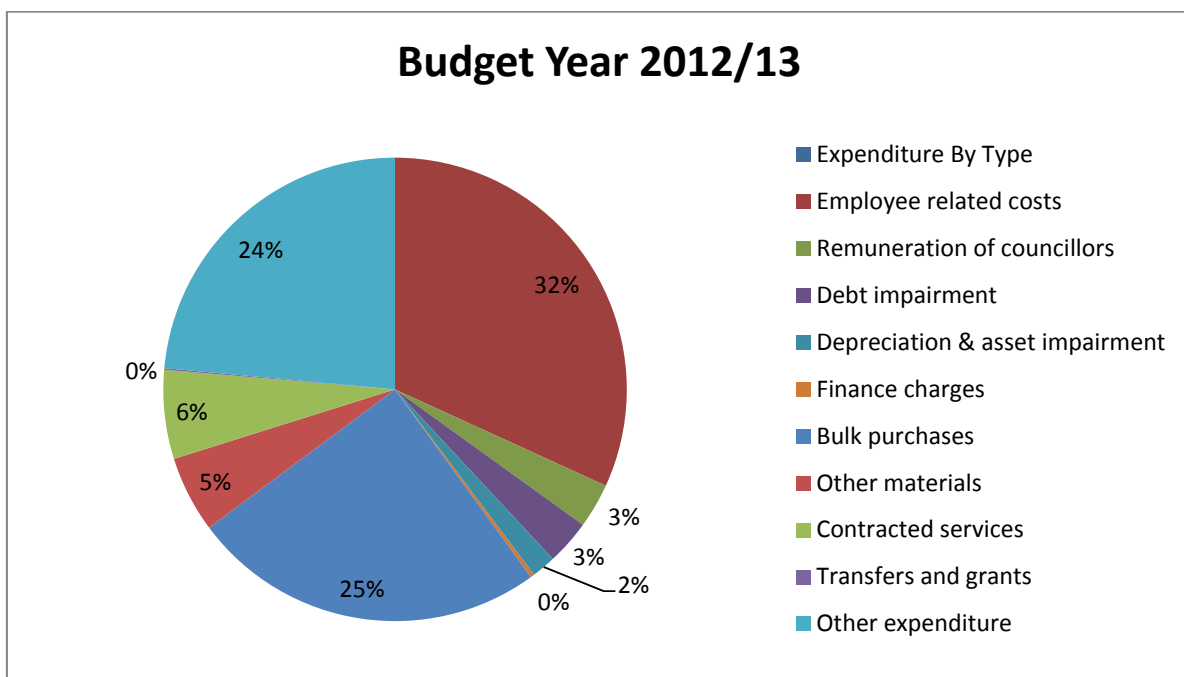
Other materials comprises of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. In line with the municipality's repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the municipality's infrastructure. For 2012/13 the appropriation against this group of expenditure has grown by 13.4 per cent (R1,19 million) and continues to grow at 5,95 and 5,95 per cent for the two outer years of which budget allocation is in excess of R11.3 million by 2014/15.

Contracted services has been identified as a cost saving area for the municipality. As part of the compilation of the 2012/13 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. In the 2012/13 financial year, this group of expenditure totals R10.1 million and has escalated by just 5.9 per cent, clearly demonstrating the application of cost efficiencies. For the two outer years growth has been limited to 5.9 and 5.9 per cent. As part of the process of identifying further cost efficiencies, a business process reengineering project will commence in the 2012/13 financial year to identify alternative practices and procedures, including building in-house capacity for certain activities that are currently being contracted out. The outcome of this exercise will be factored into the next budget cycle and it is

envisaged that additional cost savings will be implemented. Further details relating to contracted services can be seen in Table 64 MBRR SA1 (see page 100).

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. Growth has been limited to 5.9 per cent for 2012/13 and curbed at 5.9 and 5.9 per cent for the two outer years, indicating that significant cost savings have been already realised. Further details relating to contracted services can be seen in Table 64 MBRR SA1 (see page 100).

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



1.5.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the municipality's current infrastructure, the 2012/13 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:

Table 15 Operational repairs and maintenance

Description R thousand	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
<u>Repairs and maintenance by expenditure item.</u>									
-									
<i>Employee Related Costs</i>				20 717	19 299	19 299	18 500	19 610	20 787
<i>Other Materials</i>	1 343	2 279	3 150	10 931	8 904	8 904	12 174	12 905	13 679
<i>Contracted Services</i>									
Total Repairs and Maintenance Expenditure	1 343	2 279	3 150	31 648	28 202	28 202	30 674	32 515	34 466

During the compilation of the 2012/13 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the municipality's infrastructure and historic deferred maintenance. To this end, repairs and maintenance was substantially increased by 247 per cent in the 2011/12 financial year, from R3.15 million to R10.9 million. During the 2011/12 Adjustment Budget this allocation was adjusted slightly downwards to R8.9 million owing to the cash flow challenges faced by the municipality. Notwithstanding this reduction, as part of the 2012/13 MTREF this strategic imperative remains a priority as can be seen by the budget appropriations over the MTREF. The total allocation for 2012/13 equates to R10.1 million a growth of 5.9 per cent in relation to the Adjustment Budget and continues to grow at 5.9 and 5.9 per cent over the MTREF. In relation to the total operating expenditure, repairs and maintenance comprises of 5.3, 5.31 and 5.25 per cent for the respective financial years of the MTREF.

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

Table 16 Repairs and maintenance per asset class

Description R thousand	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
<u>Repairs and maintenance expenditure by Asset Class/Sub-class</u>									
Infrastructure - Road transport	1 343	2 279	3 150	2 081	2 081	2 081	1 086	1 150	1 217
Infrastructure - Electricity	-	-	-	2 037	1 437	1 437	1 500	1 589	1 682
Infrastructure - Water	-	-	-	1 735	1 735	1 735	2 677	2 838	3 008
Infrastructure - Sanitation	-	-	-	55	55	55	630	667	707
Infrastructure - Other	-	-	-	38	38	38	40	42	45
Total Repairs and Maintenance Expenditure	1 343	2 279	3 150	5 945	5 345	5 345	5 933	6 286	6 660

For the 2012/13 financial year, 48.7 per cent or R12.1 million of total repairs and maintenance will be spent on infrastructure assets. Water Purification infrastructure has received a significant proportion of this allocation totalling 45.13 per cent (R1.74 million), followed by electricity infrastructure at 25.28 per cent (R1.5 million), road infrastructure at 18.3 per cent (R1.086 million) and sanitation at 41.96 per cent (R0.63 million). Community assets has been allocated R 0.262 million of total repairs and maintenance equating to 2.15 per cent.

1.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the municipality's Indigent Policy. The target is to register 8 000 or more indigent households during the 2012/13 financial year, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement) on page 38.

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

1.6 Capital expenditure

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

Table 17 2012/13 Medium-term capital budget per vote

Vote Description R thousand	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	%
Sports & Recreation	10 904	100%	1 500	-86%	6 300	0%	2 148	0%
Cemeteries								
Civil Protection								
Traffic & Licences								
Streets	8 000	50%	11 181	100%		-100%	12 612	100%
Electricity			4 000	-50%	10 000	150%	16 000	60%
Sewerage			500	100%	500	0%	3 000	500%
Water			8 000	100%	8 400	5%	6 000	-29%
SMME			547	100%	7 653	1300%		-100%
Total Capital Expenditure	18 904	100%	25 728	100%	32 853	100%	39 760	100%

For 2012/13 an amount of R25.7 million has been appropriated for the development of infrastructure which represents 100.0 per cent of the total capital budget. In the outer years this amount totals R32.9 million, 100.0 per cent and R39.8 million, 100.0 per cent respectively for each of the financial years. Transport and roads receives the highest allocation of R11.2 million in 2012/13 which equates to 43.5 per cent followed by water infrastructure at 31.1 per cent, R8 million and then electricity at 15.5 per cent, R4 million.

Total renew assets represent the full 100 per cent or R25.7 million of the total capital budget. Further detail relating to asset classes and proposed capital expenditure is contained in Table 26 MBRR A9 (Asset Management) on page 36. In addition to the MBRR Table A9, MBRR Tables SA34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class (refer to pages 88, 89 and 90). Some of the salient projects to be undertaken over the medium-term includes, amongst others:

- Cemetery and crematorium development – R1.5 million;
- Parks, recreational facilities and swimming pools – R6.3 million;
- Trading stalls for informal hawkers – R8.2 million;
- Refurbishment and renewal electrical network – R3 million;
- Installation of prepaid meters – R6.5 million;
- New electricity infrastructure – R20.5 million;
- Upgrading and renewal of sewers – R4 million;
- Bulk supply and backlog eradication of water - R22.4 million;
- Backlog eradication of roads – R11.2 million;

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

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

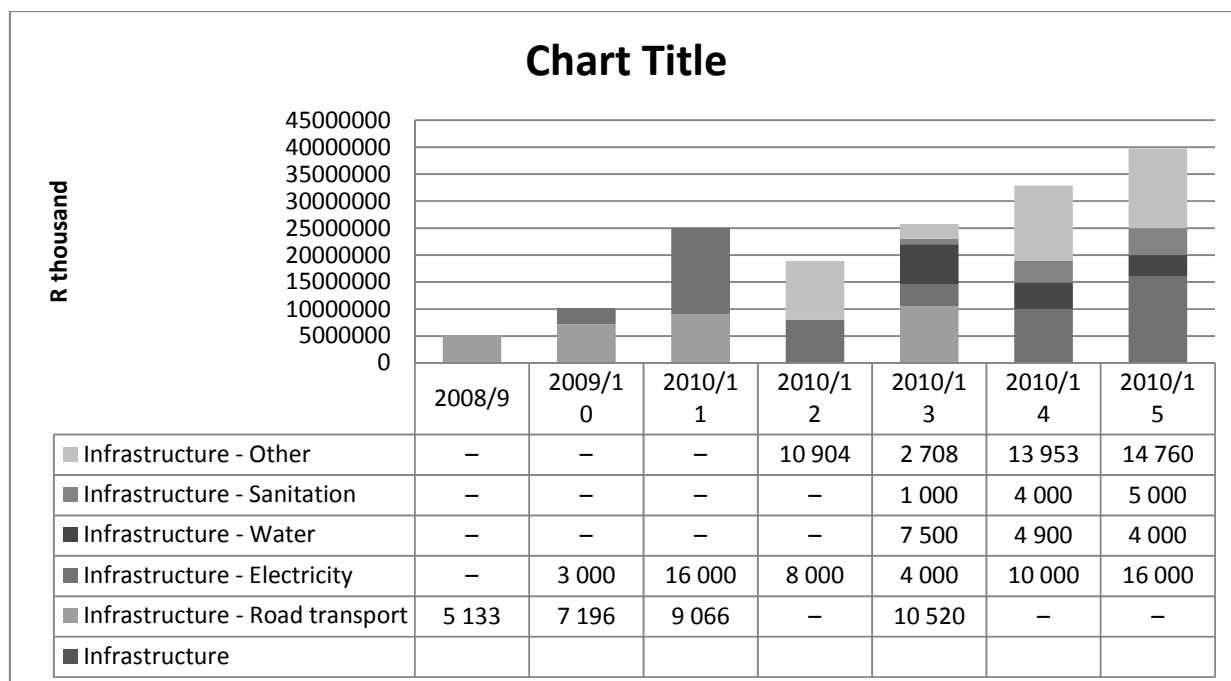


Figure 1 Capital Infrastructure Programme

1.6.1 Future operational cost of new infrastructure

The future operational costs and revenues associated with the capital programme have been included in Table 61 MBRR SA35 on page 91. This table shows that future operational costs associated with the capital programme totals R25.7 million in 2012/13 and escalates to R39.8 million by 2014/15. This concomitant operational expenditure is expected to escalate to R55 million by 2017/18. It needs to be noted that as part of the 2012/13 MTREF, this expenditure has been factored into the two outer years of the operational budget.

1.7 Annual Budget Tables - Parent Municipality

The following eighteen pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2012/13 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;
 - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
 - iii. Internally generated funds is financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains negative, but is improving indicates that the necessary cash resources are going to be available to fund the Capital Budget in the future.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. This places the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Funding and Reserves Policy. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations. It is anticipated that the goal of having all obligations cash-back will be achieved by 2014/15, when a small surplus is reflected.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs. It is anticipated that by 2013/14 the water backlog will have been very nearly eliminated as the area of Rosmead is the only area where there are backlogs.

Table 19 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

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>	41 815	53 178	65 275	58 291	53 456	53 456	64 159	67 935	73 019
Executive and council	-	1 854	-	505	505	505	537	571	608
Budget and treasury office	41 815	50 597	60 775	57 621	52 786	52 786	63 447	67 178	72 214
Corporate services	-	728	4 500	165	165	165	175	186	197
<i>Community and public safety</i>	1 632	4 926	1 889	2 125	1 653	1 653	2 800	2 979	3 173
Community and social services	1 434	1 146	1 729	1 920	1 546	1 546	2 688	2 857	3 042
Sport and recreation	101	110	-	40	13	13	14	15	13
Public safety	55	181	160	165	95	95	98	107	118
Housing	-	-	-	-	-	-	-	-	-
Health	42	3 489	-	-	-	-	-	-	-
<i>Economic and environmental services</i>	1 355	10 993	13 068	3 671	2 656	2 656	2 923	3 213	3 532
Planning and development	124	2 265	2 930	305	250	250	272	296	323
Road transport	1 231	8 729	10 137	3 367	2 407	2 407	2 652	2 917	3 208
Environmental protection	-	-	-	-	-	-	-	-	-
<i>Trading services</i>	42 378	64 843	79 810	105 594	105 875	105 875	116 732	126 775	137 725
Electricity	32 526	46 526	64 114	62 547	62 568	62 568	68 825	75 707	83 278
Water	-	7 757	4 200	31 045	31 301	31 301	34 917	37 012	39 233
Waste water management	-	-	-	5 503	5 503	5 503	5 838	6 188	6 559
Waste management	9 853	10 560	11 497	6 500	6 502	6 502	7 153	7 868	8 655
<i>Other</i>	-	-	-	165	36	36	37	42	46
Total Revenue - Standard	87 180	133 941	160 042	169 846	163 677	163 677	186 652	200 945	217 495
Expenditure - Standard									
<i>Governance and administration</i>	22 609	38 916	69 256	33 495	32 367	32 367	52 115	49 918	52 811
Executive and council	3 501	7 855	14 878	14 446	12 998	12 998	14 849	15 971	16 950
Budget and treasury office	15 203	23 091	48 228	11 839	11 783	11 783	29 430	25 646	27 065
Corporate services	3 905	7 971	6 150	7 211	7 586	7 586	7 835	8 302	8 796
<i>Community and public safety</i>	15 920	20 707	33 416	16 250	15 652	15 652	16 162	17 069	18 030
Community and social services	5 031	4 875	7 619	7 108	7 150	7 150	8 567	9 019	9 498
Sport and recreation	4 681	5 201	2 228	6 611	6 654	6 654	5 449	5 775	6 121
Public safety	1 936	2 796	1 914	666	542	542	742	787	834
Housing	-	-	-	1 076	1 023	1 023	1 045	1 108	1 174
Health	4 273	7 835	21 655	790	283	283	359	380	403
<i>Economic and environmental services</i>	10 883	12 485	15 144	24 338	19 995	19 995	19 470	20 570	21 799
Planning and development	2 077	426	3 883	10 564	7 450	7 450	7 914	8 386	8 888
Road transport	8 806	12 059	11 261	13 774	12 545	12 545	11 557	12 184	12 911
Environmental protection	-	-	-	-	-	-	-	-	-
<i>Trading services</i>	29 324	34 938	48 320	83 191	89 267	89 267	98 879	111 453	120 467
Electricity	21 726	26 745	36 419	51 195	54 253	54 253	56 143	66 155	72 453
Water	-	-	-	14 827	18 594	18 594	25 797	27 345	28 986
Waste water management	-	-	-	8 168	8 438	8 438	10 127	10 734	11 378
Waste management	7 598	8 193	11 901	9 000	7 982	7 982	6 812	7 219	7 651
<i>Other</i>	969	1 190	4 308	3 213	2 442	2 442	2 437	2 612	2 785
Total Expenditure - Standard	79 705	108 236	170 444	160 487	159 723	159 723	189 064	201 624	215 892
Surplus/(Deficit) for the year	7 475	25 705	(10 402)	9 359	3 953	3 953	(2 412)	(679)	1 603

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

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, Water and Waste water functions, and the Waste management function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Corporate Services.

Table 20 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description R thousand	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
Revenue by Vote									
Vote 1 - Council	-	3 665	1 042	384	384	384	407	432	458
Vote 2 - Executive Mayor	-	-	-	47	47	47	51	56	62
Vote 3 - Municipal Manager	0	458	482	74	74	74	78	83	88
Vote 4 - Corporate Services	118	742	380	279	303	303	327	353	381
Vote 5 - Finance	37 079	67 422	77 924	57 622	52 787	52 787	63 448	67 179	72 215
Vote 6 - Community Services	15 799	16 484	20 230	10 381	9 234	9 234	11 151	12 166	13 279
Vote 7 - Technical Services	33 404	44 442	57 851	100 375	100 281	100 281	110 582	120 007	130 277
Vote 8 - Local Economic Development	778	728	2 133	684	566	566	607	669	736
Total Revenue by Vote	87 180	133 941	160 042	169 846	163 677	163 677	186 652	200 945	217 495
Expenditure by Vote, to be appropriated									
Vote 1 - Council	3 584	1 191	9 253	10 774	9 549	9 549	10 616	11 256	11 936
Vote 2 - Executive Mayor	327	701	1 100	757	1 172	1 172	681	950	1 024
Vote 3 - Municipal Manager	811	1 588	1 644	3 422	2 711	2 711	3 552	3 765	3 990
Vote 4 - Corporate Services	4 111	5 774	6 762	8 374	8 678	8 678	9 660	10 236	10 846
Vote 5 - Finance	5 336	24 477	70 128	13 448	13 738	13 738	30 933	27 238	28 751
Vote 6 - Community Services	21 091	22 031	20 130	23 573	21 727	21 727	21 014	22 150	23 416
Vote 7 - Technical Services	41 582	48 503	54 025	92 514	96 323	96 323	106 299	119 316	128 799
Vote 8 - Local Economic Development	2 862	3 971	7 401	7 625	5 825	5 825	6 308	6 713	7 131
Total Expenditure by Vote	79 705	108 236	170 444	160 487	159 723	159 723	189 064	201 624	215 892
Surplus/(Deficit) for the year	7 475	25 705	(10 402)	9 359	3 953	3 953	(2 412)	(679)	1 603

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

- Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the municipality. This means it is possible to present the operating surplus or deficit of a vote. The following table is an analysis of the surplus or deficit for the electricity and water trading services.

Table 21 Surplus/(Deficit) calculations for the trading services

Vote Description R thousand	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
Electricity									
Total Revenue (Incl Capital & Transfers)	32 526	49 526	80 114	63 547	70 568	70 568	72 825	85 707	99 278
Operating Expenditure	21 726	26 745	36 419	51 195	54 253	54 253	56 143	66 155	72 453
Surplus(deficit) for the year	10 800	22 781	43 695	12 351	16 315	16 315	16 682	19 553	26 825
Percentage Surplus	33%	46%	55%	19%	23%	23%	23%	23%	27%
Water									
Total Revenue (Incl Capital & Transfers)	-	7 757	4 200	31 045	31 301	31 301	42 917	45 412	45 233
Operating Expenditure	-	-	-	14 827	18 594	18 594	25 797	27 345	28 986
Surplus(deficit) for the year	-	7 757	4 200	16 218	12 707	12 707	17 120	18 067	16 247
Percentage Surplus	0%	0%	0%	52%	41%	41%	40%	40%	36%
Sanitation									
Total Revenue (Incl Capital & Transfers)	-	-	-	5 503	5 503	5 503	6 338	6 688	9 559
Operating Expenditure	-	-	-	8 168	8 438	8 438	10 127	10 734	11 378
Surplus(deficit) for the year	-	-	-	(2 665)	(2 935)	(2 935)	(3 789)	(4 046)	(1 819)
Percentage Surplus	0%	0%	0%	-48%	-53%	-53%	-60%	-61%	-19%
Refuse									
Total Revenue (Incl Capital & Transfers)	9 853	10 560	11 497	6 500	6 502	6 502	7 153	7 868	8 655
Operating Expenditure	7 598	8 193	11 901	9 000	7 982	7 982	6 812	7 219	7 651
Surplus(deficit) for the year	2 255	2 367	(404)	(2 500)	(1 480)	(1 480)	340	649	1 004
Percentage Surplus	23%	22%	-4%	-38%	-23%	-23%	5%	8%	12%

2. The electricity trading surplus is improving over the 2012/13 MTREF from 23 per cent or R16.7 million in 2012/13 to 27 per cent by 2014/15. This is primarily as a result of the high increases in Eskom bulk purchases and the tariff setting policy of the municipality to buffer the impact of these increases on individual consumers.
3. The surplus on the water account remains relatively constant over the first two years of MTREF translating into a surplus of 40 per cent, 40 per cent and 36 per cent for each of the respective financial years. It deteriorates in 2014/15 due to the fact that there will be very minimal capital transfers for water in 2014/15.
4. The sanitation trading deficit remains relatively constant over the first two years of MTREF translating into a trading deficit of 60 per cent, 61 per cent and 19 per cent for each of the respective financial years. It improves in 2014/15 due to the fact that there will be significant capital transfers for sanitation in 2014/15.
5. The sanitation trading surplus increases steadily over the first two years of MTREF translating into a surplus of 5 per cent, 8 per cent and 12 per cent for each of the respective financial years.
6. Note that the surpluses on these trading accounts are utilised as an internal funding source for the capital programme for asset renewal, refurbishment and the development of new asset infrastructure, *and are not used to cross-subsidise other municipal services.*

Table 22 MBRR 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	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand									
Revenue By Source									
Property rates	12 580	14 511	15 988	12 500	12 500	12 500	13 750	14 575	15 450
Property rates - penalties & collection charges									
Service charges - electricity revenue	32 526	43 526	48 114	62 500	62 500	62 500	68 750	75 625	83 188
Service charges - water revenue	-	-	-	14 917	14 917	14 917	15 812	16 761	17 767
Service charges - sanitation revenue	-	-	-	5 503	5 503	5 503	5 838	6 188	6 559
Service charges - refuse revenue	9 853	10 560	11 497	6 500	6 502	6 502	7 152	7 868	8 654
Service charges - other				131	174	174	195	215	236
Rental of facilities and equipment	1 340	1 403	1 572	1 726	1 416	1 416	1 545	1 700	1 870
Interest earned - external investments	9	135	152	65	72	72	76	80	85
Interest earned - outstanding debtors	4 322	504	4 923	4 800	500	500	5 300	5 618	5 955
Dividends received		0							
Fines	43	170	160	178	102	102	112	123	136
Licences and permits	1 022	1 028	1 071	3 256	2 338	2 338	2 571	2 828	3 111
Agency services							18 696	19 818	21 007
Transfers recognised - operational	23 879	60 048	71 661	55 293	54 813	54 813	44 358	46 875	50 624
Other revenue	1 606	2 055	3 464	2 477	2 340	2 340	2 496	2 670	2 853
Gains on disposal of PPE			1 440						
Total Revenue (excluding capital transfers and contributions)	87 180	133 941	160 042	169 846	163 677	163 677	186 652	200 945	217 495
Expenditure By Type									
Employee related costs	39 823	44 960	46 493	62 677	57 795	57 795	60 163	63 802	67 646
Remuneration of councillors	3 508	4 265	4 907	5 398	5 284	5 284	5 895	6 249	6 624
Debt impairment			41 457	5 752	5 752	5 752	5 917	6 272	6 648
Depreciation & asset impairment	-	-	-	3 004	3 004	3 004	3 179	3 366	3 565
Finance charges	431	391	427	500	503	503	530	561	594
Bulk purchases	19 656	26 745	36 419	41 000	44 500	44 500	46 860	56 222	61 822
Other materials	1 343	2 279	3 150	10 931	8 904	8 904	10 098	10 699	11 335
Contracted services	284	386	310	2 403	2 394	2 394	11 718	6 931	7 292
Transfers and grants	-	16 479	17 202	140	160	160	202	214	227
Other expenditure	14 659	12 730	20 079	28 682	31 428	31 428	44 503	47 309	50 139
Loss on disposal of PPE									
Total Expenditure	79 705	108 236	170 444	160 487	159 723	159 723	189 064	201 624	215 892
Surplus/(Deficit)	7 475	25 705	(10 402)	9 359	3 953	3 953	(2 412)	(679)	1 603
Transfers recognised - capital	5 133	10 196	25 066	11 904	18 904	18 904	17 228	23 953	30 760
Contributions recognised - capital	-	-	-	-	-	-	-	-	-
Contributed assets	(5 133)	(10 196)	(25 066)	(11 904)	(18 904)	(18 904)	(17 228)	(23 953)	(30 760)
Surplus/(Deficit) after capital transfers & contributions	7 475	25 705	(10 402)	9 359	3 953	3 953	(2 412)	(679)	1 603
Taxation									
Surplus/(Deficit) after taxation	7 475	25 705	(10 402)	9 359	3 953	3 953	(2 412)	(679)	1 603
Attributable to minorities									
Surplus/(Deficit) attributable to municipality	7 475	25 705	(10 402)	9 359	3 953	3 953	(2 412)	(679)	1 603
Share of surplus/ (deficit) of associate									
Surplus/(Deficit) for the year	7 475	25 705	(10 402)	9 359	3 953	3 953	(2 412)	(679)	1 603

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

1. Total revenue is R186.7 million in 2012/13 and escalates to R217.5 million by 2014/15. This represents a year-on-year increase of 7.6 per cent for the 2013/14 financial year and 8.2 per cent for the 2014/15 financial year.
2. Revenue to be generated from property rates is R13.75 million in the 2012/13 financial year and increases to R15.5 million by 2014/15 which represents 7.4 per cent of the operating revenue base of the municipality and therefore remains a significant funding source for the municipality. It remains relatively constant over the medium-term and tariff increases have been factored in at 10 per cent, 6 per cent and 6 per cent for each of the respective financial years of the MTREF.
3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the municipality totalling R97.5 million for the 2012/13 financial year and increasing to R116.2 million by 2014/15. For the 2012/13 financial year service charges amount to 52.4 per cent of the total revenue base and grows by 0.5 per cent per annum over the medium-term. This growth can mainly be attributed to the increase in the bulk prices of electricity and water.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF by 5.6 per cent and 7.9 per cent for the two outer years. The percentage share of this revenue source declines due to the more rapid relative growth in service charge revenues.
5. The following graph illustrates the major expenditure items per type.

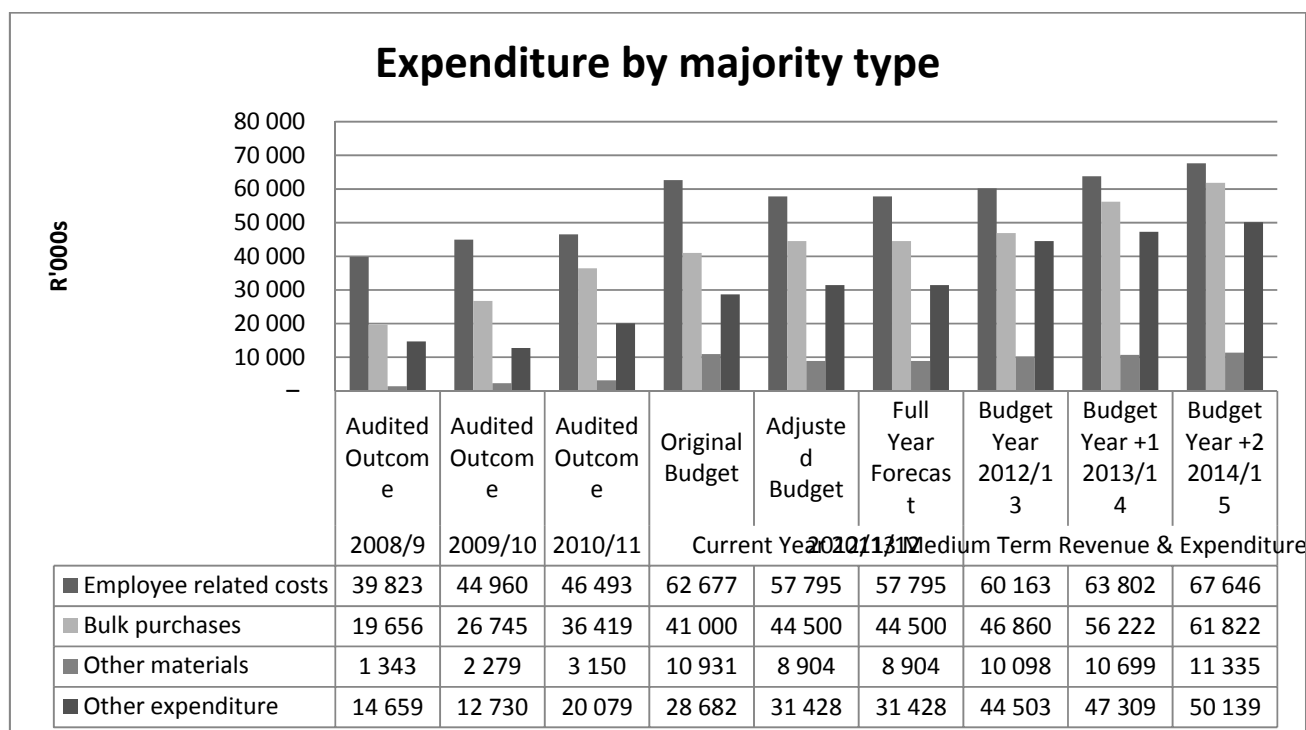


Figure 2 Expenditure by major type

6. Bulk purchases have significantly increased over the 2008/09 to 2013/15 period escalating from R19.7 million to R61.8 million. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom.
7. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

Table 23 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

Vote Description R thousand	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
Capital expenditure - Vote									
Multi-year expenditure, to be appropriated									
Vote 1 - Council	-	-	-	-	-	-	-	-	-
Vote 2 - Executive Mayor	-	-	-	-	-	-	-	-	-
Vote 3 - Municipal Manager	-	-	-	-	-	-	-	-	-
Vote 4 - Corporate Services	-	-	-	-	-	-	-	-	-
Vote 5 - Finance	-	-	-	-	-	-	-	-	-
Vote 6 - Community Services	-	-	-	-	-	-	-	-	-
Vote 7 - Technical Services	-	-	-	-	-	-	-	-	-
Vote 8 - Local Economic Development	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	-	-	-	-	-	-	-	-	-
Single-year expenditure, to be appropriated									
Vote 1 - Council	-	-	-	-	-	-	-	-	-
Vote 2 - Executive Mayor	-	-	-	-	-	-	-	-	-
Vote 3 - Municipal Manager	-	-	-	-	-	-	-	-	-
Vote 4 - Corporate Services	-	-	-	-	-	-	-	-	-
Vote 5 - Finance	-	-	-	-	-	-	-	-	-
Vote 6 - Community Services	-	-	-	10 904	10 904	10 904	1 500	6 300	2 148
Vote 7 - Technical Services	5 133	10 196	25 066	1 000	8 000	8 000	23 681	18 900	37 612
Vote 8 - Local Economic Development	-	-	-	-	-	-	547	7 653	-
Vote 9 - [NAME OF VOTE 9]	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total	5 133	10 196	25 066	11 904	18 904	18 904	25 728	32 853	39 760
Total Capital Expenditure - Vote	5 133	10 196	25 066	11 904	18 904	18 904	25 728	32 853	39 760
Capital Expenditure - Standard									
Governance and administration	-	-	-	-	-	-	-	-	-
Executive and council	-	-	-	-	-	-	-	-	-
Budget and treasury office	-	-	-	-	-	-	-	-	-
Corporate services	-	-	-	-	-	-	-	-	-
Community and public safety	-	-	-	-	-	-	1 500	6 300	2 148
Community and social services	-	-	-	-	-	-	1 500	-	-
Sport and recreation	-	-	-	-	-	-	-	6 300	2 148
Public safety	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-
Economic and environmental services	-	-	-	-	-	-	11 728	7 653	12 612
Planning and development	-	-	-	-	-	-	547	7 653	-
Road transport	-	-	-	-	-	-	11 181	-	12 612
Environmental protection	-	-	-	-	-	-	-	-	-
Trading services	-	3 000	16 000	1 000	8 000	8 000	12 500	18 900	25 000
Electricity	-	3 000	16 000	1 000	8 000	8 000	4 000	10 000	16 000
Water	-	-	-	-	-	-	8 000	8 400	6 000
Waste water management	-	-	-	-	-	-	500	500	3 000
Waste management	-	-	-	-	-	-	-	-	-
Other									
Total Capital Expenditure - Standard	-	3 000	16 000	1 000	8 000	8 000	25 728	32 853	39 760
Funded by:									
National Government	5 133	10 196	25 066	11 904	18 904	18 904	17 228	23 953	30 760
Provincial Government	-	-	-	-	-	-	-	-	-
District Municipality	-	-	-	-	-	-	8 500	8 900	9 000
Other transfers and grants	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	5 133	10 196	25 066	11 904	18 904	18 904	25 728	32 853	39 760
Public contributions & donations	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-
Internally generated funds	-	-	-	-	-	-	-	-	-
Total Capital Funding	5 133	10 196	25 066	11 904	18 904	18 904	25 728	32 853	39 760

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

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations.
3. Single-year capital expenditure has been appropriated at R25.7 million for the 2012/13 financial year and continues to increase steadily over the MTREF at levels of R32.9 million and R39.8 million respectively for the two outer years.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
5. The capital programme is funded from capital and provincial grants and transfers, public contributions and donations, borrowing and internally generated funds from current year surpluses. For 2012/13, capital transfers totals R25.7 million (100.0 per cent) and remains at R39.8 million by 2014/15 (100 per cent). Borrowing has not been provided over the MTREF and there is no internally generated funding for each of the respective financial years of the MTREF. The funding sources are further discussed in detail in 2.6 (Overview of Budget Funding).

Table 24 MBRR Table A6 - Budgeted Financial Position

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									
ASSETS									
Current assets									
Cash	6	6	5	5	5	5	5	5	5
Call investment deposits	3 332	4 918	1 443	1 529	1 529	1 529	1 621	1 718	1 821
Consumer debtors	42 848	43 608	9 082	11 072	8 587	8 587	10 467	12 759	15 653
Other debtors									
Current portion of long-term receivables									
Inventory			757	900	900	900	950	1 005	1 060
Total current assets	46 185	48 532	11 287	13 506	11 021	11 021	13 043	15 487	18 539
Non current assets									
Long-term receivables									
Investments	8	8	8	8	8	8	8	8	8
Investment property									
Investment in Associate									
Property, plant and equipment	-	5 991	32 035	40 395	47 395	47 395	61 620	82 570	110 219
Agricultural									
Biological									
Intangible			6	6	6	6	6	6	6
Other non-current assets									
Total non current assets	8	5 999	32 048	40 409	47 409	47 409	61 634	82 584	110 233
TOTAL ASSETS	46 193	54 531	43 335	53 915	58 430	58 430	74 677	98 071	128 772
LIABILITIES									
Current liabilities									
Bank overdraft	3 221	5 099	10 625	2 500	2 500	2 500	2 500	2 500	2 500
Borrowing	580	439	294	294	294	294	330	371	417
Consumer deposits	778	846	903	905	905	905	950	1 000	1 060
Trade and other payables	68 257	66 319	60 603	32 000	32 000	32 000	29 080	19 500	21 300
Provisions									
Total current liabilities	72 837	72 703	72 424	35 699	35 699	35 699	32 860	23 371	25 277
Non current liabilities									
Borrowing	2 281	1 854	1 642	1 586	1 586	1 586	1 256	885	468
Provisions	23 075	25 349	25 325	37 033	37 033	37 033	39 048	41 088	45 990
Total non current liabilities	25 356	27 202	26 968	38 619	38 619	38 619	40 303	41 973	46 458
TOTAL LIABILITIES	98 192	99 905	99 392	74 317	74 317	74 317	73 164	65 344	71 735
NET ASSETS	(51 999)	(45 374)	(56 057)	(20 402)	(15 887)	(15 887)	1 514	32 728	57 038
COMMUNITY WEALTH/EQUITY									
Accumulated Surplus/(Deficit)	(51 999)	(45 374)	(56 057)	(20 402)	(15 887)	(15 887)	14	16 728	25 038
Reserves	-	-	-	-	-	-	1 500	16 000	32 000
Minorities' interests									
TOTAL COMMUNITY WEALTH/EQUITY	(51 999)	(45 374)	(56 057)	(20 402)	(15 887)	(15 887)	1 514	32 728	57 038

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Table 66 is supported by an extensive table of notes (SA3 which can be found on page 102) providing a detailed analysis of the major components of a number of items, including:
 - Call investments deposits;
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions non current;
 - Changes in net assets; and
 - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 25 MBRR Table A7 - Budgeted 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
R thousand									
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Ratepayers and other	138 125	91 560	114 173	103 274	107 624	107 624	107 966	118 568	129 449
Government - operating	18 746	49 852	41 528	53 628	53 628	53 628	60 085	62 387	65 992
Government - capital	5 133	10 196	25 066	18 904	18 904	18 904	25 728	32 853	39 760
Interest	4 331	639	5 075	4 850	500	500	4 085	4 330	4 590
Suppliers and employees	(167 947)	(138 969)	(171 252)	(160 487)	(157 723)	(157 723)	(172 363)	(177 934)	(188 649)
Finance charges	(431)	(391)	(427)	(500)	(503)	(503)	(500)	(530)	(562)
Transfers and Grants									
NET CASH FROM/(USED) OPERATING ACTIVITIES	(2 042)	12 887	14 162	19 669	22 430	22 430	25 001	39 674	50 580
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on disposal of PPE		164	1 440						
Decrease (increase) in non-current investments	(7)	(38)	(398)						
Payments									
Capital assets		(5 991)	(26 043)	(18 904)	(18 904)	(18 904)	(25 728)	(32 853)	(39 760)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(7)	(5 866)	(25 001)	(18 904)	(18 904)	(18 904)	(25 728)	(32 853)	(39 760)
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
Payments									
Repayment of borrowing	(558)	(584)	(356)	(510)	(510)	(510)	(510)	(510)	(510)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(558)	(584)	(356)	(510)	(510)	(510)	(510)	(510)	(510)
NET INCREASE/ (DECREASE) IN CASH HELD	(2 607)	6 437	(11 195)	255	3 016	3 016	(1 237)	6 311	10 310
Cash/cash equivalents at the year begin:	(614)	(3 221)	3 216	(7 365)	(7 365)	(7 365)	(4 349)	(5 586)	725
Cash/cash equivalents at the year end:	(3 221)	3 216	(7 979)	(7 110)	(4 349)	(4 349)	(5 586)	725	11 035

Table 26 MBRR 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	Pre-audit outcome	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	(3 221)	3 216	(7 979)	(7 110)	(4 349)	(4 349)	(4 349)	(5 586)	725	11 035
Other current investments > 90 days	3 337	(3 391)	(1 199)	6 144	3 383	3 383	3 383	4 712	(1 502)	(11 709)
Non current assets - Investments	8	8	8	8	8	8	8	8	8	8
Cash and investments available:	124	(167)	(9 169)	(958)	(958)	(958)	(958)	(866)	(769)	(666)
Application of cash and investments										
Unspent conditional transfers	5 474	9 151	4 083	6 000	6 000	6 000	6 000	3 000	3 000	3 000
Unspent borrowing	-	-	-	-	-	-	-	-	-	-
Statutory requirements	(7 278)	(10 572)	(12 311)	(7 900)	(12 000)	(12 000)	(12 000)	(9 500)	(4 680)	(12 000)
Other working capital requirements	-	-	-	-	-	-	-	-	-	-
Other provisions	-	-	-	-	-	-	-	-	-	-
Long term investments committed	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	-	-	-	-	-	-	-	-	-	-
Total Application of cash and investments:	(1 805)	(1 421)	(8 228)	(1 900)	(6 000)	(6 000)	(6 000)	(6 500)	(1 680)	(9 000)
Surplus(shortfall)	1 929	1 254	(941)	942	5 042	5 042	5 042	5 634	911	8 334

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. It can be seen that the cash levels of the municipality fell significantly over the 2008/09 to 2010/11 period owing directly to a net decrease in cash for the 2010/11 financial year of R7.5 million.
4. The approved 2011/12 MTREF provide for an increase in cash of R8 million for the 2011/12 financial year resulting in an overall projected negative cash position of R2.5 million at year end.
5. As part of the 2011/12 mid-year review and Adjustments Budget this unsustainable cash position had to be addressed as a matter of urgency and various interventions were implemented such as the reduction of expenditure allocations and rationalization of spending priorities. Also there is a Revenue enhancement strategy programme that is poised to make a meaningful difference in exploiting all the opportunities available in increasing the revenue base of the municipality.
6. In addition the municipality is undertaking an extensive debt collection drive that is expected to yield cash receipts on arrear debtors of R5 million at least. These interventions have a potential of considerably increasing the net cash position of the municipality for the 2012/13 financial year.
7. The 2012/13 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.
8. Cash and cash equivalents totals R2.5 million as at the end of the 2012/13 financial year and is at least expected to remain there to by 2014/15.

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. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. From the table it can be seen that for the period 2008/09 to 2011/12 the deficit improved from R52 million to R15.9 million.
6. Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2010/11 MTREF was not funded owing to the significant deficit.
7. 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 aligned to section 18 of the MFMA.
8. As can be seen the budget has been modelled to progressively move from a deficit of R15.9 million in 2011/12 to a surplus of R 57 million by 2014/15.

Table 27 MBRR 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	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand									
CAPITAL EXPENDITURE									
<u>Total New Assets</u>	5 133	10 196	25 066	11 904	18 904	18 904	21 728	18 453	23 760
Infrastructure - Road transport	5 133	7 196	9 066	-	-	-	10 520	-	-
Infrastructure - Electricity	-	3 000	16 000	1 000	8 000	8 000	1 500	1 500	6 000
Infrastructure - Water	-	-	-	-	-	-	7 000	3 000	3 000
Infrastructure - Sanitation	-	-	-	-	-	-	-	-	-
Infrastructure - Other	-	-	-	-	-	-	-	-	-
Infrastructure	5 133	10 196	25 066	1 000	8 000	8 000	19 020	4 500	9 000
Community	-	-	-	10 904	10 904	10 904	2 708	13 953	14 760
Heritage assets	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-
Agricultural Assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Intangibles	-	-	-	-	-	-	-	-	-
<u>Total Renewal of Existing Assets</u>	-	-	-	-	-	-	4 000	14 400	16 000
Infrastructure - Road transport	-	-	-	-	-	-	-	-	-
Infrastructure - Electricity	-	-	-	-	-	-	2 500	8 500	10 000
Infrastructure - Water	-	-	-	-	-	-	500	1 900	1 000
Infrastructure - Sanitation	-	-	-	-	-	-	1 000	4 000	5 000
Infrastructure - Other	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	4 000	14 400	16 000
Community	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-
Agricultural Assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Intangibles	-	-	-	-	-	-	-	-	-
<u>Total Capital Expenditure</u>	5 133	7 196	9 066	-	-	-	10 520	-	-
Infrastructure - Road transport	-	3 000	16 000	1 000	8 000	8 000	4 000	10 000	16 000
Infrastructure - Electricity	-	-	-	-	-	-	7 500	4 900	4 000
Infrastructure - Sanitation	-	-	-	-	-	-	1 000	4 000	5 000
Infrastructure - Other	-	-	-	-	-	-	-	-	-
Infrastructure	5 133	10 196	25 066	1 000	8 000	8 000	23 020	18 900	25 000
Community	-	-	-	10 904	10 904	10 904	2 708	13 953	14 760
Heritage assets	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-
Agricultural Assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Intangibles	-	-	-	-	-	-	-	-	-
TOTAL CAPITAL EXPENDITURE - Asset class	5 133	10 196	25 066	11 904	18 904	18 904	25 728	32 853	39 760
ASSET REGISTER SUMMARY - PPE (WDV)									
Infrastructure - Road transport		4 306	10 325	9 325	9 325	9 325	19 507	18 507	17 507
Infrastructure - Electricity			16 633	16 130	23 130	23 130	25 627	34 124	48 621
Infrastructure - Water									
Infrastructure - Sanitation									
Infrastructure - Other		1 609	2 171	12 529	13 075	13 075	15 121	29 074	43 834
Infrastructure	-	5 915	29 129	37 984	45 530	45 530	60 255	81 705	109 962
Community									
Heritage assets									
Investment properties									
Other assets		76	2 906	2 412	1 866	1 866	1 366	866	258
Agricultural Assets									
Biological assets									
Intangibles			6	6	6	6	6	6	6
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	-	5 991	32 040	40 401	47 401	47 401	61 626	82 576	110 225
EXPENDITURE OTHER ITEMS									
<u>Depreciation & asset impairment</u>	-	-	-	3 004	3 004	3 004	3 179	3 366	3 565
<u>Repairs and Maintenance by Asset Class</u>	1 343	2 279	3 150	10 931	8 904	8 904	12 174	12 905	13 679
Infrastructure - Road transport	1 343	2 279	3 150	2 081	2 081	2 081	1 086	1 150	1 217
Infrastructure - Electricity	-	-	-	2 037	1 437	1 437	1 500	1 589	1 682
Infrastructure - Water	-	-	-	1 735	1 735	1 735	2 677	2 838	3 008
Infrastructure - Sanitation	-	-	-	55	55	55	630	667	707
Infrastructure - Other	-	-	-	38	38	38	40	42	45
Infrastructure	1 343	2 279	3 150	5 945	5 345	5 345	5 933	6 286	6 660
Community	-	-	-	432	360	360	262	278	294
Heritage assets	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	4 554	3 198	3 198	5 980	6 341	6 725
TOTAL EXPENDITURE OTHER ITEMS	1 343	2 279	3 150	13 935	11 907	11 907	15 353	16 271	17 244

<i>% of capex on Renewal of Assets</i>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	15.5%	43.8%	40.2%
<i>Renewal of Existing Assets as % of depreca</i>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	125.8%	427.8%	448.8%
<i>R&M as a % of PPE</i>	0.0%	38.0%	9.8%	27.1%	18.8%	18.8%	19.8%	15.6%	12.4%
<i>Renewal and R&M as a % of PPE</i>	0.0%	38.0%	10.0%	27.0%	19.0%	19.0%	26.0%	33.0%	27.0%

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. Due to an old fleet and cash-flow constraints that have seen the municipality only having capital expenditure from outside funding from the government grants it is unable to meet both these recommendations.

Table 28 MBRR Table A10 - Basic Service Delivery Measurement

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Household service targets									
Water:									
Piped water inside dwelling	-	-	-	-	-	-	-	-	-
Piped water inside yard (but not in dwelling)	-	-	-	-	-	-	-	-	-
Using public tap (at least min.service level)	3 190	3 190	3 190	3 190	3 190	3 190	3 190	3 190	3 190
Other water supply (at least min.service level)	3 190	3 190	3 190	3 190	3 190	3 190	3 190	3 190	3 190
<i>Minimum Service Level and Above sub-total</i>	3 190	3 190	3 190	3 190	3 190	3 190	3 190	3 190	3 190
Using public tap (< min.service level)	1	1	1	1	1	1	1	1	1
Other water supply (< min.service level)	1	1	1	1	10	10	10	10	10
No water supply	1	1	1	1	1	1	1	1	1
<i>Below Minimum Service Level sub-total</i>	2	2	2	3	12	12	12	-	-
Total number of households	3 192	3 192	3 192	3 193	3 202	3 202	3 202	3 190	3 190
Sanitation/sewerage:									
Flush toilet (connected to sewerage)	870	870	870	1 982	1 982	1 982	1 982	-	-
Flush toilet (with septic tank)	48	48	48	66	66	66	66	-	-
Chemical toilet	23	23	23	1 189	1 189	1 189	1 189	-	-
Pit toilet (ventilated)	-	-	-	-	-	-	-	-	-
Other toilet provisions (> min.service level)	-	-	-	-	-	-	-	-	-
<i>Using public tap (< min.service level)</i>	940	940	940	3 237	3 237	3 237	3 237	-	-
Bucket toilet	220	220	220	220	220	220	220	-	-
Other toilet provisions (< min.service level)	880	880	880	880	880	880	880	-	-
No toilet provisions	880	880	880	880	880	880	880	-	-
<i>Total number of households</i>	1 100	1 100	1 100	1 100	1 100	1 100	1 100	-	-
Sanitation/sewerage:	2 040	2 040	2 040	4 337	4 337	4 337	4 337	-	-
Energy:									
Electricity (at least min.service level)	-	-	-	-	-	-	-	-	-
Electricity - prepaid (min.service level)	-	-	-	-	-	-	-	-	-
<i>Using public tap (< min.service level)</i>	-	-	-	-	-	-	-	-	-
Electricity (< min.service level)	-	-	-	-	-	-	-	-	-
Electricity - prepaid (< min. service level)	-	-	-	-	-	-	-	-	-
Other energy sources	-	-	-	-	-	-	-	-	-
<i>Total number of households</i>	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-
Refuse:									
Removed at least once a week	1	1	1	1	1	1	-	-	-
<i>Using public tap (< min.service level)</i>	1	1	1	1	1	1	-	-	-
Removed less frequently than once a week	-	-	-	-	-	-	-	-	-
Using communal refuse dump	-	-	-	-	-	-	-	-	-
Using own refuse dump	-	-	-	-	-	-	-	-	-
Other rubbish disposal	-	-	-	-	-	-	-	-	-
No rubbish disposal	-	-	-	-	-	-	-	-	-
<i>Total number of households</i>	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	1	1	1	1	1	1	-	-	-
Households receiving Free Basic Service									
Water (6 kilolitres per household per month)	16	16	17	18	18	18	19	21	22
Sanitation (free minimum level service)	60	65	72	79	79	79	87	92	97
Electricity/other energy (50kwh per household per month)	34	46	47	49	49	49	52	57	63
Refuse (removed at least once a week)	69	73	77	82	82	82	86	92	97
Cost of Free Basic Services provided (R'000)									
Water (6 kilolitres per household per month)	16	16	17	18	18	18	19	21	22
Sanitation (free sanitation service)	60	65	72	79	79	79	87	92	97
Electricity/other energy (50kwh per household per month)	34	46	47	49	49	49	52	57	63
Refuse (removed once a week)	69	73	77	82	82	82	86	92	97
Total cost of FBS provided (minimum social package)	0	0	0	0	0	0	0	0	0
Highest level of free service provided									
Property rates (R value threshold)	22	24	27	29	29	29	32	34	36
Water (kilolitres per household per month)	16	16	17	18	18	18	19	21	22
Sanitation (kilolitres per household per month)	6	6	6	6	6	6	6	6	6
Sanitation (Rand per household per month)	60	65	72	79	79	79	87	92	97
Electricity (kwh per household per month)	34	46	47	49	49	49	52	57	63
Refuse (average litres per week)	69	73	77	82	82	82	86	92	97
Revenue cost of free services provided (R'000)									
Property rates (R15 000 threshold rebate)	22	24	27	29	29	29	32	34	36

Property rates (other exemptions, reductions and rebates)	16	16	17	18	18	18	19	21	22
Water	6	6	6	6	6	6	6	6	6
Sanitation	60	65	72	79	79	79	87	92	97
Electricity/other energy	34	46	47	49	49	49	52	57	63
Refuse	69	73	77	82	82	82	86	92	97
Municipal Housing - rental rebates									
Housing - top structure subsidies									
Other									
Total revenue cost of free services provided (total social package)	0	0	0	0	0	0	0	0	0

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.
- The municipality continues to make good progress with the eradication of backlogs:
 - Water services – backlog will be reduced by over 200 households in 2012/13 to just 0 households. These households are largely found Rosmead and the problem is that the land there belongs to Transnet and that is why the municipality could not sort out the backlogs.
 - Sanitation services – backlog will be reduced by over 200 households over the MTREF. The number of households with no toilet provision will be reduced by 200 households in 2013/14.
 - Electricity services – backlog will be reduced by just over 200 households. As indicated elsewhere, the emphasis in the electricity sector is on addressing urgent network upgrades. Once the most pressing network issues have been addressed, the electrification programme will be prioritised, with 220 households budgeted to be electrified in 2013/14.
 - Refuse services – backlog will be reduced by over 200 households in 2013/14. However it should be noted that this function is being investigated with a view to realising greater efficiencies, which is likely to translate into a more rapid process to address backlogs.
- The budget provides for 8 800 households to be registered as indigent in 2012/13, and therefore entitled to receiving Free Basic Services.
- It is anticipated that these Free Basic Services will cost the municipality R14.1 million in 2012/13, increasing to R17 million in 2014/15. This is covered by the municipality's equitable share allocation from national government.
- Furthermore the municipality as a Water Services Provider is providing free basic services to the indigents and the cost of providing these is estimated to be R 11.2 m in 2012/13.
- In addition to the Free Basic Services, the municipality also 'gives' households R 2.5 million in free services in 2012/13, and it increases to R3 million in 2014/15. This 'tax expenditure' needs to be seen within the context of the municipality's overall revenue management strategy – the more the municipality gives away, the less there is available to fund other services. Currently, the 'free services' represent about 1.4 per cent of total operating revenue.

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

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

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

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

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

2.1.1 Budget Process Overview

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

The Mayor tabled in Council the required the IDP and budget time schedule on 25 August 2011. Key dates applicable to the process were:

- **26 September 2011** – The municipality and the council undertakes internal strategic consultation process to begin determining and reviewing the strategic objectives and budget for the next 3 years. Ward Committees report back: report back on 10/11 budget and projects and receive prioritization inputs for 2012/13. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2012/13 MTREF;
- **October 2011** – Municipality engages with external stakeholders such as national and provincial departments on sector specific programs for alignment with the IDP. Detail departmental budget proposals (capital and operating) submitted to the CFO for consolidation and assessment against the financial planning guidelines;
- **November 2011** - Consider national and provincial budgets, Dora. Consult other role players such as CHDM. Adjust 3 year indicators & tariff review
- **3 to 7 January 2011** - Departments submit operating budgets with indicators (09/10 as baseline);

- **January 2011** – Multi-year budget proposals are submitted to the Mayoral Committee for endorsement;
- **28 January 2011** - Council considers the 2010/11 Mid-year Review and Adjustments Budget;
- **February 2011** - Recommendations of the departments & IDP forum are communicated to the CFO, and on to the respective departments. The draft 2012/13 MTREF is revised accordingly;
- **29 March 2012** - Tabling in Council of the draft 2012/13 IDP and 2012/13 MTREF for public consultation;
- **April 2012** – Public consultation;
- **10 May 2012** - Closing date for written comments;
- **11 to 21 May 2012** – finalisation of the 2012/13 IDP and 2012/13 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- **23 May 2012** - Tabling of the 2012/13 MTREF before Council for consideration and approval.

There were no deviations from the key dates set out in the Budget Time Schedule tabled in Council.

2.1.2 IDP and Service Delivery and Budget Implementation Plan

This is the fifth and final review of the IDP as adopted by Council in May 2006. It started in September 2011 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2012/13 MTREF in August.

The municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fifth revision cycle included the following key IDP processes and deliverables:

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

The IDP has been taken into a business and financial planning process leading up to the 2012/13 MTREF, based on the approved 2011/12 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2012/13 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2011/12 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master

planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2012/13 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2012/13 MTREF:

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

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 51, 54, 58 and 59 has been taken into consideration in the planning and prioritisation process.

2.1.4 Community Consultation

The draft 2012/13 MTREF as tabled before Council on 29 March 2012 for community consultation was published on the municipality's noticeboards, and various libraries

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

Ward Committees were utilised to facilitate the community consultation process from 16 April 2012 to 09 May 2012, and included nine public briefing sessions. The applicable dates and venues were published in all the local newspapers and on average attendance of 30 was recorded per meeting. This is up on the previous year's process. This can be attributed to the additional initiatives that were launched during the consultation process, including the specific targeting of ratepayer associations and the ward meetings also addressing other issues other than the budget. Individual sessions were scheduled with organised business/farmers and imbizo's were held to further ensure transparency and interaction. Other stakeholders involved in the consultation included churches, non-governmental institutions and community-based organisations.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant considered as part of the finalisation of the 2012/13 MTREF. Feedback and responses

to the submissions received are available on request. The following are some of the issues and concerns raised as well as comments received during the consultation process:

- Capital expenditure is not allocated to the areas in the same ratio as the income derived from those areas. This is a normal practice in a collective taxation environment. The municipality is responsible for managing the equitable use of resources to ensure that constitutional imperative to progressively improve basic services in undeveloped areas is realized in a sustainable manner over a reasonable period of time. However it must be stressed that the municipality has only limited capital inflow coming from the central government.
- Several complaints were received regarding poor service delivery, especially street-lighting maintenance, lack of visibility of road law enforcement and stop signs in the township areas, and the state of road infrastructure;
- There were concerns raised about the penalty tariffs as they were becoming counterproductive due to the inefficiency of the meter readers as well as some of the faulty meters; There were questions around water disputes that have been declared and that these should get some immediate attention. There was a call that the penalty tariffs should go towards solving the water problem in Middelburg.
- Issues were raised regarding the ease of getting to the electricity vendors as some were quite far to go and buy prepaid electricity;
- The municipality was criticised in the way it charges tariffs for municipal flats as concerns were raised that these are not meeting their primary objective of providing housing to the low income groups, but were now being occupied by the professionals;
- The affordability of tariff increases, especially Property Rates, was raised on few occasions. This concern was also raised by communities living in the more affluent areas;
- There were complaints about the leaks for the indigents that are causing their accounts to escalate as they are getting charged for anything above 6 kl; and there was a call for the indigent subsidy to be increased to R2 200 in one of the wards as it was considered to be too low, and
- During the community consultation process there were intergovernmental issues raised about housing reparation, lack of transport for kids going to schools that are far and thus their lives being endangered, and a lack of a community clinic in Lusaka township.

Significant changes effected in the final 2012/13 MTREF compared to the draft 2012/13 MTREF that was tabled for community consultation, include:

- The SALGBC parties' settlement regarding the salary dispute resulted in a preliminary amount of R60.1 million being provided for in the 2012/13 financial year;
- The 2011 Division of Revenue Act (DORA) grant allocations were finalized and aligned to the gazetted allocations; and

2.2 Overview of alignment of annual budget with IDP

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

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term

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

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

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

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

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

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

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2012/13 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 29 IDP Strategic Objectives

2010/11 Financial Year	2011/12 MTREF
1. The provision of quality basic services and infrastructure	1. Provision of quality basic services and infrastructure
2. Local Economic Development	2. Create an environment conducive for tapping the economic potential of the area.
3. Institutional development and Transformation	3.1 Ensure the administrative capacity of the municipality s continuously improved;
4. Good Governance and Public Participation	4. Good governance and Public Participation
5. Good governance, Financial viability and institutional governance	5.1 Ensure financial sustainability
	5.2 Management and control
	5.3 Enhance service delivery and administration by using IT to maximise the potential.

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

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
 - Provide electricity;
 - Provide water;
 - Provide sanitation;
 - Provide waste removal;
 - Provide housing;
 - Provide roads and storm water;
 - Provide traffic services and civil protection services;
 - Provide community services like cemeteries, firefighting, sports and recreation facilities;
 - HIV/AIDS Programmes;
 - Disaster Management;
 - Provide municipality planning services; and
 - Maintaining the infrastructure of the municipality.
2. Economic local economic development that leads to an environment conducive to economic growth by:
 - Building the local economy;
 - Poverty alleviation and job creation initiatives;
 - Promote tourism.
 - Maximize agricultural potential
3. Ensure that the Administrative capacity of the municipality is continuously improved through:
 - Institutional and capacity transformation;
 - Working with the provincial department of health to provide primary health care services;

- Extending waste removal services and ensuring effective city cleansing;
 - Ensuring all waste water treatment works are operating optimally;
 - Working with strategic partners such as SAPS to address crime;
 - Ensuring safe working environments by effective enforcement of building and health regulations;
 - Promote viable, sustainable communities through proper zoning; and
 - Promote environmental sustainability by protecting wetlands and key open spaces.
- 3.2 Integrated Social Services for empowered and sustainable communities
- Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme
4. Ensure good governance and participation by community in the affairs of the municipality by
- Optimising effective community participation in the ward committee system; and
 - Ensuring there is a reviewed municipal framework;
 - Ensuring that there is a functional audit committee and an internal audit unit;
 - Performance agreements are signed within the required timeframes
 - Ensure that there is a system of petition management and also declaration of interest by the councilors;
 - Ensure IGR structures are working.
- 5.1 Ensure financial sustainability through:
- Reviewing the financial and budget related policies;
 - Improved metering systems;
 - Establishment of the customer care system;
 - Establishment of the indigent support and support service system;
 - Ensuring that there is a complete valuation roll and attending to queries and objections.
- 5.2 Ensure that the management and control systems required by legislation are in place by October 2012 by and that the operating and reporting standards which comply with legislation by:
- Ensuring improved internal and external reporting;
 - Ensuring policy development and implementation;
 - Ensuring functioning internal audit function;
 - Ensuring a GRAP compliant asset register;
 - Ensuring full implementation of GRAP;
 - Developing a multi-year based budget based on IDP;
 - Ensuring that there is continuous capacity building on finances for staff and councilors;
 - Implementation of MFMA;
 - Developing a comprehensive audit action plan and that there is continuous reporting and monitoring thereof;
 - Sourcing the services of a credible data cleansing and Revenue enhance programme service provider; and
 - Staffing the BTO office
- 5.3 Enhance service delivery and administration by using IT to maximise the potential;

- Ensuring there is an IT hardware and software with minimal interruption;
- Developing an IT strategy
- Ensuring capacitation of staff and councilors on IT

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the municipality. The five-year programme responds to the development challenges and opportunities faced by the municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the fourth revised IDP, including:

- Strengthening the analysis and strategic planning processes of the municipality;
- Initiating zonal planning processes that involve the communities in the analysis and planning processes. More emphasis was placed on area based interventions, within the overall holistic framework;
- Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

The 2012/13 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

Table 30 MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue

Strategic Objective	Goal	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										
Roads	To ensure that 25% of Arterial roads are graded by 2021.									
Stormwater drainage system.	Reduce the effect of stormwater by 50% in 2016									
Electricity	Ensure Communities receive adequate and uninterrupted supply of electricity by 2016. Provide for the electrification of the Rosmead Community.									
Sports Facilities	Provide adequate and accessible sporting facilities by 2014.	101	110		172	172	172	25	26	28
Cemetery	Ensure that the cemeteries meet the demand and are conducted in accordance with the applicable legislation by 2012.	195	107	157	11 054	11 054	11 054	1 698	119	126
Waste Management	An environment with clean well kept natural open spaces parks and maintained built environment.	-			72	72	72	173	183	194
Financial Viability	Increase revenue of total current accounts levied by 85% by June 2013. To collect 25% of the arrear debt by June 2013. Continuous monitoring and improvement of the financial recovery plan.									
	Continuous monitoring of the financial recovery plan.	19 563	51 781	64 795	21 877	21 877	21 877	22 674	23 504	24 915
Traffic Control	Render traffic service that is rendered diligently and which is visible and adding value to the crime prevention.	1 064	1 199	1 231	3 434	3 434	3 434	3 068	3 252	3 447
Sewerage	Complete rehabilitation and repairs to bulk sewerage lines by 2016.									
Basic Household Services	To ensure that each household has access to set of household basic services.	42 378	54 086	59 610	80 234	74 064	74 064	100 784	112 136	123 357
Free Basic Services	To ensure that poor household have access to free basic services.	23 879	26 658	34 248	53 003	53 003	53 003	58 231	61 725	65 429
Allocations to other priorities										
Total Revenue		87 180	133 941	160 042	169 846	163 677	163 677	186 652	200 945	217 495

Table 31 MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure

Strategic Objective	Goal	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										
SPU	Co-ordinated Youth, Women and the Disabled development, empowerment programmes and the relevant facilities in place by 2012.				509	434	434	577	611	648
HIV Aids Programme	Reduce HIV % infection and its impact on individuals, families and community on an annual basis.				790	286	286	390	413	438
Electricity	Ensure Communities receive adequate and uninterrupted supply of electricity by 2016. Provide for the electrification of the Rosmead Community.	19 656	26 745	36 419	51 195	56 281	56 281	61 107	64 774	68 660

Total Revenue	79 705	108 236	170 444	160 487	159 723	159 723	189 064	201 624	215 892
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Table 32 MBRR Table SA7 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure

Strategic Objective	Goal	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										
Roads	To ensure that 25% of Arterial roads are graded by 2021.	5 133	7 196	9 066				10 520		
Stormwater drainage system.	Reduce the effect of stormwater by 50% in 2016									
Electricity	Ensure Communities receive adequate and uninterrupted supply of electricity by 2016. Provide for the electrification of the Rosmead Community.		3 000	16 000	1 000	8 000	8 000	4 000	10 000	16 000
Sports Facilities	Provide adequate and accessible sporting facilities by 2014.									
Cemetery	Ensure that the cemeteries meet the demand and are conducted in accordance with the applicable legislation by 2012.				10 904	10 904	10 904	1 500		
Waste Management.	An environment with clean well kept natural open spaces parks and maintained built environment.									
Water Supply	Provide Metered Erf connections to ensure continuous yard supply of portable water.							8 500	8 900	9 000
Local Economic Development	Middelburg Water Provision Cradock Hawkers Facility & Taxi Rank							547	7 653	
Sports Facilities	Provide adequate and accessible sporting facilities by 2014.								5 602	2 148
Projects still to be identified.										11 874
PMU								661	698	738
Allocations to other priorities										
Total Capital Expenditure		5 133	10 196	25 066	11 904	18 904	18 904	25 728	32 853	39 760

2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance. However the performance management system has not been cascaded to the lower levels as it focuses on Sectional 57 employees;

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues

through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:

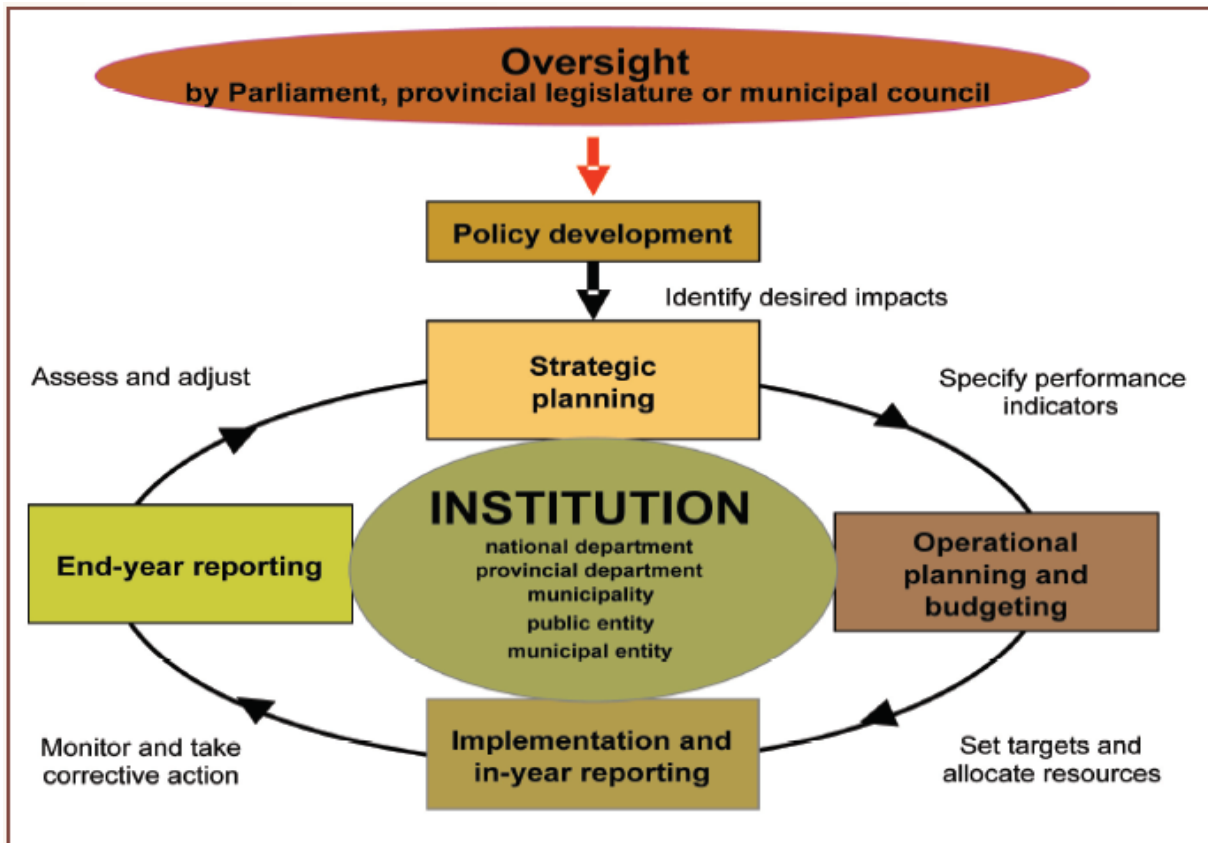


Figure 3 Planning, budgeting and reporting cycle

The performance of the municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

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

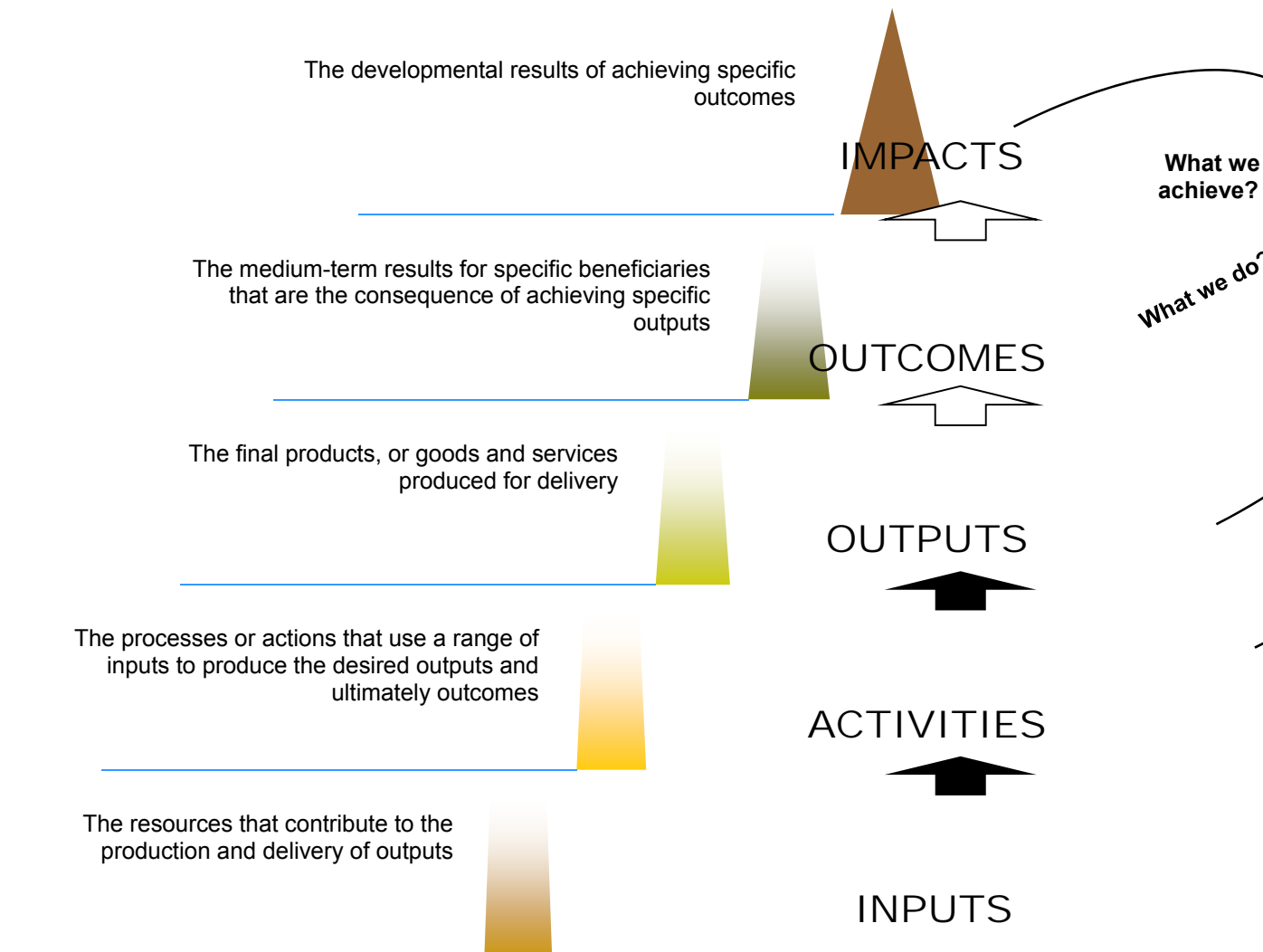


Figure 4 Definition of performance information concepts

The following table provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

Table 33 MBRR Table SA7 - Measurable performance objectives

Strategic Objective	Goal	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										
Roads	To ensure that 25% of Arterial roads are graded by 2021.	5 133	7 196	9 066				10 520		
Stormwater drainage system.	Reduce the effect of stormwater by 50% in 2016									
Electricity	Ensure Communities receive adequate and uninterrupted supply of electricity by 2016. Provide for the electrification of the Rosmead Community.		3 000	16 000	1 000	8 000	8 000	4 000	10 000	16 000
Sports Facilities	Provide adequate and accessible sporting facilities by 2014.									
Cemetery	Ensure that the cemeteries meet the demand and are conducted in accordance with the applicable legislation by 2012.				10 904	10 904	10 904	1 500		
Waste Management.	An environment with clean well kept natural open spaces parks and maintained built environment.									
Water Supply	Provide Metered Erf connections to ensure continuous yard supply of portable water.							8 500	8 900	9 000
Local Economic Development	Middelburg Water Provision Cradock Hawkers Facility & Taxi Rank							547	7 653	
Sports Facilities	Provide adequate and accessible sporting facilities by 2014.								5 602	2 148
Projects still to be identified.										11 874
PMU								661	698	738
Allocations to other priorities										
Total Capital Expenditure		5 133	10 196	25 066	11 904	18 904	18 904	25 728	32 853	39 760

Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	0.0%	0.0%	2878.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
IDP regulation financial viability indicators											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	-	-	0.1	-	-	-	-	(0.6)	(0.5)	(0.5)
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	84.0%	70.7%	13.9%	12.3%	9.9%	9.9%	9.9%	10.8%	11.9%	13.3%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	-	-	-	-	-	-	-	-	-	-

2.3.1 Performance indicators and benchmarks

2.3.1.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Inxuba Yethemba municipality's borrowing strategy is primarily informed by the affordability of debt repayments. The structure of the municipality's debt portfolio is dominated by annuity loans. The following financial performance indicators have formed part of the compilation of the 2012/13 MTREF:

- *Capital charges to operating expenditure* is a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing has steadily decreased from 1.2 per cent in 2008/09 to 0.6 per cent in 2011/12. This decrease can be attributed to the repayment of the DBSA loan redeemable in just over 4 years from now. It is estimated that the cost of borrowing as a percentage of the operating expenditure will remain at 0.6 per cent in 2012/13 and will then decrease to 0.5 per cent at the end of the MTREF. The borrowing is considered a prudent financial instrument in financing capital infrastructure development, and therefore due to lower levels of borrowings this will be explored in financing the capital structure.
- *Borrowing funding of own capital expenditure* measures the degree to which own capital expenditure (excluding grants and contributions) has been funded by way of borrowing. The average over MTREF is 0 per cent which substantiates the above mentioned statement that the municipality is in a very sound financial position as far as the borrowings are concerned.

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

The municipality has not raised any amortising loans over the past five years, and the last loan was 16 years ago. This is reflected in the municipality's debt service profile, which predicts lower debt service costs between 2012 and 2016. Debt service costs may be expected to peak in 2016 due to the redemption of the DBSA long loan held by the municipality.

In summary, various financial risks could have a negative impact on the future borrowing capacity of the municipality. In particular, the lower collection rates of property rates and service

charges and also the difficulty in ensuring its forecasted cash flow targets are achieved will be critical in meeting the repayments of the debt service costs. As part of the compilation of the 2012/13 MTREF the potential of smoothing out the debt profile over the longer term will be investigated.

2.3.1.2 Safety of Capital

- *The debt-to-equity ratio* is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors, overdraft and tax provisions as a percentage of funds and reserves. During the 2010/11 financial year the ratio sitting very well a level 0 per cent. As part of the planning guidelines that informed the compilation of the 2012/13 MTREF and it is expected to remain the same until the municipality has ensured proper cash-backing of reserves.
- *The gearing ratio* is a measure of the total long term borrowings over funds and reserves. Between 2008/09 and 2011/12 the gearing ratio was at 0 per cent. This was primarily a result of the sustained budget deficits where the municipality borrowing capacity was severely diminished. While the gearing ratio increases to 83.7 per cent in the 2012/13 financial year, the medium term strategy is to steadily reduce the gearing ratio to a level that does not exceed 50 per cent as a prudential limit, hence, over the 2012/13 MTREF the ratio decreases to 1.5 per cent by 2014/15 as the DBSA loans gets closer to redemption.

2.3.1.3 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the municipality has set a limit of 1, hence at no point in time should this ratio be less than 1. For the 2012/13 MTREF the current ratio is 0.4 in the 2012/13 financial year and 0.7 for the two outer years of the MTREF. Going forward it will be necessary to ensure the liquidity levels are sound. It must be noted that currently the current liabilities includes the amount payable on the CHDM agency account that is expected to be written off in the future.
- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2011/12 financial year the ratio was 0.0 and as part of the financial planning strategy it has been increased to 0.1 in the 2012/13 financial year. This needs to be considered a pertinent risk for the municipality as any under collection of revenue will translate into serious financial challenges for the municipality. As part of the longer term financial planning objectives this ratio will have to be set at a minimum of 1.

2.3.1.4 Revenue Management

- As part of the financial sustainability strategy, an aggressive revenue enhancement strategy will be implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service,

good financial systems, credit control and debt collection. The collection of the arrear debt is expected to have an impact of increasing the collection rate to about 98 percent.

2.3.1.5 Creditors Management

- The municipality has not managed to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality will manage to ensure at least 30 per cent compliance rate to this legislative obligation in 2012/13 and over 50% for the two outer years. This will have a favourable impact on suppliers' perceptions of risk of doing business with the municipality, which is expected to benefit the municipality in the form of more competitive pricing of tenders, as suppliers compete for the municipality's business.

2.3.1.6 Other Indicators

- The electricity distribution losses have been sitting at 12 per cent since 2008/09 and have been managed at this level of 12 per cent in the 2011/12 financial year to 10 per cent over the MTREF. The initiatives to ensure these targets are achieved include managing illegal connections and theft of electricity by rolling out smart metering systems, including prepaid meters.
- The water distribution losses have been significantly reduced from 25.6 per cent in 2010/11 to 20 per cent in 2011/12 and a further reduction to 15 per cent in 2012/12. This will be achieved with the introduction of a water leakage report and action centre. It is planned to further reduce distribution losses from 20 per cent in 2012/13 to 10 per cent by 2014/15.
- Employee costs as a percentage of operating revenue continues to decrease over the MTREF. This is primarily owing to the high increase in bulk purchases which directly increase revenue levels, as well as increased allocation relating to operating grants and transfers.
- The repairs and maintenance increases from 5.4 to 6.5 per cent as per cent of operating revenue when comparing year 2011/12 to 2012/13 and similarly to that of employee costs, repairs and maintenance as percentage of operating revenue it then decreases over MTREF owing directly to cost drivers such as bulk purchases increasing far above inflation. In real terms, repairs and maintenance has increased as part of the municipality's strategy to ensure the management of its asset base.

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

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

For the 2012/13 financial year 8 800 registered indigents have been provided for in the budget and it is expected to remain the same over the medium term. In terms of the Municipality's indigent policy registered households are entitled to 6kℓ fee water, 50 kwh of electricity, free

sanitation and free waste removal equivalent to 85¢ once a week, as well as a discount on their property rates.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement) on page 38.

Note that the number of households in informal areas that receive free services and the cost of these services (e.g. the provision of water through stand pipes, water tankers, etc) are not taken into account in the table noted above.

2.3.3 Providing clean water and managing waste water

The municipality is the Water Services Provider and the Water Services Authority is Chris Hani District Municipality. Cradock is supplied water from the Fish River in the form of purified water, and Middelburg is supplied water from the boreholes.

The Department of Water Affairs conducts an annual performance rating of water treatment works, presenting a Blue Drop or Green Drop award respectively to potable water treatment works and waste water treatment works that meet certain criteria of excellence.

Fish River Water and the municipality have not been awarded Blue Drop status yet, indicating that the municipality's drinking water is not meeting all the requirements for quality assurance. The Inxuba Yethemba Water Treatment Plant has not yet been awarded the best medium sized drinking water treatment works by the Department of Water Affairs.

The potable water treatment works and waste water treatment works plants will require renewals/upgrading to meet the minimum Blue & Green Drop certification standards. This has been prioritised as part of the 2012/13 medium term capital budget.

The following is briefly the main challenges facing the municipality in this regard:

- The infrastructure at most of the waste water treatment works is old and insufficient to treat the increased volumes of waste water to the necessary compliance standard;
- Shortage of skilled personnel makes proper operations and maintenance difficult;
- Electrical power supply to some of the plants is often interrupted which hampers the purification processes;
- Cash flow challenges and
- There is a lack of proper regional catchment management, resulting in storm water entering the sewerage system.

The following are some of the steps that have been taken to address these challenges:

- Infrastructure shortcomings are being addressed through the capital budget in terms of a 5-year upgrade plan in collaboration with Chris Hani District Municipality;
- The filling of vacancies has commenced and the Water Department will embark on an in-house training programme, especially for operational personnel;
- The Electricity Division is to install dedicated power supply lines to the plants; and

- The Division is working in consultation with the Department of Water Affairs to address catchment management.

2.4 Overview of budget related-policies

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

2.4.1 Review of credit control and debt collection procedures/policies

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

There is a need for a programme that will seek to ensure that all departments as well as external role players are actively involved in the reduction of the number of registered indigent households.

The 2012/13 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 90 per cent on current billings and another 8 per cent coming from the arrear debt. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the municipality's cash levels. In addition, the potential of a payment incentive scheme is being investigated and if found to be viable will be incorporated into the policy.

2.4.2 Asset Management, Infrastructure Investment and Funding Policy

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the municipality's revenue base. Within the framework, the need for asset renewal was considered a priority and hence the capital programme will be determined based on renewal of current assets versus new asset construction.

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

2.4.3 Budget Adjustment Policy

The adjustments budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

2.4.4 Supply Chain Management Policy

The Supply Chain Management Policy was adopted by Council in March 2009. An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on.

2.4.5 Budget Policy

The Budget policies aim to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the municipality's system of delegations. The Budget Policies was approved by Council in August 2009 and was amended on 29 March 2012 in respect of both Operating and Capital Budget Fund Transfers.

2.4.6 Cash Management and Investment Policy

The municipality's Cash Management and Investment Policy was amended by Council in May 2012. The aim of the policy is to ensure that the municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduces time frames to achieve certain benchmarks.

2.4.7 Tariff Policies

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

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

- Property Rates Policy;
- Borrowing/Loans Policy;
- Budget Policy; and
- Basic Social Services Package (Indigent Policy).

2.5 Overview of budget assumptions

2.5.1 External factors

Domestically, after 5 years of strong growth, during which about two million jobs were created, our economy shrank by an estimated 1.8 per cent in 2010 and about 900 000 people lost their jobs. The recovery has started in the last 18 months and the growth for 2012 is expected between 3.6 to 4 per cent by 2013. However it must be stated that there are other exogenous factors stifling the growth in the area like drought, fuel and energy costs.

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

2.5.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2012/13 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration. Employee related costs comprise 32.2 per cent of total operating expenditure in the 2012/13 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget. The wage agreement SALGBC concluded with the municipal workers unions on 31 July 2009 has expired and the SALGBC are expected to sit around the table to agree on the increase for the upcoming financial period. Furthermore the categorisation and job evaluation wage curves collective agreement signed on 21 April 2010 must be noted.

2.5.3 Credit rating outlook

Table 35 Credit rating outlook

Security class	Currency	Rating	Annual rating 2010/12	Previous Rating
Short term	Rand	Prime -1	20 April 2011	Prime -1
Long-term	Rand	Aa3	20 April 2011	Aa3
Outlook	Rand	Negative	20 April 2011	Negative

The rating definitions are:

- Short term : Prime – 1
Short-Term Debt Ratings (maturities of less than one year)
Prime-1 (highest quality)

- Long-term : Aa3
Defined as high-grade. "Aa" rated are judged to be of high quality and are subject to very low credit risk.

2.5.4 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The municipality engages in a number of financing arrangements to minimise its interest rate costs and risk. However, for simplicity the 2012/13 MTREF is based on the assumption that all borrowings are undertaken using fixed interest rates for amortisation-style loans requiring both regular principal and interest payments. As part of the compilation of the 2012/13 MTREF the potential of smoothing out the debt profile over the long term will be investigated.

2.5.5 Collection rate for revenue services

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

The rate of revenue collection is currently expressed as a percentage (95 per cent) of annual billings. Cash flow is assumed to be 75 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

2.5.6 Growth or decline in tax base of the municipality

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

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

2.5.7 Salary increases

The collective agreement regarding salaries/wages came into operation on 1 July 2009 and is coming to an end in 30 June 2012. This year a new collective agreement regarding salaries is expected to be in place to cover the 2012/13 MTREF.

2.5.8 Impact of national, provincial and local policies

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

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

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

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

It is estimated that a spending rate of at least 95 per cent is achieved on operating expenditure and 100 per cent on the capital programme for the 2012/13 MTREF of which performance has been factored into the cash flow budget.

2.6 Overview of budget funding

2.6.1 Medium-term outlook: operating revenue

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

Table 36 Breakdown of the operating revenue over the medium-term

Description R thousand	2012/13 Medium Term Revenue & Expenditure Framework					
	Budget Year 2012/13	%	Budget Year +1 2013/14	%	Budget Year +2 2014/15	%
Revenue By Source						
Property rates	13 750	10%	14 575	6%	15 450	6%
Service charges	97 747	14%	106 656	9%	116	100%
Investment Revenue	76	6%	80	6%	85	6%
Transfers recognised - operational	44 358	14%	46 875	6%	50 624	8%
Agency services	18 696	17%	19 818	6%	21 007	6%
Other Own Revenue	12 025	9%	12 940	8%	13 925	8%
Gains on disposal of PPE						
Total Revenue (excluding capital transfers and contributions)	186 652	100%	200 945	100%	217 495	100%
Total Operating Expenditure	189 064		201 624		215 892	
Surplus/deficit	(2 412)		(679)		1 603	

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

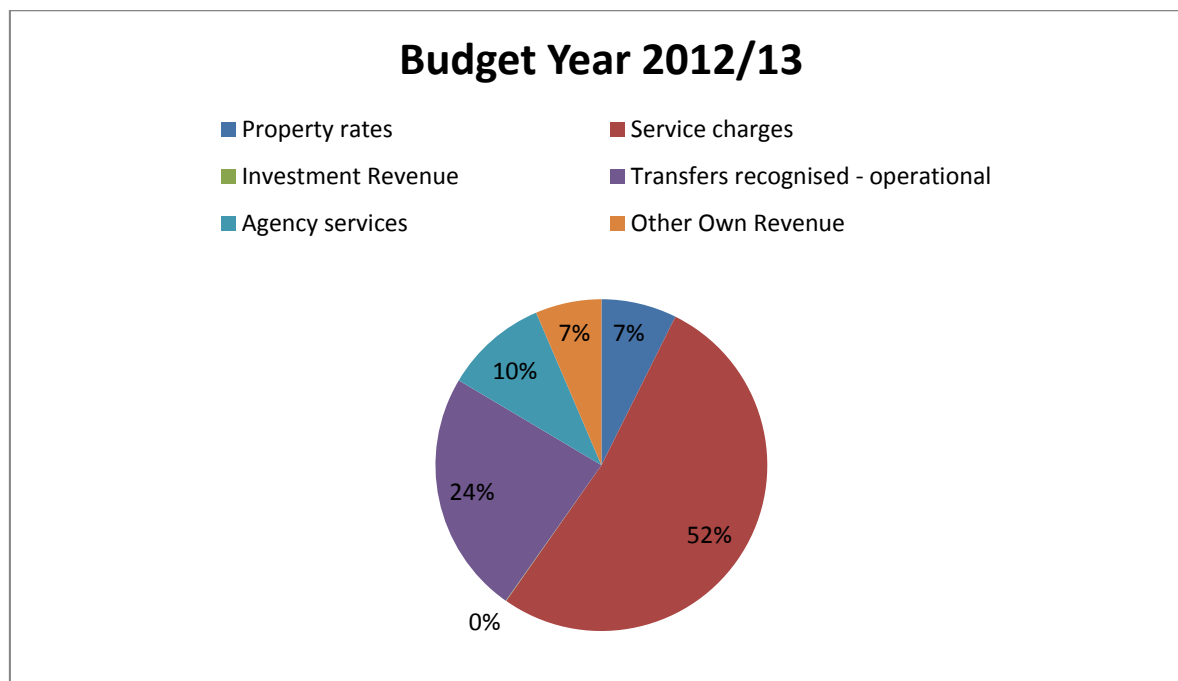


Figure 5 Breakdown of operating revenue over the 2012/13 MTREF

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

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

- Growth in the municipality and economic development;
- Revenue management and enhancement;
- Achievement of a 90 per cent annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Water and sanitation tariffs as approved by CHDM;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.

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

The proposed tariff increases for the 2012/13 MTREF on the different revenue categories are:

Table 37 Proposed tariff increases over the medium-term

Revenue category	2012/13 proposed tariff increase	2013/14 proposed tariff increase	2014/15 proposed tariff increase	2012/13 additional revenue for each 1% tariff increase	2012/13 additional revenue owing to % tariff increases	2012/13 Total Budgeted revenue
	%	%	%	R'000	R'000	R'000
Property rates	10	6	6	125	1 250	13 750
Sanitation	6	6	6	55	330	5 838
Solid Waste	10	6	6	65	650	7 152
Water	6	6	6	149	895	15 812
Electricity	13.5	10	10	625	6 250	68 750
Total				1 019	9 375	111 302

Revenue to be generated from property rates is R13.75 million in the 2012/13 financial year and increases to R15.45 million by 2014/15 which represents 7.1 per cent of the operating revenue base of the municipality. It remains relatively constant over the medium-term. With the implementation of the Municipal Property Rates Act the basis of rating significantly changed.

The municipality is to undergo a process of data verification and validation relating to the valuation roll and also a process of developing a new general valuation roll is set to begin in 2013. In addition there are still outstanding objections, although significant progress was made in dealing with these objections in the 2011/12 financial year. It is anticipated that the process will be concluded by the end of 2012. As the levying of property rates is considered a strategic revenue source a further supplementary valuation process will be undertaken in the 2nd quarter of the 2012/13 financial year. The outcome of this initiative will be closely monitored and reported on a regular basis as part of the quarterly performance reporting.

Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the municipality totalling R97.7 million for the 2012/13 financial year and increasing to R116.4 million by 2014/15. For the 2012/13 financial year services charges amount to 52.4 per cent of the total revenue base and grows by 0.5 per cent per annum over the medium-term. This growth can mainly be attributed to the increase in the bulk prices of electricity and water.

Operational grants and subsidies amount to R44.4 million, R46.9 million and R50.6 million for each of the respective financial years of the MTREF, or 23.8, 23.3 and 23.3 per cent of operating revenue. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF by 5.6 per cent and 8 per cent for the two outer years. The percentage of the total operational grants and transfers in relation to the total operating revenue is distorted owing to the high increases in revenue relating to services charges.

Investment revenue contributes marginally to the revenue base of the municipality with a budget allocation of R76 000, R80 000 and R84 000 for the respective three financial years of the 2012/13 MTREF. It needs to be noted that these allocations have been conservatively estimated and as part of the cash backing of reserves and provisions. The actual performance

against budget will be carefully monitored. Any variances in this regard will be addressed as part of the mid-year review and adjustments budget.

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

Table 38 MBRR 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									
Parent municipality									
Securities - National Government									
Listed Corporate Bonds									
Deposits - Bank	3 980	5 565	1 689	1 537	1 537	1 537	1 629	1 726	1 829
Deposits - Public Investment Commissioners									
Deposits - Corporation for Public Deposits									
Bankers Acceptance Certificates									
Negotiable Certificates of Deposit - Banks									
Guaranteed Endowment Policies (sinking)									
Repurchase Agreements - Banks									
Municipal Bonds									
Municipality sub-total	3 980	5 565	1 689	1 537	1 537	1 537	1 629	1 726	1 829

Table 39 MBRR SA16 – Investment particulars by maturity

Investments by Maturity	Type of Investment	Capital Guarantee (Yes/ No)	Variable or Fixed interest rate	Interest Rate	Commission Paid (Rands)	Commission Recipient	Expiry date of investment	Monetary value	Interest to be realised
Name of institution & investment ID								Rand thousand	
Parent municipality									
First National Bank	Call Account	Yes	Variable	4 - 6%				620	
First National Bank Agency Account	Call Account	Yes	Variable	4 - 6%				39	
Standard Bank	Call Account	Yes	Variable	4 - 6%				504	
ABSA Bank	Call Account	Yes	Variable	4 - 6%				366	
Nedbank	Call Account	Yes	Variable	4 - 6%				8	
Municipality sub-total								1 537	-

For the medium-term, the funding strategy has been informed directly by ensuring financial sustainability and continuity. The MTREF therefore provides for a budgeted deficit of R2.4 million in the 2012/12 financial year, and a budget deficit of R0.679 million and a budget surplus of R1.6 million respectively in each of the two outer financial years. This surplus is intended to partly fund capital expenditure from own sources as well as ensure adequate cash backing of reserves and funds by 2014/15 financial period.

2.6.2 Medium-term outlook: capital revenue

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

Table 40 Sources of capital revenue over the MTREF

Description	Current Year 2012/13		2012/13 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2012/13	%	Budget Year +1 2013/14	%	Budget Year +2 2014/15	%
National Government	18 904		17 228		23 953		30 760	
Provincial Government								
District Municipality			8 500		8 900		9 000	
Other transfers and grants								
Transfers recognised - capital	18 904	25%	25 728	36%	32 853	28%	39 760	21%
Public contributions & donations								
Borrowing								
Internally generated funds								
Total Capital Funding	18 904	100%	25 728	100%	32 853	100%	39 760	100%

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

Capital grants and receipts equates to 100 per cent of the total funding source which represents R25.7 million for the 2012/13 financial year and steadily increase to R39.8 million or 100 per cent by 2014/15. Growth relating to grant receipts is 8.3, 7.1 and 7.7 per cent over the medium-term.

The municipality has not budgeted for capital expenditure out of own revenue yet. This is due to the fact that as a requirement operating expenditure on basic services takes priority and that any surpluses are re-invested for capital expenditure. Also the municipality is looking at other external sources of funding like borrowing and is gearing itself in making sure that its borrowing capacity is enhanced.

The following table is a detailed analysis of the municipality's borrowing liability.

Table 41 MBRR Table SA 17 - Detail of borrowings

Borrowing - Categorized by type R thousand	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
Parent municipality									
Long-Term Loans (annuity/reducing balance)	2 281	1 854	1 642	1 586	1 586	1 586	1 256	885	468
Long-Term Loans (non-annuity)									
Local registered stock									
Instalment Credit									
Financial Leases									
PPP liabilities									
Finance Granted By Cap Equipment Supplier									
Marketable Bonds									
Non-Marketable Bonds									
Bankers Acceptances									
Financial derivatives									
Other Securities									
Total Borrowings	2 281	1 854	1 642	1 586	1 586	1 586	1 256	885	468

The following graph illustrates the growth in outstanding borrowing for the 2008/09 to 2014/15 period.

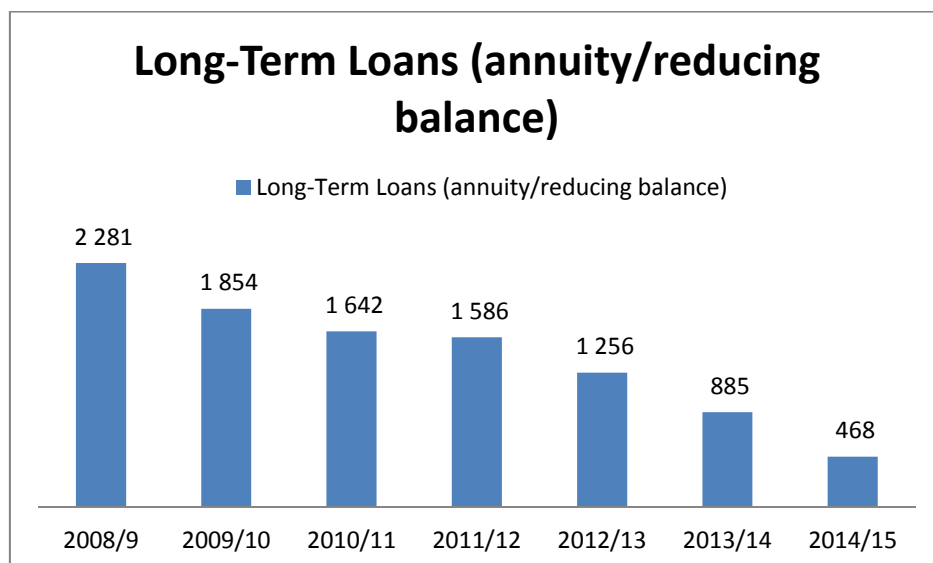


Figure 6 Growth in outstanding borrowing (long-term liabilities)

Internally generated funds consist of a mixture between surpluses generated on the operating statement of financial performance and cash backed reserves. In determining the credibility of this funding source it becomes necessary to review the cash flow budget as well as the cash backed reserves and accumulated funds reconciliation, as discussed below. Internally generated funds consist of have not featured prominently in the operational budget due to the low revenue base the municipality has. Currently the only outside source of revenue is the government grants and there is an existing loan that was incurred years ago. This is reducing and it is expected to be redeemed by 2016. The municipality is however looking at the option of sourcing borrowed funds to finance the renewal of the old and aging infrastructure.

Table 42 MBRR Table SA 18 - Capital transfers and grant receipts

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
Capital Transfers and Grants									
National Government	5 133	10 196	25 066	18 904	18 904	18 904	17 228	23 953	30 760
Municipal Infrastructure Grant (MIG)	5 133	7 196	9 066	10 904	10 904	10 904	13 228	13 953	14 760
Regional Bulk Infrastructure		3 000	16 000	8 000	8 000	8 000	4 000	10 000	16 000
Provincial Government	-	-	-	-	-	-	-	-	-
District Municipality	-	-	-	-	-	-	8 500	8 900	9 000
Water Services							8 500	8 900	9 000
Total Capital Transfers and Grants	5 133	10 196	25 066	18 904	18 904	18 904	25 728	32 853	39 760

NET INCREASE/ (DECREASE) IN CASH HELD	-2 607	6 437	-11 195	255	3 016	3 016	-1 237	6 311	10 310
Cash/cash equivalents at the year begin:	-614	-3 221	3 216	-7 365	-7 365	-7 365	-4 349	-5 586	725
Cash/cash equivalents at the year end:	-3 221	3 216	-7 979	-7 110	-4 349	-4 349	-5 586	725	11 035

The above table shows that cash and cash equivalents of the municipality were largely depleted between the 2008/09 and 2011/12 financial year moving from an overdraft balance of R3.2 million to a deficit of R5.6 million with the approved 2012/13 MTREF. With the 2012/13 adjustments budget various cost efficiencies and savings had to be realised to ensure the municipality could meet its operational expenditure commitments. In addition the municipality is going to undertake an extensive debt collection process to boost cash levels. This initiative and interventions are expected to translate into a positive cash position for the municipality and it is projected that cash and cash equivalents deficit will decrease to R4.3 million by the financial year end. For the 2012/13 MTREF the budget has been prepared to ensure high levels of cash and cash equivalents over the medium-term with the budget deficit anticipated to be R5.6 million by 2012/13 and steadily moving into a positive terrain of a surplus of R11 million by 2014/15.

2.6.4 Cash Backed Reserves/Accumulated Surplus Reconciliation

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

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

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

Table 44 MBRR 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	Pre-audit outcome	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	(3 221)	3 216	(7 979)	(7 110)	(4 349)	(4 349)	(4 349)	(5 586)	725	11 035
Other current investments > 90 days	3 337	(3 391)	(1 199)	6 144	3 383	3 383	3 383	4 712	(1 502)	(11 709)
Non current assets - Investments	8	8	8	8	8	8	8	8	8	8
Cash and investments available:	124	(167)	(9 169)	(958)	(958)	(958)	(958)	(866)	(769)	(666)
Application of cash and investments										
Unspent conditional transfers	5 474	9 151	4 083	6 000	6 000	6 000	6 000	3 000	3 000	3 000
Unspent borrowing	-	-	-	-	-	-	-	-	-	-
Statutory requirements	(7 278)	(10 572)	(12 311)	(7 900)	(12 000)	(12 000)	(12 000)	(9 500)	(4 680)	(12 000)
Other working capital requirements	-	-	-	-	-	-	-	-	-	-
Other provisions	-	-	-	-	-	-	-	-	-	-
Long term investments committed	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	-	-	-	-	-	-	-	-	-	-
Total Application of cash and investments:	(1 805)	(1 421)	(8 228)	(1 900)	(6 000)	(6 000)	(6 000)	(6 500)	(1 680)	(9 000)
Surplus(shortfall)	1 929	1 254	(941)	942	5 042	5 042	5 042	5 634	911	8 334

From the above table it can be seen that the cash and investments overdraft total R0.87 million in the 2012/13 financial year and is progressively reduced to R0.67 million by 2014/15, including the projected cash and cash equivalents as determined in the cash flow forecast. The following is a breakdown of the application of this funding:

- Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year. In the past these have been allowed to 'roll-over' and be spent in the ordinary course of business, but this practice has been discontinued. During the 2010/11 financial year the municipality was required to supply National Treasury with a detailed analysis of the unspent grants as well as an action plan of spending the grants. This was not done to the satisfaction of National Treasury and subsequently an amount of R3.4 million has been withheld by the National Treasury. For the 2011/12 financial year no provision has been made for this liability as the conditional grants are expected to be fully spent before the year end.
- There is no unspent borrowing from the previous financial years. In terms of the municipality's Borrowing and Investments Policy, borrowings are only drawn down once the expenditure has been incurred against the particular project. Unspent borrowing is ring-fenced and reconciled on a monthly basis to ensure no unnecessary liabilities are incurred.
- Provisions for statutory requirements include VAT owing to timing differences resulting from year- end obligations. The liability in this regard totalled R9.5 million for the 2012/13 financial year.
- The main purpose of other working capital is to ensure that sufficient funds are available to meet obligations as they fall due. A key challenge is often the mismatch between the timing of receipts of funds from debtors and payments due to employees and creditors. High levels of debtor non-payment and receipt delays will have a greater requirement for working capital, as was experienced by the municipality in 2011/12 resulting in cash flow challenges. For the purpose of the cash backed reserves and accumulated surplus reconciliation a provision equivalent to one month's operational expenditure must be provided for. It needs to be noted that although this can be considered prudent, the

desired cash levels should be 60 days to ensure continued liquidity of the municipality. Any underperformance in relation to collections could place upward pressure on the ability of the municipality to meet its creditor obligations.

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

It can be concluded that the municipality has a deficit against the cash backed and accumulated surpluses reconciliation. The level of non cash-backing progressively deteriorated over the years and the municipality owing to a very low revenue base has been unable to have cash backed reserves due to persistent cash flow challenges. The municipality has essentially depleted all cash reserves which is a serious concern and should be considered a strategic risk to the financial stability of the municipality. As part of the planning strategy, this deficit needs to be aggressively managed downwards and as part of the medium term planning objectives. It is aimed that by 2013/15 this deficit would have been significantly reduced translating into a surplus of R1.6 million. It needs to be noted that for all practical purposes the 2012/13 MTREF is unfunded when considering the funding requirements of section 18 and 19 of the MFMA. This is due to the fact that the tariffs for water and sanitation are determined by Chris Hani District Municipality, the electricity tariffs by NERSA and leave the municipality with only the refuse and property rates tariffs that it has the latitude to change. It must be stressed that this budget has had some considerations that needed to be taken into account in an effort to increase the future reserves. The 2012/13 MTREF has been informed by ensuring the financial plan meets the minimum requirements of the MFMA. However, from a practical perspective it would not be possible to eradicate this deficit in one financial year hence the phased approach over the MTREF. Nevertheless from a pure cash flow perspective (cash out flow versus cash inflow) the budget is funded and is therefore credible. The challenge for the municipality will be to ensure that the underlying planning and cash flow assumptions are meticulously managed, especially the performance against the collection rate.

Figure 7 Cash and cash equivalents / Cash backed reserves and accumulated funds

2.6.5 Funding compliance measurement

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

Table 45 MBRR SA10 – Funding compliance measurement

Description	MFMA section	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 beg - R'000	18(1)b	(3 221)	3 216	(7 979)	(7 110)	(4 349)	(4 349)	(5 586)	725	11 035
Cash + investments at the yr end less applications - R'000	18(1)b	39 934	8 791	(33 202)	(7 071)	(4 463)	(4 463)	(5 500)	735	9 483
Cash year end/monthly employee/supplier payments	18(1)b	(0.6)	0.4	(0.6)	(0.6)	(0.4)	(0.4)	(0.4)	0.1	0.8
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	7 475	25 705	(10 402)	9 359	3 953	3 953	(2 412)	(679)	1 603
Service charge rev % change - macro CPIIX target exclusive	18(1)a,(2)	N.A.	18.8%	4.2%	29.0%	(6.0%)	(6.0%)	3.2%	2.7%	2.8%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	218.2%	124.1%	131.6%	90.2%	98.9%	98.9%	75.9%	77.0%	77.6%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	0.0%	0.0%	53.7%	5.5%	5.6%	5.6%	5.2%	5.1%	5.0%
Capital payments % of capital expenditure	18(1)c:19	0.0%	58.8%	103.9%	158.8%	100.0%	100.0%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a							76.7%	78.9%	80.0%
Current consumer debtors % change - incr(decr)	18(1)a	N.A.	1.8%	(79.2%)	21.9%	(22.4%)	0.0%	21.9%	21.9%	22.7%
Long term receivables % change - incr(decr)	18(1)a	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	0.0%	38.0%	9.8%	27.1%	18.8%	18.8%	19.8%	15.6%	12.4%
Asset renewal % of capital budget	20(1)(vi)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	15.5%	43.8%	40.2%

2.6.5.1 Cash/cash equivalent position

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

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year. The forecasted cash and cash equivalents for the 2012/13 MTREF shows R5 million (deficit), R0.7 million and R11 million for each respective financial year.

2.6.5.2 Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in Table 25, on page 25. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted

amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

2.6.5.3 Monthly average payments covered by cash or cash equivalents

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts. Notably, the ratio has been up and down for the period 2008/09 to 2011/12, moving from (0.6) to (0.4) with the adopted 2011/12 MTREF. As part of the 2012/13 MTREF the municipality's improving cash position causes the ratio to remain at (0.4) and then improves to 0.1 and 0.8 for the outer years. As indicated above the municipality aims to achieve at least one month's cash coverage in the medium term, and then gradually move towards two months coverage. This measure will have to be carefully monitored going forward.

2.6.5.4 Surplus/deficit excluding depreciation offsets

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term. For the 2012/13 MTREF the indicative outcome is a surplus/(deficit) of (R2.4) million, (R0.7) million and R1.6 million.

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

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

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

The factor is calculated by deducting the maximum macro-economic inflation target increase (which is currently 3 - 6 per cent). The result is intended to be an approximation of the real increase in revenue. From the table above it can be seen that the percentage growth totals 3.2, 2.7 and 2.8 per cent for the respective financial year of the 2012/13 MTREF. Considering the lowest percentage tariff increase in relation to revenue generated from rates and services charges is 6 per cent, with the increase in electricity at 13.5 per cent it is to be expected that the increase in revenue will exceed the inflation target figures. However, the outcome is lower than it might be due to the slowdown in the economy and a reduction in consumption patterns. This trend will have to be carefully monitored and managed with the implementation of the budget.

2.6.5.6 Cash receipts as a percentage of ratepayer and other revenue

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 75.9, 77.0 and 77.6 per cent for each of the respective financial years. Given that the assumed collection rate was based on a 95 per cent performance target, the cash flow statement has been conservatively determined. In addition the risks associated with objections to the valuation roll need to be clarified and hence the conservative approach, also taking into consideration the cash flow challenges experienced in the current financial year. This measure and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly.

2.6.5.7 Debt impairment expense as a percentage of billable revenue

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. The provision has been appropriated at 5.2, 5.1 and 5.0 per cent over the MTREF. Considering the probable debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is well within the accepted leading practice.

2.6.5.8 Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 0 per cent timing discount has been factored into the cash position forecasted over the entire financial year. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that creditors be paid within 30 days.

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

The purpose of this measurement is to determine the proportion of a municipality's 'own-funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers/grants and contributions) has been excluded. It can be seen that borrowing equates to 0.0, 0.0 and 0.0 per cent of own funded capital. Further details relating to the borrowing strategy of the municipality can be found on 66.

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. A percentage less than 100 per cent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The municipality has budgeted for all transfers.

2.6.5.11 Consumer debtors change (Current and Non-current)

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

measures show a relatively stable trend in line with the municipality's policy of settling debtors accounts within 30 days.

2.6.5.12 Repairs and maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected. It must be stressed for the Inxuba Yethemba municipality this ratio is higher than the rule of thumb 8%, because of the very old infrastructure the municipality has and its' inability to replace this with immediate effect. Due to the age of the infrastructure and the fact that even though these are still in use their book values are very minimal it makes the per cent of the repairs and maintenance to assets very high. Details of the municipality's strategy pertaining to asset management and repairs and maintenance is contained in Table 60 MBRR SA34C on page 90.

2.6.5.13 Asset renewal/rehabilitation expenditure level

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets. Further details in this regard are contained in Table 59 MBRR SA34b on page 89.

2.7 Expenditure on grants and reconciliations of unspent funds

Table 46 MBRR SA19 - Expenditure on transfers and grant programmes

Description R thousand	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
EXPENDITURE:									
Operating Expenditure of Transfers and Grants									
National Government:	25 279	28 508	36 248	39 293	38 060	38 060	42 335	44 409	46 936
Local Government Equitable Share	23 879	26 658	34 248	37 003	35 770	35 770	39 535	42 109	44 636
Finance Management	1 000	1 250	1 250	1 500	1 500	1 500	1 500	1 500	1 500
Municipal Systems Improvement	400	600	750	790	790	790	800	800	800
Revenue Enhancement Grant									
Provincial Government:	-	-	-	-	-	-	-	-	-
Revenue Enhancement Grant							500		
District Municipality:	-	-	-	16 000	16 000	16 000	16 960	17 978	19 056
<i>Water Services</i>				16 000	16 000	16 000	16 960	17 978	19 056
Other grant providers:	-	-	-	-	-	-	-	-	-
Total Operating Expenditure of Transfers and Grants	25 279	28 508	36 248	55 293	54 060	54 060	59 295	62 387	65 992
Capital Expenditure of Transfers and Grants									
National Government:	5 133	10 196	25 066	18 904	18 904	18 904	17 228	23 953	30 760
Municipal Infrastructure Grant (MIG)	5 133	7 196	9 066	10 904	10 904	10 904	13 228	13 953	14 760
Regional Bulk Infrastructure		3 000	16 000	8 000	8 000	8 000	4 000	10 000	16 000
Other capital transfers/grants [insert desc]									
Provincial Government:	-	-	-	-	-	-	-	-	-
Other capital transfers/grants [insert description]									
District Municipality:	-	-	-	-	-	-	8 500	8 900	9 000
<i>Water Services</i>							8 500	8 900	9 000
Other grant providers:	-	-	-	-	-	-	-	-	-
Total Capital Expenditure of Transfers and Grants	5 133	10 196	25 066	18 904	18 904	18 904	25 728	32 853	39 760
TOTAL EXPENDITURE OF TRANSFERS & GRANTS	30 412	38 704	61 314	74 197	72 964	72 964	85 023	95 240	105 752

2.8 Councillor and employee benefits

Table 48 MBRR SA22 - Summary of councillor and staff benefits

Summary of Employee and Councillor remuneration	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	A	B	C	D	E	F	G	H	I
– Councillors (Political Office Bearers plus Other)									
Basic Salaries and Wages	3 508	4 265	4 907	5 398	5 284	5 284	5 664	6 003	6 364
Pension and UIF Contributions									
Medical Aid Contributions									
Motor Vehicle Allowance									
Cellphone Allowance									
Housing Allowances									
Other benefits and allowances									
Sub Total - Councillors	3 508	4 265	4 907	5 398	5 284	5 284	5 664	6 003	6 364
% increase		21.6%	15.0%	10.0%	(2.1%)	–	7.2%	6.0%	6.0%
Senior Managers of the Municipality									
Basic Salaries and Wages		3 238	4 476	4 438	4 438	4 438	4 704	4 986	5 285
Pension and UIF Contributions									
Medical Aid Contributions									
Overtime									
Performance Bonus									
Motor Vehicle Allowance									
Cellphone Allowance									
Housing Allowances									
Other benefits and allowances									
Payments in lieu of leave									
Long service awards									
Post-retirement benefit obligations									
Sub Total - Senior Managers of Municipality	–	3 238	4 476	4 438	4 438	4 438	4 704	4 986	5 285
0		–	38.2%	(0.9%)	–	–	6.0%	6.0%	6.0%
Other Municipal Staff									
Basic Salaries and Wages	30 311	33 800	34 993	43 877	39 422	39 422	39 284	41 641	44 140
Pension and UIF Contributions	4 705	5 214	5 345	6 755	6 152	6 152	6 524	6 916	7 331
Medical Aid Contributions	1 645	1 885	1 898	2 446	2 269	2 269	2 284	2 421	2 566
Overtime	793	1 609	1 756	1 949	2 381	2 381	1 671	1 771	1 877
Performance Bonus	–	–	188	300	100	100	30	32	34
Motor Vehicle Allowance	1 650	1 856	1 871	1 468	2 126	2 126	2 531	2 683	2 844
Cellphone Allowance	–	0	–	38	25	25	51	54	57
Housing Allowances	255	176	125	129	133	133	158	168	178
Other benefits and allowances	465	419	505	660	671	671	895	949	1 006
Payments in lieu of leave									
Long service awards									
Post-retirement benefit obligations									
Sub Total - Other Municipal Staff	39 823	44 960	46 681	57 622	53 279	53 279	53 428	56 634	60 032
0		12.9%	3.8%	23.4%	(7.5%)	–	0.3%	6.0%	6.0%
Total Parent Municipality	43 331	52 463	56 064	67 458	63 001	63 001	63 795	67 623	71 681
		21.1%	6.9%	20.3%	(6.6%)	–	1.3%	6.0%	6.0%

2.9 Monthly targets for revenue, expenditure and cash flow

Table 51 MBRR SA25 - Budgeted monthly revenue and expenditure

Description	Budget Year 2012/13												Medium Term Revenue and Expenditure Framework			
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15	
R thousand																
R thousand																
Revenue by Source																
Property rates	13 750											(13 750)	-	-	-	
Property rates - penalties & collection charges												13 750	13 750	14 575	15 450	
Service charges - electricity revenue	5 729	5 729	5 729	5 729	5 729	5 729	5 729	5 729	5 729	5 729	5 729	(63 021)	-	-	-	
Service charges - water revenue	1 318	1 318	1 318	1 318	1 318	1 318	1 318	1 318	1 318	1 318	1 318	54 256	68 750	75 625	83 188	
Service charges - sanitation revenue	5 838											9 974	15 812	16 761	17 767	
Service charges - refuse revenue	607	607	607	607	607	607	607	607	607	607	607	(839)	5 838	6 188	6 559	
Service charges - other	15	15	15	15	15	15	15	15	15	15	15	6 993	7 152	7 868	8 654	
Rental of facilities and equipment	135	135	135	135	135	135	135	135	135	135	135	(1 289)	195	215	236	
Interest earned - external investments	5	5	5	5	5	5	5	5	5	5	5	1 495	1 545	1 700	1 870	
Interest earned - outstanding debtors	336	336	336	336	336	336	336	336	336	336	336	(3 618)	76	80	85	
Dividends received	-											5 300	5 300	5 618	5 955	
Fines	9	9	9	9	9	9	9	9	9	9	9	(99)	-	-	-	
Licences and permits	247	247	247	247	247	247	247	247	247	247	247	(2 601)	112	123	136	
Agency services												2 571	2 571	2 828	3 111	
Transfers recognised - operational	22 284			4 000	13 976		4 000		9 300	4 000		(38 864)	18 696	19 818	21 007	
Other revenue	140	140	140	140	140	140	140	140	140	140	140	42 823	44 358	46 875	50 624	
												2 496	2 496	2 670	2 853	
Gains on disposal of PPE	50 411	8 539	8 539	12 539	22 515	8 539	12 539	8 539	17 839	12 539	8 539	15 577	186 652	200 945	217 495	
Expenditure by Type																
Expenditure By Type	4 844	4 844	4 844	4 844	4 844	4 844	4 844	4 844	4 844	4 844	4 844	(53 288)	-	-	-	
Employee related costs	472	472										59 219	60 163	63 802	67 646	
Remuneration of councillors												5 895	5 895	6 249	6 624	
Debt impairment												5 917	5 917	6 272	6 648	
Depreciation & asset impairment	42	42	42	42	42	42	42	42	42	42	42	2 720	3 179	3 366	3 565	
Finance charges	4 288	4 288	4 288	4 288	4 288	4 288	4 288	4 288	4 288	4 288	4 288	(46 633)	530	561	594	
Bulk purchases												46 860	46 860	56 222	61 822	
Other materials	869	869	869	869	869	869	869	869	869	869	869	541	10 098	10 699	11 335	
Contracted services	11	11	11	11	11	11	11	11	11	11	11	11 601	11 718	6 931	7 292	
Transfers and grants	3 880	3 880	3 880	3 880	3 880	3 880	3 880	3 880	3 880	3 880	3 880	(42 482)	202	214	227	
Other expenditure												44 503	44 503	47 309	50 139	
Loss on disposal of PPE	14 405	14 405	13 933	13 933	13 933	13 933	13 933	13 933	13 933	13 933	13 933	34 854	189 064	201 624	215 892	
Surplus/(Deficit)	36 005	(5 866)	(5 394)	(1 394)	8 582	(5 394)	(1 394)	(5 394)	3 906	(1 394)	(5 394)	(19 278)	(2 412)	(679)	1 603	
Transfers recognised - capital												(2 412)	(2 412)	(679)	1 603	
Contributions recognised - capital												17 228	17 228	23 953	30 760	
												-	-	-	-	
Contributed assets	36 005	(5 866)	(5 394)	(1 394)	8 582	(5 394)	(1 394)	(5 394)	3 906	(1 394)	(5 394)	(4 461)	12 405	22 595	33 966	
Surplus/(Deficit) after capital transfers & contributions												(2 412)	(2 412)	(679)	1 603	
Surplus/(Deficit) attributable to municipality												(2 412)	(2 412)	(679)	1 603	
												(2 412)	(2 412)	(679)	1 603	

Surplus/(Deficit)	36 005	(5 866)	(5 394)	(1 394)	8 582	(5 394)	(1 394)	(5 394)	3 906	(1 394)	(5 394)	(11 696)	5 170	20 558	38 776
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Table 52 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)

Description	Budget Year 2012/13												Medium Term Revenue and Expenditure Framework			
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15	
R thousand																
<u>R thousand</u>																
Revenue by Vote																
Vote 1 - Council												407	407	432	458	
Vote 2 - Executive Mayor												51	51	56	62	
Vote 3 - Municipal Manager												78	78	83	88	
Vote 4 - Corporate Services	10	10										307	327	353	381	
Vote 5 - Finance	32 034				13 976			9 300				8 138	63 448	67 179	72 215	
Vote 6 - Community Services	889	889	889	889	889	889	889	889	889	889	889	1 368	11 151	12 166	13 279	
Vote 7 - Technical Services	11 074	7 074	7 074	13 432	7 074	9 432	13 432	9 432	9 432	9 432	9 432	4 261	110 582	120 007	130 277	
Vote 8 - Local Economic Development	51	51	51	51	51	51	51	51	51	51	51	51	607	669	736	
Total Revenue by Vote	44 058	8 024	8 014	14 372	21 990	10 372	14 372	10 372	19 672	10 372	10 372	14 661	186 652	200 945	217 495	
<u>Expenditure by vote to be appropriated</u>																
Vote 1 - Council	848	848	848	848	848	848	848	848	848	848	848	1 293	10 616	11 256	11 936	
Vote 2 - Executive Mayor	51	51	51	51	51	51	51	51	51	51	51	120	681	950	1 024	
Vote 3 - Municipal Manager	290	290	290	290	290	290	290	290	290	290	290	358	3 552	3 765	3 990	
Vote 4 - Corporate Services	802	802	802	802	802	802	802	802	802	802	802	837	9 660	10 236	10 846	
Vote 5 - Finance	1 662	1 662	1 662	1 662	1 662	1 662	1 662	1 662	1 662	1 662	1 662	12 648	30 933	27 238	28 751	
Vote 6 - Community Services	1 699	1 699	1 699	1 699	1 699	1 699	1 699	1 699	1 699	1 699	1 699	2 330	21 014	22 150	23 416	
Vote 7 - Technical Services	8 858	8 858	8 858	8 858	8 858	8 858	8 858	8 858	8 858	8 858	8 858	8 858	106 299	119 316	128 799	
Vote 8 - Local Economic Development	561	561	561	561	561	561	561	561	561	561	561	142	6 308	6 713	7 131	
Total Expenditure by Vote	14 771	14 771	14 771	14 771	14 771	14 771	14 771	14 771	14 771	14 771	14 771	26 587	189 064	201 624	215 892	
before assoc.	29 287	(6 747)	(6 757)	(399)	7 219	(4 399)	(399)	(4 399)	4 901	(4 399)	(4 399)	(11 925)	(2 412)	(679)	1 603	
Surplus/(Deficit) after capital transfers & contributions												(2 412)	(2 412)	(679)	1 603	
Taxation												-	-	-	-	
Surplus/(Deficit) attributable to municipality												(2 412)	(2 412)	(679)	1 603	
Surplus/(Deficit)	29 287	(6 747)	(6 757)	(399)	7 219	(4 399)	(399)	(4 399)	4 901	(4 399)	(4 399)	(14 337)	(4 823)	(1 358)	3 206	

Table 53 MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)

Description	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	Budget Year +2 2014/15
R thousand																
Revenue - Standard	32 034	-	-	-	13 976	-	-	-	9 300	-	-	8 849	64 159	67 935	73 019	
Governance and administration												537	537	571	608	
Executive and council	32 034				13 976				9 300			8 137	63 447	67 178	72 214	
Budget and treasury office												175	175	186	197	
Corporate services	233	233	233	233	233	233	233	233	233	233	233	233	2 800	2 979	3 173	
Community and public safety	224	224	224	224	224	224	224	224	224	224	224	224	2 688	2 857	3 042	
Community and social services	1	1	1	1	1	1	1	1	1	1	1	1	14	15	13	
Sport and recreation	8	8	8	8	8	8	8	8	8	8	8	8	98	107	118	
Public safety													-	-	-	
Housing													-	-	-	
Health	244	244	244	244	244	244	244	244	244	244	244	243	2 923	3 213	3 532	
Economic and environmental services	23	23	23	23	23	23	23	23	23	23	23	22	272	296	323	
Planning and development	221	221	221	221	221	221	221	221	221	221	221	221	2 652	2 917	3 208	
Road transport													-	-	-	
Environmental protection	9 729	9 729	9 729	9 729	9 729	9 729	9 729	9 729	9 729	9 729	9 729	9 718	116 732	126 775	137 725	
Trading services	5 736	5 736	5 736	5 736	5 736	5 736	5 736	5 736	5 736	5 736	5 736	5 726	68 825	75 707	83 278	
Electricity	2 910	2 910	2 910	2 910	2 910	2 910	2 910	2 910	2 910	2 910	2 910	2 910	34 917	37 012	39 233	
Water	487	487	487	487	487	487	487	487	487	487	487	486	5 838	6 188	6 559	
Waste water management	596	596	596	596	596	596	596	596	596	596	596	596	7 153	7 868	8 655	
Other												37	37	42	46	
Total Revenue - Standard	42 240	10 206	10 206	10 206	24 182	10 206	10 206	10 206	19 506	10 206	10 206	19 081	186 652	200 945	217 495	
		16 189	16 189	16 189	30 165	16 189	16 189	16 189	25 489	16 189	16 189					
Expenditure - Standard																
Governance and administration	4 343	4 343	4 343	4 343	4 343	4 343	4 343	4 343	4 343	4 343	4 343	4 344	52 115	49 918	52 811	
Executive and council	1 237	1 237	1 237	1 237	1 237	1 237	1 237	1 237	1 237	1 237	1 237	1 238	14 849	15 971	16 950	
Budget and treasury office	2 453	2 453	2 453	2 453	2 453	2 453	2 453	2 453	2 453	2 453	2 453	2 453	29 430	25 646	27 065	
Corporate services	653	653	653	653	653	653	653	653	653	653	653	653	7 835	8 302	8 796	
Community and public safety	1 346	1 346	1 346	1 346	1 346	1 346	1 346	1 346	1 346	1 346	1 346	1 353	16 162	17 069	18 030	
Community and social services	714	714	714	714	714	714	714	714	714	714	714	714	8 567	9 019	9 498	
Sport and recreation	458	458	458	458	458	458	458	458	458	458	458	410	5 449	5 775	6 121	
Public safety	56	56	56	56	56	56	56	56	56	56	56	124	742	787	834	
Housing	86	86	86	86	86	86	86	86	86	86	86	100	1 045	1 108	1 174	
Health	32	32	32	32	32	32	32	32	32	32	32	4	359	380	403	
Economic and environmental services	1 623	1 623	1 623	1 623	1 623	1 623	1 623	1 623	1 623	1 623	1 623	1 622	19 470	20 570	21 799	
Planning and development	660	660	660	660	660	660	660	660	660	660	660	659	7 914	8 386	8 888	
Road transport	963	963	963	963	963	963	963	963	963	963	963	963	11 557	12 184	12 911	
Environmental protection													-	-	-	
Trading services	8 240	8 240	8 240	8 240	8 240	8 240	8 240	8 240	8 240	8 240	8 240	8 240	98 879	111 453	120 467	
Electricity	4 679	4 679	4 679	4 679	4 679	4 679	4 679	4 679	4 679	4 679	4 679	4 679	56 143	66 155	72 453	
Water	2 150	2 150	2 150	2 150	2 150	2 150	2 150	2 150	2 150	2 150	2 150	2 150	25 797	27 345	28 986	
Waste water management	844	844	844	844	844	844	844	844	844	844	844	843	10 127	10 734	11 378	
Waste management	568	568	568	568	568	568	568	568	568	568	568	568	6 812	7 219	7 651	
Other	203	203	203	203	203	203	203	203	203	203	203	206	2 437	2 612	2 785	
Total Expenditure - Standard	15 057	15 057	15 057	15 057	15 057	15 057	15 057	15 057	15 057	15 057	15 057	15 765	189 064	201 624	215 892	
Surplus/(Deficit)	27 182	(4 852)	(4 852)	(4 852)	9 124	(4 852)	(4 852)	(4 852)	4 448	(4 852)	(4 852)	3 316	(2 412)	(679)	1 603	

Table 54 MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)

Description R thousand	Budget Year 2012/13												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Multi-year expenditure to be appropriated															
Multi-year expenditure to be appropriated													-	-	-
Vote 1 - Council													-	-	-
Vote 2 - Executive Mayor													-	-	-
Vote 3 - Municipal Manager													-	-	-
Vote 4 - Corporate Services													-	-	-
Vote 5 - Finance													-	-	-
Vote 6 - Community Services													-	-	-
Vote 7 - Technical Services													-	-	-
Vote 8 - Local Economic Development													-	-	-
Capital multi-year expenditure sub-total	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Single-year expenditure to be appropriated															
Single-year expenditure to be appropriated													-	-	-
Vote 1 - Council													-	-	-
Vote 2 - Executive Mayor													-	-	-
Vote 3 - Municipal Manager													-	-	-
Vote 4 - Corporate Services													-	-	-
Vote 5 - Finance													-	-	-
Vote 6 - Community Services			1 500										-	-	-
Vote 7 - Technical Services	1 973	1 973	1 973	1 973	1 973	1 973	1 973	1 973	1 973	1 973	1 973	1 974	23 681	18 900	37 612
Capital single-year expenditure sub-total	1 973	1 973	3 473	1 973	1 973	1 973	1 973	1 973	1 973	1 973	1 973	1 973	25 728	32 853	39 760
Total Capital Expenditure	1 973	1 973	3 473	1 973	1 973	1 973	1 973	1 973	1 973	1 973	1 973	2 520	25 728	32 853	39 760

Table 55 MBRR SA29 - Budgeted monthly capital expenditure (standard classification)

Description R thousand	Budget Year 2012/13												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Capital Expenditure - Standard															
<i>Governance and administration</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Executive and council															
Budget and treasury office															
Corporate services															
<i>Community and public safety</i>															
Community and social services		1 500											1 500		
Sport and recreation		1 500											1 500		
Public safety														6 300	2 148
Housing															
Health															
<i>Economic and environmental services</i>															
Planning and development	-	-	-	-	4 050	-	-	2 480	-	-	4 537	661	11 728	7 653	12 612
Road transport					4 050			2 480			547		547	7 653	-
Environmental protection											3 990	661	11 181	-	12 612
<i>Trading services</i>															
Electricity	-	-	4 000	-	-	-	4 000	-	4 000	500	-	-	12 500	18 900	25 000
Water			4 000				4 000		4 000				4 000	10 000	16 000
Waste water management										500			8 000	8 400	6 000
Waste management													500	500	3 000
<i>Other</i>															
Total Capital Expenditure Standard	-	-	4 000	-	4 050	-	4 000	2 480	4 000	500	4 537	661	25 728	32 853	39 760

Table 56 MBRR SA30 - Budgeted monthly 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	Budget Year +2 2014/15
Cash Receipts By Source																
Revenue By Source	13 750												-	13 750	14 575	15 450
Property rates													-			
Property rates - penalties & collection charges	5 729	5 729	5 729	5 729	5 729	5 729	5 729	5 729	5 729	5 729	5 729	5 729	5 729	68 750	75 625	83 188
Service charges - electricity revenue	1 318	1 318	1 318	1 318	1 318	1 318	1 318	1 318	1 318	1 318	1 318	1 318	1 318	15 812	16 761	17 767
Service charges - water revenue	487	487	487	487	487	487	487	487	487	487	487	487	487	5 838	6 188	6 559
Service charges - sanitation revenue	607	607	607	607	607	607	607	607	607	607	607	607	607	7 280	7 717	8 180
Service charges - refuse revenue	15	15	15	15	15	15	15	15	15	15	15	15	15	174	185	198
Service charges - other	135	135	135	135	135	135	135	135	135	135	135	135	135	1 619	1 717	1 820
Rental of facilities and equipment	5	5	5	5	5	5	5	5	5	5	5	5	5	55	58	62
Interest earned - external investments	336	336	336	336	336	336	336	336	336	336	336	336	336	4 030	4 272	4 528
Interest earned - outstanding debtors													-			
Dividends received	9	9	9	9	9	9	9	9	9	9	9	9	9	108	114	121
Fines	247	247	247	247	247	247	247	247	247	247	247	247	247	2 960	3 138	3 326
Transfer receipts - operational	22 284			4 000		13 976		4 000						2 525	60 085	62 387
Transfers recognised - operational									9 300	4 000			1 675	1 675	2 548	2 840
Cash Receipts by Source	44 919	8 886	8 886	12 886	22 862	8 886	12 886	8 886	18 186	12 886	8 886	13 086	182 136	195 285	210 031	
Other Cash Flows by Source																
Transfer receipts - capital	8 409					8 909			4 000	4 409			-	25 728	32 853	39 760
Transfers recognised - capital & Contributions recognised - capital													-			
Receipts													-			
Proceeds on disposal of PPE													-			
+Decrease (increase) other non-current receivables													-			
Total Cash Receipts by Source	53 329	8 886	8 886	12 886	31 771	8 886	12 886	12 886	22 595	12 886	8 886	13 086	207 864	228 138	249 791	
Cash Payments by Type																
Employee related costs	4 844	4 844	4 844	4 844	4 844	4 844	4 844	4 844	4 844	4 844	4 844	4 844	4 844	58 132	61 620	65 317
Remuneration of councillors	472	472	472	472	472	472	472	472	472	472	472	472	472	5 664	6 003	6 364
Finance charges													-			
Bulk purchases - Electricity	42	42	42	42	42	42	42	42	42	42	42	42	42	500	530	562
Bulk purchases - Water & Sewer	4 288	4 288	4 288	4 288	4 288	4 288	4 288	4 288	4 288	4 288	4 288	4 288	4 288	51 450	54 537	57 809
Transfers and grants - other municipalities	869	869	869	869	869	869	869	869	869	869	869	869	869	10 425	6 280	6 657
Transfers and grants - other	11	11	11	11	11	11	11	11	11	11	11	11	11	127	135	143
Other expenditure	3 880	3 880	3 880	3 880	3 880	3 880	3 880	3 880	3 880	3 880	3 880	3 880	3 880	46 565	49 359	52 359
Cash Payments by Type	14 405	14 405	14 405	14 405	14 405	14 405	14 405	14 405	14 405	14 405	14 405	14 405	172 863	178 464	189 211	
Other Cash Flows/Payments by Type																
Payments	1 973	1 973	3 473	1 973	1 973	1 973	1 973	1 973	1 973	1 973	1 973	1 973	2 525	25 728	32 853	37 612
Payments													-			
Other Cash Flows/Payments													-			
Total Cash Payments by Type	16 378	16 378	17 878	16 378	16 378	16 378	16 378	16 378	16 378	16 378	16 378	16 378	16 930	198 591	211 317	226 823
NET INCREASE/(DECREASE) IN CASH HELD	36 951	(7 493)	(8 993)	(3 493)	15 393	(7 493)	(3 493)	(3 493)	6 217	(3 493)	(7 493)	(3 844)	9 273	16 821	22 968	
Cash/cash equivalents at the month/year begin:	3 000	39 951	32 458	23 465	19 972	35 365	27 872	24 379	20 887	27 103	23 610	16 118	3 000	12 273	29 094	
Cash/cash equivalents at the month/year end:	39 951	32 458	23 465	19 972	35 365	27 872	24 379	20 887	27 103	23 610	16 118	12 273	12 273	29 094	52 062	

2.10 Annual budgets and SDBIPs – internal departments

2.10.1 Halls Department – Vote 4

The department is primarily responsible for the provision municipal halls for rental within the municipal boundary.

Table 57 Halls Department - operating revenue by source, expenditure by type and total capital expenditure

Description	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	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							
Rental of facilities and equipment	103	114	138	138	152	167	184
Other revenue							
Gains on disposal of PPE							
Total Revenue (excluding capital transfers and contributions)	103	114	138	138	152	167	184
Expenditure By Type							
Employee related costs	1 345	1 429	1 471	1 471	1 684	1 785	1 892
Remuneration of councillors							
Debt impairment							
Depreciation & asset impairment		1 000	1 000	1 000	1 059	1 121	1 188
Finance charges							
Bulk purchases							
Other materials	21	24	24	24	15	16	17
Contracted services							
Transfers and grants							
Other expenditure	81	85	52	52	41	43	46
Loss on disposal of PPE							
Total Expenditure	1 447	2 538	2 546	2 546	2 799	2 965	3 142
Surplus/(Deficit)	(1 344)	(2 424)	(2 408)	(2 408)	(2 647)	(2 798)	(2 959)
Transfers recognised - capital	16 000	1 000	8 000	8 000	4 000	10 000	16 000
Contributions recognised - capital	-	-	-	-	-	-	-
Contributed assets	(16 000)	(1 000)	(8 000)	(8 000)	(4 000)	(10 000)	(16 000)
Surplus/(Deficit) after capital transfers & contributions	(1 344)	(2 424)	(2 408)	(2 408)	(2 647)	(2 798)	(2 959)
Taxation							
Surplus/(Deficit) after taxation	(1 344)	(2 424)	(2 408)	(2 408)	(2 647)	(2 798)	(2 959)
Attributable to minorities							
Surplus/(Deficit) attributable to municipality	(1 344)	(2 424)	(2 408)	(2 408)	(2 647)	(2 798)	(2 959)
Share of surplus/ (deficit) of associate							
Surplus/(Deficit) for the year	(1 344)	(2 424)	(2 408)	(2 408)	(2 647)	(2 798)	(2 959)

There is currently no unfilled positions in the management structure of the Halls Department. As part of the performance objectives for the 2012/13 financial year, the optimum utilization of halls and the maintenance there will require spending to maintain the existing equipment.

There are no capital projects to be undertaken over the medium term.

The departmental strategy in ensuring the economic value, quality and optimum usage of the community halls is maintained. However the cash flow is always a challenges.

The departmental revenue base is primarily informed by the rental of municipal halls of which budget appropriation for the 2012/13 financial year is R152,000 and increases to R184,000 by 2014/15.

The departmental strategy needs to ensure the economic value and is enhanced by looking into carefully strategically at the full occupancy of the municipal halls as well as the tariffs reflective of the costs incurred being charged which are very close to the market related, to ensure that it does indeed cover the costs as per the requirement of the funded budget in the MFMA. However it must be stated that the municipality in reality has social responsibility to ensure that this service is accessible to all and that it is affordable and hence the tariffs may not always be cost reflective. To this end, the medium-term expenditure framework provides for operational deficit of R2.6 million, R2.8 million and R2.96 million in each of the respective financial years of the MTREF if we take into account the current capacity.

Clearly there is a big difference between the operating revenue and the operating expenditure. Thus the long term strategy of the municipality will be to close the gap so that a significant portion of the revenue as compared to operating expenditure is generated

2.10.2 Water Services Department – Vote 7

The department is primarily responsible for the distribution of potable water within the municipal boundary, which includes the purification of raw water, maintenance of the reticulation network and implementation of the departmental capital programme.

Table 587 Water Services Department - operating revenue by source, expenditure by type and total capital expenditure

Description	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14
R thousand							
Revenue By Source							
Service charges - water revenue		14 917	14 917	14 917	15 812	16 761	17 767
Service charges - sanitation revenue		5 503	5 503	5 503	5 838	6 188	6 559
Service charges - other							
Agency services		16 000	16 000	16 000	18 696	19 818	21 007
Other revenue		127	384	384	409	433	459
Gains on disposal of PPE							
Total Revenue (excluding capital transfers and contributions)		36 547	36 804	36 804	40 755	43 200	45 792
Expenditure By Type							
Employee related costs		7 852	7 417	7 417	7 518	7 969	8 447
Remuneration of councillors							
Debt impairment		5 752	5 752	5 752	5 917	6 272	6 648
Depreciation & asset impairment							
Finance charges			3	3			
Bulk purchases		-	500	500	530	562	596
Other materials		2 717	2 848	2 848	5 180	5 491	5 820
Contracted services					3 500	3 710	3 933
Transfers and grants							
Other expenditure		6 675	12 059	12 059	13 004	13 784	14 611
Loss on disposal of PPE							
Total Expenditure		22 995	28 579	28 579	35 649	37 788	40 056
Surplus/(Deficit)		13 552	8 225	8 225	5 105	5 412	5 736
Transfers recognised - capital					17 228	23 953	30 760
Surplus/(Deficit) for the year		13 552	8 225	8 225	22 333	29 365	36 496

Table 598 Water Services Department – Performance objectives and indicators

Description	Unit of measurement	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Technical Services	% household with							
Basic Services	access to basic services.		99.0%	99.0%	99.0%	99.0%	99.0%	100.0%
Sanitation								
<i>Insert measure/s description</i> Access to basic services								
Water	% household with		99.0%	99.0%	99.0%	99.0%	99.0%	100.0%
<i>Insert measure/s description</i>	access to basic							

There are currently no unfilled positions in the top management structure of the Water Services Department. The top management structure consists of the Water Services Area Manager, three technicians, a senior plumber and two plumbers, sewer purification operator, 2 handymen, 10 general workers and 5 sewerage assistants. As part of the performance objectives for the 2012/13 financial year, the expansion of the functional water demand management unit will require an amendment to the departmental organogram and the subsequent filling of vacancies.

Significant capital projects to be undertaken over the medium term includes, amongst others:

- Rosmead Rural Water – R13 million;
- Lingelihle Sewer Pump Station – R4 million;
- Cradock Water Treatment Works – R6 million; and
- Cradock Clear Water Reservoir – R3.4 million.

The departmental strategy is ensuring the economic value and useful life of the water reticulation network and infrastructure is maintained. However the old infrastructure is always a problem and these above mentioned projects are placed strategically to deal with those and make some kind of a dent in the infrastructural challenges. To this end, the medium-term expenditure framework provides for operational repairs and maintenance of R3.3 million, R3.5 million and R3.7 million in each of the respective financial years of the MTREF.

The departmental revenue base is primarily informed by the sale of water of which budget appropriation for the 2012/13 financial year is R15.8 million and increases to R17.8 million by 2014/15 and has been informed by a collection rate of 90 per cent and distribution losses of 15 per cent.

The reduction of distribution losses is considered a priority and hence the departmental objectives and targets provide for a 2 per cent efficiency gain per annum. In relation to this target, past performance has been irregular with a total distribution loss of 20 per cent in 2008/09, increasing to 25 per cent the next year and then is significantly expected to be decreasing by 5 per cent for the 2011/12 financial year resulting in a total distribution loss of 20 per cent for the year.

The establishment of a water demand management unit expected to be extremely successful with the reduction of distribution losses by 2014/15 financial year as at the moment the municipality is faced with numerous challenges in dealing with the distribution losses due to the

faulty meters. The further expansion of this unit will inevitably result in the further lowering of the distribution losses, thus paying for the unit itself and effecting additional savings for the municipality.

2.10.3 Finance Department – Vote 5

The department is primarily responsible for the financial administration within the municipal boundary, which includes the Budget and treasury office, Reporting, Revenue and Debt Collection, Supply Chain, Expenditure and Creditors and IT.

Table 609 Finance Department - operating revenue by source, expenditure by type and total capital expenditure

Description	Ref	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		2010/11				Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand	1	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast			
Revenue By Source								
Property rates	2	15 988	12 500	12 500	12 500	13 750	14 575	15 450
Property rates - penalties & collection charges			131	174	174	195	215	236
Service charges - other		152	65	72	72	76	80	85
Interest earned - external investments		4 923	4 800	500	500	5 300	5 618	5 955
Interest earned - outstanding debtors								
Dividends received		160	178	102	102	112	123	136
Fines								
Agency services		71 661	39 293	38 813	38 813	44 358	46 875	50 624
Transfers recognised - operational	2	3 464	2 477	2 340	2 340	2 496	2 670	2 853
Other revenue		1 440						
Gains on disposal of PPE								
Total Revenue (excluding capital transfers and contributions)		97 788	59 444	54 500	54 500	66 287	70 157	75 339
Expenditure By Type								
Employee related costs	2	7 442	7 898	8 203	8 203	9 221	9 774	10 360
Remuneration of councillors								
Debt impairment	3							
Depreciation & asset impairment	2		3	3	3	4	4	4
Finance charges								
Bulk purchases	2							
Other materials	8	108	114	61	61	63	67	71
Contracted services		1 218	1 295	1 295	1 295	7 031	1 916	1 925
Transfers and grants								
Other expenditure	4, 5	3 891	4 137	22 947	22 947	14 615	15 478	16 391
Loss on disposal of PPE								
Total Expenditure		12 659	13 448	32 510	32 510	30 933	27 238	28 751
Surplus/(Deficit)		85 129	45 997	21 990	21 990	35 354	42 919	46 588
Transfers recognised - capital								
Surplus/(Deficit) for the year		85 129	45 997	21 990	21 990	35 354	42 919	46 588

There are currently 3 unfilled key positions in the management structure of the Finance Services Department. The management structure consists of the Chief Finance Officer, Sectional Head Revenue, Sectional Head Accounting Services, Sectional Head Expenditure and Creditors, and IT Manager. The following are also key positions that are currently vacant. Supply Chain Practitioner/Officer, BTO Officer, Reporting Officer. As part of the performance objectives for the 2012/13 financial year, the functioning of the finance department will require the subsequent filling of vacancies.

Significant projects to be undertaken over the medium term includes, amongst others:

- Revenue enhancement strategy – R 5.3 million;
- General Valuation Roll – R4 million.

The departmental strategy in ensuring the economic value and proper functioning needs to be staffed with highly skilled personnel. The IT section has been filled with a qualified person and this has significantly address the constant IT interruptions that have been experienced in the past. There are significant challenges experienced in supply chain and thus delaying expenditure and projects, and hence a qualified dedicated person is needed in the section. There is also a need for the Reporting and the Budget and Treasury Officer as currently all the section 71 reports and council reports are a responsibility of the CFO. There are currently interns that are assisting in this regard and there is a prospect of intergrating some of them if not all of them into the municipality from the internship programme.

The departmental revenue base is primarily informed by the Equitable Share, and other operational grants as well as the Property Rates and interest earned outstanding debtors of of which budget appropriation for the 2012/13 financial year is R66.3 million and increases to R75.4 million by 2014/15 and has been informed by a collection rate of 90 per cent. It must be stressed that this department is not dealing on trading services as the property rates is not an exchanged transaction. Whatever surplus is available will be used to fund the administration and other non-trading services as well as the indigents for electricity and refuse.

The collection of current as well as the arrear debt and revenue enhancement has been considered a priority and hence the departmental objectives and targets provide for a 98 per cent efficiency collections against the budgeted revenue. The 90% being the collection of current debt and aided by 8% of the arrear debt per annum. In relation to this target, past performance has been irregular with the increasing debtors book over the years.

The establishment of a BTO and SCM units are expected to be extremely successful with the reduction of all the bottlenecks and delays in submitting the reports on time as well as the delays on procurement by 2012/13 financial year as at the moment the municipality is faced with numerous challenges in dealing with these using the CFO with the limited amount of resources available. The further expansion of this unit will inevitably result in the further skills the staff at the lower levels.

2.10.4 Library Services Department – Vote 6

The department is primarily responsible for the library services within the municipal boundary on behalf of the Department of Sports Recreation Arts and Culture, which includes the lending of books, provision of reading material and literature, and reading space, of the departmental capital programme. It also promotes reading and literacy within the community.

Table 60 Libraries Department - operating revenue by source, expenditure by type and total capital expenditure

Description	Ref	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		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	1							
Revenue By Source								
Fines		13	15	3	3	3	4	4
Other revenue	2	3	1 593	1 592	1 592	1 662	1 762	1 868
Gains on disposal of PPE								
Total Revenue (excluding capital transfers and contributions)		15	1 608	1 595	1 595	1 665	1 766	1 872
Expenditure By Type								
Employee related costs	-							
Remuneration of councillors	2	1 396	1 484	1 484	1 484	1 551	1 644	1 742
Debt impairment	3							
Depreciation & asset impairment	2	-						
Finance charges								
Bulk purchases	2							
Other materials	8	14	15	7	7			
Contracted services		2	3	3	3	3	3	3
Transfers and grants								
Other expenditure	4, 5	83	88	96	96	107	113	120
Loss on disposal of PPE								
Total Expenditure		1 496	1 590	1 590	1 590	1 660	1 760	1 865
Surplus/(Deficit)		(1 481)	18	5	5	5	6	6
Transfers recognised - capital								
Contributions recognised - capital	6	-	-	-	-	-	-	-
Contributed assets								
Surplus/(Deficit) for the year		(1 481)	18	5	5	5	6	6

There are currently no unfilled positions in the management structure of the Libraries Department. The management structure consists of the Librarian and the support staff. As part of the performance objectives for the 2012/13 financial year, the department carries its' mandate from the Department of Sports Recreation Arts and Culture.

There are no significant capital projects to be undertaken over the medium term includes, amongst others:

The departmental strategy is ensuring that there is a functional libraries within the municipal area and draws its programmes from Department of Sports Recreation Arts and Culture.

The departmental revenue base is primarily informed by the claims to be made on all the expenditure incurred by the municipality. The claims expected to be made are as follows for the budget appropriation for the 2012/13 financial year is R1.7 million and increases to R1.9 million by 2014/15.

2.10.5 Refuse and Street Sweeping Services Department – Vote 6

The department is primarily responsible for the garbage removal and street sweeping within the municipal boundary, which includes the provision of plastic bags, cleanup of the area.

Table 611 Refuse and Street Sweeping Department - operating revenue by source, expenditure by type and total capital expenditure

Description	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	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							
Service charges - refuse revenue	11 497	6 500	6 502	6 502	7 152	7 868	8 654
Service charges - other		-	2	2	2	3	3
Rental of facilities and equipment	4	4	2	2	2	2	3
Interest earned - external investments							
Interest earned - outstanding debtors							
Dividends received							
Fines							
Licences and permits							
Agency services							
Transfers recognised - operational							
Other revenue	0	0	0	0	0	0	0
Gains on disposal of PPE							
Total Revenue (excluding capital transfers and contributions)	11 501	6 504	6 506	6 506	7 157	7 873	8 660
Expenditure By Type							
Employee related costs	6 423	6 844	6 492	6 492	5 877	6 230	6 604
Remuneration of councillors							
Debt impairment							
Depreciation & asset impairment							
Finance charges							
Bulk purchases							
Other materials	367	390	390	390	292	309	328
Contracted services	1	1	1	1	1	1	1
Transfers and grants							
Other expenditure	2 934	2 704	1 806	1 806	1 388	1 470	1 557
Loss on disposal of PPE							
Total Expenditure	9 725	9 938	8 688	8 688	7 559	8 011	8 490
Surplus/(Deficit)	1 776	(3 434)	(2 182)	(2 182)	(402)	(138)	170
Transfers recognised - capital							
Surplus/(Deficit) for the year	1 776	(3 434)	(2 182)	(2 182)	(402)	(138)	170

Table 62 Refuse Department – Performance objectives and indicators

Description	Unit of measurement	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework	
		Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14
Waste Management	Environment with clean and well kept natural		99.0%	99.0%	99.0%	99.0%	99.0%
<i>Environment with clean and well kept natural spaces</i>							

There are currently no unfilled positions in the management structure of the Refuse removal and Street Sweeping Services Department. As part of the performance objectives for the 2012/13 financial year, the number of trees planted and maintained; an establishment of a compliant

disposal site; the rehabilitation of the disposal site; the number of jobs created (EPWP), and this will require the subsequent filling of vacancies for the EPWP.

Significant capital projects operational projects to be undertaken over the medium term includes, amongst others:

- EPWP – R1 million;
- Licencing of the disposal site (Capital) – R0.4 million;
- Fencing of the disposal site R0.1 million.

The departmental strategy is ensuring the economic value and useful life of the disposal site and infrastructure is maintained and plans are made to register the disposal site, fence it and rehabilitate the disposal site. However the cash flow has always been problem and these above mentioned projects are placed strategically to at least solve the legal and compliance issues and the maintenance and the operations of the dumping sites. To this end, the medium-term expenditure framework provides for operational repairs and maintenance of R0.29 million, R0.3 million and R0.34 million in each of the respective financial years of the MTREF.

The departmental revenue base is primarily informed by the refuse removal service charges of which budget appropriation for the 2012/13 financial year is R7.2 million and increases to R8.7 million by 2014/25. The municipality has had to increase the tariffs for this to at least make sure that the cost of providing this trading service are indeed covered.

The implementation of the EPWP project for the clean-up campaigns is expected to be extremely successful with the reduction of illegal dumps by 2012/13 financial year as at the moment the municipality is faced with numerous challenges illegal dumping.

2.10.6 Sports and Recreation and Parks – 6

The department is primarily responsible for the Sporting facilities, Swimming pools and Parks and Gardens within the municipal boundary, which includes ensuring that there are adequate, accessible and properly maintained sporting facilities,.

Table 63 Sports and Recreation and Parks - operating revenue by source, expenditure by type and total capital expenditure

Description	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	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 By Source							
Rental of facilities and equipment	182	171	141	141	154	170	187
Other revenue	37	40	13	13	14	15	13
Gains on disposal of PPE							
Total Revenue (excluding capital transfers and contributions)	219	211	154	154	168	185	200
Expenditure By Type							
Employee related costs	5 232	5 571	5 639	5 639	4 704	4 987	5 286
Depreciation & asset impairment		2	2	2	2	2	2
Other materials	532	568	515	515	359	380	403
Contracted services							
Transfers and grants							
Other expenditure	548	470	497	497	383	406	430
Loss on disposal of PPE							
Total Expenditure	6 313	6 611	6 654	6 654	5 449	5 775	6 121
Surplus/(Deficit)	(6 094)	(6 400)	(6 500)	(6 500)	(5 281)	(5 590)	(5 921)
Transfers recognised - capital							
Surplus/(Deficit) for the year	(6 094)	(6 400)	(6 500)	(6 500)	(5 281)	(5 590)	(5 921)

There are currently no unfilled positions in the management structure of the Sports and Recreation and Parks Department. The management structure consists of the Sports and Recreation and Parks Superintendent and other supporting staff. As part of the performance objectives for the 2012/13 financial year, the renovations and improved conditions of the facilities as well as the upgrading of the stadium will require the subsequent filling of vacancies.

Significant capital projects to be undertaken over the medium term includes, amongst others:

- Upgrading of Phiti Stadium – R 7.8 million;

The departmental strategy is ensuring that there are adequate and accessible sporting facilities for all in the area of Inxuba Yethemba and that the infrastructure is maintained. However the vandalism of the existing infrastructure and the low income generated from these facilities is always a problem and this above mentioned projects are placed strategically to deal with the challenge and make some kind of a dent in the infrastructural challenges. To this end, the medium-term expenditure framework provides for operational repairs and maintenance of R0.36 million, R0.38 million and R0.40 million in each of the respective financial years of the MTREF.

The departmental revenue base is primarily informed by the gate takings and the rental of the facilities by the community of which budget appropriation for the 2012/13 financial year is R0.17 million and increases to R0.2 million by 2014/15. The operating expenditure for the 2012/13 financial year is R5.5 million and increases to R6.1 million by 2014/15

Clearly there is a big difference between the operating revenue and the operating expenditure. Thus the long term strategy of the municipality will be to close the gap so that a significant portion of the revenue as compared to operating expenditure is generated.

2.10.7 Traffic, Fire and Civil Protection Department Services Department – Vote 6

The department is primarily responsible for the traffic control, fire and civil protection within the municipal boundary, which includes the law enforcement, controlled traffic flow and speed humps, increased law enforcement, fire and civil protection and implementation of the departmental capital programme.

Table 64 Traffic, Fire and Civil Protection Services Department - operating revenue by source, expenditure by type and total capital expenditure

Description	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	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							
Fines		150	80	80	88	97	106
Licences and permits	1 071	3 256	2 338	2 338	2 571	2 828	3 111
Other revenue		71	32	32	28	31	33
Total Revenue (excluding capital transfers and contributions)	1 071	3 477	2 449	2 449	2 687	2 956	3 251
Expenditure By Type							
Employee related costs	2 385	2 487	2 611	2 611	2 856	3 027	3 209
Other materials	267	283	157	157	171	181	191
Other expenditure	344	369	459	459	516	484	513
Total Expenditure	2 996	3 139	3 226	3 226	3 543	3 692	3 913
Surplus/(Deficit)	(1 925)	337	(777)	(777)	(855)	(737)	(662)
Transfers recognised - capital							
Surplus/(Deficit) for the year	(1 925)	337	(777)	(777)	(855)	(737)	(662)

There is currently one unfilled position in the management structure of the Traffic Control Services Department and that is the one of Superintendent traffic Services. The top management structure consists of the Superintendent Traffic services and the support staff. As part of the performance objectives for the 2012/13 financial year, the increase in law enforcement will require the subsequent filling of vacancies.

There are no capital projects to be undertaken over the medium term.

The departmental strategy needs to ensure the economic value and is enhanced by looking into carefully strategically at the optimization of the economies of scale to ensure that it does indeed cover the costs as per the requirement of the funded budget in the MFMA. To this end, the medium-term expenditure framework provides for operational deficit of R0.86 million, R0.74 million and R0.66 million in each of the respective financial years of the MTREF if we take into account the current capacity.

The departmental revenue base is primarily informed by the Revenue from licenses and permits and the traffic fines of which budget appropriation for the 2012/13 financial year is R2.7 million and increases to R3.25 million by 2014/15.

Clearly there is a big difference between the operating revenue and the operating expenditure. Thus the long term strategy of the municipality will be to close the gap so that a significant portion of the revenue as compared to operating expenditure is generated.

2.10.8 Housing Department – Vote 7

The department is primarily responsible for the provision of the low costs housing for rental within the municipal boundary.

Table 65 Housing Department - operating revenue by source, expenditure by type and total capital expenditure

Description	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14
Revenue By Source							
Rental of facilities and equipment	800	890	600	600	660	726	799
Other revenue							
Gains on disposal of PPE							
Total Revenue (excluding capital transfers and contributions)	800	890	600	600	660	726	799
Expenditure By Type							
Employee related costs	881	940	905	905	926	982	1 040
Remuneration of councillors							
Debt impairment							
Depreciation & asset impairment							
Finance charges							
Bulk purchases							
Other materials	12	13	13	13	13	14	15
Contracted services							
Transfers and grants							
Other expenditure	117	122	105	105	106	113	119
Loss on disposal of PPE							
Total Expenditure	1 010	1 076	1 023	1 023	1 045	1 108	1 174
Surplus/(Deficit)	(210)	(186)	(423)	(423)	(385)	(382)	(376)
Transfers recognised - capital							
Surplus/(Deficit) for the year	(210)	(186)	(423)	(423)	(385)	(382)	(376)

There is currently one unfilled positions in the management structure of the Water Services Department. The vacant position is that of the Head of Housing Development and Admin. As part of the performance objectives for the 2012/13 financial year, the provision of the low cost housing units will require the subsequent filling of vacancies.

Significant capital projects to be undertaken over the medium term includes, amongst others:

- Lusaka Low Cost Housing – R55.7 million;
- Rosmead Low Cost Housing – R20.1 million.

Note all the expenditure and supply chain will be the responsibility of the department of housing.

The departmental strategy in ensuring the economic value, quality and useful life of the low cost housing and infrastructure is maintained. However the service of the service providers is more often of the poor standard resulting in enomours amount of rectifications and this is always a problem and these above mentioned projects are placed strategically to deal with those and make some kind of a dent in these challenges.

The departmental revenue base is primarily informed by the rental of municipal flats of which budget appropriation for the 2012/13 financial year is R0.66 million and increases to R0.8 million by 2014/15.

The departmental strategy needs to ensure the economic value and is enhanced by looking into carefully strategically at the full occupancy of the municipal flats as well as the tariffs reflective of the costs incurred being charged which are very close to the market related, to ensure that it does indeed cover the costs as per the requirement of the funded budget in the MFMA. To this end, the medium-term expenditure framework provides for operational deficit of R0.385 million, R0.382 million and R0.376 million in each of the respective financial years of the MTREF if we take into account the current capacity.

Clearly there is a big difference between the operating revenue and the operating expenditure. Thus the long term strategy of the municipality will be to close the gap so that a significant portion of the revenue as compared to operating expenditure is generated

2.10.9 SMME & Commonage Department

The department is primarily responsible for the increased number of the SMMEs, functional and sustainable projects, attracting investment from outside and supporting emerging farmers within the municipal boundary, which includes the sourcing of funding, providing technical support, liaising with the stakeholders.

Table 62 SMME & Commonage Department - operating revenue by source, expenditure by type and total capital expenditure

R thousand	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							
Service charges - other		24	24	24	26	28	31
Rental of facilities and equipment		22	30	30	32	35	39
Other revenue		3	6	6	6	7	8
Total Revenue (excluding capital transfers and contributions)	-	49	60	60	65	71	78
Expenditure By Type							
Employee related costs	339	351	572	572	692	734	778
Depreciation & asset impairment			2	2	2	2	2
Other materials	163	173	117	117	124	131	139
Other expenditure	957	1 011	414	414	757	801	849
Total Expenditure	1 460	1 535	1 105	1 105	1 575	1 669	1 768

Surplus/(Deficit)	(1 460)	(1 485)	(1 045)	(1 045)	(1 511)	(1 598)	(1 690)
Transfers recognised - capital	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	(1 460)	(1 485)	(1 045)	(1 045)	(1 511)	(1 598)	(1 690)

There is currently one unfilled key positions in the management structure of the SMME & Commonage Department. The key vacant position is that of the SMME officer. As part of the performance objectives for the 2012/13 financial year, the expansion of the functional SMME unit will require an amendment to the departmental organogram and the subsequent filling of vacancies.

Significant projects to be undertaken over the medium term includes, amongst others:

- Revitalisation of wool and Mohair – R1.3 million;
- Cradock Hawkers Facility (Capital) – R8.2 million.

The departmental strategy is ensuring the economic value and sustainable development is maintained. However the over reliance and dependence on the municipality, and the continuous failures of the projects due to lack of graft is always a problem and these above mentioned projects are placed strategically to deal with the challenges.

The departmental revenue base is primarily informed by the sale of water of which budget appropriation for the 2012/13 financial year is R15.8 million and increases to R17.8 million by 2014/15 and has been informed by a collection rate of 90 per cent and distribution losses of 15 per cent.

The training is considered a priority and hence the departmental objectives and targets provide for training of the SMMEs. The municipality is also looking at other measures and financial incentives in the future to implement to encourage the SMMEs.

2.10.10 Tourism Department – Vote 14

The department is primarily responsible for the tourism and also includes the provision of the tourism attractions within the municipal boundary, which includes the Cradock spa, Caravan Park, Museum and Vusubuntu.

Table 67 Tourism Department - operating revenue by source, expenditure by type and total capital expenditure

Description	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	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							
Service charges - other							
Rental of facilities and equipment	468	470	470	470	505	556	611
Other revenue	153	164	36	36	37	42	46
Total Revenue (excluding capital transfers and contributions)	622	634	506	506	543	598	658
Expenditure By Type							
Employee related costs	2 109	2 286	1 903	1 903	1 979	2 126	2 270
Depreciation & asset impairment		4					
Other materials	318	333	177	177	109	116	123
Contracted services	9	10	10	10	11	11	12
Transfers and grants	95	100	120	120	160	169	179
Other expenditure	699	744	1 736	1 736	533	565	598
Total Expenditure	3 232	3 478	3 946	3 946	2 792	2 988	3 183
Surplus/(Deficit)	(2 610)	(2 844)	(3 441)	(3 441)	(2 249)	(2 390)	(2 525)
Transfers recognised - capital							
Surplus/(Deficit) for the year	(2 610)	(2 844)	(3 441)	(3 441)	(2 249)	(2 390)	(2 525)

There are currently no unfilled positions in the management structure of the Tourism Department. The management structure consists of the Tourism Officer and there is also the support staff. As part of the performance objectives for the 2012/13 financial year, promoting and marketing the area, the opening of the tourist information centre, the completion of the conference centre, the lobbying of events, revitalization of the Cradock Spa, and increasing the number of visitors.

Significant capital projects to be undertaken over the medium term includes, amongst others:

- Vusubuntu Conference Facility – R7 million;

The departmental strategy is ensuring the tourism in the area is enhanced so that it can contribute very meaningfully in the economy of the area. Tourism is one of the key strategic areas of economic development and poverty alleviation in the area.. However the funding is always a problem and these above mentioned projects are placed strategically to deal with these challenges.

The departmental revenue base is primarily informed by the rental of Cradock Spa and Vusubuntu Village of which budget appropriation for the 2012/13 financial year is R0.543 million and increases to R0.658 million by 2014/15.

The departmental strategy needs to ensure the economic value and is enhanced by looking into carefully strategically at the full occupancy of the facilities during the tourism season as well as the tariffs reflective of the costs incurred being charged which are very close to the market related, to ensure that it does indeed cover the costs as per the requirement of the funded budget in the MFMA. To this end, the medium-term expenditure framework provides for operational deficit of R2.2 million, R2.4 million and R2.5 million in each of the respective financial years of the MTREF if we take into account the current capacity.

Clearly there is a big difference between the operating revenue and the operating expenditure. Thus the long term strategy of the municipality will be to close the gap so that a significant portion of the revenue as compared to operating expenditure is generated

2.11 Contracts having future budgetary implications

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

2.12 Capital expenditure details

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

Table 63 MBRR SA 34a - Capital expenditure on new assets by 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									
Capital expenditure on new assets by Asset Class/Sub-class									
Infrastructure	5 133	10 196	25 066	1 000	8 000	8 000	19 020	4 500	9 000
Infrastructure - Road transport	5 133	7 196	9 066	-	-	-	10 520	-	-
Roads, Pavements & Bridges	5 133	7 196	9 066				10 520		
Storm water									
Infrastructure - Electricity	-	3 000	16 000	1 000	8 000	8 000	1 500	1 500	6 000
Generation		3 000	16 000	1 000	8 000	8 000	1 500		6 000
Transmission & Reticulation								1 500	
Street Lighting									
Infrastructure - Water	-	-	-	-	-	-	7 000	3 000	3 000
Dams & Reservoirs									
Water purification									
Reticulation							7 000	3 000	3 000
Infrastructure - Sanitation	-	-	-	-	-	-	-	-	-
Reticulation									
Sewerage purification									
Infrastructure - Other	-	-	-	-	-	-	-	-	-
Waste Management									
Other									
Community	-	-	-	10 904	10 904	10 904	2 708	13 953	14 760
Parks & gardens									
Sportsfields & stadia									
Cemeteries				10 904	10 904	10 904	1 500	5 602	2 148
Social rental housing									
Other							1 208	8 351	12 612
Heritage assets	-	-	-	-	-	-	-	-	-
Buildings									
Other									
Investment properties	-	-	-	-	-	-	-	-	-
Housing development									
Other									
Other assets	-	-	-	-	-	-	-	-	-
General vehicles									
Specialised vehicles									
Other									
Agricultural assets	-	-	-	-	-	-	-	-	-
List sub-class									
Biological assets	-	-	-	-	-	-	-	-	-
List sub-class									
Intangibles	-	-	-	-	-	-	-	-	-
Computers - software & programming									
Other (list sub-class)									
Total Capital Expenditure on new assets	5 133	10 196	25 066	11 904	18 904	18 904	21 728	18 453	23 760

Table 64 MBRR SA34b - Capital expenditure on the renewal of existing assets by 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>Capital expenditure on renewal of existing assets by Asset Class/Sub-class</u>									
-									
Infrastructure	-	-	-	-	-	-	4 000	14 400	16 000
Infrastructure - Road transport <i>Roads, Pavements & Bridges</i> <i>Storm water</i>	-	-	-	-	-	-	-	-	-
Infrastructure - Electricity <i>Generation</i> <i>Transmission & Reticulation</i> <i>Street Lighting</i>	-	-	-	-	-	-	2 500 2 500	8 500 6 500 2 000	10 000 5 000 5 000
Infrastructure - Water <i>Dams & Reservoirs</i> <i>Water purification</i> <i>Reticulation</i>	-	-	-	-	-	-	500 500	1 900 1 900	1 000 1 000
Infrastructure - Sanitation <i>Reticulation</i> <i>Sewerage purification</i>	-	-	-	-	-	-	1 000 1 000	4 000 4 000	5 000 5 000
Infrastructure - Other <i>Waste Management</i> <i>Transportation</i> <i>Gas</i> <i>Other</i>	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-
Buildings									
Other									
Investment properties	-	-	-	-	-	-	-	-	-
Housing development									
Other									
Other assets	-	-	-	-	-	-	-	-	-
General vehicles									
Specialised vehicles	-	-	-	-	-	-	-	-	-
Agricultural assets	-	-	-	-	-	-	-	-	-
<i>List sub-class</i>									
Biological assets	-	-	-	-	-	-	-	-	-
<i>List sub-class</i>									
Intangibles	-	-	-	-	-	-	-	-	-
Computers - software & programming									
Other (<i>list sub-class</i>)									
Total Capital Expenditure on renewal of existing assets	-	-	-	-	-	-	4 000	14 400	16 000

Table 65 MBRR SA34c - Repairs and maintenance expenditure by asset class

Description R thousand	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
Repairs and maintenance expenditure by Asset Class/Sub-class									
Infrastructure	1 343	2 279	3 150	5 945	5 345	5 345	5 933	6 286	6 660
Infrastructure - Road transport	1 343	2 279	3 150	2 081	2 081	2 081	1 086	1 150	1 217
Roads, Pavements & Bridges	1 343	2 279	3 150	2 081	2 081	2 081	1 086	1 150	1 217
Storm water									
Infrastructure - Electricity	-	-	-	2 037	1 437	1 437	1 500	1 589	1 682
Generation				2 037	1 437	1 437	1 500	1 589	1 682
Transmission & Reticulation									
Street Lighting									
Infrastructure - Water	-	-	-	1 735	1 735	1 735	2 677	2 838	3 008
Dams & Reservoirs									
Water purification				1 735	1 735	1 735	2 677	2 838	3 008
Reticulation									
Infrastructure - Sanitation	-	-	-	55	55	55	630	667	707
Reticulation									
Sewerage purification				55	55	55	630	667	707
Infrastructure - Other	-	-	-	38	38	38	40	42	45
Waste Management				38	38	38	40	42	45
Other									
Community	-	-	-	432	360	360	262	278	294
Parks & gardens				30	45	45	32	34	36
Sportsfields & stadia				94	167	167	83	88	93
Swimming pools				95	45	45	30	32	34
Fire, safety & emergency				50	50	50	53	56	59
Security and policing				163	53	53	64	68	72
Cemeteries				0	0	0	0	0	0
Other									
Heritage assets	-	-	-	-	-	-	-	-	-
Buildings									
Other									
Investment properties	-	-	-	-	-	-	-	-	-
Housing development									
Other									
Other assets	-	-	-	4 381	3 091	3 091	5 856	6 210	6 586
General vehicles				1 639	1 536	1 536	1 279	1 375	1 435
Specialised vehicles	-	-	-	350	350	350	250	265	280
Plant & equipment				1 160	600	600	1 840	1 950	2 066
Furniture and other office equipment				98	100	100	66	69	74
Other Buildings				1 000	500	500	500	530	561
Other				134	5	5	1 921	2 022	2 169
Agricultural assets	-	-	-	173	107	107	124	131	139
List sub-class				173	107	107	124	131	139
Biological assets	-	-	-	-	-	-	-	-	-
List sub-class									
Intangibles	-	-	-	-	-	-	-	-	-
Computers - software & programming									
Total Repairs and Maintenance Expenditure	1 343	2 279	3 150	10 931	8 904	8 904	12 174	12 905	13 679
Specialised vehicles	-	-	-	350	350	350	250	265	280
Refuse				350	350	350	250	265	280
Ambulances									
R&M as a % of PPE	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M as % Operating Expenditure	9.0%	17.4%	5.1%	29.7%	22.5%	22.5%	19.6%	21.3%	21.3%

Table 66 MBRR SA35 - Future financial implications of the capital budget

Vote Description	2012/13 Medium Term Revenue & Expenditure Framework			Forecasts			
	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15	Forecast 2015/16	Forecast 2016/17	Forecast 2017/18	Present value
R thousand							
Capital expenditure							
Multi-year expenditure to be appropriated	-	-	-				
Vote 1 - Council	-	-	-				
Vote 2 - Executive Mayor	-	-	-				
Vote 3 - Municipal Manager	-	-	-				
Vote 4 - Corporate Services	-	-	-				
Vote 5 - Finance	-	-	-				
Vote 6 - Community Services	1 500	6 300	2 148				
Vote 7 - Technical Services	23 681	18 900	37 612				
Vote 8 - Local Economic Development	547	7 653	-				
Total Capital Expenditure	25 728	32 853	39 760	-	-	-	-
Future operational costs by vote							
Multi-year expenditure to be appropriated							
Vote 1 - Council							
Vote 2 - Executive Mayor							
Vote 3 - Municipal Manager							
Vote 4 - Corporate Services							
Vote 5 - Finance							
Vote 6 - Community Services							
Vote 7 - Technical Services							
Vote 8 - Local Economic Development							
Total future operational costs	-	-	-	-	-	-	-
Future revenue by source							
Revenue By Source							
Property rates							
Property rates - penalties & collection charges							
Service charges - electricity revenue							
Service charges - water revenue							
Service charges - sanitation revenue							
Service charges - refuse revenue							
Service charges - other							
Total future revenue	-	-	-	-	-	-	-
Net Financial Implications	25 728	32 853	39 760	-	-	-	-

Table 67 MBRR SA36 - Detailed capital budget per municipal vote

Municipal Vote/Capital project R thousand	Program/Project description	Individually Approved (Yes/No) 6	Asset Class 3	Asset Sub-Class 3	Total Project Estimate	Prior year outcomes		2012/13 Medium Term Revenue & Expenditure Framework			Project information	
						Audited Outcome 2010/11	Current Year 2011/12 Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15	Ward location	New or renewal
Parent municipality: <i>List all capital projects grouped by Municipal Vote</i>												
Electricity	Transformers	No	<i>Infrastructure - Electricity</i>	<i>Generation</i>	13 957	13 957						New
Electricity	Upgrade Substation	No	<i>Infrastructure - Electricity</i>	<i>Generation</i>	2 676	2 676				5 000		New
Electricity	Middelburg Substation	Yes	<i>Infrastructure - Electricity</i>	<i>Generation</i>			8 000				7	New
Electricity	Bulk Meters for Networks	Yes	<i>Infrastructure - Electricity</i>	<i>Transmission & Reticulation</i>				2 000			8	Renewal
Electricity	Michausdal Bulk Supply Line	Yes	<i>Infrastructure - Electricity</i>	<i>Transmission & Reticulation</i>				1 500			4	New
Electricity	Upgrading Main Substation	Yes	<i>Infrastructure - Electricity</i>	<i>Generation</i>				2 500	500		4	Renewal
Electricity	Industrial Area Bulk Supply Line	Yes	<i>Infrastructure - Electricity</i>	<i>Transmission & Reticulation</i>					6 000		8	Renewal
Electricity	Rosmead Electricity Supply	Yes	<i>Infrastructure - Electricity</i>	<i>Generation</i>					1 500	4 500	7	New
Electricity	Replacement of outdated meters	Yes	<i>Infrastructure - Electricity</i>	<i>Reticulation</i>						5 000	All	Renewal
Electricity	Rosmead Prepaid Meters	Yes	<i>Infrastructure - Electricity</i>	<i>Transmission & Reticulation</i>						1 500	7	New
Streets	Upgrading of Streets	No	<i>Infrastructure - Road transport</i>	<i>Roads, Pavements & Bridges</i>		9 066		10 520			6 8 9	New
Other	Upgradign Central Cemetery	Yes	<i>Infrastructure - Other</i>	<i>Cemeteries</i>			10 904	1 500			4	New
Community	Upgrading of Stadium & Hawkers Facility	Yes	<i>Community</i>	<i>Sportsfields & stadia</i>				647	13 255	2 148	9	Renewal

2.13 Legislation compliance status

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

1. In year reporting
Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the municipality's website.
2. Internship programme
The municipality is participating in the Municipal Financial Management Internship programme and has employed six interns undergoing training in various divisions of the Financial Services Department. Of the six interns one has been appointed permanently from June 2010. The remaining four have completed their two year contract on 30 November 2010, and extension for one year has been granted by National Treasury. Since the introduction of the Internship programme the municipality has successfully employed and trained 4 interns through this programme and a majority of them are going to be appointed either in the municipality or other Institutions, National Treasury. Four additional interns are to be appointed with effect from 1 November 2012.
3. Budget and Treasury Office
The Budget and Treasury Office has been established in accordance with the MFMA, however the municipality is in the process of staffing it.
4. Audit Committee
An Audit Committee has been established and is fully functional.
5. Service Delivery and Implementation Plan
The detail SDBIP document is at a draft stage and will be finalised after approval of the 2012/13 MTREF in May 2012 directly aligned and informed by the 2012/13 MTREF.
6. Annual Report
Annual report is compiled in terms of the MFMA and National Treasury requirements.
7. MFMA Training
The MFMA training module in electronic format is presented at the municipality's internal centre and training is ongoing.
8. Policies
An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009, was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.

2.14 Other supporting documents

Table 68 MBRR Table SA1 - Supporting detail to budgeted financial performance

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand									
REVENUE ITEMS:									
Property rates									
Total Property Rates	1,764,014	2,246,506	2,364,464	3,039,297	2,913,031	2,913,031	3,157,834	3,524,444	3,943,670
less Revenue Foregone	44,790	61,441	64,840	123,566	123,566	123,566	135,959	155,054	186,800
Net Property Rates	1,719,224	2,185,065	2,299,624	2,915,731	2,789,465	2,789,465	3,021,875	3,369,390	3,756,870
Service charges - electricity revenue									
Total Service charges - electricity revenue	2,695,796	2,951,235	3,501,347	5,010,136	5,000,136	5,000,136	6,105,364	7,177,612	8,445,078
less Revenue Foregone	21,406	24,742	34,740	80,136	80,136	80,136	95,364	115,862	147,522
Net Service charges - electricity revenue	2,674,390	2,926,493	3,466,607	4,930,000	4,920,000	4,920,000	6,010,000	7,061,750	8,297,556
Service charges - water revenue									
Total Service charges - water revenue	1,062,141	1,264,264	1,360,594	1,542,198	1,552,198	1,552,198	1,692,337	1,905,037	2,149,893
less Revenue Foregone	25,440	31,378	35,273	67,198	67,198	67,198	73,937	84,337	101,606
Net Service charges - water revenue	1,036,701	1,232,886	1,325,321	1,475,000	1,485,000	1,485,000	1,618,400	1,820,700	2,048,287
Service charges - sanitation revenue									
Total Service charges - sanitation revenue	256,240	311,914	348,070	374,466	374,466	374,466	414,388	458,696	509,311
less Revenue Foregone	6,673	8,508	10,317	19,686	19,686	19,686	21,845	24,936	30,006
Net Service charges - sanitation revenue	249,567	303,406	337,753	354,780	354,780	354,780	392,543	433,760	479,305
Service charges - refuse revenue									
Total refuse removal revenue	261,310	278,912	332,550	412,522	412,522	412,522	461,169	540,773	636,469
Total landfill revenue	15,424	16,236	17,091	17,990	18,534	18,534	17,896	18,908	19,979
less Revenue Foregone	10,610	11,223	14,545	28,697	28,697	28,697	31,285	35,659	42,960
Net Service charges - refuse revenue	266,124	283,925	335,096	401,815	402,359	402,359	447,780	524,021	613,487
Other Revenue by source									
Fuel levy	701,694	801,935	902,177	969,463	969,463	969,463	1,085,816	1,171,009	1,239,214
Other revenue	541,903	611,312	667,320	617,293	637,235	637,235	753,790	793,384	833,521
Total 'Other' Revenue	1,243,597	1,413,247	1,569,497	1,586,756	1,606,698	1,606,698	1,839,606	1,964,393	2,072,735
EXPENDITURE ITEMS:									
Employee related costs									
Salaries and Wages	1,558,317	1,780,569	1,893,846	2,127,872	2,164,300	2,164,300	2,514,232	2,715,438	2,932,745
Contributions to UIF, pensions, medical aid	483,652	521,636	567,940	674,838	674,494	674,494	707,467	763,497	823,980
Travel, motor car, accom; & other allowances	274,141	295,156	329,540	353,188	352,923	352,923	419,243	443,197	468,587
Housing benefits and allowances	22,155	27,853	32,724	31,379	31,430	31,430	26,120	27,427	28,799
Overtime	135,967	166,269	225,764	136,808	138,879	138,879	152,319	159,939	167,940
Performance bonus	127,691	133,644	146,640	177,353	177,202	177,202	204,541	220,910	238,589
Long service awards	8,629	8,708	8,726	4,647	4,637	4,637	5,507	5,948	6,424
Payments in lieu of leave	65,491	72,342	96,868	48,410	48,373	48,373	58,005	62,647	67,661
Post-retirement benefit obligations	36,909	42,752	47,482	49,055	49,365	49,365	59,082	61,818	64,734
sub-total	2,712,951	3,048,929	3,349,530	3,603,551	3,641,602	3,641,602	4,146,517	4,460,821	4,799,459
Less: Employees costs capitalised to PPE	45,142	49,802	53,786	82,895	79,173	79,173	98,031	106,223	113,495
Total Employee related costs	2,667,809	2,999,127	3,295,744	3,520,655	3,562,430	3,562,430	4,048,486	4,354,598	4,685,963
Contributions recognised - capital									
Developer ABC	4,523	2,713	-	-	-	-	1,365	1,698	1,891
Developer DEF	6,880	-	5,481	-	-	-	8,654	-	-
Developer GHI	-	5,699	-	-	-	-	-	-	-
Developer JKL	-	-	8,950	27,540	7,540	7,540	7,891	11,254	28,978
Developer MNO	32,540	33,870	34,500	45,490	17,650	17,650	35,460	36,789	37,500
Developer PQR	2,891	2,159	2,678	4,560	2,560	2,560	2,891	-	-
Total Contributions recognised - capital	46,834	44,440	51,609	77,590	27,751	27,751	56,261	49,741	68,369
Depreciation & asset impairment									
Depreciation of Property, Plant & Equipment	628,930	574,907	507,006	783,926	723,031	723,031	785,789	842,892	984,464
Lease amortisation	72,782	79,979	87,890	96,653	96,653	96,653	105,042	112,675	131,487
Capital asset impairment	5,880	6,406	6,901	25,047	22,025	22,025	21,500	22,500	23,500
Total Depreciation & asset impairment	707,591	661,292	601,797	905,625	841,709	841,709	912,331	978,067	1,139,451
Bulk purchases									
Electricity Bulk Purchases	1,392,657	1,524,447	2,069,423	2,754,106	2,735,206	2,735,206	3,638,410	4,594,972	5,794,185
Water Bulk Purchases	469,066	429,517	351,720	352,764	350,659	350,659	437,922	497,559	558,869
Total bulk purchases	1,861,723	1,953,963	2,421,143	3,106,870	3,085,866	3,085,866	4,076,332	5,092,531	6,353,054

**Table 64 MBRR Table SA1 - Supporting detail to budgeted financial performance
(Continued)**

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand									
Contracted services									
SPCA	5,200	5,300	5,500	5,800	5,800	5,800	6,000	6,300	6,600
Management Information Services	8,239	11,005	13,110	14,250	11,249	11,249	11,688	12,358	13,102
Internal, External and Forensic Audit	16,400	17,840	19,921	22,134	20,785	20,785	21,597	22,834	24,209
Tanker Water Services	6,789	8,400	8,480	16,500	15,993	15,993	16,600	17,500	18,500
CCTV	7,890	9,120	9,416	18,320	16,730	16,730	17,383	18,379	19,486
Cleaning Services	16,513	16,897	17,199	18,900	17,997	17,997	18,700	19,771	20,962
Water Care: Private Contractors	13,754	14,532	14,522	28,256	28,256	28,256	29,360	31,041	32,911
Temporary Services	30,300	31,317	34,040	37,000	29,100	29,100	30,000	30,500	31,000
Internet Fees and Lease of Computer Equipment	34,789	38,307	40,020	43,500	34,416	34,416	35,760	37,808	40,086
Implementation of One Integrated Transaction Processing System	35,989	35,787	29,552	57,500	50,500	50,500	51,000	51,500	52,000
Household Refuse Removal	20,404	23,889	37,890	51,899	51,899	51,899	53,927	57,014	60,450
Private Sector Labour	51,538	53,210	58,420	63,500	59,477	59,477	61,800	65,300	69,200
Electricity Disconnections	19,754	38,790	42,519	56,474	56,474	56,474	58,681	62,040	65,779
Service Providers	17,890	42,101	54,789	85,300	77,977	77,977	81,023	85,662	90,823
Security and Watchman Services	21,632	44,124	58,715	87,200	84,459	84,459	87,758	92,783	98,374
Rental Plant and Equipment	158,178	178,145	249,789	304,250	292,410	292,410	293,442	310,243	328,937
Lease of Vehicles	16,787	69,784	80,000	178,250	131,147	131,147	136,270	144,072	152,753
<i>sub-total</i>	482,046	638,547	773,882	1,089,033	984,669	984,669	1,010,989	1,065,105	1,125,172
Total contracted services	482,046	638,547	773,882	1,089,033	984,669	984,669	1,010,989	1,065,105	1,125,172
Other Expenditure By Type									
Collection Fees	62,994	68,471	72,075	77,500	76,618	76,618	79,611	84,169	89,240
Subsistence and Travelling	6,509	7,232	7,809	14,500	5,000	5,000	5,100	5,200	5,300
Legal Costs	19,877	24,789	22,123	27,450	23,449	23,449	24,365	25,760	27,312
Licenses	26,573	29,201	30,738	33,052	33,052	33,052	34,343	36,309	38,497
Stationery	39,761	45,183	46,580	83,200	55,816	55,816	57,997	61,317	65,012
Telecommunication	57,455	63,138	67,890	94,500	68,541	68,541	71,218	75,296	79,833
Printing	9,689	9,778	9,760	10,500	8,635	8,635	8,972	9,486	10,058
Postage	11,257	12,236	12,880	14,000	13,843	13,843	14,384	15,207	16,124
Advertising, Marketing and Publications	27,654	31,456	31,400	48,500	25,818	25,818	26,827	28,363	30,072
Training Board Fees	20,675	22,720	24,430	26,269	26,269	26,269	27,295	28,858	30,596
City Official Entertainments, Refreshments and Imbizo	13,289	17,655	17,801	22,300	9,972	9,972	10,361	10,954	11,614
Post Employment Benefits, Supplementary Pensions and Medical Aid Fund	125,234	137,620	147,978	157,424	168,424	168,424	181,701	194,420	209,002
Membership Fees: Municipal Associations	10,769	11,456	11,870	13,500	10,500	10,500	10,910	11,535	12,230
Insurance Premiums and Excesses	83,401	122,670	130,500	145,000	93,224	93,224	100,682	110,750	124,040
Compensation Commissioner (IOD)	24,825	26,410	27,800	45,000	30,029	30,029	31,202	32,989	34,976
Project Linked Housing Top Structures	44,321	66,790	67,890	68,967	68,967	68,967	71,662	75,765	80,330
Locomotion Allowance Casual	3,898	4,147	4,320	7,800	5,497	5,497	5,712	6,039	6,403
Uniforms and Protective Clothing	8,977	12,532	14,789	27,500	19,235	19,235	19,986	21,130	22,404
Consultant and Professional Services	27,891	34,091	36,789	87,500	56,957	56,957	59,182	62,570	66,340
Feasibility Studies/Environmental Impact Assessments	18,786	31,467	32,345	45,000	35,788	35,788	26,795	28,329	30,036
General expenses	350,237	773,549	861,169	1,040,753	998,013	998,013	1,057,894	1,121,367	1,177,436
Total 'Other' Expenditure	994,072	1,552,590	1,678,936	2,090,215	1,833,645	1,833,645	1,926,198	2,045,814	2,166,855
Repairs and Maintenance									
by Expenditure Item									
Employee related costs	300,947	315,203	719,975	563,914	573,714	573,714	695,254	748,047	804,931
Other materials	396,812	478,125	367,325	829,158	764,850	764,850	766,120	801,890	845,320
Contracted Services	29,593	101,301	38,206	216,215	206,466	206,466	228,742	259,493	285,642
Total Repairs and Maintenance Expenditure	727,352	894,629	1,125,506	1,609,287	1,545,030	1,545,030	1,690,116	1,809,430	1,935,894

Table 69 MBRR Table SA2 – Matrix financial performance budget (revenue source/expenditure type and department)

Description	Vote1 - Governance and Administration	Vote2 - Corporate Services	Vote3 - Assessment Rates and Other	Vote4 - Finance Services	Vote5 - Safety and Security	Vote6 - Planning and Economic Development	Vote7 - Health and Social Development	Vote8 - Sport, Recreation and Community	Vote9 - Housing	Vote10 - Environmental Management and Agriculture	Vote11 - Transport and Roads	Vote12 - Electricity	Vote13 - Waste Water	Vote14 - Water	Total
R thousand															
Revenue By Source															
Property rates	-	-	3,021,875	-	-	-	-	-	-	-	-	-	-	-	3,021,875
Property rates - penalties & collection charges	-	-	66,481	-	-	-	-	-	-	-	-	-	-	-	66,481
Service charges - electricity revenue	-	-	-	-	-	-	-	-	-	-	-	6,010,000	-	-	6,010,000
Service charges - water revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	1,618,400	1,618,400
Service charges - sanitation revenue	-	-	-	-	-	-	-	-	-	-	-	-	392,543	-	392,543
Service charges - refuse revenue	-	-	-	-	-	-	-	-	-	447,780	-	-	-	-	447,780
Service charges - other	-	-	-	-	-	-	-	-	-	-	12,106	4,500	7,500	-	24,106
Rental of facilities and equipment	-	41,200	-	-	153	168	-	12,338	-	2,990	48,655	-	-	-	105,503
Interest earned - external investments	-	-	118,819	65	-	-	1,162	-	-	990	35	-	-	-	120,080
Interest earned - outstanding debtors	-	-	132,160	118,988	-	-	-	-	-	-	45,000	20,000	-	35,000	351,148
Dividends received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines	-	-	-	-	63,428	750	3	-	-	1,504	-	-	-	-	65,686
Licences and permits	-	250	-	-	31,754	2,200	579	-	-	-	-	-	-	-	34,783
Agency services	-	-	-	-	34,208	-	-	-	-	-	-	-	-	-	34,208
Other revenue	-	19,479	-	29,907	15,356	109,657	139,414	-	-	108,741	813,149	170,126	245,789	187,987	1,839,606
Transfers recognised - operational	25,500	-	-	-	-	35,412	15,400	-	58,970	62,200	661,182	-	143,254	-	1,001,918
Gains on disposal of PPE	-	-	-	-	-	-	-	-	-	-	4,500	-	-	-	4,500
Total Revenue (excluding capital transfers and contributions)	25,500	60,929	3,339,335	148,960	144,900	148,187	156,559	12,338	58,970	623,215	1,527,521	6,237,232	806,086	1,848,887	15,138,618
Expenditure By Type															
Employee related costs	51,607	330,833	180,332	304,460	697,413	220,870	211,563	88,745	269,780	384,154	346,658	423,361	230,189	308,520	4,048,487
Remuneration of councillors	56,589	758	758	758	758	758	758	758	758	758	758	758	758	758	66,438
Debt impairment	-	-	1,000	206,588	-	-	13,356	191	1,000	-	1,000	109,252	15,478	84,522	432,387
Depreciation & asset impairment	4,942	84,340	9,496	96,112	50,863	28,586	60,956	97,900	12,659	31,013	174,180	127,031	45,623	88,630	912,332
Finance charges	2,151	18,481	167,206	164	10,604	1,492	34,335	12,034	4,631	20,765	89,520	219,599	32,852	101,785	715,617
Bulk purchases	-	-	-	-	-	-	-	-	-	-	3,638,410	-	-	437,922	4,076,332
Other materials	-	20,000	-	2,424	4,744	9,323	-	20,011	684	214,696	189,745	449,780	26,451	59,385	997,243
Contracted services	-	49,644	-	92,203	49,789	19,784	12,611	1,604	32,473	378,452	296,098	58,331	4,312	15,688	1,010,989
Transfers and grants	-	-	-	-	-	-	-	-	-	34,570	-	78,580	12,583	300,168	425,901
Other expenditure	220,919	496,145	145,487	98,745	44,712	32,459	24,563	26,510	23,341	290,855	156,821	300,935	36,163	96,542	1,994,198
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure	336,208	1,000,200	504,279	801,453	858,883	313,270	358,142	247,753	345,326	1,355,263	1,254,780	5,406,037	404,409	1,493,920	14,679,924
Surplus/(Deficit)															
Transfers recognised - capital	(310,708)	(939,272)	2,835,056	(652,494)	(713,983)	(165,083)	(201,584)	(235,415)	(286,356)	(732,048)	272,740	831,195	401,677	354,968	458,694
Contributions recognised - capital	-	50	69,021	-	15	-	8,082	-	-	20,506	430,340	88,224	289,137	135,676	1,041,051
Contributed assets	-	-	-	-	-	-	-	-	-	-	56,261	-	-	-	56,261
Surplus/(Deficit) after capital transfers & contributions	(310,708)	(939,222)	2,904,077	(652,494)	(713,968)	(165,083)	(193,502)	(235,415)	(286,356)	(711,542)	759,341	919,419	690,814	490,644	1,556,006

Table 70 MBRR Table SA3 – Supporting detail to Statement of Financial Position

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand									
ASSETS									
Call investment deposits									
Call deposits < 90 days	451,350	104,631	66,159	287,038	444,487	444,487	389,320	478,153	728,153
Other current investments > 90 days	-	-	-	-	-	-	-	-	-
Total Call investment deposits	451,350	104,631	66,159	287,038	444,487	444,487	389,320	478,153	728,153
Consumer debtors									
Consumer debtors	2,925,945	3,307,346	3,760,217	3,788,196	4,201,691	4,201,691	4,354,541	4,572,268	4,850,881
Less: Provision for debt impairment	(1,024,162)	(1,162,205)	(1,290,569)	(1,184,690)	(1,281,419)	(1,281,419)	(1,344,996)	(1,389,298)	(1,490,791)
Total Consumer debtors	1,901,782	2,145,141	2,469,648	2,603,506	2,920,272	2,920,272	3,009,545	3,182,970	3,360,090
Debt impairment provision									
Balance at the beginning of the year	830,673	881,558	914,444	1,046,218	1,102,728	1,102,728	1,212,609	1,255,848	1,330,848
Contributions to the provision	193,489	280,647	376,125	138,472	351,601	351,601	482,387	533,450	609,943
Bad debts written off	-	-	-	-	(172,910)	(172,910)	(350,000)	(400,000)	(450,000)
Balance at end of year	1,024,162	1,162,205	1,290,569	1,184,690	1,281,419	1,281,419	1,344,996	1,389,298	1,490,791
Property, plant and equipment (PPE)									
PPE at cost/valuation (excl. finance leases)	11,904,334	13,320,950	16,617,024	19,750,080	18,839,833	18,839,833	21,726,382	24,695,819	27,771,022
Leases recognised as PPE	203,198	247,781	257,123	251,315	407,487	407,487	423,787	440,738	458,368
Less: Accumulated depreciation	2,969,231	3,544,137	4,051,143	4,835,069	4,774,174	4,774,174	5,559,963	6,402,855	7,387,319
Total Property, plant and equipment (PPE)	9,138,300	10,024,593	12,823,004	15,166,326	14,473,146	14,473,146	16,590,206	18,733,702	20,842,071
LIABILITIES									
Current liabilities - Borrowing									
Short term loans (other than bank overdraft)	-	-	-	-	-	-	-	-	-
Current portion of long-term liabilities	204,827	346,522	285,390	392,520	392,520	392,520	706,348	792,800	845,810
Total Current liabilities - Borrowing	204,827	346,522	285,390	392,520	392,520	392,520	706,348	792,800	845,810
Trade and other payables									
Trade and other creditors	1,830,233	1,755,706	2,642,490	2,409,566	2,656,933	2,656,933	3,227,144	3,620,856	3,946,733
Unspent conditional transfers	210,991	328,760	420,556	407,787	407,787	407,787	-	-	-
VAT	58,214	104,381	164,585	204,383	204,383	204,383	260,689	308,189	357,202
Total Trade and other payables	2,099,438	2,188,847	3,227,631	3,021,736	3,269,103	3,269,103	3,487,833	3,929,045	4,303,935
Non current liabilities - Borrowing									
Borrowing	2,602,026	2,554,476	3,887,934	4,236,326	4,550,412	4,550,412	4,840,418	5,043,826	5,194,073
Finance leases (including PPP asset element)	110,119	107,049	95,144	154,231	91,146	91,146	94,792	98,584	102,527
Total Non current liabilities - Borrowing	2,712,146	2,661,524	3,983,078	4,390,558	4,641,558	4,641,558	4,935,210	5,142,410	5,296,600
Provisions - non-current									
Retirement benefits	-	838,893	1,004,196	1,050,699	1,104,283	1,104,283	1,170,540	1,240,772	1,315,219
<i>List other major provision items</i>									
Rehabilitation of Landfill Sites	-	63,360	174,512	215,000	224,178	224,178	276,824	332,629	391,783
Rehabilitation of Quarries and Cleaning of Alien Vegetation	-	23,851	30,473	6,328	35,157	35,157	39,533	44,509	49,470
Total Provisions - non-current	-	926,104	1,209,181	1,272,027	1,363,618	1,363,618	1,486,897	1,617,910	1,756,471
CHANGES IN NET ASSETS									
Accumulated Surplus/(Deficit)									
Accumulated Surplus/(Deficit) - opening balance	1,315,297	421,063	655,253	1,441,321	982,333	982,333	1,849,627	3,646,126	4,835,117
GRAP adjustments	-	(36,239)	(9,102)	-	-	-	-	-	-
Restated balance	1,315,297	384,824	646,151	1,441,321	982,333	982,333	1,849,627	3,646,126	4,835,117
Surplus/(Deficit)	389,578	382,482	955,274	2,026,240	1,582,292	1,582,292	1,556,006	1,723,939	1,823,360
Appropriations to Reserves	(237,803)	(184,721)	(177,593)	(692,456)	(1,002,564)	(1,002,564)	(827,476)	(917,108)	(917,108)
Transfers from Reserves	72,229	(151,081)	38,335	14,553	-	-	270,773	-	-
Depreciation offsets	397,172	395,991	222,767	833,263	273,344	273,344	326,345	369,852	428,918
Other adjustments	(284,260)	(369,986)	(646,017)	(816,979)	-	-	-	-	-
Accumulated Surplus/(Deficit)	1,652,213	457,510	1,038,917	2,805,942	1,835,405	1,835,405	4,002,751	4,912,441	6,170,287
Reserves									
Housing Development Fund	141,152	128,920	128,850	128,920	128,850	128,850	128,850	128,850	128,850
Capital replacement	501,153	307,157	219,591	1,006,841	352,173	352,173	226,084	229,475	232,917
Capitalisation	2,008,028	2,239,733	2,220,941	1,383,599	2,123,427	2,123,427	1,665,000	1,705,000	1,747,635
Government grant	3,506,835	3,803,344	4,360,651	5,100,365	5,322,259	5,322,259	5,528,765	6,219,860	6,997,342
Donations and public contributions	-	-	138,622	155,200	155,200	155,200	270,000	330,000	390,000
Self-insurance	65,637	228,951	190,946	170,000	170,000	170,000	150,000	170,000	190,000
COVID and Self Insurance Reserve	63,027	69,162	77,229	84,361	87,486	87,486	99,922	112,912	126,461
Revaluation	-	-	-	-	-	-	-	-	-
Total Reserves	6,285,833	6,777,267	7,336,830	8,029,286	8,339,394	8,339,394	8,068,621	8,896,097	9,813,205
TOTAL COMMUNITY WEALTH/EQUITY	7,938,046	7,234,776	8,375,746	10,835,228	10,174,798	10,174,798	12,071,372	13,808,538	15,983,491

Table 71 MBRR Table SA9 – Social, economic and demographic statistics and assumptions

Description of economic indicator	Basis of calculation	1996 Census	2001 Census	2007 Survey	2007/8	2008/9	2009/10	Current Year 2010/11	2011/12 Medium Term Revenue & Expenditure Framework		
Demographics											
Population	Census 1996, 2001 Census, 2007	1,670	1,986	2,346	2,346	2,346	2,428	2,491	2,556	2,623	2,691
Females aged 5 - 14	Census 1996, 2001 Census, 2007	153	171	251	251	238	184	189	194	199	204
Males aged 5 - 14	Census 1996, 2001 Census, 2007	144	161	236	236	224	173	178	183	187	192
Females aged 15 - 34	Census 1996, 2001 Census, 2007	340	416	441	441	461	473	486	498	511	524
Males aged 15 - 34	Census 1996, 2001 Census, 2007	320	391	415	415	434	446	457	469	481	494
Unemployment	Census 1996, 2001 Census, 2007	186	306	334	334	337	339	343	348	352	357
Household income (households) (1.)											
None	Census 1996, 2001 Census, 2007	28,906	98,704	122,357	118,978	122,357	125,736	129,115	132,494	135,873	139,252
R1 - R4800	Census 1996, 2001 Census, 2007	9,438	24,122	38,808	36,710	38,808	40,906	43,004	45,102	47,200	49,230
R4800 - R9600	Census 1996, 2001 Census, 2007	31,594	65,219	101,847	94,043	98,847	103,651	108,455	113,259	118,063	123,022
Poverty profiles (2.)											
Insert description											
Household/demographics (000)											
Number of people in municipal area	Census 1996, 2001 Census, 2007	1,669,787	1,985,982	2,345,908	2,346	2,346	2,428	2,491	2,556	2,623	2,691
Number of poor people in municipal area	Census 1996, 2001 Census, 2007	802,058	1,159,935	1,214,093	1,206	1,214	1,222	1,230	1,237	1,245	1,253
Number of households in municipal area	Census 1996, 2001 Census, 2007	426,086	562,653	686,640	673	687	713	736	760	784	809
Number of poor households in municipal area	Census 1996, 2001 Census, 2007	28,906	98,704	122,357	119	122	126	129	132	136	139
Definition of poor household (R per month)	Tshwane indigent policy	-	-	-	1,700	1,700	1,700	1,700	1,700	1,700	1,700
Housing statistics (3.)											
Formal	Census 1996, 2001 Census, 2007	337,609	423,086	486,141	481,528	486,141	512,940	538,254	563,009	589,650	606,608
Informal	Census 1996, 2001 Census, 2007	88,477	139,567	200,499	191,938	200,499	200,467	197,982	196,787	194,459	202,203
Total number of households		426,086	562,653	686,640	673,466	686,640	713,407	736,236	759,796	784,109	808,811
Dwellings provided by municipality (4.)	Internal municipal housing statistics	6,980	7,000	7,609	7,609	6,152	5,642	5,742	6,200	6,250	6,300
Dwellings provided by province/s	Internal municipal housing statistics	4,256	4,120	4,689	4,601	4,667	4,690	5,120	5,250	5,300	5,350
Dwellings provided by private sector (5.)	Internal municipal housing statistics	8,623	8,521	8,874	9,817	11,265	7,421	5,891	5,900	6,000	6,100
Total new housing dwellings		19,859	19,641	21,172	22,027	22,084	17,753	16,753	17,350	17,550	17,750
Economic (6.)											
Inflation/inflation outlook (CPIX)					5.2%	5.5%	6.2%	13.0%	13.0%	13.0%	13.0%
Interest rate - borrowing					13.2%	13.3%	12.0%	12.0%	12.0%	12.0%	12.0%
Interest rate - investment					13.3%	14.1%	10.0%	10.0%	10.0%	10.0%	10.0%
Remuneration increases					0.0%	0.0%	8.3%	8.5%	7.0%	7.0%	7.0%
Consumption growth (electricity)					0.8%	-1.6%	-7.4%	-0.7%	4.0%	4.5%	4.5%
Consumption growth (water)					14.7%	0.9%	-6.2%	-16.4%	5.0%	5.0%	5.0%
Collection rates (7.)											
Property tax/service charges					98.3%	98.0%	96.0%	95.0%	95.0%	95.0%	95.0%
Rental of facilities & equipment					98.4%	97.2%	96.0%	95.6%	97.0%	97.0%	97.0%
Interest - external investments					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Interest - debtors					0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Revenue from agency services					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Table 72 MBRR SA32 – List of external mechanisms

External mechanism	Yrs/ Mths	Period of agreement 1.	Service provided	Expiry date of service delivery agreement or contract	Monetary value of agreement 2.
Name of organisation		Number			R thousand
Poverty and Alleviation Program	Yrs	Ongoing	Cutting of grass – Side Walks, Sport Fields, Open Areas (Community Project)	N/A	650
Road Construction (Pty) Ltd	Yrs	2	Rehabilitation of various roads located within the City	30 June 2012	63,129
Pothole Eradication (Pty) Ltd	Yrs	2	Rehabilitation of various roads located within the City	30 June 2012	64,444
Road Surfacing and Maintenance (Pty) Ltd	Yrs	2	Rehabilitation of various roads located within the City	30 June 2012	64,327
Road Marking CC	Yrs	2	Road signage and marking	30 November 2012	4,121
Stormwater Construction and Maintenance CC	Yrs	2	Stormwater cleaning and maintenance	28 February 2012	7,837
ABC Road Maintenance	Yrs	2	Surface repairs to roads and sidewalks	31 March 2012	6,078
DEF Road Maintenance	Yrs	2	Surface repairs to roads and sidewalks	31 March 2012	7,082
GHI Road Maintenance	Yrs	1	Re-construction of existing sidewalks	30 November 2011	10,907
JKL Road Maintenance	Yrs	1	Re-construction of existing sidewalks	30 November 2011	16,013
Best Signal Maintenance	Yrs	3	Minor Signal maintenance	30 June 2013	14,750
Dirty Jobs cc	Yrs	1	Cleaning of municipal buildings	30 June 2012	3,208
Batho Pele Security Services	Yrs	3	Security Services at Municipal Buildings and Pay Points	30 June 2012	24,000
Batho Pele Surveillance	Yrs	3	Operation of the CCTV within the City	30 June 2012	14,500
Batho Pele Electrical	Yrs	2	Repairs and Maintenance of low voltage faults	31 March 2012	36,875
Emerging Contractors (Various)	Yrs	Ongoing	Maintenance of verges and clearing of vacant land	N/A	7,850
Batho Pele City Cleaning	Yrs	3	Waste Removal	31 March 2013	78,500
Meter Reading CC	Yrs	3	Meter Reading	31 December 2012	13,450
Credit Control (Pty) Ltd	Yrs	2	Disconnections and credit control action	28 February 2012	7,540
Meters ABC	Yrs	3	Repair and maintenance of water networks, including meter replacement	28 February 2012	22,500

2.15 Municipal manager's quality certificate

I, municipal manager of Inxuba Yethemba 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 _____

Municipal manager of Inxuba Yethemba Municipality (EC131)

Signature _____

Date _____