

compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.

3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
  - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
  - b. Capital expenditure is balanced by capital funding sources, of which
    - i. Transfers recognised is reflected on the Financial Performance Budget;
    - ii. There is no provision for any borrowing in the cash flows;
    - iii. Internally generated funds is financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was paying much attention to managing this aspect of its finances, and consequently all of its obligations are cash-backed.
5. Significant assistance is being given to the indigent households.

| EC136 Emalahleni (Ec) - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification) |                 |                 |                 |                      |                 |                    |                       |                        |                        |
|--|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-----------------------|------------------------|------------------------|
| Standard Classification Description  | 2008/9          | 2009/10         | 2010/11         | Current Year 2011/12 |                 |                    | Expenditure Framework |                        |                        |
|  | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Budget Year 2012/13   | Budget Year +1 2013/14 | Budget Year +2 2014/15 |
| <b>R thousand</b>  |                 |                 |                 |                      |                 |                    |                       |                        |                        |
| <b>Revenue - Standard</b>  |                 |                 |                 |                      |                 |                    |                       |                        |                        |
| <i>Municipal governance and administration</i>   | 38 052          | 53 239          | 57 546          | 74 117               | 51 048          | 51 048             | 77 955                | 84 189                 | 91 109                 |
| Executive and council  | 1 861           | 1 892           | 1 150           | 2 394                | 10 887          | 10 887             | 2 528                 | 2 674                  | -                      |
| Mayor and Council  | 1 861           | 1 892           | 1 150           | 2 394                | 5 053           | 5 053              | 2 528                 | 2 674                  | -                      |
| Municipal Manager  | -               | -               | -               | -                    | 5 834           | 5 834              | -                     | -                      | -                      |
| Budget and treasury office   | 36 150          | 51 271          | 56 316          | 71 712               | 30 258          | 30 258             | 75 415                | 81 503                 | 91 096                 |
| Corporate services   | 42              | 77              | 81              | 11                   | 9 904           | 9 904              | 12                    | 12                     | 13                     |
| Human Resources  | 42              | 77              | 81              | 11                   | 9 904           | 9 904              | 12                    | 12                     | 13                     |
| <i>Community and public safety</i>   | 4 513           | 2 427           | 797             | 1 252                | 7 875           | 7 875              | 2 256                 | 2 460                  | 2 637                  |
| Community and social services  | 1 123           | 812             | 728             | 1 252                | 6 641           | 6 641              | 1 332                 | 1 398                  | 1 468                  |
| Libraries and Archives   | 211             | 221             | 3               | -                    | 517             | 517                | 521                   | 536                    | 546                    |
| Community halls and Facilities   | 438             | 205             | 123             | -                    | 874             | 874                | 185                   | 197                    | 211                    |
| Cemeteries & Crematoriums  | 27              | 30              | 28              | -                    | 366             | 366                | 38                    | 41                     | 44                     |
| Other Community  | 447             | 357             | 573             | 1 252                | 4 883           | 4 883              | 588                   | 624                    | 668                    |
| Other Social   | -               | -               | -               | -                    | -               | -                  | -                     | -                      | -                      |
| Sport and recreation   | 7               | 4               | 3               | -                    | 402             | 402                | 8                     | 9                      | 9                      |
| Public safety  | 0               | 1 510           | 66              | -                    | 832             | 832                | 916                   | 1 053                  | 1 159                  |
| Street Lighting  | 0               | 1 510           | 66              | -                    | 832             | 832                | 916                   | 1 053                  | 1 159                  |
| Other  | -               | -               | -               | -                    | -               | -                  | -                     | -                      | -                      |
| Housing  | 3 382           | 102             | -               | -                    | -               | -                  | -                     | -                      | -                      |
| <i>Economic and environmental services</i>   | 13 395          | 29 901          | 82              | 3 279                | 10 955          | 10 955             | 25 411                | 31 626                 | 37 287                 |
| Planning and development   | 4 075           | 1 347           | 1               | 1 000                | 7 095           | 7 095              | 403                   | 4 503                  | 8 565                  |
| Economic Development/Planning  | 4 075           | 1 347           | 1               | 1 000                | 7 095           | 7 095              | 403                   | 4 503                  | 8 565                  |
| Town Planning/Building enforcement   | -               | -               | -               | -                    | -               | -                  | -                     | -                      | -                      |
| Licensing & Regulation   | -               | -               | -               | -                    | -               | -                  | -                     | -                      | -                      |
| Road transport   | 9 320           | 28 554          | 81              | 2 279                | 3 860           | 3 860              | 25 008                | 27 123                 | 28 723                 |
| Roads  | 8 140           | 26 869          | 57              | 322                  | 3 814           | 3 814              | 25 008                | 24 949                 | 26 396                 |
| Vehicle Licensing and Testing  | 1 180           | 1 685           | 24              | 1 957                | 46              | 46                 | -                     | 2 174                  | 2 326                  |
| Other  | -               | -               | -               | -                    | -               | -                  | -                     | -                      | -                      |
| <i>Trading services</i>  | 7 450           | 6 061           | 42 342          | 36 361               | 55 720          | 55 720             | 41 032                | 39 514                 | 40 438                 |
| Electricity  | 4 278           | 3 482           | 5 041           | 4 655                | 14 844          | 14 844             | 8 749                 | 12 539                 | 11 144                 |
| Electricity Distribution   | 4 278           | 3 482           | 5 041           | 4 655                | 14 844          | 14 844             | 8 749                 | 12 539                 | 11 144                 |
| Electricity Generation   | -               | -               | -               | -                    | -               | -                  | -                     | -                      | -                      |
| Water  | -               | -               | 34 198          | 15 759               | 20 562          | 20 562             | 26 593                | 20 922                 | 22 817                 |
| Water Distribution   | -               | -               | 34 198          | 15 759               | 20 562          | 20 562             | 26 593                | 20 922                 | 22 817                 |
| Water Storage  | -               | -               | -               | -                    | -               | -                  | -                     | -                      | -                      |
| Waste water management   | (0)             | -               | (440)           | 12 982               | 16 311          | 16 311             | 2 636                 | 2 804                  | 3 001                  |
| Sewerage   | (0)             | -               | (440)           | 12 982               | 16 311          | 16 311             | 2 636                 | 2 804                  | 3 001                  |
| Storm Water Management   | -               | -               | -               | -                    | -               | -                  | -                     | -                      | -                      |
| Public Toilets   | -               | -               | -               | -                    | -               | -                  | -                     | -                      | -                      |
| Waste management   | 3 171           | 2 579           | 3 543           | 2 965                | 4 003           | 4 003              | 3 054                 | 3 249                  | 3 476                  |
| Solid Waste  | 3 171           | 2 579           | 3 543           | 2 965                | 4 003           | 4 003              | 3 054                 | 3 249                  | 3 476                  |
| Other  | -               | -               | -               | -                    | -               | -                  | -                     | -                      | -                      |
| <b>Total Revenue - Standard</b>  | <b>63 410</b>   | <b>91 629</b>   | <b>100 767</b>  | <b>115 010</b>       | <b>125 598</b>  | <b>125 598</b>     | <b>146 654</b>        | <b>157 789</b>         | <b>171 470</b>         |

| Standard Classification Description            | 2008/9          | 2009/10         | 2010/11         | Current Year 2011/12 |                 |                    | 2012/13 Medium Term Revenue & |                        |                        |
|--|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------------------|------------------------|------------------------|
|  | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Budget Year 2012/13           | Budget Year +1 2013/14 | Budget Year +2 2014/15 |
| <b>Expenditure - Standard</b>                  |                 |                 |                 |                      |                 |                    |                               |                        |                        |
| <i>Municipal governance and administration</i> | 20 681          | 21 206          | 43 085          | 45 036               | 41 730          | 41 730             | 46 693                        | 49 859                 | 54 116                 |
| Executive and council                          | 10 428          | (5 167)         | 16 131          | 20 884               | 21 027          | 21 027             | 23 219                        | 24 309                 | 26 275                 |
| <i>Mayor and Council</i>                       | 8 683           | (7 703)         | 11 553          | 14 910               | 16 038          | 16 038             | 17 034                        | 18 168                 | 19 132                 |
| <i>Municipal Manager</i>                       | 1 745           | 2 535           | 4 578           | 5 975                | 4 989           | 4 989              | 6 185                         | 6 141                  | 7 143                  |
| Budget and treasury office                     | 3 213           | 18 993          | 16 995          | 15 045               | 10 332          | 10 332             | 12 213                        | 13 275                 | 14 506                 |
| Corporate services                             | 7 040           | 7 381           | 9 959           | 9 106                | 10 371          | 10 371             | 11 261                        | 12 285                 | 13 335                 |
| <i>Human Resources</i>                         | 7 040           | 7 381           | 9 959           | 9 106                | 10 371          | 10 371             | 11 261                        | 12 285                 | 13 335                 |
| <i>Community and public safety</i>             | 8 626           | 3 959           | 6 098           | 11 568               | 8 395           | 8 395              | 21 376                        | 24 393                 | 27 986                 |
| Community and social services                  | 3 580           | 2 631           | 4 337           | 10 186               | 5 788           | 5 788              | 8 508                         | 9 056                  | 9 861                  |
| <i>Libraries and Archives</i>                  | 210             | 246             | 280             | -                    | 294             | 294                | 323                           | 353                    | 386                    |
| <i>Community halls and Facilities</i>          | 702             | 375             | 616             | -                    | 567             | 567                | 1 620                         | 1 743                  | 1 883                  |
| <i>Cemeteries &amp; Crematoriums</i>           | 121             | 47              | 205             | -                    | 242             | 242                | 469                           | 508                    | 552                    |
| <i>Other Community</i>                         | 2 546           | 1 962           | 3 236           | 10 186               | 4 685           | 4 685              | 6 096                         | 6 451                  | 7 039                  |
| Sport and recreation                           | 146             | 144             | 217             | 355                  | 798             | 798                | 322                           | 951                    | 1 084                  |
| Public safety                                  | 396             | 362             | 314             | -                    | 658             | 658                | 11 087                        | 12 789                 | 15 289                 |
| <i>Street Lighting</i>                         | 396             | 362             | 314             | -                    | 658             | 658                | 11 087                        | 12 789                 | 15 289                 |
| Housing  | 4 504           | 822             | 1 230           | 1 027                | 1 151           | 1 151              | 1 459                         | 1 597                  | 1 751                  |
| <i>Economic and environmental services</i>     | 9 482           | 8 962           | 10 955          | 37 795               | 25 983          | 25 983             | 17 710                        | 16 400                 | 17 693                 |
| Planning and development                       | 4 876           | 3 097           | 3 645           | 7 054                | 7 840           | 7 840              | 8 241                         | 5 919                  | 6 404                  |
| <i>Economic Development/Planning</i>           | 4 876           | 3 097           | 3 645           | 7 054                | 7 840           | 7 840              | 8 241                         | 5 919                  | 6 404                  |
| <i>Town Planning/Building</i>                  | -               | -               | -               | -                    | -               | -                  | -                             | -                      | -                      |
| Road transport                                 | 4 607           | 5 865           | 7 310           | 30 741               | 18 142          | 18 142             | 9 469                         | 10 482                 | 11 290                 |
| <i>Roads</i>                                   | 3 325           | 4 499           | 7 256           | 29 477               | 16 860          | 16 860             | 9 441                         | 9 047                  | 9 753                  |
| <i>Vehicle Licensing and Testing</i>           | 1 281           | 1 366           | 54              | 1 264                | 1 283           | 1 283              | 28                            | 1 435                  | 1 536                  |
| <i>Trading services</i>                        | 6 833           | 8 398           | 15 927          | 54 273               | 37 061          | 37 061             | 34 725                        | 33 337                 | 36 040                 |
| Electricity                                    | 4 892           | 5 620           | 12 578          | 16 467               | 15 479          | 15 479             | 2 571                         | 3 318                  | 3 621                  |
| <i>Electricity Distribution</i>                | 4 892           | 5 620           | 12 578          | 16 467               | 15 479          | 15 479             | 2 571                         | 3 318                  | 3 621                  |
| Water  | 0               | (0)             | -               | 18 559               | 11 959          | 11 959             | 18 266                        | 15 146                 | 16 337                 |
| <i>Water Distribution</i>                      | 0               | (0)             | -               | 18 559               | 11 959          | 11 959             | 18 266                        | 15 146                 | 16 337                 |
| Waste water management                         | -               | -               | -               | 15 264               | 6 285           | 6 285              | 10 598                        | 11 338                 | 12 188                 |
| <i>Sewerage</i>                                | -               | -               | -               | 15 264               | 6 285           | 6 285              | 10 598                        | 11 338                 | 12 188                 |
| Waste management                               | 1 942           | 2 778           | 3 349           | 3 983                | 3 338           | 3 338              | 3 289                         | 3 536                  | 3 893                  |
| <i>Solid Waste</i>                             | 1 942           | 2 778           | 3 349           | 3 983                | 3 338           | 3 338              | 3 289                         | 3 536                  | 3 893                  |
| <b>Total Expenditure - Standard</b>            | <b>45 623</b>   | <b>42 526</b>   | <b>76 066</b>   | <b>148 672</b>       | <b>113 169</b>  | <b>113 169</b>     | <b>120 504</b>                | <b>123 999</b>         | <b>135 835</b>         |

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

- Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
- Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
- Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is not the case for any of the trading services. As already noted above, the municipality will be undertaking a detailed study of these functions.

to explore ways of improving efficiencies and provide a basis for re-evaluating these functions' tariff structures.

4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources.

| EC136 Emalahleni (Ec) - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)A |               |               |                |                      |                |                |                               |                |                |
|--|---------------|---------------|----------------|----------------------|----------------|----------------|-------------------------------|----------------|----------------|
| Vote Description<br>R thousand   | 2008/9        | 2009/10       | 2010/11        | Current Year 2011/12 |                |                | 2012/13 Medium Term Revenue & |                |                |
|  | Audited       | Audited       | Audited        | Original             | Adjusted       | Full Year      | Budget Year                   | Budget Year    | Budget Year    |
| <b>Revenue by Vote</b>   |               |               |                |                      |                |                |                               |                |                |
| <b>Vote 1 - Council</b>  | 1 861         | 1 892         | 1 150          | 2 394                | 5 053          | 5 053          | 2 528                         | 2 674          | -              |
| 1.1 - Council  | 1 861         | 1 892         | 1 150          | 2 394                | 5 053          | 5 053          | 2 528                         | 2 674          | -              |
| <b>Vote 2 - Executive</b>  | -             | -             | -              | -                    | 5 834          | 5 834          | -                             | -              | -              |
| 2.1 - Municipal Manager  | -             | -             | -              | -                    | 5 834          | 5 834          | -                             | -              | -              |
| <b>Vote 3 - Corporate Services</b>   | 42            | 77            | 81             | 11                   | 9 904          | 9 904          | 12                            | 12             | 13             |
| 3.1 - Human Resources  | 42            | 77            | 81             | 11                   | 9 904          | 9 904          | 12                            | 12             | 13             |
| <b>Vote 4 - Budget and Treasury</b>  | 36 150        | 51 271        | 56 316         | 71 712               | 30 258         | 30 258         | 75 415                        | 81 503         | 91 098         |
| 4.1 - Financial Services   | 33 908        | 48 060        | 53 576         | 66 617               | 25 980         | 25 980         | 72 235                        | 78 111         | 87 466         |
| 4.2 - Assessment Rates   | 2 241         | 3 211         | 2 739          | 5 096                | 4 278          | 4 278          | 3 180                         | 3 392          | 3 629          |
| <b>Vote 5 - IPED</b>   | 4 075         | 1 347         | 1              | 1 000                | 7 095          | 7 095          | 403                           | 4 503          | 8 565          |
| 5.1 - IPED   | 4 075         | 1 347         | 1              | 1 000                | 7 095          | 7 095          | 403                           | 4 503          | 8 565          |
| <b>Vote 6 - Community Services</b>   | 1 130         | 816           | 731            | 1 252                | 7 043          | 7 043          | 1 340                         | 1 407          | 1 478          |
| 6.1 - Community Services Admin   | -             | -             | 37             | 1 252                | 1 763          | 1 763          | -                             | -              | -              |
| 6.2 - Parks and Public Open Spaces   | -             | -             | -              | -                    | 343            | 343            | -                             | -              | -              |
| 6.3 - Cemeteries   | 27            | 30            | 28             | -                    | 366            | 366            | 38                            | 41             | 44             |
| 6.4 - Community and Town Halls   | 438           | 205           | 123            | -                    | 874            | 874            | 185                           | 197            | 211            |
| 6.5 - Libraries  | 211           | 221           | 3              | -                    | 517            | 517            | 521                           | 536            | 546            |
| 6.6 - Sport Fields   | 7             | 4             | 3              | -                    | 402            | 402            | 8                             | 9              | 9              |
| 6.7 - Resorts  | 163           | 179           | 107            | -                    | 288            | 288            | 267                           | 284            | 304            |
| 6.8 - Admin Buildings  | 72            | (0)           | -              | -                    | 1 653          | 1 653          | 1                             | 1              | 2              |
| 6.9 - Commonage  | 212           | 179           | 430            | -                    | 836            | 836            | 319                           | 338            | 362            |
| <b>Vote 7 - Water And Sanitation</b>   | (0)           | -             | 33 758         | 28 741               | 36 873         | 36 873         | 29 229                        | 23 727         | 25 817         |
| 7.1 - Sanitation   | (0)           | -             | (440)          | 12 982               | 16 311         | 16 311         | 2 635                         | 2 804          | 3 001          |
| 7.2 - Water  | -             | -             | 34 198         | 15 759               | 20 562         | 20 562         | 26 593                        | 20 922         | 22 817         |
| <b>Vote 8 - Refuse</b>   | 3 171         | 2 579         | 3 543          | 2 965                | 4 003          | 4 003          | 3 054                         | 3 249          | 3 476          |
| 8.1 - Refuse   | 3 171         | 2 579         | 3 543          | 2 965                | 4 003          | 4 003          | 3 054                         | 3 249          | 3 476          |
| <b>Vote 9 - Roads Transport</b>  | 9 320         | 28 554        | 81             | 2 279                | 3 860          | 3 860          | 25 008                        | 27 123         | 28 723         |
| 9.1 - Licencing and Registration   | 1 180         | 1 685         | 24             | 1 957                | 46             | 46             | -                             | 2 174          | 2 326          |
| 9.2 - Roads and Storm Water  | 8 016         | 26 762        | 0              | -                    | 1 625          | 1 625          | 23 503                        | 23 361         | 24 712         |
| 9.3 - Technical Services Admin   | 124           | 107           | 57             | 322                  | 2 189          | 2 189          | 1 505                         | 1 588          | 1 684          |
| <b>Vote 10 - Electricity</b>   | 4 278         | 4 992         | 5 107          | 4 655                | 15 676         | 15 676         | 9 665                         | 13 592         | 12 303         |
| 10.1 - Streetlights  | 0             | 1 510         | 66             | -                    | 832            | 832            | 916                           | 1 053          | 1 159          |
| 10.2 - Electricity Trading Services  | 4 278         | 3 482         | 5 041          | 4 655                | 14 844         | 14 844         | 8 749                         | 12 539         | 11 144         |
| <b>Vote 11 - Housing Services</b>  | 3 382         | 102           | -              | -                    | -              | -              | -                             | -              | -              |
| 11.1 - Housing   | 3 382         | 102           | -              | -                    | -              | -              | -                             | -              | -              |
| <b>Total Revenue by Vote</b>   | <b>63 410</b> | <b>91 629</b> | <b>100 767</b> | <b>115 010</b>       | <b>125 598</b> | <b>125 598</b> | <b>146 654</b>                | <b>157 789</b> | <b>171 470</b> |

| Vote Description                     | 2008/9          | 2009/10         | 2010/11         | Current Year 2011/12 |                 |                    | 2012/13 Medium Term Revenue & |                        |                        |
|--------------------------------------|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------------------|------------------------|------------------------|
|                                      | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Budget Year 2012/13           | Budget Year +1 2013/14 | Budget Year +2 2014/15 |
| <b>R thousand</b>                    |                 |                 |                 |                      |                 |                    |                               |                        |                        |
| <b>Expenditure by Vote</b>           |                 |                 |                 |                      |                 |                    |                               |                        |                        |
| <b>Vote 1 - Council</b>              | 8 683           | (7 703)         | 11 553          | 14 910               | 16 038          | 16 038             | 17 034                        | 18 168                 | 19 132                 |
| 1.1 - Council                        | 8 683           | (7 703)         | 11 553          | 14 910               | 16 038          | 16 038             | 17 034                        | 18 168                 | 19 132                 |
| <b>Vote 2 - Executive</b>            | 1 745           | 2 535           | 4 578           | 5 975                | 4 989           | 4 989              | 6 185                         | 6 141                  | 7 143                  |
| 2.1 - Municipal Manager              | 1 745           | 2 535           | 4 578           | 5 975                | 4 989           | 4 989              | 6 185                         | 6 141                  | 7 143                  |
| <b>Vote 3 - Corporate Services</b>   | 7 040           | 7 381           | 9 959           | 9 106                | 10 371          | 10 371             | 11 261                        | 12 285                 | 13 335                 |
| 3.1 - Human Resources                | 7 040           | 7 381           | 9 959           | 9 106                | 10 371          | 10 371             | 11 261                        | 12 285                 | 13 335                 |
| <b>Vote 4 - Budget and Treasury</b>  | 3 213           | 18 993          | 16 995          | 15 045               | 10 332          | 10 332             | 12 213                        | 13 275                 | 14 506                 |
| 4.1 - Financial Services             | 3 213           | 18 993          | 16 995          | 11 017               | 9 832           | 9 832              | 11 583                        | 12 620                 | 13 805                 |
| 4.2 - Assessment Rates               | -               | -               | -               | 4 028                | 500             | 500                | 630                           | 655                    | 701                    |
| <b>Vote 5 - IPED</b>                 | 4 876           | 3 097           | 3 645           | 7 054                | 7 840           | 7 840              | 8 241                         | 5 919                  | 6 404                  |
| 5.1 - IPED                           | 4 876           | 3 097           | 3 645           | 7 054                | 7 840           | 7 840              | 8 241                         | 5 919                  | 6 404                  |
| <b>Vote 6 - Community Services</b>   | 3 726           | 2 775           | 4 554           | 10 541               | 6 586           | 6 586              | 8 830                         | 10 007                 | 10 946                 |
| 6.1 - Community Services Admin       | 817             | 617             | 1 375           | 10 186               | 1 839           | 1 839              | 2 116                         | 2 660                  | 2 931                  |
| 6.2 - Parks and Public Open Spaces   | 71              | 85              | 217             | -                    | 221             | 221                | 505                           | 546                    | 592                    |
| 6.3 - Cemeteries                     | 121             | 47              | 205             | -                    | 242             | 242                | 469                           | 508                    | 552                    |
| 6.4 - Community and Town Halls       | 702             | 375             | 616             | -                    | 567             | 567                | 1 620                         | 1 743                  | 1 883                  |
| 6.5 - Libraries                      | 210             | 246             | 280             | -                    | 294             | 294                | 323                           | 353                    | 386                    |
| 6.6 - Sport Fields                   | 146             | 144             | 217             | 355                  | 798             | 798                | 322                           | 951                    | 1 084                  |
| 6.7 - Resorts                        | 57              | 139             | 156             | -                    | 279             | 279                | 676                           | 727                    | 786                    |
| 6.8 - Admin Buildings                | 1 571           | 1 119           | 1 043           | -                    | 1 682           | 1 682              | 1 779                         | 1 356                  | 1 463                  |
| 6.9 - Commonage                      | 31              | 2               | 444             | -                    | 664             | 664                | 1 021                         | 1 162                  | 1 268                  |
| <b>Vote 7 - Water And Sanitation</b> | 0               | (0)             | -               | 33 823               | 18 244          | 18 244             | 28 865                        | 26 483                 | 28 526                 |
| 7.1 - Sanitation                     | -               | -               | -               | 15 264               | 6 285           | 6 285              | 10 598                        | 11 338                 | 12 188                 |
| 7.2 - Water                          | 0               | (0)             | -               | 18 559               | 11 959          | 11 959             | 18 266                        | 15 146                 | 16 337                 |
| <b>Vote 8 - Refuse</b>               | 1 942           | 2 778           | 3 349           | 3 983                | 3 338           | 3 338              | 3 289                         | 3 536                  | 3 893                  |
| 8.1 - Refuse                         | 1 942           | 2 778           | 3 349           | 3 983                | 3 338           | 3 338              | 3 289                         | 3 536                  | 3 893                  |
| <b>Vote 9 - Roads Transport</b>      | 4 607           | 5 865           | 7 310           | 30 741               | 18 142          | 18 142             | 9 469                         | 10 482                 | 11 290                 |
| 9.1 - Licencing and Registration     | 1 281           | 1 366           | 54              | 1 264                | 1 283           | 1 283              | 28                            | 1 435                  | 1 536                  |
| 9.2 - Roads and Storm Water          | 1 234           | 2 093           | 3 156           | 29 477               | 14 928          | 14 928             | 5 746                         | 5 088                  | 5 488                  |
| 9.3 - Technical Services Admin       | 2 091           | 2 406           | 4 101           | -                    | 1 932           | 1 932              | 3 695                         | 3 959                  | 4 265                  |
| <b>Vote 10 - Electricity</b>         | 5 287           | 5 982           | 12 892          | 16 467               | 16 137          | 16 137             | 13 658                        | 16 107                 | 18 910                 |
| 10.1 - Streetlights                  | 396             | 362             | 314             | -                    | 658             | 658                | 11 087                        | 12 789                 | 15 289                 |
| 10.2 - Electricity Trading Services  | 4 892           | 5 620           | 12 578          | 16 467               | 15 479          | 15 479             | 2 571                         | 3 318                  | 3 621                  |
| <b>Vote 11 - Housing Services</b>    | 4 504           | 822             | 1 230           | 1 027                | 1 151           | 1 151              | 1 459                         | 1 597                  | 1 751                  |
| 11.1 - Housing                       | 4 504           | 822             | 1 230           | 1 027                | 1 151           | 1 151              | 1 459                         | 1 597                  | 1 751                  |
| <b>Total Expenditure by Vote</b>     | <b>45 623</b>   | <b>42 526</b>   | <b>76 066</b>   | <b>148 672</b>       | <b>113 169</b>  | <b>113 169</b>     | <b>120 504</b>                | <b>123 999</b>         | <b>135 835</b>         |

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

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote.
2. This table is the main driver of management- responsibility and performance in terms of the operating budget and also the benchmark against which any unauthorised expenditure will be measured.

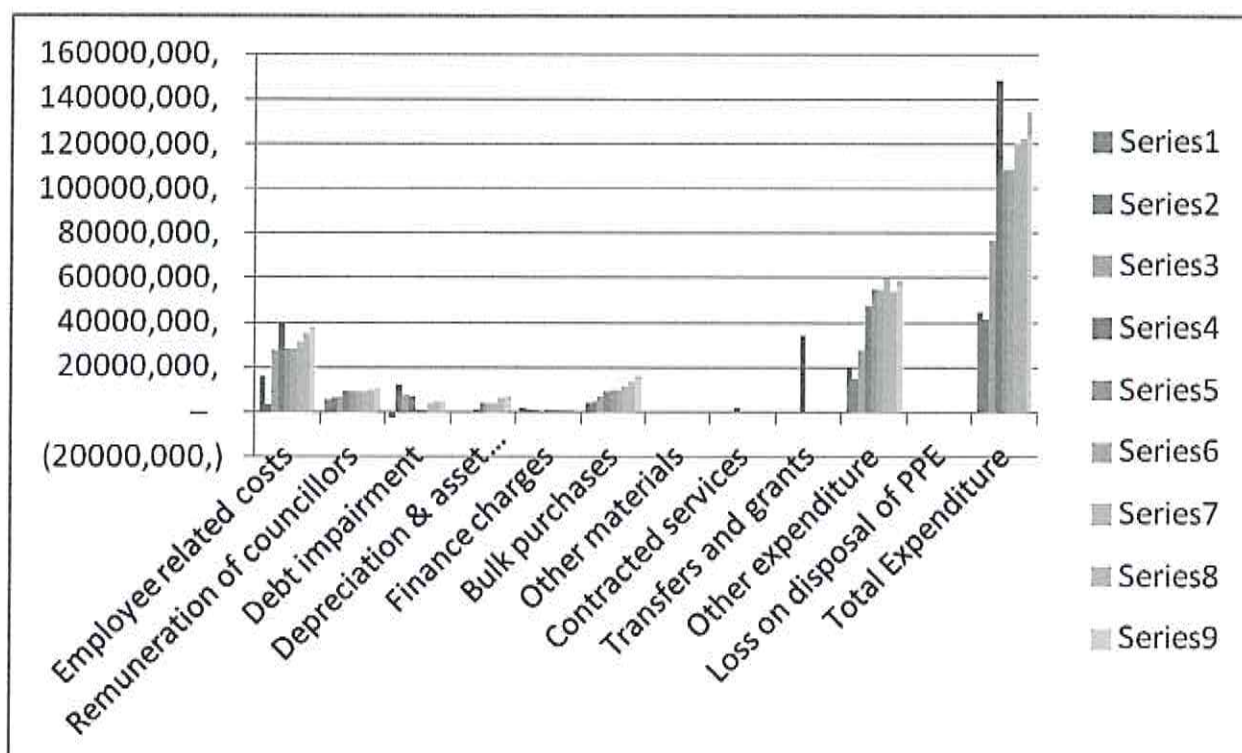
EC136 Emalahleni (Ec) - Table A4 Budgeted Financial Performance (revenue and expenditure)

| Description  | Ref  | 2008/9          | 2009/10         | 2010/11         | Current Year 2011/12 |                 |                    |                   | 2012/13 Medium Term Revenue & Expenditure Framework |                        |                        |
|--|------|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
|  |      | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2012/13                                 | Budget Year +1 2013/14 | Budget Year +2 2014/15 |
| <b>Revenue By Source</b>   |      |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Property rates   | 2    | 1 961           | 3 065           | 1 772           | 4 763                | 2 473           | 2 473              | 2 473             | 2 680   | 2 860                  | 3 060                  |
| Property rates - penalties & collection charges                      |      | -               | -               | -               | 332                  | -               | -                  | -                 | -   | -                      | -                      |
| Service charges - electricity revenue                                | 2    | 2 797           | 3 311           | 4 982           | 4 604                | 5 076           | 5 076              | 5 076             | 5 634   | 6 559                  | 7 268                  |
| Service charges - water revenue                                      | 2    | -               | -               | (7)             | 2 679                | 3 679           | 3 679              | 3 679             | 2 818   | 1 563                  | 1 672                  |
| Service charges - sanitation revenue                                 | 2    | -               | -               | (440)           | 3 054                | 3 730           | 3 730              | 3 730             | 431   | 459                    | 491                    |
| Service charges - refuse revenue                                     | 2    | 2 241           | 2 376           | 2 364           | 2 688                | 2 690           | 2 690              | 2 690             | 2 764   | 2 941                  | 3 147                  |
| Service charges - other  |      | -               | -               | -               | -                    | 5               | 5                  | 5                 | 5   | 6                      | 6                      |
| Rental of facilities and equipment                                   |      | 509             | 431             | 656             | 815                  | 803             | 803                | 803               | 856   | 905                    | 968                    |
| Interest earned - external investments                               |      | 3 910           | 2 387           | 1 830           | 2 592                | 1 265           | 1 265              | 1 265             | 14  | 14                     | 15                     |
| Interest earned - outstanding debtors                                |      | 1 367           | 365             | 2 284           | 878                  | 3 979           | 3 979              | 3 979             | 2 495   | 1 509                  | 1 615                  |
| Dividends received   |      | 10              | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Fines  |      | 1               | 3               | 0               | 11                   | -               | -                  | -                 | 0   | 13                     | 14                     |
| Licences and permits   |      | -               | -               | -               | 1 784                | -               | -                  | -                 | -   | -                      | -                      |
| Agency services  |      | 186             | 362             | 48              | 25 006               | 14 713          | 14 713             | 14 713            | 26 659  | 20 275                 | 22 124                 |
| Transfers recognised - operating                                     |      | 41 159          | 46 465          | 87 337          | 65 429               | 82 529          | 82 529             | 82 529            | 75 541  | 87 875                 | 98 757                 |
| Other revenue  | 2    | 178             | 5 410           | 558             | 313                  | (1 080)         | (1 080)            | (1 080)           | 344   | 981                    | 1 049                  |
| Gains on disposal of PPE   |      | -               | -               | -               | 84                   | -               | -                  | -                 | 68  | 72                     | 77                     |
| <b>Total Revenue (excluding capital transfers and contributions)</b> |      | <b>54 319</b>   | <b>64 174</b>   | <b>101 382</b>  | <b>115 010</b>       | <b>119 860</b>  | <b>119 860</b>     | <b>119 860</b>    | <b>120 508</b>                                      | <b>126 030</b>         | <b>140 263</b>         |
| <b>Expenditure By Type</b>   |      |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Employee related costs   | 2    | 15 859          | 3 194           | 27 500          | 39 489               | 31 561          | 31 561             | 31 561            | 31 571  | 34 728                 | 38 201                 |
| Remuneration of councillors  |      | 5 742           | 5 934           | 6 776           | 8 791                | 9 409           | 9 409              | 9 409             | 9 257   | 9 813                  | 10 401                 |
| Debt impairment  | 3    | (2 785)         | 12 360          | 7 792           | 6 711                | 799             | 799                | 799               | 3 801   | 4 549                  | 4 867                  |
| Depreciation & asset impairment                                      | 2    | -               | -               | -               | 679                  | 4 200           | 4 200              | 4 200             | 3 842   | 5 971                  | 6 671                  |
| Finance charges  |      | 1 477           | 47              | 21              | -                    | 26              | 26                 | 26                | 133   | 138                    | 148                    |
| Bulk purchases   | 2    | 4 114           | 5 062           | 7 291           | 9 179                | 10 200          | 10 200             | 10 200            | 11 381  | 13 237                 | 15 769                 |
| Other materials  | 8    | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Contracted services  |      | -               | -               | -               | 1 568                | -               | -                  | -                 | -   | -                      | -                      |
| Transfers and grants   |      | -               | -               | -               | 34 507               | -               | -                  | -                 | -   | -                      | -                      |
| Other expenditure  | 4, 5 | 20 141          | 14 945          | 27 301          | 47 767               | 55 717          | 55 717             | 55 717            | 60 720  | 54 167                 | 58 283                 |
| Loss on disposal of PPE  |      | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| <b>Total Expenditure</b>   |      | <b>44 548</b>   | <b>41 542</b>   | <b>76 681</b>   | <b>148 671</b>       | <b>111 911</b>  | <b>111 911</b>     | <b>111 911</b>    | <b>120 504</b>                                      | <b>122 602</b>         | <b>134 340</b>         |
| <b>Surplus/(Deficit)</b>   |      | <b>9 771</b>    | <b>22 632</b>   | <b>24 701</b>   | <b>(33 661)</b>      | <b>7 949</b>    | <b>7 949</b>       | <b>7 949</b>      | <b>4</b>  | <b>3 428</b>           | <b>5 923</b>           |
| Transfers recognised - capital                                       |      | 8 016           | 26 470          | 0               | 31 217               | 4 480           | 4 480              | 4 480             | 26 145  | 30 361                 | 29 712                 |
| Contributions recognised - capital                                   |      | -               | -               | -               | (2 026)              | -               | -                  | -                 | -   | -                      | -                      |
| Contributed assets   |      | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| <b>Surplus/(Deficit) after capital transfers &amp; contributions</b> |      | <b>17 787</b>   | <b>49 103</b>   | <b>24 701</b>   | <b>(4 470)</b>       | <b>12 429</b>   | <b>12 429</b>      | <b>12 429</b>     | <b>26 150</b>                                       | <b>33 789</b>          | <b>35 636</b>          |
| Taxation   |      | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| <b>Surplus/(Deficit) after taxation</b>                              |      | <b>17 787</b>   | <b>49 103</b>   | <b>24 701</b>   | <b>(4 470)</b>       | <b>12 429</b>   | <b>12 429</b>      | <b>12 429</b>     | <b>26 150</b>                                       | <b>33 789</b>          | <b>35 636</b>          |
| Attributable to minorities   |      | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| <b>Surplus/(Deficit) attributable to municipality</b>                |      | <b>17 787</b>   | <b>49 103</b>   | <b>24 701</b>   | <b>(4 470)</b>       | <b>12 429</b>   | <b>12 429</b>      | <b>12 429</b>     | <b>26 150</b>                                       | <b>33 789</b>          | <b>35 636</b>          |
| Share of surplus/ (deficit) of associate                             | 7    | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| <b>Surplus/(Deficit) for the year</b>                                |      | <b>17 787</b>   | <b>49 103</b>   | <b>24 701</b>   | <b>(4 470)</b>       | <b>12 429</b>   | <b>12 429</b>      | <b>12 429</b>     | <b>26 150</b>                                       | <b>33 789</b>          | <b>35 636</b>          |

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

1. Total revenue, excluding capital transfers, is R120 508 million in 2012/13 and escalates to R140 263 million by 2014/15. This represents a year-on-year increase of 11.2 per cent for the 2012/13 and year-on-year increases of 4.5 per cent for the 2013/14 financial year and 11.2 per cent for the 2014/15 financial year.

2. Revenue to be generated from property rates is R2 680 million in the 2012/13 financial year and increases to R3 060 million by 2014/15 which represents only 2.2 per cent of the operating revenue base (excluding capital transfers) of the Municipality and therefore does not remain a significant funding source for the municipality. It remains relatively constant over the medium-term and tariff increases have been factored in at 5.4 per cent, 6 per cent and 6 per cent for each of the respective financial years of the MTREF.
3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the Municipality totalling R11 653 million for the 2012/13 financial year and increasing to R12 583 million by 2014/15. For the 2012/13 financial year services charges amount to 9.6 per cent of the total revenue base and stays relatively constant over the MTREF period.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. Transfers are fluctuating according to grants provided for by the respective governments.
5. The following graph illustrates the major expenditure items per type.



### Expenditure by major type

6. Bulk purchases have significantly increased over the 2008/09 to 2012/13 period escalating from R4 114 million to R11 381 million. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom.
7. Employee related costs, depreciation, operating grant expenditure and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

## BRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

EC136 Emalahleni (Ec) - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

| Vote Description                                  | Ref | 2008/9          | 2009/10         | 2010/11         | Current Year 2011/12 |                 |                    |                   | 2012/13 Medium Term Revenue & Expenditure Framework |                        |                        |
|---|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
|   |     | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2012/13                                 | Budget Year +1 2013/14 | Budget Year +2 2014/15 |
| <b>Capital expenditure - Vote</b>                 |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| <b>Multi-year expenditure to be appropriated</b>  | 2   |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Vote 1 - Council                                  |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 2 - Executive                                |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 3 - Corporate Services                       |     | -               | -               | -               | 450                  | -               | -                  | -                 | -   | -                      | -                      |
| Vote 4 - Budget and Treasury                      |     | 793             | 1 810           | -               | 640                  | -               | -                  | -                 | -   | -                      | -                      |
| Vote 5 - IPED                                     |     | -               | 20              | -               | 20                   | -               | -                  | -                 | -   | -                      | -                      |
| Vote 6 - Community Services                       |     | 1 186           | 3 353           | -               | 557                  | -               | -                  | -                 | -   | -                      | -                      |
| Vote 7 - Water And Sanitation                     |     | -               | 4 650           | -               | 5 082                | -               | -                  | -                 | -   | -                      | -                      |
| Vote 8 - Refuse                                   |     | 7 160           | 750             | -               | 350                  | -               | -                  | -                 | 2 000   | 5 000                  | -                      |
| Vote 9 - Roads Transport                          |     | 8 418           | 14 667          | -               | 21 665               | -               | -                  | -                 | 1 995   | 2 499                  | -                      |
| Vote 10 - Electricity                             |     | -               | 810             | -               | 4 480                | -               | -                  | -                 | -   | -                      | -                      |
| Vote 11 - Housing Services                        |     | -               | 1 015           | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| <b>Capital multi-year expenditure sub-total</b>   | 7   | 17 557          | 27 075          | -               | 33 244               | -               | -                  | -                 | 3 995   | 7 499                  | -                      |
| <b>Single-year expenditure to be appropriated</b> | 2   |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Vote 1 - Council                                  |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 2 - Executive                                |     | -               | -               | -               | -                    | -               | -                  | -                 | 180   | 170                    | 185                    |
| Vote 3 - Corporate Services                       |     | -               | -               | -               | -                    | 180             | 180                | 180               | 150   | 140                    | 120                    |
| Vote 4 - Budget and Treasury                      |     | -               | -               | -               | -                    | 730             | 730                | 730               | 900   | 810                    | 740                    |
| Vote 5 - IPED                                     |     | -               | -               | -               | -                    | -               | -                  | -                 | 1 275   | 75                     | 80                     |
| Vote 6 - Community Services                       |     | -               | -               | -               | -                    | 61              | 61                 | 61                | 6 550   | 140                    | 120                    |
| Vote 7 - Water And Sanitation                     |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 8 - Refuse                                   |     | -               | -               | -               | -                    | 550             | 550                | 550               | -   | -                      | -                      |
| Vote 9 - Roads Transport                          |     | -               | -               | -               | -                    | -               | -                  | -                 | 10 900  | 16 003                 | 24 832                 |
| Vote 10 - Electricity                             |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Vote 11 - Housing Services                        |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| <b>Capital single-year expenditure sub-total</b>  |     | -               | -               | -               | -                    | 1 521           | 1 521              | 1 521             | 19 955  | 17 338                 | 26 057                 |
| <b>Total Capital Expenditure - Vote</b>           |     | 17 557          | 27 075          | -               | 33 244               | 1 521           | 1 521              | 1 521             | 23 950  | 24 836                 | 26 057                 |
| <b>Capital Expenditure - Standard</b>             |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| <b>Governance and administration</b>              |     | 793             | 1 810           | -               | 1 090                | 910             | 910                | 910               | 1 230   | 1 120                  | 1 045                  |
| Executive and council                             |     | -               | -               | -               | -                    | -               | -                  | -                 | 180   | 170                    | 185                    |
| Budget and treasury office                        |     | 793             | 1 810           | -               | 640                  | 730             | 730                | 730               | 900   | 810                    | 740                    |
| Corporate services                                |     | -               | -               | -               | 450                  | 180             | 180                | 180               | 150   | 140                    | 120                    |
| <b>Community and public safety</b>                |     | 1 186           | 4 368           | -               | 557                  | 61              | 61                 | 61                | 6 550   | 140                    | 120                    |
| Community and social services                     |     | 1 186           | 2 267           | -               | 31                   | 61              | 61                 | 61                | 2 850   | 140                    | 120                    |
| Sport and recreation                              |     | -               | 822             | -               | 370                  | -               | -                  | -                 | 3 700   | -                      | -                      |
| Public safety                                     |     | -               | 264             | -               | 156                  | -               | -                  | -                 | -   | -                      | -                      |
| Housing   |     | -               | 1 015           | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Health  |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| <b>Economic and environmental services</b>        |     | 8 418           | 14 667          | -               | 21 685               | -               | -                  | -                 | 14 170  | 18 576                 | 24 892                 |
| Planning and development                          |     | -               | 20              | -               | 20                   | -               | -                  | -                 | 1 275   | 75                     | 60                     |
| Road transport                                    |     | 8 418           | 14 667          | -               | 21 665               | -               | -                  | -                 | 12 895  | 18 501                 | 24 832                 |
| Environmental protection                          |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| <b>Trading services</b>                           |     | 7 160           | 6 210           | -               | 9 912                | 550             | 550                | 550               | 2 000   | 5 000                  | -                      |
| Electricity                                       |     | -               | 810             | -               | 4 480                | -               | -                  | -                 | -   | -                      | -                      |
| Water   |     | -               | 4 650           | -               | 2 800                | -               | -                  | -                 | -   | -                      | -                      |
| Waste water management                            |     | -               | -               | -               | 2 282                | -               | -                  | -                 | -   | -                      | -                      |
| Waste management                                  |     | 7 160           | 750             | -               | 350                  | 550             | 550                | 550               | 2 000   | 5 000                  | -                      |
| <b>Other</b>                                      |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| <b>Total Capital Expenditure - Standard</b>       | 3   | 17 557          | 27 076          | -               | 33 244               | 1 521           | 1 521              | 1 521             | 23 950  | 24 836                 | 26 057                 |
| <b>Funded by:</b>                                 |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| National Government                               |     | 9 604           | 14 696          | -               | 26 135               | -               | -                  | -                 | 22 145  | 23 361                 | 24 712                 |
| Provincial Government                             |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| District Municipality                             |     | -               | 4 650           | -               | 5 082                | -               | -                  | -                 | -   | -                      | -                      |
| Other transfers and grants                        |     | -               | 968             | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Transfers recognised - capital                    | 4   | 9 604           | 20 314          | -               | 31 217               | -               | -                  | -                 | 22 145  | 23 361                 | 24 712                 |
| Public contributions & donations                  | 5   | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Borrowing   | 6   | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Internally generated funds                        |     | 7 953           | 6 762           | -               | 2 027                | 1 521           | 1 521              | 1 521             | 1 805   | 1 475                  | 1 345                  |
| <b>Total Capital Funding</b>                      | 7   | 17 557          | 27 076          | -               | 33 244               | 1 521           | 1 521              | 1 521             | 23 950  | 24 836                 | 26 057                 |



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

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
3. The capital program is funded from national grants and transfers and internally generated funds from current and prior year surpluses. and is listed above.

**MBRR Table A6 - Budgeted Financial Position**

EC136 Emalaheni (Ec) - Table A6 Budgeted Financial Position

| Description                              | Ref | 2008/9          | 2009/10         | 2010/11         | Current Year 2011/12 |                 |                    |                   | 2012/13 Medium Term Revenue & Expenditure Framework |                        |                        |
|--|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
|  |     | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2012/13                                 | Budget Year +1 2013/14 | Budget Year +2 2014/15 |
| <b>ASSETS</b>                            |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| <b>Current assets</b>                    |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Cash                                     |     | 48 842          | 13 848          | 12 384          | -                    | 15 297          | 15 297             | 15 297            | 18 814  | 24 622                 | 31 037                 |
| Call investment deposits                 | 1   | 876             | 25 897          | 6 066           | 37 885               | -               | -                  | -                 | -   | -                      | -                      |
| Consumer debtors                         | 1   | 8 439           | 2 286           | 892             | -                    | 920             | 920                | 920               | 1 960   | 3 649                  | 5 422                  |
| Other debtors                            |     | 27 945          | 33 427          | 57 850          | -                    | 63 635          | 63 635             | 63 635            | 67 453  | 74 199                 | 81 619                 |
| Current portion of long-term receivables |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Inventory                                | 2   | 227             | 248             | 248             | -                    | 248             | 248                | 248               | 273   | 300                    | 330                    |
| <b>Total current assets</b>              |     | <b>86 329</b>   | <b>75 706</b>   | <b>77 440</b>   | <b>37 885</b>        | <b>80 100</b>   | <b>80 100</b>      | <b>80 100</b>     | <b>88 500</b>                                       | <b>102 770</b>         | <b>118 407</b>         |
| <b>Non current assets</b>                |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Long-term receivables                    |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Investments                              |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Investment property                      |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Investment in Associates                 |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Property, plant and equipment            | 3   | 76 464          | 202 810         | 224 783         | -                    | 222 104         | 222 104            | 222 104           | 242 413   | 261 278                | 280 665                |
| Agricultural                             |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Biological                               |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Intangible                               |     | 250             | 707             | 707             | -                    | 707             | 707                | 707               | 707   | 707                    | 707                    |
| Other non-current assets                 |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| <b>Total non current assets</b>          |     | <b>76 714</b>   | <b>203 517</b>  | <b>225 490</b>  | <b>-</b>             | <b>222 811</b>  | <b>222 811</b>     | <b>222 811</b>    | <b>243 120</b>                                      | <b>261 985</b>         | <b>281 372</b>         |
| <b>TOTAL ASSETS</b>                      |     | <b>163 043</b>  | <b>279 223</b>  | <b>302 931</b>  | <b>37 885</b>        | <b>302 911</b>  | <b>302 911</b>     | <b>302 911</b>    | <b>331 620</b>                                      | <b>364 755</b>         | <b>399 779</b>         |
| <b>LIABILITIES</b>                       |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| <b>Current liabilities</b>               |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Bank overdraft                           | 1   | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Borrowing                                | 4   | 75              | 104             | 96              | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Consumer deposits                        |     | 38              | 35              | 35              | -                    | 37              | 37                 | 37                | 40  | 43                     | 46                     |
| Trade and other payables                 | 4   | 26 106          | 19 544          | 18 491          | -                    | 13 200          | 13 200             | 13 200            | 15 540  | 14 661                 | 13 819                 |
| Provisions                               |     | 9 906           | 9 792           | 9 959           | -                    | 10 856          | 10 856             | 10 856            | 11 073  | 11 294                 | 11 520                 |
| <b>Total current liabilities</b>         |     | <b>36 125</b>   | <b>29 474</b>   | <b>28 581</b>   | <b>-</b>             | <b>24 093</b>   | <b>24 093</b>      | <b>24 093</b>     | <b>26 652</b>                                       | <b>25 998</b>          | <b>25 386</b>          |
| <b>Non current liabilities</b>           |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Borrowing                                |     | 199             | 96              | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Provisions                               |     | 16 536          | 1 219           | 1 219           | -                    | 1 106           | 1 106              | 1 106             | 1 106   | 1 106                  | 1 106                  |
| <b>Total non current liabilities</b>     |     | <b>16 736</b>   | <b>1 314</b>    | <b>1 219</b>    | <b>-</b>             | <b>1 106</b>    | <b>1 106</b>       | <b>1 106</b>      | <b>1 106</b>  | <b>1 106</b>           | <b>1 106</b>           |
| <b>TOTAL LIABILITIES</b>                 |     | <b>52 861</b>   | <b>30 789</b>   | <b>29 799</b>   | <b>-</b>             | <b>25 199</b>   | <b>25 199</b>      | <b>25 199</b>     | <b>27 758</b>                                       | <b>27 104</b>          | <b>26 492</b>          |
| <b>NET ASSETS</b>                        | 5   | <b>110 182</b>  | <b>248 435</b>  | <b>273 131</b>  | <b>37 885</b>        | <b>277 713</b>  | <b>277 713</b>     | <b>277 713</b>    | <b>303 862</b>                                      | <b>337 652</b>         | <b>373 287</b>         |
| <b>COMMUNITY WEALTH/EQUITY</b>           |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Accumulated Surplus/(Deficit)            |     | 110 182         | 248 435         | 273 131         | -                    | 272 407         | 272 407            | 272 407           | 294 915   | 322 733                | 351 698                |
| Reserves                                 | 4   | -               | -               | -               | -                    | 5 306           | 5 306              | 5 306             | 8 948   | 14 919                 | 21 589                 |
| Minorities' interests                    |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| <b>TOTAL COMMUNITY WEALTH/EQUITY</b>     | 5   | <b>110 182</b>  | <b>248 435</b>  | <b>273 131</b>  | <b>-</b>             | <b>277 713</b>  | <b>277 713</b>     | <b>277 713</b>    | <b>303 862</b>                                      | <b>337 652</b>         | <b>373 287</b>         |

**Explanatory notes to Table A6 - Budgeted Financial Position**

- The Budgeted Financial Position is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
- This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
- This table is supported by an extensive table of notes (SA3 which can be found on later in this report providing a detailed analysis of the major components of a number of items, including:
  - Call investments deposits;
  - Consumer debtors;
  - Property, plant and equipment;
  - Trade and other payables;
  - Provisions non current;
  - Changes in net assets; and
  - Reserves

4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

## MBRR Table A7 - Budgeted Cash Flow Statement

EC136 Emalahleni (Ec) - Table A7 Budgeted Cash Flows

| Description                                       | Ref | 2008/9          | 2009/10          | 2010/11         | Current Year 2011/12 |                 |                    |                   | 2012/13 Medium Term Revenue & Expenditure Framework |                        |                        |
|---|-----|-----------------|------------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
|   |     | Audited Outcome | Audited Outcome  | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2012/13                                 | Budget Year +1 2013/14 | Budget Year +2 2014/15 |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>        |     |                 |                  |                 |                      |                 |                    |                   |   |                        |                        |
| <b>Receipts</b>                                   |     |                 |                  |                 |                      |                 |                    |                   |   |                        |                        |
| Ratpayers and other                               |     | 3 944           | 13 205           | (2 279)         | 21 919               | 26 294          | 26 294             | 26 294            | 37 533  | 28 127                 | 30 606                 |
| Government - operating                            | 1   | 41 159          | 43 065           | 84 468          | 80 435               | 69 814          | 89 814             | 89 814            | 75 541  | 87 875                 | 98 757                 |
| Government - capital                              | 1   | 8 016           | 26 470           | -               | 31 217               | 4 480           | 4 480              | 4 480             | 26 145  | 30 361                 | 29 712                 |
| Interest  |     | 3 910           | 2 752            | 4 114           | 2 592                | 6 287           | 6 287              | 6 287             | 2 508   | 1 524                  | 1 630                  |
| Dividends   |     | 10              | -                | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| <b>Payments</b>                                   |     |                 |                  |                 |                      |                 |                    |                   |   |                        |                        |
| Suppliers and employees                           |     | (37 939)        | 31 460           | (73 317)        | (27 019)             | (108 388)       | (108 388)          | (108 388)         | (114 197)   | (117 178)              | (128 167)              |
| Finance charges                                   |     | (1 477)         | (47)             | (21)            | -                    | (26)            | (26)               | (26)              | (133)   | (138)                  | (148)                  |
| Transfers and Grants                              | 1   | -               | -                | -               | (121 652)            | -               | -                  | -                 | -   | -                      | -                      |
| <b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>  |     | <b>17 623</b>   | <b>116 905</b>   | <b>12 966</b>   | <b>(2 508)</b>       | <b>(1 539)</b>  | <b>(1 539)</b>     | <b>(1 539)</b>    | <b>27 397</b>                                       | <b>30 570</b>          | <b>32 391</b>          |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>       |     |                 |                  |                 |                      |                 |                    |                   |   |                        |                        |
| <b>Receipts</b>                                   |     |                 |                  |                 |                      |                 |                    |                   |   |                        |                        |
| Proceeds on disposal of PPE                       |     | 45              | -                | -               | (64)                 | -               | -                  | -                 | 68  | 72                     | 77                     |
| Decrease (increase) in non-current debtors        |     | -               | -                | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Decrease (increase) other non-current receivables |     | (85)            | -                | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Decrease (increase) in non-current investments    |     | -               | -                | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| <b>Payments</b>                                   |     |                 |                  |                 |                      |                 |                    |                   |   |                        |                        |
| Capital assets                                    |     | (10 662)        | (126 803)        | (34 157)        | -                    | (1 521)         | (1 521)            | (1 521)           | (23 950)  | (24 836)               | (26 057)               |
| <b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>  |     | <b>(10 701)</b> | <b>(126 803)</b> | <b>(34 157)</b> | <b>(64)</b>          | <b>(1 521)</b>  | <b>(1 521)</b>     | <b>(1 521)</b>    | <b>(23 883)</b>                                     | <b>(24 765)</b>        | <b>(25 981)</b>        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>       |     |                 |                  |                 |                      |                 |                    |                   |   |                        |                        |
| <b>Receipts</b>                                   |     |                 |                  |                 |                      |                 |                    |                   |   |                        |                        |
| Short term loans                                  |     | -               | -                | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Borrowing long term/refinancing                   |     | -               | -                | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Increase (decrease) in consumer deposits          |     | -               | -                | -               | -                    | 3               | 3                  | 3                 | 2   | 3                      | 3                      |
| <b>Payments</b>                                   |     |                 |                  |                 |                      |                 |                    |                   |   |                        |                        |
| Repayment of borrowing                            |     | (84)            | (75)             | (104)           | -                    | (96)            | (96)               | (96)              | -   | -                      | -                      |
| <b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>  |     | <b>(84)</b>     | <b>(75)</b>      | <b>(104)</b>    | <b>-</b>             | <b>(93)</b>     | <b>(93)</b>        | <b>(93)</b>       | <b>2</b>  | <b>3</b>               | <b>3</b>               |
| <b>NET INCREASE/ (DECREASE) IN CASH HELD</b>      |     | <b>6 838</b>    | <b>(9 973)</b>   | <b>(21 295)</b> | <b>(2 572)</b>       | <b>(3 153)</b>  | <b>(3 153)</b>     | <b>(3 153)</b>    | <b>3 517</b>  | <b>5 808</b>           | <b>6 414</b>           |
| Cash/cash equivalents at the year begin:          | 2   | 42 879          | 49 718           | 39 745          | 40 457               | 18 450          | 18 450             | 18 450            | 15 297  | 18 814                 | 24 622                 |
| Cash/cash equivalents at the year end:            | 2   | 49 718          | 39 745           | 18 450          | 37 885               | 15 297          | 15 297             | 15 297            | 18 814  | 24 622                 | 31 037                 |

**MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

EC136 Emalaheni (Ec) - Table A8 Cash backed reserves/accumulated surplus reconciliation

| Description                                       | Ref | 2008/9          | 2009/10         | 2010/11         | Current Year 2011/12 |                 |                    |                   | 2012/13 Medium Term Revenue & Expenditure Framework |                        |                        |
|---|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
|   |     | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2012/13                                 | Budget Year +1 2013/14 | Budget Year +2 2014/15 |
| <b>Cash and investments available</b>             |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Cash/cash equivalents at the year end             | 1   | 49 718          | 39 745          | 18 450          | 37 885               | 15 297          | 15 297             | 15 297            | 18 814  | 24 622                 | 31 037                 |
| Other current investments > 90 days               |     | 0               | 0               | 0               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Non current assets - Investments                  | 1   | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| <b>Cash and investments available:</b>            |     | <b>49 718</b>   | <b>39 745</b>   | <b>18 450</b>   | <b>37 885</b>        | <b>15 297</b>   | <b>15 297</b>      | <b>15 297</b>     | <b>18 814</b>                                       | <b>24 622</b>          | <b>31 037</b>          |
| <b>Application of cash and investments</b>        |     |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Unspent conditional transfers                     |     | 20 498          | 17 098          | 14 292          | -                    | 9 000           | 9 000              | 9 000             | 10 920  | 9 579                  | 8 229                  |
| Unspent borrowing                                 |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Statutory requirements                            | 2   | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Other working capital requirements                | 3   | (12 011)        | (28 332)        | 15 158          | -                    | (42 864)        | (42 864)           | (42 864)          | (53 423)  | (52 433)               | (58 738)               |
| Other provisions                                  |     | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Long term investments committed                   | 4   | -               | -               | -               | -                    | -               | -                  | -                 | -   | -                      | -                      |
| Reserves to be backed by cash/investments         | 5   | -               | -               | -               | -                    | 5 306           | 5 306              | 5 306             | 8 948   | 14 919                 | 21 589                 |
| <b>Total Application of cash and investments:</b> |     | <b>8 488</b>    | <b>(11 234)</b> | <b>29 449</b>   | <b>-</b>             | <b>(28 558)</b> | <b>(28 558)</b>    | <b>(28 558)</b>   | <b>(33 556)</b>                                     | <b>(27 936)</b>        | <b>(28 917)</b>        |
| <b>Surplus(shortfall)</b>                         |     | <b>41 230</b>   | <b>50 979</b>   | <b>(10 999)</b> | <b>37 885</b>        | <b>43 855</b>   | <b>43 855</b>      | <b>43 855</b>     | <b>52 370</b>                                       | <b>52 558</b>          | <b>59 954</b>          |

**Explanatory notes to Table A7 - Budgeted Cash Flow Statement**

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget..
3. The 2012/13 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.
4. Cash and cash equivalents totals R18 814 million as at the end of the 2012/13 financial year and increase to R31 037 million by 2014/15.

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

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
2. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded". The municipality's budget is cash-funded and thus in compliance with the requirements of the MFMA.
3. As part of the budgeting and planning guidelines that informed the compilation of the 2012/13 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

**MBRR Table A9 - Asset Management**

## EC136 Emalaheni (Ec) - Table A9 Asset Management

| Description                                     | Ref  | 2008/9          | 2009/10         | 2010/11         | Current Year 2011/12 |                 |                    | 2012/13 Medium Term Revenue & Expenditure Framework |                        |                        |
|---|------|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
|   |      | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Budget Year 2012/13                                 | Budget Year +1 2013/14 | Budget Year +2 2014/15 |
| <b>CAPITAL EXPENDITURE</b>                      |      |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>Total New Assets</b>                         | 1    | 17 557          | 27 076          | -               | 33 244               | 1 521           | 1 521              | 23 950  | 24 836                 | 26 057                 |
| Infrastructure - Road transport                 |      | 8 418           | 14 547          | -               | 21 655               | -               | -                  | 11 950  | 15 863                 | 24 712                 |
| Infrastructure - Electricity                    |      | -               | 400             | -               | 4 480                | -               | -                  | -   | -                      | -                      |
| Infrastructure - Water                          |      | 7 160           | 510             | -               | 2 500                | -               | -                  | -   | -                      | -                      |
| Infrastructure - Sanitation                     |      | -               | -               | -               | 882                  | -               | -                  | -   | -                      | -                      |
| Infrastructure - Other                          |      | -               | -               | -               | 350                  | -               | -                  | 3 995   | 7 499                  | -                      |
| Infrastructure                                  |      | 15 578          | 15 457          | -               | 29 867               | -               | -                  | 15 945  | 23 361                 | 24 712                 |
| Community                                       |      | 1 186           | 550             | -               | 406                  | -               | -                  | 6 400   | -                      | -                      |
| Heritage assets                                 |      | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Investment properties                           |      | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Other assets                                    | 6    | 793             | 11 069          | -               | 2 971                | 1 471           | 1 471              | 1 455   | 1 305                  | 1 175                  |
| Agricultural Assets                             |      | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Biological assets                               |      | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Intangibles                                     |      | -               | -               | -               | -                    | 50              | 50                 | 150   | 170                    | 170                    |
| <b>Total Renewal of Existing Assets</b>         | 2    | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Infrastructure - Road transport                 |      | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Infrastructure - Electricity                    |      | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Infrastructure - Water                          |      | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Infrastructure - Sanitation                     |      | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Infrastructure - Other                          |      | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Infrastructure                                  |      | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Community                                       |      | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Heritage assets                                 |      | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Investment properties                           |      | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Other assets                                    | 6    | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Agricultural Assets                             |      | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Biological assets                               |      | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Intangibles                                     |      | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| <b>Total Capital Expenditure</b>                | 4    | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Infrastructure - Road transport                 |      | 8 418           | 14 547          | -               | 21 655               | -               | -                  | 11 950  | 15 863                 | 24 712                 |
| Infrastructure - Electricity                    |      | -               | 400             | -               | 4 480                | -               | -                  | -   | -                      | -                      |
| Infrastructure - Water                          |      | 7 160           | 510             | -               | 2 500                | -               | -                  | -   | -                      | -                      |
| Infrastructure - Sanitation                     |      | -               | -               | -               | 882                  | -               | -                  | -   | -                      | -                      |
| Infrastructure - Other                          |      | -               | -               | -               | 350                  | -               | -                  | 3 995   | 7 499                  | -                      |
| Infrastructure                                  |      | 15 578          | 15 457          | -               | 29 867               | -               | -                  | 15 945  | 23 361                 | 24 712                 |
| Community                                       |      | 1 186           | 550             | -               | 406                  | -               | -                  | 6 400   | -                      | -                      |
| Heritage assets                                 |      | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Investment properties                           |      | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Other assets                                    |      | 793             | 11 069          | -               | 2 971                | 1 471           | 1 471              | 1 455   | 1 305                  | 1 175                  |
| Agricultural Assets                             |      | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Biological assets                               |      | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Intangibles                                     |      | -               | -               | -               | -                    | 50              | 50                 | 150   | 170                    | 170                    |
| <b>TOTAL CAPITAL EXPENDITURE - Asset class</b>  | 2    | 17 557          | 27 076          | -               | 33 244               | 1 521           | 1 521              | 23 950  | 24 836                 | 26 057                 |
| <b>ASSET REGISTER SUMMARY - PPE (WDV)</b>       |      |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Infrastructure - Road transport                 | 5    | -               | 62 103          | 80 568          | -                    | 80 568          | 80 568             | 92 518  | 108 381                | 133 093                |
| Infrastructure - Electricity                    |      | -               | 21 820          | 22 724          | -                    | 22 724          | 22 724             | 22 724  | 22 724                 | 22 724                 |
| Infrastructure - Water                          |      | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Infrastructure - Sanitation                     |      | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Infrastructure - Other                          |      | -               | -               | -               | -                    | -               | -                  | 3 995   | 11 494                 | 11 494                 |
| Infrastructure                                  |      | -               | 83 923          | 103 292         | -                    | 103 292         | 103 292            | 119 237   | 142 599                | 167 317                |
| Community                                       |      | -               | -               | -               | -                    | -               | -                  | 6 400   | -                      | -                      |
| Heritage assets                                 |      | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Investment properties                           |      | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Other assets                                    |      | -               | 118 887         | 121 491         | -                    | 122 962         | 122 962            | 124 417   | 124 267                | 125 442                |
| Agricultural Assets                             |      | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Biological assets                               |      | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Intangibles                                     |      | 250             | 707             | 707             | -                    | 707             | 707                | 707   | 707                    | 707                    |
| <b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b> | 5    | 250             | 203 517         | 225 490         | -                    | 226 961         | 226 961            | 250 762   | 287 573                | 293 460                |
| <b>EXPENDITURE OTHER ITEMS</b>                  |      |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Depreciation & asset impairment                 |      | -               | -               | -               | 679                  | 4 200           | 4 200              | 3 642   | 5 971                  | 6 671                  |
| Repairs and Maintenance by Asset Class          | 3    | 1 725           | 1 351           | 2 506           | 6 162                | 4 608           | 4 608              | 10 832  | 7 175                  | 7 677                  |
| Infrastructure - Road transport                 |      | 276             | 211             | 447             | 786                  | 720             | 720                | 828   | 873                    | 934                    |
| Infrastructure - Electricity                    |      | 89              | 68              | 445             | 1 033                | 180             | 180                | 701   | 865                    | 925                    |
| Infrastructure - Water                          |      | -               | -               | -               | 158                  | 500             | 500                | 3 422   | 703                    | 752                    |
| Infrastructure - Sanitation                     |      | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Infrastructure - Other                          |      | 15              | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Infrastructure                                  |      | 380             | 279             | 891             | 1 978                | 1 400           | 1 400              | 4 950   | 2 440                  | 2 611                  |
| Community                                       |      | 89              | 58              | 41              | 497                  | 10              | 10                 | 394   | 434                    | 464                    |
| Heritage assets                                 |      | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Investment properties                           |      | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Other assets                                    | 6, 7 | 1 256           | 1 014           | 1 574           | 3 686                | 3 198           | 3 198              | 5 488   | 4 301                  | 4 602                  |
| <b>TOTAL EXPENDITURE OTHER ITEMS</b>            |      | 1 725           | 1 351           | 2 506           | 6 841                | 8 808           | 8 808              | 14 474  | 13 146                 | 14 348                 |

### Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The Municipality does not meet both these recommendations.
3. An analysis between depreciation and operational repairs and maintenance over the MTREF is not yet possible until the municipality changes its financial systems to include all maintenance costs, also those incurred internally, to the maintenance votes. When implemented it will highlight the Municipality's maintenance backlog.

| EC136 Emalaheni (Ec) - Table A10 Basic service delivery measurement        |         |         |         |                      |                 |                    |   |                        |                        |
|--|---------|---------|---------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| Description  | 2008/9  | 2009/10 | 2010/11 | Current Year 2011/12 |                 |                    | 2012/13 Medium Term Revenue & Expenditure Framework |                        |                        |
|  | Outcome | Outcome | Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Budget Year 2012/13                                 | Budget Year +1 2013/14 | Budget Year +2 2014/15 |
| <b>Household service targets</b>   |         |         |         |                      |                 |                    |   |                        |                        |
| <b>Water:</b>  |         |         |         |                      |                 |                    |   |                        |                        |
| Piped water inside dwelling  | -       | -       | -       | -                    | -               | -                  | -   | -                      | -                      |
| Piped water inside yard (but not in dwelling)                              | 5 000   | 5 000   | -       | 5 000                | 5 000           | 5 000              | -   | -                      | -                      |
| Using public tap (at least min.service level)                              | 5 000   | 5 000   | -       | 5 000                | 5 000           | 5 000              | -   | -                      | -                      |
| Other water supply (at least min.service level)                            | -       | -       | -       | -                    | -               | -                  | -   | -                      | -                      |
| <i>Minimum Service Level and Above sub-total</i>                           | 10 000  | 10 000  | -       | 10 000               | 10 000          | 10 000             | -   | -                      | -                      |
| Using public tap (< min.service level)                                     | -       | -       | -       | -                    | -               | -                  | -   | -                      | -                      |
| Other water supply (< min.service level)                                   | -       | -       | -       | -                    | -               | -                  | -   | -                      | -                      |
| No water supply  | -       | -       | -       | -                    | -               | -                  | -   | -                      | -                      |
| <i>Below Minimum Service Level sub-total</i>                               | -       | -       | -       | -                    | -               | -                  | -   | -                      | -                      |
| <b>Total number of households</b>  | 10 000  | 10 000  | -       | 10 000               | 10 000          | 10 000             | -   | -                      | -                      |
| <b>Sanitation/sewerage:</b>  |         |         |         |                      |                 |                    |   |                        |                        |
| Flush toilet (connected to sewerage)                                       | 6 000   | 6 000   | -       | 7 000                | 7 000           | 7 000              | 7 000   | 8 000                  | 8 000                  |
| Flush toilet (with septic tank)  | -       | -       | -       | -                    | -               | -                  | -   | -                      | -                      |
| Chemical toilet  | 1 000   | 1 000   | -       | 1 000                | 1 000           | 1 000              | 1 000   | 1 000                  | 1 000                  |
| PIR toilet (ventilated)  | 6 000   | 6 000   | -       | 7 000                | 7 000           | 7 000              | 7 000   | 7 000                  | 7 000                  |
| Other toilet provisions (> min.service level)                              | -       | -       | -       | -                    | -               | -                  | -   | -                      | -                      |
| <i>Minimum Service Level and Above sub-total</i>                           | 13 000  | 13 000  | -       | 15 000               | 15 000          | 15 000             | 15 000  | 16 000                 | 16 000                 |
| Bucket toilet  | -       | -       | -       | -                    | -               | -                  | -   | -                      | -                      |
| Other toilet provisions (< min.service level)                              | -       | -       | -       | -                    | -               | -                  | -   | -                      | -                      |
| No toilet provisions   | -       | -       | -       | -                    | -               | -                  | -   | -                      | -                      |
| <i>Below Minimum Service Level sub-total</i>                               | -       | -       | -       | -                    | -               | -                  | -   | -                      | -                      |
| <b>Total number of households</b>  | 13 000  | 13 000  | -       | 15 000               | 15 000          | 15 000             | 15 000  | 16 000                 | 16 000                 |
| <b>Energy:</b>   |         |         |         |                      |                 |                    |   |                        |                        |
| Electricity (at least min.service level)                                   | 1 000   | 1 000   | -       | 2 000                | 2 000           | 2 000              | 2 000   | 2 000                  | 2 000                  |
| Electricity - prepaid (min.service level)                                  | 8 000   | 10 000  | -       | 14 000               | 14 000          | 14 000             | 14 000  | 17 000                 | 17 000                 |
| <i>Minimum Service Level and Above sub-total</i>                           | 9 000   | 11 000  | -       | 16 000               | 16 000          | 16 000             | 16 000  | 19 000                 | 19 000                 |
| Electricity (< min.service level)  | -       | -       | -       | -                    | -               | -                  | -   | -                      | -                      |
| Electricity - prepaid (< min. service level)                               | -       | -       | -       | -                    | -               | -                  | -   | -                      | -                      |
| Other energy sources   | -       | -       | -       | -                    | -               | -                  | -   | -                      | -                      |
| <i>Below Minimum Service Level sub-total</i>                               | -       | -       | -       | -                    | -               | -                  | -   | -                      | -                      |
| <b>Total number of households</b>  | 9 000   | 11 000  | -       | 16 000               | 16 000          | 16 000             | 16 000  | 19 000                 | 19 000                 |
| <b>Refuse:</b>   |         |         |         |                      |                 |                    |   |                        |                        |
| Removed at least once a week   | 6 000   | 6 000   | -       | 7 000                | 7 000           | 7 000              | 7 000   | 8 000                  | 8 000                  |
| <i>Minimum Service Level and Above sub-total</i>                           | 6 000   | 6 000   | -       | 7 000                | 7 000           | 7 000              | 7 000   | 8 000                  | 8 000                  |
| Removed less frequently than once a week                                   | -       | -       | -       | -                    | -               | -                  | -   | -                      | -                      |
| Using communal refuse dump   | -       | -       | -       | -                    | -               | -                  | -   | -                      | -                      |
| Using own refuse dump  | -       | -       | -       | -                    | -               | -                  | -   | -                      | -                      |
| Other rubbish disposal   | -       | -       | -       | -                    | -               | -                  | -   | -                      | -                      |
| No rubbish disposal  | -       | -       | -       | -                    | -               | -                  | -   | -                      | -                      |
| <i>Below Minimum Service Level sub-total</i>                               | -       | -       | -       | -                    | -               | -                  | -   | -                      | -                      |
| <b>Total number of households</b>  | 6 000   | 6 000   | -       | 7 000                | 7 000           | 7 000              | 7 000   | 8 000                  | 8 000                  |
| <b>Households receiving Free Basic Service</b>                             |         |         |         |                      |                 |                    |   |                        |                        |
| Water (6 kilolitres per household per month)                               | 8 000   | 8 000   | -       | 9 000                | 9 000           | 9 000              | 9 000   | 10 000                 | 10 000                 |
| Sanitation (free minimum level service)                                    | 6 000   | 6 000   | -       | 7 000                | 7 000           | 7 000              | 7 000   | 8 000                  | 8 000                  |
| Electricity/other energy (50kwh per household per month)                   | 8 000   | 8 000   | -       | 12 000               | 12 000          | 12 000             | 12 000  | 14 000                 | 14 000                 |
| Refuse (removed at least once a week)                                      | 6 000   | 6 000   | -       | 7 000                | 7 000           | 7 000              | 7 000   | 8 000                  | 8 000                  |
| <b>Cost of Free Basic Services provided (R'000)</b>                        |         |         |         |                      |                 |                    |   |                        |                        |
| Water (6 kilolitres per household per month)                               | 152     | 160     | -       | 180                  | 180             | 180 000            | 180   | 191                    | 192                    |
| Sanitation (free sanitation service)                                       | 341     | 359     | -       | 454                  | 454             | 454 000            | 454   | 504                    | 504                    |
| Electricity/other energy (50kwh per household per month)                   | 200     | 230     | -       | 318                  | 318             | 318 000            | 318   | 381                    | 381                    |
| Refuse (removed once a week)   | 311     | 327     | -       | 410                  | 410             | 410 000            | 410   | 458                    | 458                    |
| <b>Total cost of FBS provided (minimum social package)</b>                 | 1 004   | 1 076   | -       | 1 362                | 1 362           | 1 362              | 1 362   | 1 534                  | 1 535                  |
| <b>Highest level of free service provided</b>                              |         |         |         |                      |                 |                    |   |                        |                        |
| Property rates (R v alue threshold)  | 15 000  | 15 000  | -       | 15 000               | 15 000          | 15 000             | 15 000  | 15 000                 | 15 000                 |
| Water (kilolitres per household per month)                                 | 6       | 6       | -       | 6                    | 6               | 6                  | 6   | 6                      | 6                      |
| Sanitation (kilolitres per household per month)                            | -       | -       | -       | -                    | -               | -                  | -   | -                      | -                      |
| Sanitation (Rand per household per month)                                  | 53      | 56      | -       | 63                   | 63              | 63                 | 71  | 67                     | 67                     |
| Electricity (kwh per household per month)                                  | 50      | 50      | -       | 50                   | 50              | 50                 | 50  | 50                     | 50                     |
| Refuse (average litres per week)   | -       | -       | -       | -                    | -               | -                  | -   | -                      | -                      |
| <b>Revenue cost of free services provided (R'000)</b>                      |         |         |         |                      |                 |                    |   |                        |                        |
| Property rates (R15 000 threshold rebate)                                  | 375     | 394     | -       | 442                  | 450             | 450 000            | 520   | 550                    | 589                    |
| Property rates (other exemptions, reductions and rebates)                  | -       | -       | -       | -                    | -               | -                  | -   | -                      | -                      |
| Water  | 152     | 160     | -       | 180                  | -               | -                  | 800   | 1 413                  | 1 512                  |
| Sanitation   | 341     | 359     | -       | 454                  | 200             | 200 000            | 2 789   | 2 967                  | 3 175                  |
| Electricity/other energy   | 200     | 230     | -       | 318                  | 650             | 650 000            | 670   | 690                    | 710                    |
| Refuse   | 311     | 327     | -       | 410                  | 40              | 40 000             | 42  | 45                     | 48                     |
| Municipal Housing - rental rebates   | -       | -       | -       | -                    | -               | -                  | -   | -                      | -                      |
| Housing - top structure subsidies  | -       | -       | -       | -                    | -               | -                  | -   | -                      | -                      |
| Other  | -       | -       | -       | -                    | -               | -                  | -   | -                      | -                      |
| <b>Total revenue cost of free services provided (total social package)</b> | 1 379   | 1 470   | -       | 1 804                | 1 340           | 1 340              | 4 821   | 5 665                  | 6 033                  |



## **Part 2 – Supporting Documentation**

### **1.8 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 Portfolio Head Councillor of Financial Services/Mayor.

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

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

#### **1.8.1 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 31 August 2011.

## EMALAHLENI MUNICIPALITY

2012/13

| KEY DEADLINES FOR BUDGET PREPARATION SCHEDULE |  |          |                        |
|---|--|----------|------------------------|
| Number  | Item description   | Due Date | Responsible Person     |
| <b>July 2011</b>                              |  |          |                        |
| 1   | Review the 2011/12 Budget Process  | 31 AUG   | CFO                    |
| 2   | Establish process and timetable for the 2012/13 to 2014/15 Budget Development  | 26 AUG-  | Mayor, CFO, Budget Mgr |
| <b>August</b>                                 |  |          |                        |
| 3   | <b>COUNCIL MEETING:</b> Budget Schedule to be tabled to the Council  | 31-Aug   | MAYOR                  |
| 4   | 20010/11 Financial Statements submitted to Auditor-General   | 31-Aug   | CFO                    |
| <b>September</b>                              |  |          |                        |
| 5   | <b>EXECUTIVE COMMITTEE MEETING:</b> Executive committee to meet and identify strategies and guidelines for the development of the 2012/13 to 20014/15 Budgets. Committee should adopt the 'Budget Preparation and Financial Guidelines' proposed.                      | 06-Sep   | CFO, Budget Mgr        |
| 6   | <b>EXECUTIVE COMMITTEE MEETING:</b> - review progress and budget assumptions   | 06-Sep   | CFO, Budget Mgr        |
| 7   | <b>MEETING WITH DEPARTMENTS AND MANAGERS:</b> Departments to be provided with the current Baseline Operating Medium Term Expenditure Forecasts (MTEF) 2012/13 thru 2014/15 that are to be used as a basis for the development of new Operating Medium Term Expenditure | 19-Sep   | CFO, Budget Mgr        |
| 8   | Check with National, Provincial Governments and District Municipality for any adjustments to projected allocations for the next three years.   | 30-Sep   | Budget Mgr             |

| Number              | Item description  | Due Date  | Responsible Person       |
|---------------------|---|-----------|--------------------------|
| <b>October</b>      |   |           |                          |
| 9                   | <b>EXCO / STEERING COMMITTEE MEETING:</b> - review progress and baseline operating budget.  | 11-Oct    | CFO, Budget Mgr          |
| 10                  | Schedule individual meetings with Department to review baseline budget and work progress for completion of changes and supplemental requests  | 24-Oct    | Budget Mgr               |
| 11                  | Review current tariffs, receive requested changes from Departments and prepare options for consideration  | 28-Oct    | Revenue Mgr, Budget Mgr. |
| 12                  | <b>SUBMISSION OF BASELINE BUDGETS AND SUPPLEMENTAL REQUESTS FROM DEPARTMENTS:</b> Final date for submission of all Baseline Operating Budgets, Capital Budgets and Operational plans by Departments to the budget office. | 28-Oct    | Departments              |
| <b>November</b>     |   |           |                          |
| 13                  | Draft report on proposed tariff changes for review to Budget Steering Committee delivered to CFO  | 04-Nov    | Revenue Mgr, Budget Mgr. |
| 14                  | <b>EXCO / STEERING COMMITTEE MEETING:</b> - review progress and proposed tariff report.   | 08-Nov    | CFO, Budget Mgr          |
| 15                  | Prepare first draft of operating and capital medium term budget based on baseline operating budgets submitted by Departments  | 28-Nov    | Budget Mgr               |
| 16                  | Receive audited Financial Statements and Audit report from the Auditor-General for the 2008//09 financial year  | 30-Nov    | Auditor-General          |
| <b>December</b>     |   |           |                          |
| 17                  | <b>EXCO / STEERING COMMITTEE MEETING:</b> - review progress, baseline budget report AND DRAFT TARRIFS.  | 06-Dec    | CFO, Budget Mgr          |
| <b>January 2012</b> |   |           |                          |
| 18                  | <b>EXCO / STEERING COMMITTEE MEETING:</b> - review progress and DRAFT BUDGET.   | 24-Jan-12 | CFO, Budget Mgr          |

|    |  |        |                          |
|----|--|--------|--------------------------|
| 19 | <b>EXCO COMMITTEE MEETING: PRESENT MIDYEAR PERFORMANCE REPORT TO EXCO COMMITTEE: Final review of 2009/10 operating and capital budget for midyear adjustments to EXCO committee for approval to council.</b> | 24-Jan | Municipal Manager        |
| 20 | <b>SUBMISSION OF CAPITAL BUDGET REQUESTS FROM DEPARTMENTS:</b> Final date for submission of all Capital Budget plans by Departments to the budget office.  | 24-Jan | All Managers             |
| 21 | <b>COUNCIL MEETING:</b> Table in a special council meeting the annual report, mid year assessment report, financial statements and audit report  | 31-Jan | Municipal Manager, Mayor |

| Number          | Item description   | Due Date | Responsible Person                     |
|-----------------|--|----------|--|
| <b>February</b> |  |          |  |
| 22              | <b>EXCO / STEERING COMMITTEE MEETING: - review progress and the DRAFT BUDGET.</b>  | 07-Feb   | CFO, Budget Mgr                        |
| 23              | <b>MEETING WITH DIRECTORS AND MANAGERS:</b> Departments to be provided with the SDBIP performance indicators from last year and asked to revise. They should also provide Key service delivery targets in conjunction with the IDP office. | 13-Feb   | CFO, Budget Mgr                        |
| 24              | <b>COUNCIL MEETING:</b> Table in a special council meeting the adjustments budget for mid-year   | 27-Feb   | Mayor                                  |
| 25              | Check with National, Provincial Governments and District Municipality for any adjustments to projected allocations for the next three years.   | 27-Feb   | Budget Mgr                             |
| <b>March</b>    |  |          |  |
| 26              | <b>EXCO / STEERING COMMITTEE MEETING: - review progress and DRAFT BUDGET.</b>  | 06-Mar   | CFO, Budget Mgr                        |
| 27              | Final Date for Departments to present SDBIP performance indicators and service delivery targets for 2012/13 for review.  | 12-Mar   | Departments                            |
| 28              | <b>EXCO / STEERING COMMITTEE MEETING:</b> final draft operating and capital budget presented to EXCO committee for review  | 19-Mar   | CFO, Budget Mgr                        |
| 29              | <b>COUNCIL MEETING: Council (after consideration of the 2010/11 Annual Report) to adopt an Oversight Report.</b>   | 30-Mar   | MPAC                                   |
| 30              | <b>COUNCIL MEETING:</b> Operating and Capital draft budget and IDP tabled to Council for consultation with the community   | 30-Mar   | Mayor, Finance MEC                     |
| 31              | Submit to National Treasury, Provincial Treasury and the MEC responsible for Local Government the Annual Financial Statements, the 2010/11 audit report and any corrective action taken in response to the findings of the audit report.   | 30-Mar   | Legal & Compliance & Corporate Manager |
| 32              | Submit draft budgets in required form to NT, Provincial Treasury   | 30-Mar   | Budget Mgr                             |

|                  |   |          |                        |
|------------------|---|----------|------------------------|
| <b>April</b>     |   |          |                        |
| 33               | Check with National, Provincial Governments and District Municipality for any adjustments to projected allocations for the next three years.  | 16-Apr   | Budget Mgr             |
| 34               | Departments are to provide a list of Capital Projects to be rolled over for inclusion in the 2012/13 Budget to the budget office and cash balances forward for grant projects.  | 30-Apr   | Departments            |
| <b>May</b>       |   |          |                        |
| 35               | Hold public meetings and consultations on budget/ IDP   | 7-11 May | Speaker, Strat Manager |
| 36               | Final Budgets prepared taking into consideration submissions made during consultation process   | 14-May   | CFO, Budget Mgr        |
| 37               | <b>MEETING OF EXCO / STEERING COMMITTEE:</b> Approval of FINAL operating and capital budget for presentation to the full council  | 15-May   | CFO, Budget Mgr        |
| 38               | <b>COUNCIL MEETING: IDP &amp; Budgets for 2010/11 thru 2012/13 adopted by Council along with the Mayor's budget address</b>   | 30-May   | Mayor, Finance MEC     |
| <b>June 2010</b> |   |          |                        |
| 39               | The Service Delivery and Budget Implementation Plans (SDBIP) along with the annual performance agreements for the Municipal Manager and all managers directly responsible to the MM (based on the operational plans and IDP) is to be issued to the Mayor by th | 18-Jun   | Municipal Manager      |
| 40               | IDP & Annual Budget reports to National, Provincial Treasury and the District municipality.   | 18-Jun   | Budget Mgr             |
| 41               | <b>EXCO TO APPROVE SDBIP AND PERFORMANCE AGREEMENTS</b> within 14 days after receiving them.  | 28-Jun   | MAYOR                  |

There were some deviations from the key dates set out in the Budget Time Schedule tabled in Council. However, the schedule attached is the revised one as from time to time adjusted by council and its programmes.

### **1.8.2 IDP and Service Delivery and Budget Implementation Plan**

This is the fourth review of the IDP as adopted by Council in March 2011 and again by the new 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 2010/11 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 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.

### **1.8.3 Financial Modelling and Key Planning Drivers**

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

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2011/12 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;

- Improved and sustainable service delivery

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

## **1.9 Overview of alignment of annual budget with IDP**

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

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

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

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

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

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

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

• The National Priority Outcomes.

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

### IDP Strategic Objectives

| 2012/13 Financial Year  | 2012/13 MTREF   |
|---|---|
| 1. The provision of quality basic services and infrastructure   | 1. To ensure that cost effective, appropriate and efficient services are delivered (KPA Service delivery)   |
| 2. Acceleration of higher and shared economic growth and development  | 2. To ensure that conditions are created which stimulate the growth of the local economy (KPA LED)          |
| 3. Fighting of poverty, building clean, healthy, safe and sustainable communities   | 3. To have an effective and efficient administration (KPA Municipal transformation and Inst.dev.)           |
| 4. Fostering participatory democracy and adherence to Emalahleni Municipality principles through a caring, accessible and accountable service | 4. To have a transparent and performance driven organisation (KPA Good governance and public participation) |
| 5. Good governance, Financial viability and institutional governance  | 5. To implement good financial management (KA Financial management and viability)                           |

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. To have a transparent and performance driven organisation
2. To ensure that cost effective, appropriate and efficient services are delivered
3. To ensure that conditions are created which stimulate the growth of the local economy
4. To implement good financial management
5. To have an effective and efficient administration

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

In addition to the five-year IDP, the Municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This

process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the Municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the Municipality's IDP, associated sectoral plans and strategies, and the allocation of resources of the Municipality and other service delivery partners.

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.

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.

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

| EC136 Emalahleni (Ec) - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue) |   |           |     |                 |                 |                 |                      |                 |                    |   |                        |                        |         |
|--|---|-----------|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|---------|
| Strategic Objective  | Goal  | Goal Code | Ref | 2008/9          | 2009/10         | 2010/11         | Current Year 2011/12 |                 |                    | 2012/13 Medium Term Revenue & Expenditure Framework |                        |                        |         |
|  |   |           |     | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Budget Year 2012/13                                 | Budget Year +1 2013/14 | Budget Year +2 2014/15 |         |
| R thousand   |   |           |     |                 |                 |                 |                      |                 |                    |   |                        |                        |         |
| Good Governance & Municipal Transformation   | Public Participation, Co-Operative governance & Corruption, Youth Development,SPU |           |     | 1 903           | 1 969           | 1 231           | 2 405                | 20 791          | 20 791             | 2 540   | 2 888                  | 13                     |         |
| Financial Viability  | Clean Audit & Improved revenue collection   |           |     | 36 150          | 51 271          | 56 316          | 71 712               | 30 258          | 30 258             | 75 415  | 81 503                 | 91 096                 |         |
| Local Economic Development   | Growth,Jobs,Markets,SMME's,Tourism & Partnerships                                 |           |     | 5 206           | 2 163           | 732             | 2 252                | 14 138          | 14 138             | 1 743   | 5 909                  | 10 042                 |         |
| Service Delivery   | Ensure that adequate services are provided  |           |     | 20 152          | 36 227          | 42 489          | 38 641               | 60 412          | 60 412             | 66 957  | 67 691                 | 70 319                 |         |
| Allocations to other priorities  |   |           | 2   |                 |                 |                 |                      |                 |                    |   |                        |                        |         |
| <b>Total Revenue (excluding capital transfers and contributions)</b>   |   |           |     | 1               | 63 410          | 91 629          | 100 767              | 115 010         | 125 598            | 125 598   | 146 654                | 157 789                | 171 470 |

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

| EC136 Emalaheni (Ec) - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure) |  |           |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
|---|--|-----------|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| Strategic Objective   | Goal   | Goal Code | Ref | 2008/9          | 2009/10         | 2010/11         | Current Year 2011/12 |                 |                    | 2012/13 Medium Term Revenue & Expenditure Framework |                        |                        |
|   |  |           |     | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Budget Year 2012/13                                 | Budget Year +1 2013/14 | Budget Year +2 2014/15 |
| R thousand  |  |           |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Good Governance & Municipal Transformation  | Public Participation, Co-Operative governance & Corruption, Youth Dev, SPU |           |     | 17 468          | 2 214           | 26 090          | 29 991               | 31 398          | 31 398             | 34 480  | 36 594                 | 39 610                 |
| Financial Viability   | Clean Audit & Improved revenue collection                                  |           |     | 3 213           | 18 993          | 16 995          | 15 045               | 10 332          | 10 332             | 12 213  | 13 275                 | 14 506                 |
| Local Economic Development  | Growth, Jobs, Markets, SMME's, Tourism & Partnerships                      |           |     | 8 602           | 5 673           | 8 199           | 17 596               | 14 427          | 14 427             | 17 071  | 15 926                 | 17 349                 |
| Service Delivery  | Ensure that adequate services are provided                                 |           |     | 16 340          | 15 447          | 24 781          | 86 041               | 57 012          | 57 012             | 56 740  | 58 205                 | 64 369                 |
| Allocations to other priorities   |  |           |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>Total Expenditure</b>  |  |           | 1   | 45 623          | 42 526          | 76 066          | 148 672              | 113 169         | 113 169            | 120 504   | 123 999                | 135 835                |



**MBRR Table SA7 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure**

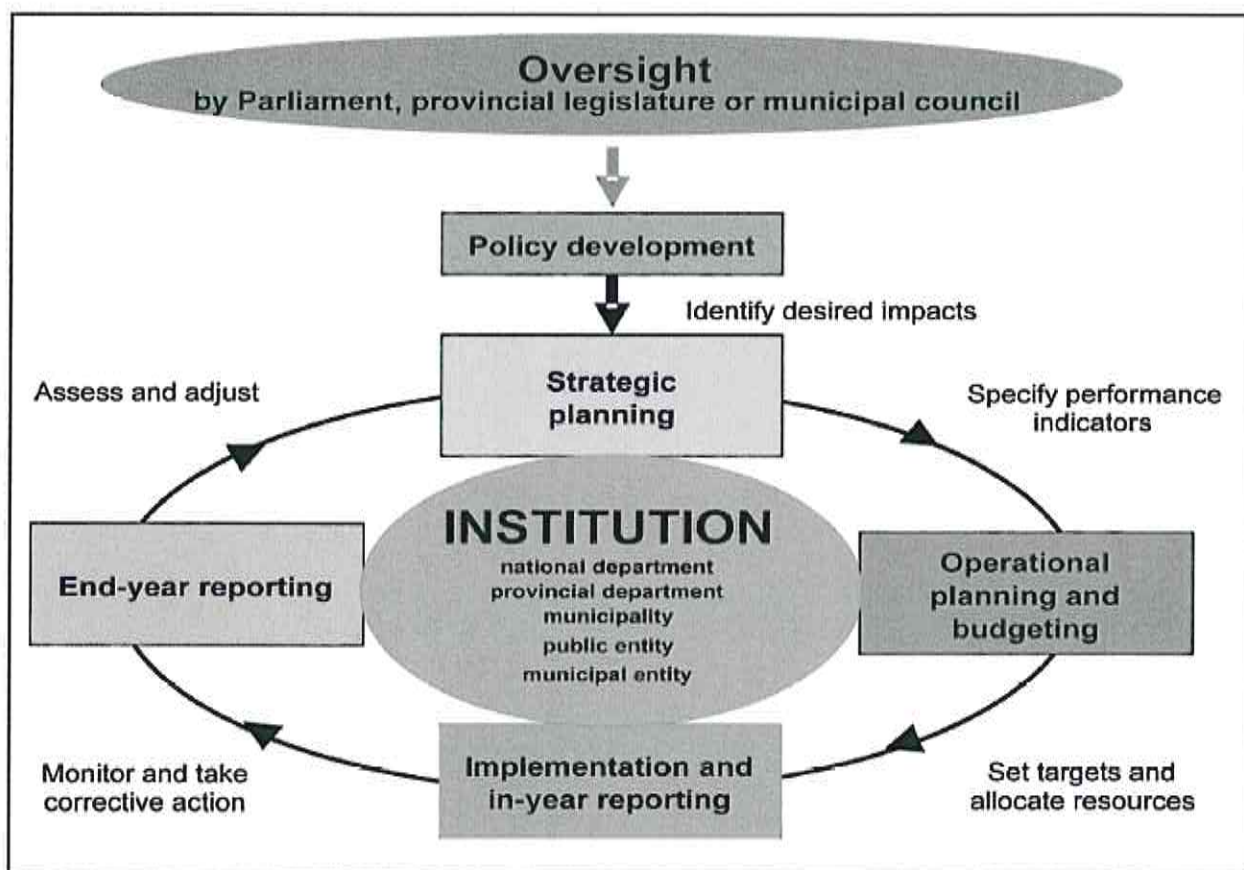
| EC136 Emalahleni (Ec) - Supporting Table SA7 Measureable performance objectives |                     |                 |                 |                 |                      |                 |                    |   |                        |                        |
|---|---------------------|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| Description   | Unit of measurement | 2008/9          | 2009/10         | 2010/11         | Current Year 2011/12 |                 |                    | 2012/13 Medium Term Revenue & Expenditure Framework |                        |                        |
|   |                     | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Budget Year 2012/13                                 | Budget Year +1 2013/14 | Budget Year +2 2014/15 |
| <b>Vote 3 - Corporate Services</b>  | Monetary value      |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>Function 1 - Human Resources</b>   |                     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Sub-function 1 - (name)   |                     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Document Control Software   |                     | 1 000 000       |                 |                 |                      |                 |                    |   |                        |                        |
| Clock-in-system   |                     | 150 000         | 200 000         | 200 000         |                      |                 |                    |   |                        |                        |
| Special Program Unit  |                     | 34 000          | 30 000          | 30 000          | 30 000               |                 |                    | 30 000  |                        |                        |
| Carports  |                     | 120 000         |                 |                 |                      |                 |                    |   |                        |                        |
| Filling Cabinets  |                     | 15 000          | 5 000           | 5 000           | 5 000                |                 |                    | 5 000   |                        |                        |
| Upgrade of Finance Building   |                     | 300 000         |                 |                 |                      |                 |                    |   |                        |                        |
| Vehicles  |                     | 517 000         | 200 000         | 200 000         | 200 000              |                 |                    | 200 000   | 200 000                |                        |
| 4 Computers ( Community Centres   |                     | 50 000          | 50 000          | 50 000          | 50 000               |                 |                    | 50 000  | 100 000                |                        |
| Furniture and Office Equipment  |                     | 500 000         | 542 104         | 500 000         | 500 000              |                 |                    | 500 000   | 400 000                |                        |
|   |                     |                 |                 |                 |                      |                 |                    |   |                        |                        |
|   |                     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>Vote 4 - Budget and Treasury</b>   | Monetary value      |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>Function 1 -</b>   |                     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Sub-function 1 - Financial Services   |                     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Computers   |                     | 50 000          | 50 000          | 200 000         | 200 000              |                 |                    | 200 000   |                        |                        |
| Printers  |                     | 20 000          | 20 000          |                 |                      |                 |                    |   |                        |                        |
| Back-Up-Generators  |                     | 1 000 000       |                 |                 |                      |                 |                    |   |                        |                        |
| Filling Cabinets  |                     | 5 000           | 5 000           |                 |                      |                 |                    |   |                        |                        |
| Property Valuations   |                     | 871 982         |                 |                 |                      |                 |                    |   |                        |                        |
| Property Valuations   |                     | 800 000         | 500 000         | 500 000         |                      |                 |                    |   |                        |                        |
| Furniture and Office Equipment  |                     | 38 514          | 40 247          | 40 000          | 40 000               |                 |                    | 40 000  |                        |                        |
| CMIP OLD  |                     |                 | 148 904         |                 |                      |                 |                    |   |                        |                        |
|   |                     |                 |                 |                 |                      |                 |                    |   |                        |                        |
|   |                     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>Vote 5 - IPED</b>  | Monetary value      |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>Function 1 - IPED</b>  |                     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Sub-function 1 - (name)   |                     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Central Feedlot   |                     | 280 000         |                 |                 |                      |                 |                    |   |                        |                        |
| Hiking Horsing Trails and Craft Stalls  |                     | 2 000 000       |                 |                 |                      |                 |                    |   |                        |                        |
| Sub-function 2 - (name)   |                     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| 3 Tourism Resorts-DEAT- Capital   |                     | 4 600 000       |                 |                 |                      |                 |                    |   |                        |                        |
| Furniture and Office Equipment  |                     | 20 000          | 20 000          | 20 000          | 20 000               |                 |                    | 20 000  | 20 000                 |                        |
| Neighbourhood Development Grant   |                     |                 |                 |                 |                      |                 |                    |   | 10 000 000             |                        |
| Erection of Hawkers Stalls  |                     |                 |                 |                 |                      |                 |                    | 1 165 550   | 4 697 000              |                        |
| <b>Vote 6 - Community Services</b>  | Monetary value      |                 |                 |                 |                      |                 |                    |   |                        |                        |
| <b>Function 1 - (name)</b>  |                     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Sub-function 1 - Administration   |                     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Computers   |                     | 40 000          | 10 000          | 10 000          | 10 000               |                 |                    | 10 000  | 11 910                 |                        |
| Child Care Facility   |                     | 200 000         | 200 000         | 200 000         | 200 000              |                 |                    | 200 000   |                        |                        |
| TRC Funds Ukhahlamba  |                     | 1 345 107       |                 |                 |                      |                 |                    |   |                        |                        |
| Furniture and office equipment  |                     | 20 960          | 21 903          | 20 000          | 20 000               |                 |                    | 20 000  |                        |                        |
|   |                     |                 |                 |                 |                      |                 |                    |   |                        |                        |
|   |                     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Sub-function 2 - Parks and Public Open  |                     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| New Sportfield  |                     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Equipment   |                     | 20 960          | 21 903          | 20 000          | 20 000               |                 |                    | 20 000  |                        |                        |
|   |                     |                 |                 |                 |                      |                 |                    |   |                        |                        |
|   |                     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Sub-function 3 - Cemeteries   |                     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Equipment   |                     | 20 960          | 21 903          | 20 000          | 20 000               |                 |                    | 20 000  |                        |                        |
| EIA, Cemetery Management System,  |                     |                 |                 |                 |                      |                 |                    | 1 500 000   | 1 500 000              |                        |
| Sub-function 4 - Community and Town   |                     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Bengu Hall  |                     | 495 366         | 1 532 663. 68   | 373 647         | 0                    | 0               | 0                  | 0   | 0                      |                        |
| Vaalbank Hall   |                     | 282 268         | 1 363 983. 91   | 389 353         | 0                    | 0               | 0                  | 0   | 0                      |                        |
| Tyokaville Hall   |                     | 287 663. 33     | 1 718 376       | 273 632         | 0                    | 0               | 0                  | 0   | 0                      |                        |
| Ngqanda Hall  |                     | 286 277         | 2 011 755       | 219 903         | 0                    | 0               | 0                  | 0   | 0                      |                        |
| Sub-function 5 - Libraries  |                     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Insert measure/s description  |                     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Sub-function 6 - Sportfields  |                     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Equipment   |                     | 189 776         | 177 416         | 150 000         | 50 000               |                 |                    | 50 000  |                        |                        |
| Vehicle and Implements  |                     | 524 000         | 547 580         | 500 000         | 100 000              |                 |                    | 100 000   |                        |                        |
| Renovation of Lady Frere and  |                     |                 |                 |                 |                      |                 |                    | 3 496 650 000                                       | 1 000 000              |                        |
| New Sportfield  |                     |                 |                 |                 | 50 000               |                 |                    | 50 000  | 50 000                 |                        |
| Sub-function 7 - Resorts  |                     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Extensions  |                     | 547 580         | 500 000         |                 |                      |                 |                    |   |                        |                        |
| Furniture and Equipment   |                     | 177 416         | 150 000         | 50 000          |                      |                 |                    |   |                        |                        |
|   |                     |                 |                 |                 |                      |                 |                    |   |                        |                        |
|   |                     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Sub-function 8 - Admin Buildings  |                     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Insert measure/s description  |                     |                 |                 |                 |                      |                 |                    |   |                        |                        |

|   |                |             |           |           |   |           |           |
|---|----------------|-------------|-----------|-----------|---|-----------|-----------|
| <b>Vote 7 - Water and Sanitation</b>          | Monetary value |             |           |           |   |           |           |
| <b>Function 1 - (name)</b>                    |                |             |           |           |   |           |           |
| <b>Sub-function 1 -Sanitation</b>             |                |             |           |           |   |           |           |
| Office Furniture                              |                |             | 50 000    | 50 000    |   | 50 000    |           |
| Computers and Printers                        |                |             | 50 000    | 50 000    |   | 80 000    |           |
| Vehicle- Honey Sucker                         |                |             | 500 000   | 650 000   |   |           |           |
| Vehicle -Bakkie                               |                |             | 250 000   | 300 000   |   | 750 000   |           |
| Buildings                                     |                |             | 200 000   | 250 000   |   | 450 000   |           |
| Equipment: Sewer blower                       |                |             | 446 500   | 500 000   |   |           |           |
| Sewerage Infrastructure                       |                |             |           | 882 335   |   |           | 2 000 000 |
|   |                |             |           |           |   |           |           |
| <b>Sub-function 2 - Water</b>                 |                |             |           |           |   |           |           |
| Bulk Water Meters                             | 44 211         | 47 271      | 49 789    |           |   |           |           |
| Office Furniture                              |                | 125 000     | 50 000    | 50 000    |   | 50 000    |           |
| Computers                                     |                | 125 000     |           |           |   |           |           |
| Motor vehicles -Watercart                     |                | 2 000 000   | 450 000   |           |   |           |           |
| Motor vehicles- Drop Sider                    |                | 500 000     | 400 000   | 720 157   |   | 800 000   |           |
| Mobile offices                                |                | 400 000     |           | 250 000   |   | 450 000   |           |
| Motor Vehicles- 6xLDVs                        |                | 1 500 000   | 250 000   | 300 000   |   | 450 000   |           |
| Buildings                                     |                |             | 200000?   |           |   | 250000?   | 250 000?  |
| Computers and Printers                        |                |             | 50 000    | 50 000    |   | 80000?    | 50 000    |
| Testing and Drilling                          |                |             | 1 500 000 |           |   |           |           |
| New Standpipes                                |                |             |           | 1 000 000 |   | 1 000 000 |           |
|   |                |             |           |           |   |           |           |
|   |                |             |           |           |   |           |           |
| <b>Sub-function 3 - (name)</b>                |                |             |           |           |   |           |           |
| Insert measure/s description                  |                |             |           |           |   |           |           |
|   |                |             |           |           |   |           |           |
| <b>Function 2 - (name)</b>                    |                |             |           |           |   |           |           |
| <b>Sub-function 1 - (name)</b>                |                |             |           |           |   |           |           |
| Insert measure/s description                  |                |             |           |           |   |           |           |
|   |                |             |           |           |   |           |           |
| <b>Sub-function 2 - (name)</b>                |                |             |           |           |   |           |           |
| Insert measure/s description                  |                |             |           |           |   |           |           |
|   |                |             |           |           |   |           |           |
| <b>Sub-function 3 - (name)</b>                |                |             |           |           |   |           |           |
| <b>Vote 8 - Refuse</b>                        | Monetary value |             |           |           |   |           |           |
| <b>Function 1 - Refuse</b>                    |                |             |           |           |   |           |           |
| <b>Sub-function 1 - (name)</b>                |                |             |           |           |   |           |           |
| Rehabilitation of Refuse Site                 |                | 400 000     | 400 000   | 400 000   |   | 2 000 000 |           |
| Refuse Vehicle                                |                | 350 000     | 1 500 000 | 350 000   |   | 350 000   |           |
| Land-Fill Site Establishment m                |                |             |           |           |   | 2 000 000 | 5 000 000 |
| <b>Vote 9 - Road Transport</b>                | Monetary value |             |           |           |   |           |           |
| <b>Function 1 -Licencing and Registration</b> |                |             |           |           |   |           |           |
| <b>Sub-function 1 - Licencing and</b>         |                |             |           |           |   |           |           |
| Establishment of Traffic Centre               |                |             |           |           |   | 1 500 000 | 2 000 000 |
|   | 0              | 0           | 0         | 0         | 0 | 0         | 0         |
| <b>Sub-function 2 - Road and Stormwater</b>   |                |             |           |           |   |           |           |
| Main road from to Mavuya                      | 328 590        | 711 019     | 5 828 194 | 126 009   | 0 | 0         | 0         |
| Main road from Indwe to Indwe Resort          | 887 143. 56    | 722 090. 62 | 4 045 434 | 0         | 0 | 0         | 0         |
| Lady Frere Internal Roads                     | 996 709        | 2 833 444   | 3 877 855 | 829 376   | 0 | 0         | 0         |
| Qoboshane Bridge                              | 2 872 018      | 5 006 709   | 6 437 806 | 745 666   | 0 | 0         | 0         |
| Trust Access Road                             | 1 082 957. 15  | 3 587 850   | 1 228 668 | 0         | 0 | 0         | 0         |
| main road from DDX to Sinakho                 | 617 514. 41    | 6 477 782   | 0         | 0         | 0 | 0         | 0         |
| Mdantsane Qwempe                              | 377 009        | 4 477 009   | 0         | 0         | 0 | 0         | 0         |
| EPWP  |                |             | 1 239 000 | 2 438 000 |   |           |           |
| s and Roadmarks                               |                |             | 110 000   | 110 000   |   | 110 000   |           |
| Construction of Rwantana Access               |                |             |           |           |   | 6 510 000 |           |
| Conluction of Dlamini Access Roads with Low   |                |             |           |           |   | 5 000 000 |           |
|   |                |             |           |           |   |           |           |
| <b>Sub-function 3 - Technical services</b>    |                |             |           |           |   |           |           |
| Computer Software                             | 250 000        | 10 000      | 10 000    | 10 000    |   | 10 000    | 10 000    |
|   |                |             |           |           |   |           |           |
| <b>Vote 10 - Electricity</b>                  | Monetary value |             |           |           |   |           |           |
| <b>Function 1 - (name)</b>                    |                |             |           |           |   |           |           |
| <b>Sub-function 1 - Streetlights</b>          |                |             |           |           |   |           |           |
| Tools and Equipment                           | 200 000        | 200 000     | 200 000   | 200 000   |   | 200 000   |           |
| Streelights (Lady Frere)                      |                | 400 000     | 400 000   | 400 000   |   | 400 000   |           |
| <b>Sub-function 2 - Electricity trading</b>   |                |             |           |           |   |           |           |
| Vehicle and Implements                        | 200 000        | 200 000     | 200 000   | 200 000   |   | 200 000   |           |
| Lady Frere 9                                  |                |             | 5 000 000 | 5 000 000 |   | 7 000 000 | 5 000 000 |
| Electrification of 235 UnitaIn Mpotulo        |                |             |           |           |   | 4 000 000 |           |
|   |                |             |           |           |   |           |           |
| <b>Sub-function 3 - (name)</b>                |                |             |           |           |   |           |           |
| Insert measure/s description                  |                |             |           |           |   |           |           |

## 1.10 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

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

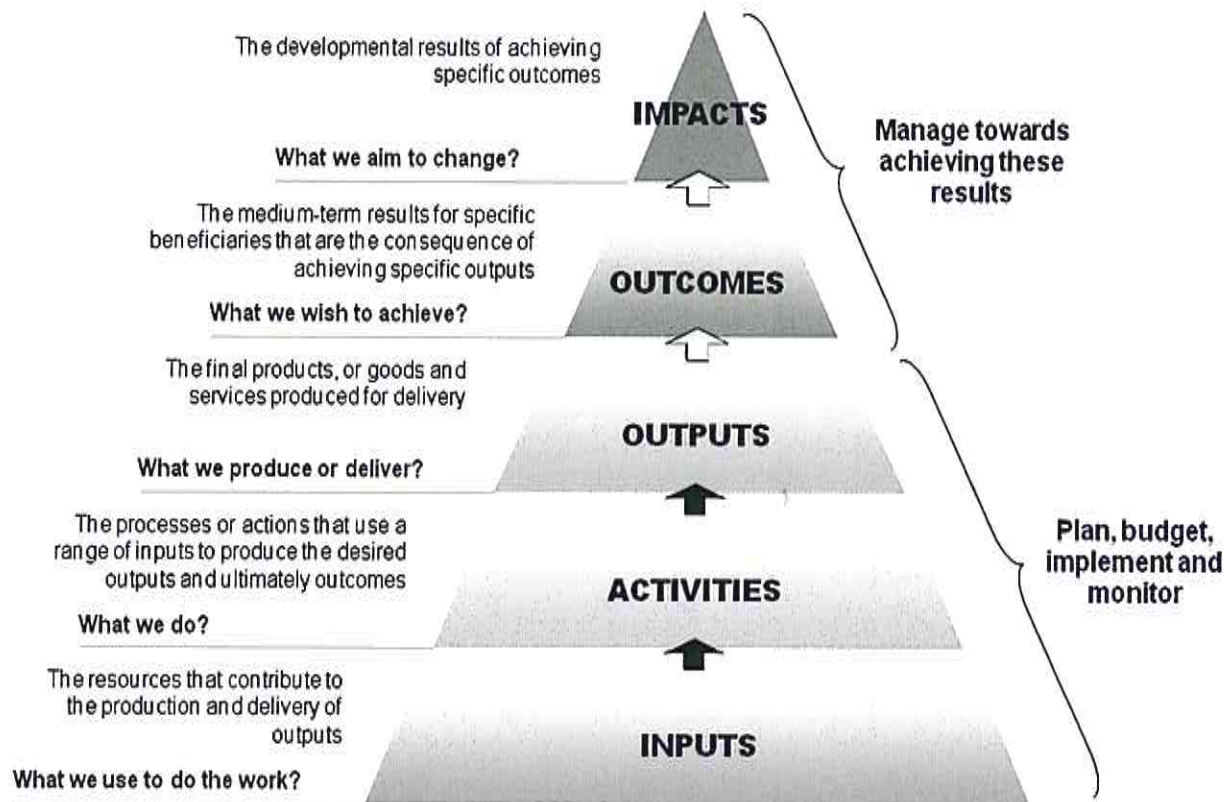


The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which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

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);

- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

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



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

**MBRR Table SA7 - Measurable performance objectives**

The following table sets out the municipalities main performance objectives and benchmarks for the 2012/13 MTREF.

## MBRR Table SA8 - Performance indicators and benchmarks

EC136 Emalaheni (Ec) - Supporting Table SA8 Performance indicators and benchmarks

| Description of financial indicator  | Basis of calculation   | 2008/9          | 2009/10         | 2010/11         | Current Year 2011/12 |                 |                    |                   | 2012/13 Medium Term Revenue & Expenditure Framework |                        |                        |
|---|--|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
|   |  | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2012/13                                 | Budget Year +1 2013/14 | Budget Year +2 2014/15 |
| <b>Borrowing Management</b>   |  |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Credit Rating   |  |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Capital Charges to Operating Expenditure  | Interest & Principal Paid /Operating Expenditure   | 3.5%            | 0.3%            | 0.2%            | 0.0%                 | 0.1%            | 0.1%               | 0.1%              | 0.1%  | 0.1%                   | 0.1%                   |
| Capital Charges to Own Revenue  | Finance charges & Repayment of borrowing /Own Revenue  | 11.9%           | 0.7%            | 0.9%            | 0.0%                 | 0.3%            | 0.3%               | 0.3%              | 0.3%  | 0.4%                   | 0.4%                   |
| Borrowed funding of 'own' capital expenditure   | Borrowing/Capital expenditure excl. transfers and grants and contributions                               | 0.0%            | 0.0%            | 0.0%            | 0.0%                 | 0.0%            | 0.0%               | 0.0%              | 0.0%  | 0.0%                   | 0.0%                   |
| <b>Safety of Capital</b>  |  |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Gearing   | Long Term Borrowing/ Funds & Reserves  | 0.0%            | 0.0%            | 0.0%            | 0.0%                 | 0.0%            | 0.0%               | 0.0%              | 0.0%  | 0.0%                   | 0.0%                   |
| <b>Liquidity</b>  |  |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Current Ratio   | Current assets/current liabilities   | 2.4             | 2.6             | 2.7             | -                    | 3.3             | 3.3                | 3.3               | 3.3   | 4.0                    | 4.7                    |
| Current Ratio adjusted for aged debtors   | Current assets less debtors > 90 days/current liabilities  | 2.4             | 2.6             | 2.7             | -                    | 3.3             | 3.3                | 3.3               | 3.3   | 4.0                    | 4.7                    |
| Liquidity Ratio   | Monetary Assets/Current Liabilities  | 1.4             | 1.3             | 0.6             | -                    | 0.6             | 0.6                | 0.6               | 0.7   | 0.9                    | 1.2                    |
| <b>Revenue Management</b>   |  |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Annual Debtors Collection Rate (Payment Level %)  | Last 12 Mths Receipts/Last 12 Mths Billing   |                 | 41.8%           | 86.2%           | -18.7%               | 46.7%           | 70.5%              | 70.5%             | 70.5%   | 83.6%                  | 73.9%                  |
| Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other Outstanding Debtors to Revenue) |  |                 | 42.7%           | 86.2%           | -18.7%               | 46.7%           | 70.5%              | 70.5%             | 70.5%   | 83.6%                  | 73.9%                  |
| Longstanding Debtors Recovered  | Total Outstanding Debtors to Annual Revenue<br>Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old | 67.0%           | 55.7%           | 57.9%           | 0.0%                 | 59.6%           | 59.6%              | 59.6%             | 57.6%   | 61.8%                  | 62.1%                  |
| <b>Creditors Management</b>   |  |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Creditors System Efficiency   | % of Creditors Paid Within Terms (within MFMA' s 65(e))  |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Creditors to Cash and Investments   |  | 7.1%            | 6.2%            | 22.8%           | 0.0%                 | 27.5%           | 27.5%              | 27.5%             | 24.6%   | 20.6%                  | 18.0%                  |
| <b>Other Indicators</b>   |  |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Electricity Distribution Losses (2)   | % Volume (units purchased and generated less units sold)/units purchased and generated                   |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Water Distribution Losses (2)   | % Volume (units purchased and own source less units sold)/Total units purchased and own source           |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Employee costs  | Employee costs/(Total Revenue - capital revenue)   | 29.2%           | 5.0%            | 27.1%           | 34.3%                | 26.3%           | 26.3%              | 26.3%             | 26.2%   | 27.6%                  | 27.2%                  |
| Remuneration  | Total remuneration/(Total Revenue - capital revenue)   | 41.7%           | 16.9%           | 33.8%           | 48.8%                | 33.0%           | 33.0%              |                   | 33.9%   | 35.3%                  | 34.7%                  |
| Repairs & Maintenance   | R&M/(Total Revenue excluding capital revenue)  | 3.2%            | 2.1%            | 2.5%            | 5.4%                 | 4.0%            | 4.0%               |                   | 9.0%  | 5.7%                   | 5.5%                   |
| Finance charges & Depreciation  | FC&D/(Total Revenue - capital revenue)   | 2.7%            | 0.1%            | 0.0%            | 0.6%                 | 3.9%            | 3.9%               | 3.9%              | 3.1%  | 4.8%                   | 4.9%                   |
| <b>IDP regulation financial viability indicators</b>  |  |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| i. Debt coverage  | (Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)            | 4.7             | 4.2             | 5.4             | 7.8                  | 7.8             | 7.8                | 15.4              | 29.5  | 23.4                   | 25.5                   |
| ii. O/S Service Debtors to Revenue  | Total outstanding service debtors/annual revenue received for services                                   | 484.6%          | 388.9%          | 629.8%          | 0.0%                 | 350.4%          | 350.4%             | 350.4%            | 457.0%  | 509.1%                 | 524.0%                 |
| iii. Cost coverage  | (Available cash + Investments)/monthly fixed operational expenditure                                     | 18.4            | 14.7            | 3.7             | 5.4                  | 2.6             | 2.6                | 2.6               | 2.8   | 3.5                    | 4.0                    |

### 1.10.1 Performance indicators and benchmarks

#### 1.10.1.1 Borrowing Management

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

- *Borrowing to asset ratio* is a measure of the long-term borrowing as a percentage of the total asset base of the municipality. This ratio is by far below the borrowing capacity of the municipality, but it needs to be noted that capital grants and transfers has contributed significantly to the municipality's capital expenditure programs, thus limiting the need for borrowing.
- *Capital charges to operating expenditure* is a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing is steady 0.1 per cent throughout the MTREF period. While borrowing is considered a prudent financial instrument in financing capital infrastructure development, this indicator will have to be carefully monitored going forward as the Municipality should limit external interest charges to the minimum.
- *Borrowing funding of own capital expenditure* measures the degree to which own capital expenditure (excluding grants and contributions) has been funded by way of borrowing. The municipality does not intend borrowing any money during the MTREF period.

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

The Municipality has bought vehicles on hire purchase and will pay instalments monthly for a five year period.

In summary, various financial risks could have a negative impact on the future borrowing capacity of the municipality. In particular, the continued ability of the Municipality to meet its revenue targets and ensure its forecasted cash flow targets are achieved will be critical in meeting the repayments of the debt service costs. As part of the compilation of the 2012/13 MTREF the potential of smoothing out the debt profile over the longer term will be investigated.

#### 1.10.1.2 Safety of Capital

- *The debt-to-equity ratio* is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors, overdraft and tax provisions as a percentage of funds and reserves. This ratio is well below the norm, indicating a strong financial position.
- *The gearing ratio* is a measure of the total long term borrowings over funds and reserves. h.

#### 1.10.1.3 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the Municipality has set a limit of more than 2 which is a general benchmark, hence at no point in time should this ratio be less than 2. For the 2012/13 MTREF the current ratio is 3.3, and 4 and 4.7 respectively for the two outer years of the MTREF. Going forward it will be good financial practices if these levels can be maintained.
- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2010/11 financial year the ratio was 0.6 and as part of the financial planning strategy it has been increased to 0.7 in the 2012/13 and has increased to 1.2 in 2014/15 financial year.

#### 1.10.1.4 Revenue Management

- As part of the financial sustainability, an aggressive revenue management framework should be implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the framework should be to streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection. The collection rates in this indicator is based on all cash receipts, also for direct income. The collection rate used for the calculation of debtors' payments was 15 per cent and should increase if the municipality wants to be financial as a going concern. A conservative approach in order to cater for the current negative economic climate.

#### 1.10.1.5 Creditors Management

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

#### 1.10.1.6 Other Indicators

- The municipality needs to know what causes high electricity losses. The municipality has then to developed mechanism to determine what is an acceptable distribution loss and what should be contributed to theft.
- Employee costs as a percentage of operating revenue is fairly constant 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 fairly constant owing directly to cost drivers such as bulk purchases increasing far above inflation. The expenditure on repairs and maintenance is well below acceptable levels, but the actual cost will only be determined when a costing system is implemented.

### **1.10.2 Free Basic Services: basic social services package for indigent households**

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality. With the exception of water, only registered indigents qualify for the free basic services.

For the MTREF 1903 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, free sanitation and free waste removal equivalent once a week, as well as a discount on their property rates.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained elsewhere in this report.

## **1.11 Overview of budget related-policies**

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

**There will be a policy review workshop during the month of June 2012 so as to make sure all users of it understand it. The following is a broad framework of all the policies the council have:**

### **1.11.1 Review of credit control and debt collection procedures/policies**

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

As most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed, they are entitled to free basic services.

The 2012/13 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 15 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 the Municipality's cash levels.

### **1.11.2 Asset Management, Infrastructure Investment and Funding Policy**

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

#### **1.11.3 Budget Adjustment Policy**

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

#### **1.11.4 Supply Chain Management Policy**

The Supply Chain Management Policy was adopted by Council in September 2007. An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on.

#### **1.11.5 Budget and Virement Policy**

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the Municipality's system of delegations.

#### **1.11.6 Cash Management and Investment Policy**

The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduces time frames to achieve certain benchmarks.

#### **1.11.7 Tariff Policies**

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

All the above policies are available on at main municipal building, as well as the following budget related policies:

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

## **1.12 Overview of budget assumptions**

### **1.12.1 External factors**

Domestically, after five years of strong growth, during which about two million jobs were created, our economy shrank fast and millions of people lost their jobs. It is expected that recovery from this deterioration will be slow and uneven and that growth for 2013 will be minimal with a slightly better growth in the outer years.

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 finances.

### **1.12.2 General inflation outlook and its impact on the municipal activities**

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

- National Government macro economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity; and
- The increase in the cost of remuneration.

### **1.12.3 Credit rating outlook**

The Municipality did not perform a credit rating outlook.

### **1.12.4 Interest rates for borrowing and investment of funds**

The municipality will not borrow any funds during the MTREF period. It is expected that interest rates will be adjusted slightly upwards during the MTREF period and it was budget for as such.

### **1.12.5 Collection rate for revenue services**

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

The rate of revenue collection is currently expressed as a percentage (15 per cent) of annual billings. Cash flow is assumed to be 15 per cent of billings. The performance of any increased collections or arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

### **1.12.6 Growth or decline in tax base of the municipality**

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

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

#### **1.12.7 Salary increases**

There is no collective agreement on salary increases in place for the budget year, and the guidance on increases as contained in Circular 58 of National Treasury was used to budget accordingly.

#### **1.12.8 Impact of national, provincial and local policies**

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

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

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

#### **1.12.9 Ability of the municipality to spend and deliver on the programmes**

It is estimated that a spending rate of at least 97 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.

### **1.13 Overview of budget funding**

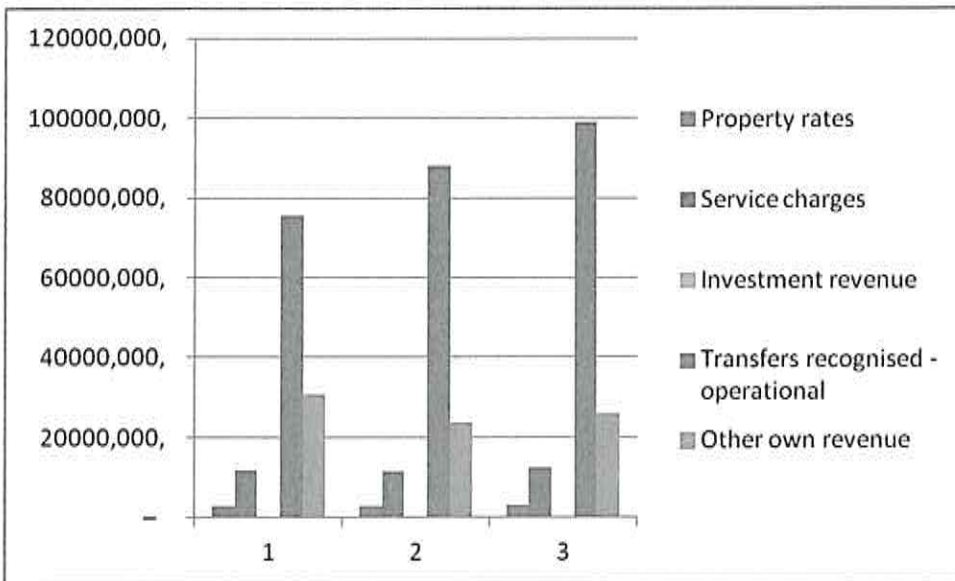
**1.13.1 Medium-term outlook: operating revenue**

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

| Description  | 2008/9          | 2009/10         | 2010/11         | Current Year 2011/12 |                 |                    |                   | 2012/13 Medium Term Revenue & Expenditure Framework |                        |                        |
|--|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
|  | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2012/13                                 | Budget Year +1 2013/14 | Budget Year +2 2014/15 |
| <b>Financial Performance</b>   |                 |                 |                 |                      |                 |                    |                   |   |                        |                        |
| Property rates   | 1 961           | 3 065           | 1 772           | 5 096                | 2 473           | 2 473              | 2 473             | 2 680   | 2 860                  | 3 060                  |
| Service charges  | 5 038           | 5 686           | 6 899           | 13 024               | 15 150          | 15 150             | 15 150            | 11 653  | 11 527                 | 12 583                 |
| Investment revenue   | 3 910           | 2 387           | 1 830           | 2 592                | 1 265           | 1 265              | 1 265             | 14  | 14                     | 15                     |
| Transfers recognised - operational                                   | 41 159          | 46 465          | 87 337          | 65 429               | 69 814          | 69 814             | 69 814            | 75 541  | 87 875                 | 98 757                 |
| Other own revenue  | 2 251           | 6 570           | 3 544           | 28 870               | 19 655          | 19 655             | 19 655            | 30 622  | 23 754                 | 25 847                 |
| <b>Total Revenue (excluding capital transfers and contributions)</b> | <b>54 319</b>   | <b>64 174</b>   | <b>101 382</b>  | <b>115 010</b>       | <b>108 357</b>  | <b>108 357</b>     | <b>108 357</b>    | <b>120 508</b>                                      | <b>126 030</b>         | <b>140 263</b>         |

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. The Municipality derives most of its operational revenue from the provision of goods and services such as electricity and solid waste removal, property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc).

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

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