ANNUAL BUDGET OF

Inkwanca Municipality

2012/13 TO 2014/15

MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

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- At the reception of the Molteno and Sterkstroom offices
- At www.inkwanca.gov.za

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Abbreviations and Acronyms

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

Part 1 – Annual Budget

1.1 Mayor's Report

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance over the budget .In addition Chapter 2of the Municipal Budget and 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.

It feels like yesterday when this council was inaugurated last year on the 31^{st} of May 2011.That tells us that this council is one year old today and more so it reiterate my call on my inauguration speech that Makusheshwe Maqabane we don't have time.

This week we celebrate the child protection week. I would like to call upon of all the Inkwanca Community to look after our children. It is important to remember that children are our future; therefore they need to be taken care because they are an investment.

Chief whip I believe it is befitting to congratulate the ruling party on its Centenary Celebration, the African National Congress. In marking this occasion we are recognising the work of all South Africans in bringing about a truly free, non racial, non-sexiest, democratic and prosperous country. One of the purposes is to look back and be proud of where we are coming from. Secondly it is to commemorate this struggle work which was done by our unsung heroes and herons.

I therefore wish to single out the names of comrades who lost their life during the struggle for liberation. I salute Wowo Zini, Mantana Nukani , Mangena Boesman, Tsempe Dywili , Zolile Nkohla, Loliwe Ncedani Smile, Kibiti Mbango, Dali Thyala, Micheal Sobela, Rose Kupa , Pokonono Nothando, Zenzile Wayiza, Keli Ntenetyana and Vaki Loliwe and many others who might had not being registered in our memories due to apartheid atrocities.

Minister of finance said in his budget speech "The legacy of our past is not only that of the difficulty and despair .We can draw line from the celebration of our centenary and build on this past to get things done to obey. The idea of unity in action, working together to realise practical goals must be revived. The idea of an active citizenry, drawn into nation and inspired by a compelling vision of the future, has to be renewed".

Chairperson, this council wants to leave a living legacy behind .We are determined in delivering a quality service to our people .We are determined on delivering a quality service to our people .We strongly believe that together we can build a better communities through quality service .The year under review was a busy year for us as the Municipality, We have seen three MEC, the premier and AG visiting our municipality on different occasions .This reiterate the commitment I make on my inauguration that I will engage the provincial govt to assist to deliver quality service to our people.

Through our engagement with provincial and national govt our municipality is included in a community work programme .This programme is the Presidential initiative to deal with the issues of poverty .As the result of that this programmes will create about 1025 temporally jobs until 2014.

1.1.1 Financial viability

Total operating revenue for the 2012/13 financial year amounts R 42,133,238. This represents a growth of 16% of R 5,845,033 when compared to the 2011/12 Adjustments Budget. For the two outer years, operational revenue will increase by 6% per cent respectively, equating to a total revenue growth of R11, 052,701 over the outer years of the MTREF when compared to the 2012/23 financial year.

The capital budget amounts to R 11, 442, 00 for 2012/23. MIG funds increased to R9, 991, 00. The represents 21% when compared with the 2011/12 budget. Other capitals projects amounting to R1, 451,000 are funded from own revenue.

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. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

Because the tariff of Inkwanca Municipality was much higher that the surrounding towns, Inkwanca was sitting with a huge debt book for rates. This resulted in business withholding their rates. Meetings were held with the businesses to discuss the tariffs. These meetings were very fruitful and Inkwanca went back to the drawing board with all the recommendations.

We are very fortunate in being able to amend the tariffs downwards for the following categories.

	Draft Tariff	Amended Tariff	% decrease
Domestic Consumers	0.0316	0.0200	58%
Business Consumers	0.0517	0.0260	49.70%

After consultation with the Farmers Union, an agreement was reached that the tariff would increase by 3%.

Tariffs

- Electricity has increased by 11.03%
- Water and Sanitation has increased by 6%
- Refuse removal has also increased by 6%
- Property rates increased by 3%
- Generally other tariffs have increased by 6%

As the community we recall that in this area we are faced with challenges of our infrastructure which is ageing. We are determined to address the matter by reviving our ageing infrastructure before it is too late.

The amount of allocation that we are receiving from MIG is not sufficient to deal with our backlogs. However as the municipality we need to spend wisely on allocations that we receive. We must not compromise on quality and the value of the output.

In the financial year 2012/13 we will complete the Masakhe community hall with an amount of

R2, 348,000, 00.

1.1.2 Roads and storm water

We will resurface our bus route and cover 4km which is divided as follows:

- 1,7 km at Sonwabile Village
- 1,1km which will link new Masakhe, Zola, Phumla Mqeshi respectively.
- 1km which will connect R 56 and the main road in Nomonde
- We will also pave roads with an amount of R3 million from public works.
- We will also gravel 18 km our internal streets and roads ,with an amount R2 million and it will be spread equally among our four wards.

1.1.3 Water Sanitation

- We will upgrade water treatment in Sterkstroom with an amount of R2.8 million thanks to C.H.D.M.
- Construct water treatment works at Nola factory which will cost R1.2million thanks to D.E.A.

1.1.4 Community Facilities Amenities

- We will renovate Sterkstroom sport field with an amount of R843.450.00.This project will be done over MTREF period with additional funds.
- We will also construct the Koos Ras Nature Reserve over the MTREF period with R3000.000 in the next financial year.
- We have facilitated for the construction of a Park at Nkululeko with an amount of R2.8million thanks to department of environment affairs.
- We will make sure that 10 learners that are on learners licence programme get their drivers licence.
- In the next financial year we will enrol new learners in the same programme.

1.1.5 Human Settlement

- Airstrip 500 houses for 2012 / 2013
- 164 housing projects 2012 /2013

1.1.6 E.P.W.P

- In line with the president call to create jobs we have budgeted R1000 000.000 under EPWP.
- We are in the mission of making our towns beautiful and attractable to tourist.

- So far we have employed 188 under this programme.
- We will further fence four cemeteries under this programme with an amount of R299174-00

1.1.7 Creating decent jobs

- To deal with triple challenges which are inequality, poverty, unemployment challenges identified by the ruling party manifesto we will create the following decent jobs.
    1. ICT Administrator
    2. Health and safety officer
    3. Debtors Clerk
    4. Internal Audit Assistant
    5. IPASS Manager
    6. Thirteen General Workers

1.1.7 Good Governance

Chairperson I must also indicate that as this council we are not happy about our 2010/2011 financial audit outcomes. I must again reiterate that we have adopted a theme that says "Striving for Clean Drop."

Together we will work towards a clean audit by 2014. We will start by improving on 2011/12 financial year. We are even prepared to change our Venus system as it gives us problems. We have also budgeted for the development of the municipal website. It must be of a good quality as we say less quality not accepted, quality thumbs up.

I am happy to announce that our water in Molteno is blue drop compliant.
We must also be green drop compliant.

Let me congratulate my special guests today which are mighty Cosmos F.C. and Unicorns.They are both winners of Inkwanca Municipal cup for 2011/2012. They went further to represent us in the district as Inkwanca clubs. They played very well there as a result, they were both runners up. Top goal scorer Dumisani Tyokwana. Best player Zandile Stemela

Councillors I present to you a budget for 2012/13 which is the result of the public participation as our mission says we will ensure equal opportunity for material and social upliftment through integrated, stakeholder's involvement for a quality, quality and quality work. I therefore propose the council to ADOPT the budget, IDP 2012 to 2017 and SDF 2012 as presented.

1.2 Council Resolutions

On 31 May 2012 the Council of Inkwanca Local Municipality met in the Sterkstroom Hall 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 Inkwanca 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 on Page
      1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained on Page
      1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained on
      1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in on page
   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 on page
      1.2.2. Budgeted Cash Flows as contained on page
      1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained on page
      1.2.4. Asset management as contained on page
      1.2.5. Basic service delivery measurement as contained on page.

2. The Council of Inkwanca 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 D
   2.5. the tariffs for solid waste services – as set out in Annexure E
   2.6. the tariffs for other sundry services – as set out in Annexure F- K

3. The Council of Inkwanca 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 Annexure

4. To give proper effect to the municipality's annual budget, the Council of Inkwanca 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.

1.3 Executive Summary

The application of sound financial management principles for the compilation of the Inkwanca'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. Key areas where savings were realized were on stationary & printing, workshops, 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 which include bi-monthly and quarterly meetings with the different consumer groups 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 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;

The following budget principles and guidelines directly informed the compilation of the 2012/13 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 electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;

- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

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

Table 1 Consolidated Overview of the 2012/13 MTREF

R thousand	Adjustments Budget 2011/12	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Total Operating Revenue	38,138,205	42,133,238	44,819,252	47,848,120
Total Operating Expenditure	38,138,205	47,991,983	50,779,040	53,723,782
(Surplus)/Deficit for the year	0	5,857,744	6,117,800	53,723,782
Total Capital Expenditure	8,236,000	9,991,000	10,539,000	11,148,000

Total operating revenue for the 2012/13 financial year amounts to R 42,133,238. This represents a growth of 16% or R 5,845,033 when compared to the 2011/12 Adjustments Budget. For the two outer years, operational revenue will increase by 6% per cent respectively, equating to a total revenue growth of R11, 052,701 over the outer years of the MTREF when compared to the 2012/13 financial year.

Total operating expenditure for the 2012/13 financial year has been appropriated at R48, 000,981 and translates into a budgeted deficit of R 5,857,744. Operating Expenditure has grown by 25% when compared to the 2011/12 Adjustments Budget 16.23% of the 25% represents accounting entries for bad debts of R7, 080,838 and depreciation of R 713,025. We have however managed to cut the costs of the other general expenditure to bring the deficit down to R5, 867,743. For the outer years of the MTREF operating expenditure will increase by 5.78 and 5.79% or R11, 052,701

The capital budget amounts to R 11, 442, 00 for 2012/13. MIG funds increased to R9, 991, 00. This represents 21% when compared with the 2011/12 budget. Other capitals projects amounting to R1, 451,000 are funded from own revenue.

1.4 Operating Revenue Framework

For Inkwanca 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 Municipal area and continued economic development;
- Efficient revenue management, which aims to ensure a 70 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);
- 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 2012/13 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

R thousand	Outcome	Outcome	Outcome	budget	Budget	Forecast	**2012/13**	**2013/14**	**2014/15**
Revenue by Source									
Property Rates	4,324	4,324	3,634	4,324	4,324	4,324	3,180	3,370	3,573
Service Charges - electricity revenue	2,622	345	4,652	2,622	2,622	2,622	5,746	6,091	6,456
Service Charges - water revenue	3,093	5,570	0	3,093	3,093	3,093	636	674	715
Service Charges - sanitation revenue	3,788	3,488	0	3,788	3,788	3,788	636	674	715
Service Charges - refuse revenue	2,269	2,852	3,275	2,269	2,269	2,269	239	253	258
Rental of facilities and equipment	0	0	64	2	2	2	79	79	79
Interest earned - external investments	2	0	1	2,084	2,084	2,084	0	0	0
Interest earned - outstanding debtors	2,084	0	2,118	0	0	0	0	0	0
Fines	0	0	88	150	150	150	132	140	148
Agency services	0	0	2,678	8,019	7,919	7,919	8230	8723	9247
Transfers recognised - operational	4,599	8,825	16,751	18,898	18,898	18,898	21,804	22,211	24,768
Other revenue	59	0	59	0	0	0	1,451	2,769	1,381
Total Revenue(excluding capital transfers and contributions	22,839	25,404	22,839	37,268	35,418	35,418	42,133	44,661	47,340

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.

Inkwanca Municipality is deeply dependent on grants. 69.9% of population is living within poverty brackets. Unemployment is standing at 60%. 51% are registered as indigent. Rates and service charges comprise 24.77% of total budget which amounts to R10, 437,000

Details in this regard are contained in Table 64 MBRR SA1 (see page 99).

Operating grants and transfers totals R21, 804 million in the 2012/13 financial year and increases to R 24,768 million by 2013/14.

WSSP Agency Fees amount to R8, 230,000 in 2012/13 and increase to R 9,247,000 in 2014/15 years.
The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 3 Operating Transfers and Grant Receipts

Description	2008/9	2009/10	2010/11	Current Year 2010/11			2012/13 Medium Term Revenue &		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year + 1 2013/14	Budget Year + 1 2014/14
Receipts Operating Transfers and Grants National Government	4,053	5,753	13,503	15,658	15,658	15,658	17,833	18,903	20,037
Local Government		735	750	790	790	790	800	800	800
Equitable Share Municipal Systems Improvement Finance Management	1,750	1,750	2,000	2,000	2,000	2,000	1,500	1,500	1,500
Extended Public Works Programme			300	450	357	357	1,000	1,060	1,123
Local Economic Development					56	56	0	0	**0**
Total Operating Transfers & Grants	**5,803**	**8,238**	**16,553**	**18,898**	**18,951**	**18,951**	**21,133**	**22,263**	**23,460**
Capital Transfers & Grants National Government Municipal Infrastructure Grant(MIG			**6,848**	**8,236**	**8,236**	8,236	9,991	10,539	11,148
Total Capital Transfers & Grants			**23,401**	**27,134**	**27,187**	**27,187**	**31,124**	**32,802**	**34,608**
Other grant providers CHDM Agency Fees Arts & Culture – Library							8230 671	8724 711	9247 754
TOTAL RECEIPTS OF TRANSFERS & GRANTS	**5,803**	**8,236**	**23,401**	**27,134**	**27,187**	**27,187**	**40,025**	**42,237**	**44,609**

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

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

The percentage increases of Eskom bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and in these tariffs are largely outside the control of the Municipality

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 Inkwanca 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 is done in this 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 state owned properties;
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy;
- 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. The Municipality may award a 50 per cent grant-in-aid on the assessment rates of rate for 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.

Because the tariff of Inkwanca Municipality was much higher than the surrounding towns, Inkwanca was sitting with a huge debt book for rates. This resulted in business withholding their rates. Meetings were held with the businesses to discuss the tariffs. These meeting were very fruitful and Inkwanca went back to the drawing board with all the recommendations. We are very fortunate in being able to amend the tariffs downwards for the following categories.

The categories of rateable properties for purposes of levying rates and the proposed rates for the 2012/13 financial year are based on the different category consumers. From 1 July 2012 is contained below:

Table 4 Comparison of proposed rates to levy for the 2012/13 financial year

Category	Current Tariff (1 July 2011)	Proposed tariff (from 1 July 2012)	Percentage increase (decrease)
	c	c	
Residential properties	0.0298	0.0200	(32.88)
Business & Commercial	0.0487	0.0260	(46.61)
State owned properties	0.0744	0.0788	5.91
Vacant land	0.1477	0.1566	6.00
Agricultural	0.0055	0.0056	3.00
Farms used for eco-tourism	0.0331	0.0340	3.00
Farms used for trading in/hunting of game	0.0331	0.0340	3.00

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 and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability. Installing bulk meters in order to determine water losses will also ensure that Inkwanca Municipality will be able to know what the impact is on the tariffs.

A tariff increase of 6 per cent from 1 July 2012 for water is proposed. In addition 6 co water per 30-day period will again be granted free of charge to all residents.

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

Table 5 Proposed Water Tariffs

CATEGORY		CURRENT TARIFFS 2011/12	PROPOSED TARIFFS 2012/13
		Rand per kℓ	Rand per kℓ
RESIDENTIAL			
(i)	7 to 40 kℓ per 30-day period	5.15	5.46
(ii)	41 to 100 kℓ per 30-day period	6.30	6.68
(iii)	Above 100 kl	7.75	8.22

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

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

Monthly consumption kℓ	Current amount Payable R	Proposed amount payable R	Difference (Increase) R	Percentage change
40	206.00	218.40	12.40	6%
100	630.00	668.00	38.00	6%
100+	775.00	822.00	47.00	6%

The tariff structure of the 2012/13 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 R8.22 per kilolitre for consumption in excess of 100kℓ per 30 day period.

1.4.3 Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk electricity pricing structure. An average municipal tariff including block tariffs will be implemented if NERSA approves. 5.4% will be the average increase. Eskom bulk electricity tariff to municipalities will be effective from 1 July 2012.

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 for customers:

Table 7 Comparison between current electricity charges and increases

Category	Current amount payable R	Proposed amount payable R	Difference (Increase) R	Percentage change
Domestic				
0-50 units				5.4%
51-350 units				
350 -600 units				
Above 600	0.94	1.04	0.10	
Pre-Paid	1.24	1.3768	0.1367	11.03%
Small Commercial	1.02	1.13	0.11	11.03%
Government	1.02	1.13	0.11	11.03%
Large				11.03%
Commercial/Industrial(kHz)	0.36	0.40	0.40	11.03%
Commercial/Industrial(KVA)	76.06	84.45	8.39	11.03%

It should further be noted that NERSA has advised that a stepped tariff structure needs to be implemented from 1 July 2011. The effect thereof will be that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor). This has not been implemented yet as we are still trying to minimise the losses and most of the poor have pre-paid and are receiving 50 kHz each month.

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.

- Sanitation charges are calculated according to the percentage water discharged as indicated in the table below;
- The total revenue expected to be generated from rendering this service amounts to R636 thousand for the 2012/13 financial year.

The following table compares the current and proposed tariffs:

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

Table 8 Comparison between current sanitation charges and increases, single dwelling-houses

Category	Current amount Payable R	Proposed amount payable R	Difference (11% increase) R
Domestic	90.75	96.20	6%
Commercial/Post Office	200.40	212.42	6%
Industrial/Schools/ Hostels/Spoornet	1275.75	1352.30	6%

1.4.5 Waste Removal and Impact of Tariff Increases

Currently solid waste removal is operating at a deficit. It is widely accepted that the rendering of this service should at least break even, which is currently not the case. The Municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The main contributors to this deficit are repairs and maintenance on vehicles, increases in general expenditure such as petrol and diesel and the cost of remuneration. Considering the deficit, it is recommended that a comprehensive investigation into the cost structure of solid waste function be undertaken, and that this include investigating alternative service delivery models.

A 6 per cent increase in the waste removal tariff is proposed from 1 July 2012.

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

Table 9 Comparison between current waste removal fees and increases

Category	Current amount Payable R	Proposed amount payable R	Difference (11% increase) R
Domestic	44.00	46.64	6%
Commercial/Post Office	80.00	84.80	6%
Industrial/Schools/ Hostels/Spoornet	173.00	183.38	6%
Garden Refuse Removal and rubble per load	115.00	121.90	6%

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 7% per cent,

1.5 Operating Expenditure Framework

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

- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plans 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 10 Summary of operating expenditure by standard classification item

Description	2008/09	2009/2010	2010/11	Current Year 2010/11			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited	Audited	Audited	Original	Adjusted	Full Year	Budget Year	Budget Year	Budget Year
R thousand	Outcome	Outcome	Outcome	budget	Budget	Forecast	2012/13	2013/14	2014/15
Expenditure by type									
Employer related costs	10,220	11,782	13,716	19,088	17,237	17,237	21,009	22,278	23,623
Remuneration of councillors	0	0	1,655	1,270	1851	1851	0	0	0
Debt impairment	0	0	10,118	0	0	0	7,080	7,506	7,956
Depreciation & Asset impairment	0	0	0	0	0	0	714	756	802
Finance charges	0	0	126	6	6	6	196	208	220
Bulk purchases	0	2,745	4,604	5,563	5,363	5,363	5,200	5,512	5,843
Other materials	0	0	5,105	2,456	0	0	0	0	0
Contracted services	0	0	0	0	0	0	0	0	0
Transfers and grants	0	0	0	0	0	0	0	0	0
Other expenditure	0	0	10,135	9,756	10,961	10,961	13,801	14,519	15,279
TOTAL EXPENDITURE	**10,220**	**14,527**	**45,459**	**38,139**	**35,418**	**35,418**	**48,001**	**50,779**	**53,723**

The budgeted allocation for employee and councillor related costs for the 2012/13 financial year totals R21, 009 million, which equals 43 per cent of the total operating expenditure. Based on the three year collective SALGBC agreement, salary increases have been factored into this budget at a percentage increase of 6.03 per cent for the 2012/13 financial year. 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.

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 80 per cent and the Debt Write-off Policy of the Inkwanca. For the 2012/13 financial year this amount equates to R7,080 million and escalates to R7,956 million by 2013/12. 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 R714 thousand for the 2011/12 financial and equates to 1.48 per cent of the total operating expenditure. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years.

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

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.

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 6 per cent for 2012/13 and curbed at 6 per cent for the two outer years, indicating that significant cost savings have been already realised.

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 growth in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the City. 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

The total allocation for 2012/13 equates to R3,709 million a growth of 29.28 per cent in relation to the Adjustment Budget and continues to grow at 6 per cent over the MTREF. In relation to the total operating expenditure, repairs and maintenance comprises of 7.72, 7.74 and 7.75 per cent for the respective financial years of the MTREF.

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 all the indigent households during the 2012/13 financial year, a process reviewed annually. Detail relating to free services, cost of free basic 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

For 2012/13 an amount of R 9,991 million has been appropriated for the development of infrastructure which represents 87.31 per cent of the total capital budget. In the outer years this amount totals R10, 629 million, 88.00 per cent and R11, 244 million, 87.99 per cent respectively for each of the financial years. Construction of roads receives the highest allocation.

Further detail relating to asset classes and proposed capital expenditure is contained in MBRR Table A9 (Asset Management. 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

1.6.1 Future operational cost of new infrastructure

The future operational costs and revenues associated with the capital programme have been included in MBRR SA35

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

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

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

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

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the City'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 30 August 2011. Key dates applicable to the process were:

- **15 August 2011** – Aim: review of previous year's budget process and complete Budget evaluation checklist.
- **20 August 2011** – Presentation of draft process plan to the IDP & Budget Steering Committee
- **24 August 2011** – Draft schedule of key deadlines
- **30 August 2011** – Submit the process plan to special council for adoption.
- **1 September-28 October 2011** – IDP process plan with schedule of key deadlines to be advertised to public. IDP and Budget steering Committee meet to plan public participation. IDP and District IDP Rep Forum meet. IDP and Budget Steering Committee consolidate information gathered from the public and the district Rep Forums.
- **2 to 19 December 2011** - Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and review of tariffs. HOD's meet to discuss draft budget, projects strategies for the coming year and effect changes.

- **10January – 20 March 2012** – HOD's and the Municipal Manager review the organ gram. Municipal strategic session IDP steering Committee to discuss projects. Budget Committee prepare draft budget. Ward Committee meetings 17-29/02/2012. Meetings with sector departments and other recognized stakeholders.
- **6 February 2012** - Council considers the 2011/12 Mid-year Review and Adjustments Budget;
- **2 March 2012** – IDP & Budget steering committees finalise service delivery agreements and entities, finalise organ gram, finalise proposed nation and provincial allocation.;
- **27 March 20**12 - Tabling in Council of the draft 2012/13 IDP and 2012/13 MTREF for public consultation;
- **April 2012** – Public consultation;
- **6 May 2012** - Closing date for written comments;
- **6 to 21 May 2012** – Finalisation of the 2011/12 IDP and 2011/12 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- **31 May 2012** - Tabling of the 2011/12 MTREF before Council for consideration and approval.

There were deviations from the key dates set out in the Budget Time Schedule tabled in Council, as there was a change in management and this led to difficulty to stick to the time schedule.

2.1.2. IDP and Service Delivery and Budget Implementation Plan

This is the fourth review of the IDP as adopted by Council in May 2012. 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 fourth revision cycle included the following key IDP processes and deliverables:

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

The IDP has been taken into a business and financial planning process leading up to the 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's 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 2011/12 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- 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 54 and 57 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 25 March 2012 and was made available for community consultation at municipal offices in Molteno & Sterkstroom.

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 13 to 29 April 2011. The applicable dates and venues were published in all the local newspapers and on average attendance of 200 were recorded per meeting. This is up on the previous year's process. This can be attributed to the additional initiatives that were launched during the consultation process, including the specific targeting of ratepayer associations. Individual sessions were scheduled with organised business and imbizo's were held to further ensure transparency and interaction. Other stakeholders involved in the consultation included churches, non-governmental institutions and community-based organisations.

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

- Several complaints were received regarding poor service delivery, especially waste removal backlogs and the state of road infrastructure;
- Poor performance of contractors relating to infrastructure development and maintenance especially in the areas of road construction and maintenance were raised;
- The affordability of tariff increases, especially electricity, was raised on numerous occasions. This concern was also raised by organized business as an obstacle to economic growth;
- Pensioners cannot afford the tariff increases due to low annual pension increases; and
- During the community consultation process large sections of the community made it clear that they are not in favour of any further tariff increases to fund additional budget requests. They indicated that the municipality must do more to ensure efficiencies and value for money.

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 Inkwanca, 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 Inkwanca 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 City'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 11 IDP Strategic Objectives

2012/13 Financial Year	2013/14 MTREF
1. The provision of quality basic services and infrastructure	1. Provision of quality basic services and infrastructure
2. Acceleration of higher and shared economic growth and development	2. Economic growth and development that leads to sustainable job creation
3. Fighting of poverty, building clean, healthy, safe and sustainable communities	3.1 Fight poverty and build clean, healthy, safe and sustainable communities
	3.2 Integrated Social Services for empowered and sustainable communities
4. Fostering participatory democracy and adherence to Batho Pele principles through a caring, accessible and accountable service	4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service
5. Good governance, Financial viability and institutional governance	5.1 Promote sound governance
	5.2 Ensure financial sustainability
	5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

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;
   - Maintaining the infrastructure of the Inkwanca.

2. Economic growth and development that leads to sustainable job creation by:
   - Ensuring the is a clear structural plan for Inkwanca Municipality;
   - Ensuring planning processes function in accordance with set timeframes;
   - Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.

3.1 Fight poverty and build clean, healthy, safe and sustainable communities:
   - Effective implementation of the Indigent Policy;
   - Working with the provincial department of health to provide primary health care services;
   - Extending waste removal services and ensuring effective cleansing;
   - Ensuring all waste water treatment works are operating optimally;
   - Working with strategic partners such as SAPS to address crime;
   - Ensuring save 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. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:
   - Optimising effective community participation in the ward committee system; and
   - Implementing Batho Pele in the revenue management strategy.

5.1 Promote sound governance through:
   - Publishing the outcomes of all tender processes on the municipal website

5.2 Ensure financial sustainability through:
   - Reviewing the use of contracted services
   - Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan

5.3 Optimal institutional transformation to ensure capacity to achieve set objectives
   - Review of the organizational structure to optimize the use of personnel;

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

Inkwanca 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.
- 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.

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 City has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assess and reviews organisational performance which in turn is directly linked to individual employee's performance.

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

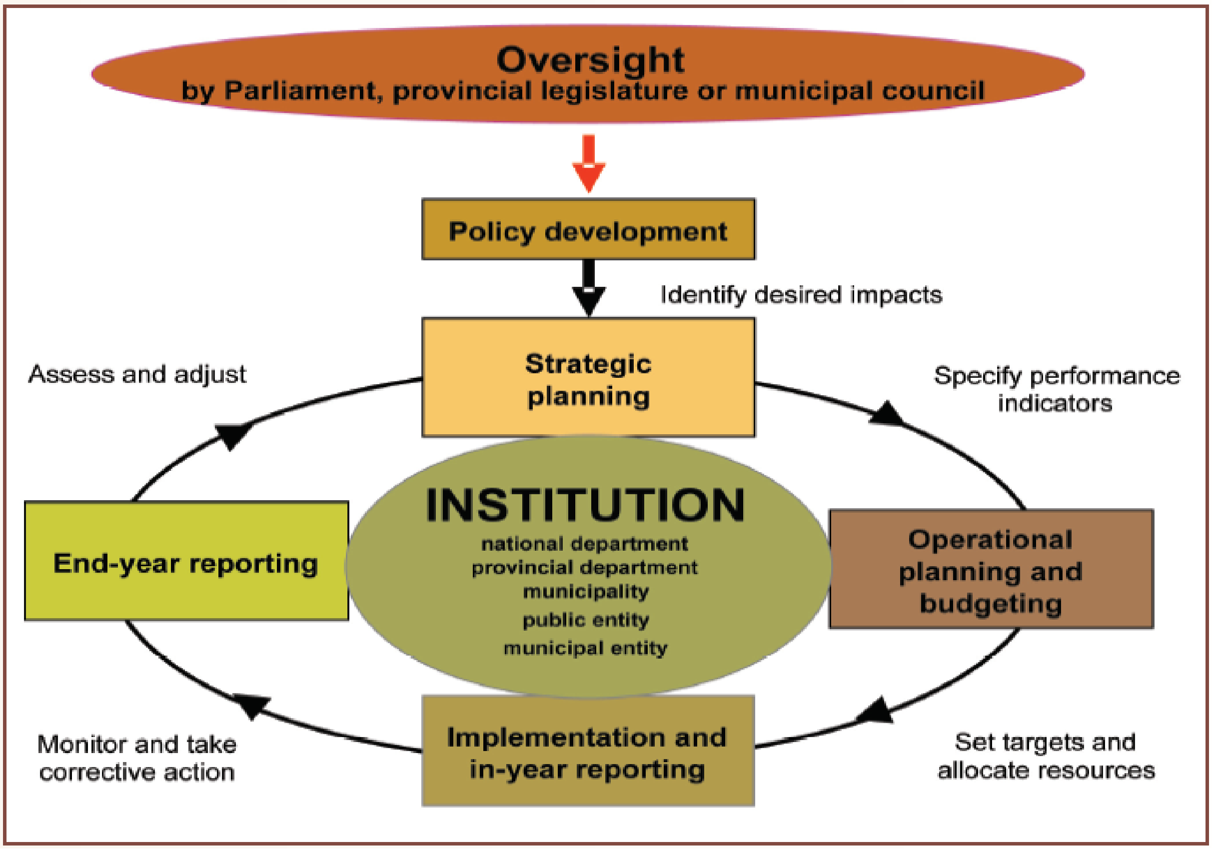

Figure 1 Planning, budgeting and reporting cycle

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

Figure 2 Definition of performance information concepts

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

2.3.1 Performance indicators and benchmarks

- *Capital charges to operating expenditure* are a measure of the cost of borrowing in relation to the operating expenditure.

2.3.1. 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, and overdraft and tax provisions as a percentage of funds and reserves.

- *The gearing ratio* is a measure of the total long term borrowings over funds and reserves.

Liquidity

2.3.1.1 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.

- *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.

2.3.1.2 Revenue Management

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

2.3.1.3Creditors Management

- Inkwanca Municipality is struggling to settle its creditors within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality has still got a lot to do in this regard.

Other Indicators

- The electricity distribution losses are the biggest downfall for the municipality. The initiatives to ensure this is addressed are by managing illegal connections and theft of electricity. This has to be done hand in hand with the support of the technical department.

- Inkwanca does not know what its water distribution losses are. Bulk meters will be installed and new meters will replace the old meters.

- 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.

- Similar to that of employee costs, repairs and maintenance as percentage of operating revenue is also decreasing owing directly to cost drivers such as bulk purchases increasing far above inflation.

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 City. With the exception of water, only registered indigents qualify for the free basic services.

For the 2012/13 financial year 2,305 registered indigents have been provided for in the budget. In terms of the Municipality's indigent policy registered households are entitled to 6kℓ fee water, 50 kWh of electricity, 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)

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

Chris Hani District Municipality is the Water Services Authority for the entire municipality in terms of the Water Services Act, 1997 and Inkwanca acts as water services provider.

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.

Inkwanca were awarded Blue Drop status in 2011/12, indicating that Inkwanca Municipality's drinking water is of exceptional quality.

2.4 Overview of budget related-policies

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

2.4.2 Review of credit control and debt collection procedures/policies

The Credit Control and debt collection Policy was approved by Council in May 2010. 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. Indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

The 2012/13 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 80 per cent on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing Inkwanca 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. Target groups are business, government and farmers.

2.4.3 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 Inkwanca Municipality's revenue base. Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

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

2.4.4 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 Inkwanca 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.

2.4.5 Supply Chain Management Policy

The Supply Chain Management Policy was adopted by Council in 31 March 2009.

2.4.6 Cash Management and Investment Policy

Inkwanca Municipality Cash Management and Investment Policy were amended by Council in March 2010. The aim of the policy is to ensure that the City'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 introduce time frames to achieve certain benchmarks.

2.4.7 Tariff Policies

Inkwanca 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.

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

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

2.5 Overview of budget assumptions

2.5.2 External factors

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

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

2.5.3 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 City'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 43.76 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. .

2.5.4 Credit rating outlook

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. “Aar” rated are judged to be of high quality and are subject to very low credit risk.

2.5.5 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.

2.5.6 Collection rate for revenue services

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

The rate of revenue collection is currently expressed as a percentage (51 per cent) of annual billings. Cash flow is assumed to be 60 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 is considered a source of additional cash in-flow once the performance has been carefully monitored.

2.5.7 Growth or decline in tax base of the municipality

Debtor’s revenue is assumed to increase at a rate that is influenced by the consumer debtor’s collection rate, tariff/rate pricing, real growth rate of Inkwanca 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.

2.5.8 Salary increases

The collective agreement regarding salaries/wages came into operation on 1 July 2009 and shall remain in force until 30 June 2012.

2.5.9 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.

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

It is estimated that a spending rate of at least 80 per cent is achieved on operating expenditure and 98 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

Table 12 Medium-term outlook: operating revenue

Description	Budget 2012/13	Budget Year + 1 2013/14	Budget Year +2 2014/15
Rates	3,180	3,370	3,573
Service Charges	7,257	7,692	8,144
Transfer & Grants	30,034	30,934	34,015
Own Revenue	1,662	2,988	1,608
TOTAL	**42,133**	**44,661**	**47,340**

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

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

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. Inkwanca Municipality derives most of its operational revenue from government grants and transfers.

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

- Revenue management and enhancement;
- Achievement of a 80 per cent annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.

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

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

Table 13 Proposed tariff increases over the medium-term

Revenue category	2012/13 proposed tariff increase	2013/14 proposed tariff increase	2014/15 proposed tariff increase
	%	%	%
Property rates	3	3	3
Sanitation	6	6	6
Solid Waste	6	6	6
Water	6	6	6
Electricity	11.03	11.03	11.03

Inkwanca Municipality is in a process of further data verification and validation relating to the valuation roll.

Rates and Services charges relating to electricity, water, sanitation and refuse removal constitutes 24.77% of the revenue basket of Inkwanca Municipality totalling R10,437 million for the 2011/12 financial year and increasing to R11.717,000 by 2013/14.

Operational grants and subsidies amount to R30, 034 million, R 30,934 million and R34, 015 million for each of the respective financial years of the MTREF, or 71.28, increasing to 71.85% for the 2014.15 financial years. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF.

2.6.2 Cash Flow Management

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

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

2.6.3 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.

2.6.4 Funding compliance measurement

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

2.6.4.1 Cash/cash equivalent position

Inkwanca Municipality 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.

2.6.4.2 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.

2.6.4.3 Monthly average payments covered by cash or cash equivalents

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

2.6.4.4 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.

2.6.4.5 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.

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.

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.

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.

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 be excluded.

2.6.4.6 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.

2.6.4.7 Consumer debtors change (Current and Non-current)

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

2.6.4.8 Repairs and maintenance expenditure level

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

2.6.4.9 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 Annual budgets and SDBIPs – internal departments

This is submitted as a separate Annexure

2.8 Contracts having future budgetary implications

In terms of the City'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.

2.9 Capital expenditure details

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

2.10 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 City's website.

2. Internship programme
Inkwanca Municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department. Of the five interns one has been appointed permanently from Oct 2011. One of the remaining four will have completed her two year contract in October 2011, and the other three have only been appointed in December 2011. Since the introduction of the Internship programme the Municipality has successfully employed and trained 5 interns through this programme and a majority of them were appointed either in the Municipality.

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

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

5. Service Delivery and Implementation Plan
The detail SDBIP document is at a draft stage and will be finalised after approval of the 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 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.

OFFICE OF THE ACCOUNTING OFFICER

2.11 Municipal manager's quality certificate

I …………………………………, municipal manager of Inkwanca 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 Inkwanca Municipality (EC133)

Signature ____

Date ______________________________