ANNUAL BUDGET OF

INGQUZA HILL LOCAL MUNICIPALITY

2012/13 TO 2014/15

MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

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Abbreviations and Acronyms

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

Part 1 – Annual Budget

1.1 Mayor's Report

Honorable Madam Speaker,
Honorable Councilors,
Honorable Executive Committee Members,
Honorable Community Members,
Management and Staff

Madam Speaker, the budget we are presenting today is the confirmation of our commitments we made during the state of the municipality, we are again re affirming the quote that we took from the Strategy and Tactics 1969 Morogoro, "*Our drive towards national emancipation is therefore in a very real way bound up with economic emancipation. We have suffered more than just national humiliation. Our people are deprived of their due in the country's wealth, their skills have been suppressed and poverty and starvation has been their life experience. The correction of these centuries' old economic injustices lies at the very core of our national aspirations. We do not underestimate the complexities which will face a people's government during the transformation period nor the enormity of the problems of meeting economic needs of the mass of the oppressed people. But one thing is certain in our land this cannot be effectively tackled unless the basic wealth and basic resources are at the disposal of the people as a whole and are not manipulated by sections of individuals be they are White or Black".*
There is no much difference in the budget that we are presenting today from the draft budget that we presented on 30 March 2012. The minor differences are as a result of the comments from the IDP/ Budget roadshows and its funding of this difference of R2m is from the reserves of the municipality.

Madam Speaker, our budget is based on the circulars that were issued by National Treasury to guide the municipalities in their attempt to have credible, sustainable and IDP aligned budgets. Our draft budget was subjected to the scrutiny by the Provincial Treasury to assess whether it is in line with the provisions of MFMA and its circulars. We have ensured that we incorporate the suggestions from the provincial treasury.

The budget process that we followed is in line with the IDP/ Budget process plan that was adopted nine months ago by this Council. It was driven politically by the Executive Committee and technically by the management. The Executive Committee together with the offices of Madam Speaker and Chief whip respectively acted as budget steering committee throughout the process.

Madam Speaker, I am glad to present this budget as follows:
Our total expenditure is R213 424 653.63. We will just highlight those programmes that we think are the major ones on Municipal Manager's office that is responsible for Council support and Mayor's office we have budgeted R 1,014m. This is for council functions which include Exco outreach, state of the municipality's address, taking council to the people, Ingquza Hill commemoration day and all other commemorable days. We have also budgeted R3, 648m for Ward Committees, which is an attempt to implement the National Framework on the reimbursement of out of pocket expenses of Ward Committee members.
There is whippery expense at R150 000.00, this is meant to assist Councilors to interact with their constituencies in ensuring good relations and cooperation among the parties representented in the Council. This good relations and cooperation will translate to political stability that will contribute to good governance and matured democracy. On Special programmes we have budgeted R2,64m that is meant to play advocacy for the interest of the designated groups and also intervene on the promotion and development of these designated groups.
We have also budget for the motor vehicle to be attached to Mayor's office. On internal audit we have budgeted R1 074 750.00. This is meant to ensure that the internal audit function is strengthened with the help of the external service providers since we do not have a fully fledged internal audit unit.

Madam Speaker, on budget and treasury we have budgeted R2,439 634 this is meant to pay the Auditor's generals fees that are charged at a market related rates so that the Auditor general can always have competent staff to perform the audit, so their rates are high. We have also budgeted for consultants and professional fees to the amount of R1 873 000, this is meant for the hiring of consultants to ensure the implementation of GRAP standards that we are obliged to follow, then on Infrastructure we have budget R3 8263 000 for access roads, R10 000 000 for electrification by the municipality, R8 800 000 for 5 community halls and R1 200 000 for architectural work for the municipal offices that we intend to build in the next financial year.

Madam Speaker, we have also budgeted R2m and R3m for vehicle testing and driver learner testing centers respectively, we have also budgeted R7m for road maintenance rehabilitation.

We have also budgeted R3m for specialized equipment plant, we have also budgeted R2m that is meant for the expenses that will be incurred on plant unit. We have also budgeted R500 000 and R400 000 for the maintenance of buildings and installations and street lights respectively.

Madam speaker, we have budgeted R10 000 000 for LED projects, this meant to assist the SMME's and cooperatives we want to have a dent on poverty by ensuring that we assist the big cooperative that whose members are drawn from all wards of the municipality and which is meant for retail hardware. We have also budgeted R2 500 000 for planning and survey, Madam speaker we deemed fit to ensure that there is crime prevention and traffic law enforcement we have budgeted R 370 650.00 and R 264 750.00 respectively. We have also budgeted R1 894 000 for Expanded Public Works Programmes. This is meant to alleviate poverty in many households. We have also budgeted R925 000 for refuse special equipment. We have also budgeted R500 000 for sportfields

Madam Speaker, there are many programmes that are meant to assist the communities of Ingquza Hill Local Municipality in this budget we are then calling upon Councilors, communities and employees to ensure delivery of services and the achievement of objects of Local Government. Below is the summary of the budget analysis that is showing how the expenditure is broken down and how this expenditure is going to be funded.

INGQUZA HILL LOCAL MUNICIPALITY
BUDGET ANALYSIS 2012/2013

ITEM	**TOTALS**
PERSONNEL EXPENDITURE	R 87,093,799.58
GENERAL EXPENSES	R 38,030,572.99
REPAIRS & MAINTENANCE	R 1,832,281.06
CAPITAL EXPENDITURE	R 86,468,000.00
CONTRIBUTION TO APPROVED FUNDS	R -
TOTAL EXPENDITURE	**R**

	213,424,653.63
REVENUE SOURCES TO FUND THE EXPENDITURE.	
External funding (Loans)	R 3,000,000.00
Grant Funding	R 163,614,000.00
Own Revenue	R 46,811,654.13
Total Budget	**R 213,425,654.13**
Budget Surplus/(Deficit)	**1,000**

In conclusion Madam Speaker we agree that the patience of the people is not endless and therefore we must be vigilant and bold in the delivery of service. We are calling upon our communities, political parties and all other stakeholders formations that claim to represent our people to act in a disciplined and responsible manner. We are calling upon them to respect the existing infrastructure and not vandalize them as the small budget we have is supposed to be spent on new things and not replace the vandalized infrastructure

Madam Speaker, we are calling upon Council and communities to remain vigilant in the pursuit of the revolution, the last week incidences where we saw the breach of the right to dignity and integrity in the context of expressing the artistic interests,. We remain convinced that every right must be exercised not at the expense of other people's rights. Every right must be exercised within limitations.

Madam Speaker, we conclude in elaborating by quote from (Chairman Mao Tsetung, September 21 1949) where he says " *after the enemies with guns have been wiped out, there will still be enemies without guns; they are bound to struggle against us, and we must never regard these enemies lightly. If we do not now raise and understand the problem in this way, we shall commit the gravest mistakes. The imperialists and domestic reactionaries will certainly not take their defeat lying down and they will struggle to the last ditch. After there is peace and* *order throughout the country, they will still engage in sabotage and create disturbances in various ways and will try everyday and every minute to stage a come-back. This in inevitable and beyond all doubt, and under no circumstances must we relax our vigilance"*

Together we can do more

1.2 Council Resolutions

On 15 June 2011 the Council of Ingquza Hill Local Municipality met in the Club House Hall to consider the annual budget of the municipality for the financial year 2012/13. The Council approved and adopted the following resolutions:

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

   1.1. The annual budget of the municipality for the financial year 2012/13 and the multi-year and single-year capital appropriations as set out in the following tables:
      1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification);
      1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote);
      1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) and
      1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source.

   1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
      1.2.1. Budgeted Financial Position;
      1.2.2. Budgeted Cash Flows;
      1.2.3. Cash backed reserves and accumulated surplus
      1.2.4. Asset management
      1.2.5. Basic service delivery measurement

2. The Council of Inquza Hill Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2012:
   2.1. the tariffs for property rates
   2.2. the tariffs for electricity
   2.3. the tariffs for solid waste services
   2.4. the tariffs for advertising
   2.5. the tariffs for fines general
   2.6. the tariffs for informal trading
   2.7. the tariffs for licences
   2.8. the tariffs for plant hire
   2.9. the tariffs for hall hire
   2.10. the tariffs for building plans and survetudes

3. The Council of Ingquza Hill Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2012 the tariffs for other services.

4. To give proper effect to the municipality's annual budget, the Council of Ingquza Hill Local Municipality approves:
   4.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.
   4.2. That the municipality be permitted to enter into long-term loans for the funding of the capital programmes in respect of the 2012/13 financial year limited to an amount of R10 million per financial year of the MTREF in terms of Section 46 of the Municipal Finance Management Act.
   4.3. That the Municipal Manager be authorised to sign all necessary agreements and documents to give effect to the above lending programme.

1.3 Executive Summary

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

The IHLM's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items. This has resulted in savings to the municipality of the current financial year's adjusted budget. Key areas where savings were realized were on general expenditure category.

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

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

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

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained roads infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased level of indigence in the Municipal area;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Affordability of capital projects – capital expenditure is mainly funded through conditional grants;

- Very little or non-existent source of revenue;
- Lack of resources to attract potential investors;
- Lack of strong and decisive political leadership: and
- Availability of affordable capital/borrowing.

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

- The 2011/12 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2012/13 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- An upper limit of R5 million was set for the following items and allocations to these items had to be supported by a list and/or motivation setting out the intention and cost of the expenditure which was used to prioritise expenditures:
  - Special Projects;
  - Consultant Fees;
  - Furniture and office equipment;
  - Special Events;
  - Refreshments and entertainment;
  - Ad-hoc travelling; and
  - Subsistence, Travelling & Conference fees (national & international).

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

Table 1 Consolidated Overview of the 2012/13 MTREF

BUDGET	ADJUSTED UDGET 2011/12	BUDGET YEAR 2012/13	BUDGET yEAR+1 2013/14	BUDGET YEAR +2 2014/15
Total operating revenue	89 515 628	154 877 456	157 068 889	168 541 080
Total operating expenditure	103 699 514	120 838 704	124 090 944	133 542 917
Surplus(Deficit)	-14 183 886	34 038 752	32 977 945	34 998 163
Total capital expenditure	54 285 596	79 468 000	72 363 350	75 746 367

Total operating revenue has grown by 42 per cent or R65.4 million for the 2012/13 financial year when compared to the 2011/12 Adjustments Budget. For the two outer years, operational revenue will increase by 1 and 7 per cent respectively, equating to a total revenue growth of R13.7 million over the MTREF when compared to the 2010/11 financial year.

Total operating expenditure for the 2012/13 financial year has been appropriated at R120.8 million and translates into a budgeted surplus of R34.0 million. When compared to the 2011/12 Adjustments Budget, operational expenditure has grown by 14 per cent in the 2012/13budget and by 3 and 7 per cent for each of the respective outer years of the MTREF. The operating surplus for the two outer years steadily decreases to R 32.9 million and then stabilise at R 34.9 million. These surpluses will be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

The capital budget of R 79.4 million for 2012/13 is 31 per cent more when compared to the 2011/12 Adjustment Budget. The increase is due to an increase in the MIG allocation for next financial year as well as affordability constraints in the light of current economic circumstances. The capital programme increases to R79.4 million in the 2012/13 financial year and then evens out in 2013/14 to R72.3 million. A substantial portion of the capital budget will be funded from MIG over MTREF with anticipated borrowings of R3 million in 2012/13 financial year of the MTREF. The balance will be funded from internally generated funds. Note that the IHLM has not yet reached its prudential borrowing limits and so there is very little scope to substantially increase these borrowing levels over the medium-term to fund capital expenditure. The repayment of capital and interest (debt services costs) has substantially decreased over the past few years as a result of the budgeting that is not dependent on loan funding.

1.4 Operating Revenue Framework

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

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

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

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

Table 2 Summary of revenue classified by main revenue source

Description	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Revenue By Source										
Property rates	6 578	1 685	6 448	7 672	7 644	–	7 644	8 000	8 424	8 837
Service charges - refuse revenue	–	1 177	1 500	90	450	–	450	90	95	95
Service charges - other										
Rental of facilities and equipment					4 893		4 893	5 172	5 446	5 446
Interest earned - external investments					750		750	794	836	836
Fines					200		200	250	260	270
Licences and permits					11		11	11	12	13
Agency services					2 707		2 707	3 000	3 159	3 159
Transfers recognised - operational					99 779		99 779	115 351	121 868	132 797
Other revenue	55 091	60 108	79 431	–	11 293	–	11 293	22 209	16 842	17 062
Gains on disposal of PPE										
Total Revenue (excluding capital transfers and contributions)	61 669	62 970	87 379	7 762	127 727	–	127 727	154 877	156 943	168 515

Table 3 Percentage growth in revenue by main revenue source

Description of financial indicator	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
Borrowing Management										
Revenue Management										
Annual Debtors Collection Rate (Payment Level %)		99.4%	139.6%	36.4%	271.6%	102.8%	0.0%	0.0%	102.1%	102.4%
Outstanding Debtors to Revenue	12.6%	12.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Creditors to Cash and Investments	-45.5%	-71.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other Indicators										
Employee costs	51.1%	0.0%	55.3%	675.6%	43.6%	0.0%	43.6%	46.3%	47.9%	46.9%
Remuneration	0.0%	69.8%	45.4%	831.6%	0.0%	0.0%		55.3%	57.4%	56.4%
Repairs & Maintenance	0.0%	0.0%	4.9%	28.1%	2.6%	0.0%		5.7%	5.9%	5.8%

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

Revenue generated from **rates and services** charges forms a significant percentage of the revenue basket for the IHLM. Rates and service charge revenues comprise 5% of the total operational revenue mix. In the 2012/13 financial year, revenue from rates and services charges totalled R8 090 million or 5 per cent.

There is an increase from to R7 million, R8 million in the 2012/13 financial year for rates.
The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of IHL Municipality. Details in this regard are contained in annexure about the tariff policy.

Rental of facilities apart from other income and operational grants is the second largest revenue source totalling 3 per cent or R5.1 million rand and increases to R5.4 million by 2013/14.

The third largest sources is **'other revenue**' which consists of various items such as income received from permits and licenses, building plan fees, connection fees, transport fees and advertisement fees. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R115.4 million in the 2012/13 financial year and steadily increases to R121 million by 2013/14.

Note that the year-on-year growth for the 2012/13 financial year is 18 per cent and then flattens out to 1 and 7 per cent in the two outer years. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 4 Operating Transfers and Grant Receipts

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
RECEIPTS:									
- Operating Transfers and Grants									
National Government:	–	–	82 916	–	–	–	115 351	121 868	132 797
Local Government Equitable Share			57 934				111 157	119 498	130 097
Finance Management			750				1 500	1 500	1 750
Municipal Systems Improvement			750				800	870	950
EPWP Incentive							1 894	–	–
Other transfers/grants [insert description]			23 482						

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

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

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities, however the IHLM has made use of the CPI upper limits in circular 58 and 59. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the City is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the IHLM has undertaken the tariff setting process relating to service charges as follows.

1.4.1 Property Rates

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

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

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA). In addition to this rebate, a further R25 000 reduction on the market value of a property will be granted in terms of the IHLM's own Property Rates Policy;
- 40% will be granted as rebate will be granted on all residential properties (including state owned residential properties);
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy;

- The Municipality may award a 100 per cent grant-in-aid on the assessment rates of rate-able properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport. The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a grant.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2012/13 financial year based on a proposed policy to be effective from 1 July 2012 is contained below in an attachment for tariffs:

1.4.2 Sale of Water and Impact of Tariff Increases

The whole water authority lies with the O R Tambo District Municipality.

1.4.3 Sale of Electricity and Impact of Tariff Increases

IHLM is still in the process of applying for the licence to be a electricity distributor.

1.4.4 Sanitation and Impact of Tariff Increases

Sanitation is the authority of the O R Tambo District Municipality

1.4.5 Waste Removal and Impact of Tariff Increases

Currently solid waste removal is operating at a deficit. It is widely accepted that the rendering of this service should at least break even, which is currently not the case. The IHLM will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term.

The main contributors to this deficit are repairs and maintenance on old trucks, increases in general expenditure such as petrol and diesel and the cost of remuneration and refuse bags. Considering the deficit, it is recommended that a comprehensive investigation into the cost structure of solid waste function be undertaken, and that this include investigating alternative service delivery models. The outcomes of this investigation will be incorporated into the next planning cycle.

No increase in the waste removal tariff is proposed from 1 July 2012. Higher increases will not be viable in 2012/13 owing to the significant increases in the overall impact of higher inflation increases of other services. Any increase would be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debt.

The following table compares current and proposed amounts payable from 1 July 2011:

Table 5 Comparison between current waste removal fees and increases

Refer to attached tariff document

1.5 Operating Expenditure Framework

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

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;

- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- **Strict adherence to the principle of *no project plan no budget***. If there is no business plan no funding allocation can be made.

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

Table 6 Summary of operating expenditure by standard classification item

Description	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	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
Expenditure By Type										
Employee related costs	31 512	–	48 292	52 439	55 661	–	55 661	71 632	75 214	78 974
Remuneration of councillors					13 691		13 691	13 969	14 947	15 994
Debt impairment					5 000					
Depreciation & asset impairment	–	–	–	–	–	–	–	–	–	–
Finance charges										
Bulk purchases	30	–	200	455	–	–	–	–	–	–
Other materials										
Contracted services	–	–	–	–	–	–	–	–	–	–
Transfers and grants	–	–	–	–	–	–	–	–	–	–
Other expenditure	–	–	–	–	29 347	–	29 347	35 237	36 773	38 575
Loss on disposal of PPE										
Total Expenditure	31 542	–	48 492	52 894	103 700	–	98 700	120 839	126 934	133 542

The budgeted allocation for employee related costs for the 2012/13 financial year totals R71.6 million for employees and R13.9 million for councillors, which equals 71 per cent of the total operating budgeted expenditure. The three year collective SALGBC agreement, salary increases have come to an end last year and the increase into this budget is at a percentage increase of 6 per cent for the 2012/13 financial year. An annual increase of 6 per cent has been included in the two outer years of the MTREF. As part of the IHLM's cost reprioritization and cash management strategy vacancies have been significantly rationalized downwards. As part of the planning assumptions and interventions all vacancies were originally removed from the budget and a report was compiled by the Corporate Services Department relating to the prioritization of critical vacancies within the Municipality. In addition expenditure against overtime was increased, with provisions against this budget item only being provided for emergency services and other critical functions.

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

The provision of debt impairment was determined based on an annual collection rate per debtor and payment ratio to write off a portion of the opening balances that were imported from the previous financial management system to Munsoft financial management system. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has not been catered for in the face of this budget because this is non-cash flow. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years.

Other materials comprises of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. In line with IHLM's repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of IHLM's infrastructure. For 2012/13 the appropriation against this group of expenditure has grown by 63 per cent (5.6 million) and continues to grow at 5 and 5 per cent for the two outer years.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. Growth has been limited to 5 per cent for 2012/13 and curbed at 6.2 and 5.9 per cent for the two outer years, indicating that significant cost savings have been already realised.

The following table gives a breakdown of the main expenditure categories for the 2012/13 financial year.

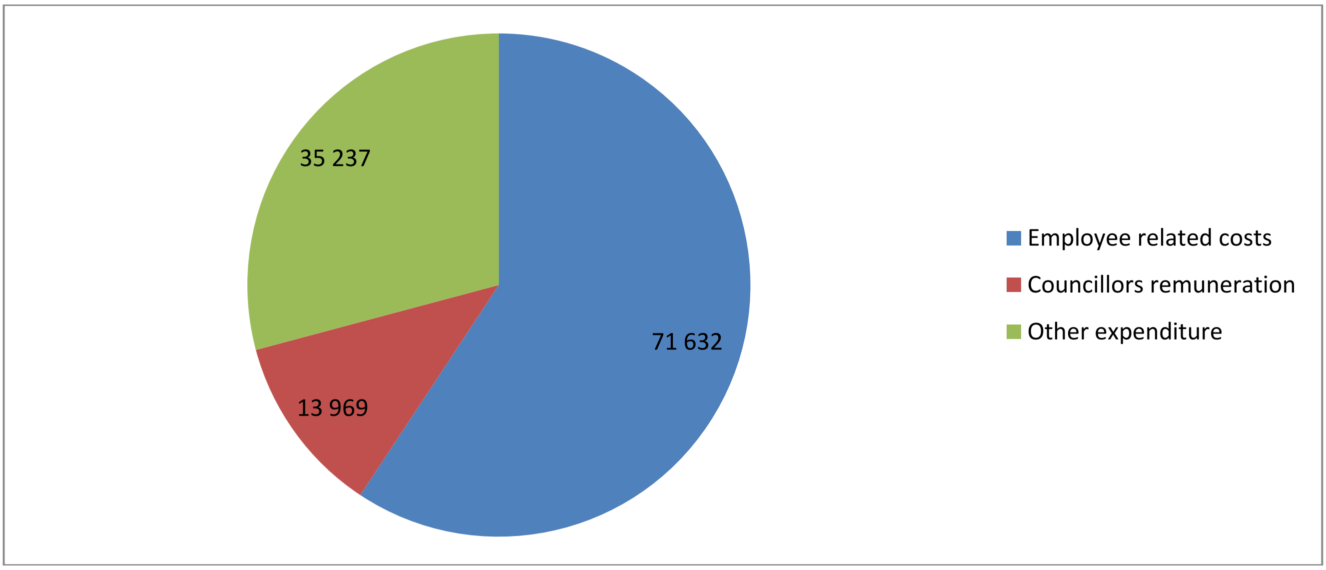

Figure 1 Main operational expenditure categories for the 2012/13 financial year

1.5.1 Priority given to repairs and maintenance

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

Table 7 Operational repairs and maintenance

Description	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Repairs and Maintenance by Expenditure Item										
Employee related costs										
Other materials										
Contracted Services										
Other Expenditure	16 956		9 286		3 269	3 269	3 269	8 832	9 300	9 756
Total Repairs and Maintenance Expenditure	16 956	–	9 286	–	3 269	3 269	3 269	8 832	9 300	9 756

During the compilation of the 2012/13 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the IHLM's infrastructure and historic deferred maintenance. To this end, repairs and maintenance was substantially increased by 62 per cent in the 2012/13 financial year, from R3.2 million to R8.8 million. During the 2012 adjustment Budget this allocation was not adjusted due to cash flow challenges faced by the IHLM at the time. Notwithstanding this non adjustment, as part of the 2012/13MTREF this strategic imperative remains a priority as can be seen by the budget appropriations over the MTREF.

The total allocation for 2012/13 equates to 11 per cent when compared to capital expenditure.

1.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the IHLM's Indigent Policy. The target is to register 90 000 or more indigent households during the 2012/13 financial year, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in the indigent policy and register.

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

1.6 Capital expenditure

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

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

Vote Description	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Capital expenditure - Vote Multi-year expenditure *to be appropriated*										
Municipal Manager	73	506	–	–	–	–	–	630	–	–
Corporate Services	250	747	690	–	1 206	–	–	950	1 000	1 049
Budget and Treasury Office	150	–	300	–	440	–	–	–	–	–
Communicty and Social Services	420	64	3 516	800	580	–	–	1 425	–	–
Infrastructure and Engenering	21 125	27 628	45 330	49 189	46 559	–	–	66 463	60 363	62 697
Strategic Development	1 854	617	2 513	3 000	5 500	–	–	10 000	11 000	12 000
Capital multi-year expenditure sub-total	25 872	29 561	52 349	52 989	54 286	–	–	79 468	72 363	75 746

For 2012/13 an amount of R79.4 million has been appropriated for the development of infrastructure which represents 41 per cent of the total budget. In the outer years this amount totals R72 million and 75 million respectively for each of the financial years. Transport and roads receives the highest allocation of R38 million in 2012/13 which equates to 48 per cent followed by electricity infrastructure.

Total new assets represent 100 per cent or R79 million of the total capital budget while asset renewal equates to R8.8 million.

Figure 2 Capital Infrastructure Programme

1.7 Annual Budget Tables - IHLM

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

Table 9 MBRR Table A1 - Budget Summary

EC153 Ngquza Hills - Table A1 Budget Summary

Description	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Financial Performance										
Property rates	6 578	1 685	6 448	7 672	7 644	–	7 644	8 000	8 424	8 837
Service charges	–	1 177	1 500	90	450	–	450	90	95	95
Investment revenue	–	–	–	–	750	–	750	794	836	836
Transfers recognised - operational	–	–	–	–	99 779	–	99 779	115 351	121 868	132 797
Other own revenue	55 091	60 108	79 431	–	19 104	–	19 104	30 642	25 720	25 950
Total Revenue (excluding capital transfers and contributions)	61 669	62 970	87 379	7 762	127 727	–	127 727	154 877	156 943	168 515
Employee costs	31 512	–	48 292	52 439	55 661	–	55 661	71 632	75 214	78 974
Remuneration of councillors	–	–	–	–	13 691	–	13 691	13 969	14 947	15 994
Materials and bulk purchases	30	–	200	455	–	–	–	–	–	–
Other expenditure	–	–	–	–	34 347	–	29 347	35 237	36 773	38 575
Total Expenditure	31 542	–	48 492	52 894	103 700	–	98 700	120 839	126 934	133 542
Surplus/(Deficit)	30 127	62 970	38 887	(45 132)	24 028	–	29 028	34 039	30 009	34 973
Transfers recognised - capital	–	–	–	–	–	–	–	–	–	–
Contributions recognised - capital & contributed assets	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	30 127	62 970	38 887	(45 132)	24 028	–	29 028	34 039	30 009	34 973
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	30 127	62 970	38 887	(45 132)	24 028	–	29 028	34 039	30 009	34 973
Capital expenditure & funds sources										
Capital expenditure	–	–	52 349	54 286	54 286	–	–	79 468	72 363	75 746
Transfers recognised - capital	–	–	52 349	52 989	54 286	–	–	67 368	72 363	75 746

Borrowing	–	–	–	–	–	–	–	3 000	–	–
Internally generated funds	–	–	–	–	–	–	–	9 100	–	–
Total sources of capital funds	–	–	52 349	52 989	54 286	–	–	79 468	72 363	75 746
Financial position										
Total current assets	8 726	10 626	–	–	–	–	–	–	–	–
Total non current assets	–	19 870	–	–	54 286	54 286	–	79 468	72 363	75 746
Total current liabilities	14 119	18 965	–	–	–	–	–	–	–	–
Total non current liabilities	–	6 826	–	–	–	–	–	–	–	–
Community wealth/Equity	–	(7 251)	4 706	–	54 286	54 286	–	79 468	72 363	75 746
Cash flows										
Net cash from (used) operating	(24 636)	17 600	283 124	245 978	54 301	54 301	–	79 470	81 197	87 943
Net cash from (used) investing	–	(15 868)	–	–	(54 286)	(54 286)	–	(79 468)	(72 363)	(75 746)
Net cash from (used) financing	–	6 903	–	–	–	–	–	–	–	–
Cash/cash equivalents at the year end	(24 636)	(16 001)	267 122	245 978	16	16	–	2	8 836	21 033
Cash backing/surplus reconciliation										
Cash and investments available	(2 587)	902	–	–	–	–	–	–	–	–
Application of cash and investments	6 411	4 758	–	–	–	–	–	–	–	–
Balance - surplus (shortfall)	(8 999)	(3 856)	–	–	–	–	–	–	–	–
Asset management										
Asset register summary (WDV)	–	–	33 427	44 444	54 286	54 286	79 468	79 468	72 363	75 746
Depreciation & asset impairment	–	–	–	–	–	–	–	–	–	–
Renewal of Existing Assets	–	–	52 349	64 543	54 286	–	–	79 468	72 363	75 746
Repairs and Maintenance	–	–	4 310	2 180	3 269	3 269	8 832	8 832	9 300	9 752
Free services										
Cost of Free Basic Services provided	–	–	–	–	–	–	–	–	–	–
Revenue cost of free services provided	–	–	–	–	–	–	–	–	–	–
Households below minimum service level										
Water:	–	–	–	–	–	–	–	–	–	–
Sanitation/sewerage:	–	–	–	–	–	–	–	–	–	–
Energy:	–	–	–	–	–	–	–	–	–	–
Refuse:	–	–	–	–	–	–	–	–	–	–

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the IHLM's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).

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

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

Standard Classification Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Revenue - Standard									
Governance and administration	36 692	36 993	74 505	85 867	85 867	–	148 132	151 962	163 309
Executive and council	19 969	16 092	1 515	–	–	–	–	–	–
Budget and treasury office	6 627	8 820	71 521	85 867	85 867	–	148 044	151 870	163 212
Corporate services	10 097	12 081	1 470	–	–	–	88	93	97
Community and public safety	12 143	11 822	1 871	2 113	2 113	–	5 596	3 896	3 929
Community and social services	12 143	11 822	1 871	2 113	2 113	–	5 596	3 896	3 929

Economic and environmental services	13 993	16 099	12 822	2 756	1 536	–	1 150	1 211	1 303
Planning and development	3 337	4 090	1 935	1 589	986	–	1 044	1 099	1 153
Road transport	10 656	12 009	10 887	1 167	550	–	106	112	150
Total Revenue - Standard	62 829	64 914	89 199	90 736	89 516	–	154 877	157 069	168 541
Expenditure - Standard									
Governance and administration	36 422	36 993	43 340	43 574	57 839	–	67 866	68 765	75 463
Executive and council	19 969	16 092	15 801	15 641	19 690	–	36 824	38 974	41 211
Budget and treasury office	6 356	8 820	12 919	13 497	21 552	–	16 268	14 264	17 953
Corporate services	10 097	12 081	14 621	14 436	16 597	–	14 774	15 527	16 298
Community and public safety	12 143	11 822	21 011	24 817	24 247	–	32 119	33 741	35 423
Community and social services	12 143	11 822	21 011	24 817	24 247	–	32 119	33 741	35 423
Economic and environmental services	13 793	16 099	24 875	22 309	21 614	–	20 853	21 585	22 658
Planning and development	3 337	4 090	9 475	8 719	7 937	–	9 407	9 890	10 380
Road transport	10 456	12 009	15 400	13 590	13 677	–	11 446	11 696	12 278
Total Expenditure - Standard	62 358	64 914	89 227	90 700	103 700	–	120 839	124 091	133 543
Surplus/(Deficit) for the year	470	–	(27)	36	(14 184)	–	34 039	32 978	34 998

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

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

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

Vote Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Revenue by Vote									
Vote 1 - Municipal Manager	19 969	16 092	1 515	–	–	–	–	–	–
Vote 2 - Corporate Services	10 097	12 081	1 470	–	83	–	88	93	97
Vote 3 - Budget and Treasury Office	6 627	8 820	71 521	85 867	245 599	–	148 044	151 870	163 212
Vote 4 - Communicty and Social Services	12 143	11 822	1 871	2 113	6 618	–	5 596	3 896	3 929
Vote 5 - Infrastructure and Engenering	10 656	12 009	10 887	1 167	550	–	106	112	150
Vote 6 - Strategic Development	3 337	4 090	1 936	1 589	986	–	1 044	1 099	1 153
Total Revenue by Vote	62 829	64 914	89 200	90 736	253 836	–	154 877	157 069	168 541
Expenditure by Vote *to be appropriated*									
Vote 1 - Municipal Manager	19 969	16 092	15 801	15 641	19 690	–	36 824	38 974	41 211
Vote 2 - Corporate Services	10 097	12 081	14 621	14 436	16 597	–	14 774	15 527	16 298
Vote 3 - Budget and Treasury Office	6 356	8 820	12 919	13 497	21 552	–	16 268	17 107	17 953
Vote 4 - Communicty and Social Services	12 143	11 822	21 011	24 817	24 247	–	32 119	33 741	35 423
Vote 5 - Infrastructure and Engenering	10 456	12 009	15 400	13 590	13 677	–	11 446	11 696	12 278
Vote 6 - Strategic Development	3 337	4 090	9 475	8 719	8 719	–	9 407	9 890	10 380

Total Expenditure by Vote	62 358	64 914	89 227	90 700	104 482	–	120 839	126 934	133 543
Surplus/(Deficit) for the year	470	0	(26)	36	149 354	–	34 039	30 135	34 998

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 IHLM.
2. This means it is possible to present the operating surplus or deficit of a vote. .

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

Description	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	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
Revenue By Source										
Property rates	6 578	1 685	6 448	7 672	7 644	–	7 644	8 000	8 424	8 837
Service charges - refuse revenue	–	1 177	1 500	90	450	–	450	90	95	95
Rental of facilities and equipment					4 893		4 893	5 172	5 446	5 446
Interest earned - external investments					750		750	794	836	836
Fines					200		200	250	260	270
Licences and permits					11		11	11	12	13
Agency services					2 707		2 707	3 000	3 159	3 159
Transfers recognised - operational					99 779		99 779	115 351	121 868	132 797
Other revenue	55 091	60 108	79 431	–	11 293	–	11 293	22 209	16 842	17 062
Gains on disposal of PPE										
Total Revenue (excluding capital transfers and contributions)	61 669	62 970	87 379	7 762	127 727	–	127 727	154 877	156 943	168 515
Expenditure By Type										
Employee related costs	31 512	–	48 292	52 439	55 661	–	55 661	71 632	75 214	78 974
Remuneration of councillors					13 691		13 691	13 969	14 947	15 994
Debt impairment					5 000					
Bulk purchases	30	–	200	455	–	–	–	–	–	–
Other materials										
Other expenditure	–	–	–	–	29 347	–	29 347	35 237	36 773	38 575
Loss on disposal of PPE										
Total Expenditure	31 542	–	48 492	52 894	103 700	–	98 700	120 839	126 934	133 542
Surplus/(Deficit)	30 127	62 970	38 887	(45 132)	24 028	–	29 028	34 039	30 009	34 973

Surplus/(Deficit) after capital transfers & contributions	30 127	62 970	38 887	(45 132)	24 028	–	29 028	34 039	30 009	34 973
Taxation										
Surplus/(Deficit) after taxation	30 127	62 970	38 887	(45 132)	24 028	–	29 028	34 039	30 009	34 973
Attributable to minorities										
Surplus/(Deficit) attributable to municipality	30 127	62 970	38 887	(45 132)	24 028	–	29 028	34 039	30 009	34 973
Share of surplus/ (deficit) of associate										
Surplus/(Deficit) for the year	30 127	62 970	38 887	(45 132)	24 028	–	29 028	34 039	30 009	34 973

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

1. Total revenue is R154.8 Million in 2012/13 and escalates to R156 Million by 2013/14. This represents a year-on-year increase.
2. Revenue to be generated from property rates is R8 million in the 2012/13 financial year and increases to R8.4 million by 2013/14.
3. Services charges relating to refuse removal constitutes the medium to smaller component of the revenue basket of the IHLM totalling R0.090 million for the 2012/13 financial year and increasing to R 950 000 by 2013/14.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF.
5. Bulk purchases have significantly increased over the 2007/08 to 2012/14 period escalating from R1.8 billion to R6.5 billion. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom and water from Rand Water.
6. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

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

Vote Description	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Capital expenditure - Vote Multi-year expenditure *to be appropriated*										
Vote 1 - Municipal Manager	73	506	–	–	–	–	–	630	–	–
Vote 2 - Corporate Services	2 250	747	690	–	1 206	–	–	950	1 000	1 049
Vote 3 - Budget and Treasury Office	150	–	300	–	440	–	–	–	–	–
Vote 4 - Communicty and Social Services	420	64	3 516	800	580	–	–	1 425	–	–
Vote 5 - Infrastructure and	21 125	27	45 330	49 189	46 559			66 463	60 363	62 697

Engenering		628				–	–			
Vote 6 - Strategic Development	1 854	617	2 513	3 000	5 500	–	–	10 000	11 000	12 000
Capital multi-year expenditure sub-total	25 872	29 561	52 349	52 989	54 286	–	–	79 468	72 363	75 746
Single-year expenditure *to be appropriated*										
Funded by:										
National Government			19 600	23 743	23 743			19 105	12 000	13 049
Provincial Government			2 210	28 543	28 543			38 263	40 363	42 697
District Municipality										
Other transfers and grants			30 539	704	2 000			10 000	20 000	20 000
Transfers recognised - capital	–	–	52 349	52 989	54 286	–	–	67 368	72 363	75 746
Public contributions & donations										
Borrowing								3 000		
Internally generated funds								9 100		
Total Capital Funding	–	–	52 349	52 989	54 286	–	–	79 468	72 363	75 746

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

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations.
3. Single-year capital expenditure has been appropriated at R79.4 million for the 2012/13 financial year and remains relatively constant over the MTREF at levels of 72.3 million and R75.7 million respectively for the two outer years.
4. 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 IHLM. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
5. The capital programme is funded from capital and provincial grants and transfers, borrowing and internally generated funds from current year surpluses. For 2012/13, capital transfers totals R67.3 million and R72 Million by 2013/14. Borrowing has been provided at R3 million over the MTREF with internally generated funding totaling R9.1 million. These funding sources are further discussed in detail in Overview of Budget Funding.

Table 14 MBRR Table A7 - Budgeted Cash Flow Statement

Description	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Ratepayers and other	61 316	87 906	31 767	21 081	27 948	27 948		39 526	35 075	35 718
Government - operating			57 062	69 475	99 779	99 779		115 351	121 868	132 797
Government - capital			52 349	64 543	33 543	33 543		54 263	60 489	62 723
Interest	712	246	370	180						
Dividends										
Payments										
Suppliers and employees	(86 664)	(70 447)	141 256	90 520	(106 969)	(106 969)		(129 671)	(136 235)	(143 295)
Finance charges		(106)	320	180						
Transfers and Grants				–						
NET CASH FROM/(USED) OPERATING ACTIVITIES	(24 636)	17 600	283 124	245 978	54 301	54 301	–	79 470	81 197	87 943
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE		715								
Capital assets		(16 583)			(54 286)	(54 286)		(79 468)	(72 363)	(75 746)
NET CASH FROM/(USED) INVESTING ACTIVITIES	–	(15 868)	–	–	(54 286)	(54 286)	–	(79 468)	(72 363)	(75 746)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans										
Borrowing long term/refinancing		6 903						–		
Increase (decrease) in consumer deposits										
Payments										
Repayment of borrowing										
NET CASH FROM/(USED) FINANCING ACTIVITIES	–	6 903	–	–	–	–	–	–	–	–
NET INCREASE/ (DECREASE) IN CASH HELD	(24 636)	8 634	283 124	245 978	16	16	–	2	8 834	12 197
Cash/cash equivalents at the year begin:		(24 636)	(16 001)				–		2	8 836
Cash/cash equivalents at the year end:	(24 636)	(16 001)	267 122	245 978	16	16	–	2	8 836	21 033

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. It can be seen that the cash levels of IHLM improvedl significantly.
4. In addition the IHLM undertook an extensive debt collection drive resulting in cash receipts on arrear debtors.
5. The 2012/13 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.

Table 15 MBRR Table A9 - Asset Management

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
CAPITAL EXPENDITURE									
Total New Assets	–	–	52 349	64 543	54 286	–	79 468	72 363	75 746
Infrastructure - Road transport	–	–	21 810	32 663	28 543	–	38 263	40 363	42 697
Infrastructure - Electricity	–	–	20 000	20 000	–	–	–	–	–
Infrastructure - Other	–	–	3 000	7 685	14 849	–	18 925	20 000	20 000
Infrastructure	–	–	*44 810*	*60 348*	*43 392*	–	*57 188*	*60 363*	*62 697*
Community	–	–	3 270	800	8 818	–	19 500	11 000	12 000
Other assets	–	–	4 269	3 395	2 076	–	2 780	1 000	1 049
Total Renewal of Existing Assets	–	–	52 349	64 543	54 286	–	79 468	72 363	75 746
Infrastructure - Road transport	–	–	21 810	32 663	28 543	–	38 263	40 363	42 697
Infrastructure - Electricity	–	–	20 000	20 000	–	–	–	–	–
Infrastructure - Other	–	–	3 000	7 685	14 849	–	18 925	20 000	20 000
Infrastructure	–	–	*44 810*	*60 348*	*43 392*	–	*57 188*	*60 363*	*62 697*
Community	–	–	3 270	800	8 818	–	19 500	11 000	12 000
Other assets	–	–	4 269	3 395	2 076	–	2 780	1 000	1 049
Intangibles	–	–	–	–	–	–	–	–	–
Total Capital Expenditure									
Infrastructure - Road transport	–	–	43 620	65 326	57 085	–	76 526	80 726	85 394

Infrastructure - Electricity	–	–	40 000	40 000	–	–	–	–	–
Infrastructure - Other	–	–	6 000	15 370	29 698	–	37 850	40 000	40 000
Infrastructure	–	–	*89 620*	*120 696*	*86 784*	–	*114 376*	*120 726*	*125 394*
Community	–	–	6 540	1 600	17 635	–	39 000	22 000	24 000
Other assets	–	–	8 538	6 790	4 152	–	5 560	2 001	2 099
TOTAL CAPITAL EXPENDITURE - Asset class	–	–	104 698	129 086	108 571	–	158 936	144 727	151 493
ASSET REGISTER SUMMARY - PPE (WDV)									
Infrastructure - Road transport			9 907	21 359	30 794	30 794	38 263	40 363	42 697
Infrastructure - Electricity			20 000	20 000	5 500	5 500	10 000	20 000	20 000
Infrastructure - Other			3 520	3 085	7 098	7 098	3 000		
Infrastructure	–	–	*33 427*	*44 444*	*43 392*	*43 392*	*51 263*	*60 363*	*62 697*
Community					8 300	8 300	18 800	11 000	12 000
Heritage assets									
Other assets					2 594	2 594	9 405	1 000	1 049
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	–	–	33 427	44 444	54 286	54 286	79 468	72 363	75 746
EXPENDITURE OTHER ITEMS									
Repairs and Maintenance by Asset Class	–	–	4 310	2 180	3 269	3 269	8 832	9 300	9 752
Infrastructure - Road transport	–	–	3 000	800	2 000	2 000	7 000	7 371	7 732
Infrastructure - Electricity	–	–	50	200	300	300	400	421	442
Infrastructure	–	–	*3 050*	*1 000*	*2 300*	*2 300*	*7 400*	*7 792*	*8 174*
Other assets	–	–	1 260	1 180	969	969	1 432	1 508	1 578
TOTAL EXPENDITURE OTHER ITEMS	–	–	4 310	2 180	3 269	3 269	8 832	9 300	9 752
Renewal of Existing Assets as % of total capex	*0.0%*	*0.0%*	*50.0%*	*50.0%*	*50.0%*	*0.0%*	*50.0%*	*50.0%*	*50.0%*
Renewal of Existing Assets as % of deprecn"	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
R&M as a % of PPE	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*6.0%*	*6.0%*	*11.1%*	*12.9%*	*12.9%*
Renewal and R&M as a % of PPE	*0.0%*	*0.0%*	*169.0%*	*150.0%*	*106.0%*	*6.0%*	*111.0%*	*113.0%*	*113.0%*

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The IHLM meets both these recommendations.

Part 2 – Supporting Documentation

30.1 Overview of the annual budget process

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

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

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

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the IHLM'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.

30.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2011) a time schedule that sets out the process to revise the IDP and prepare the budget.

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

- **August 2010** – Joint strategic planning session of the Mayoral Committee and Executive Management. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2012/13MTREF;
- **November 2010** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **3 to 7 January 2011 -** Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;
- **January 2011** – Multi-year budget proposals are submitted to the Mayoral Committee for endorsement;
- **28 January 2011** - Council considers the 2010/11 Mid-year Review and Adjustments Budget;
- **February 2011 -** Recommendations of the Mayoral Committee are communicated to the Budget Steering Committee, and on to the respective departments. The draft 2012/13MTREF is revised accordingly;
- **25 March 20**11 **-** Tabling in Council of the draft 2012/13IDP and 2012/13MTREF for public consultation;

- **April 2011** – Public consultation;
- **6 May 2011 -** Closing date for written comments;
- **6 to 21 May 2011** – finalisation of the 2012/13IDP and 2012/13MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- **23 May 2011 -** Tabling of the 2012/13MTREF before Council for consideration and approval.

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

30.1.2 IDP and Service Delivery and Budget Implementation Plan

The IHLM'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 2010/11 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

30.1.3 Financial Modelling and Key Planning Drivers

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

- IHLM 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.

30.1.4 Community Consultation

The draft 2012/13 MTREF as tabled before Council on 25 March 2012 for community consultation was published on the municipality's website, and hard copies were made available at customer care offices, municipal notice boards and various libraries. The opportunity to give electronic feedback was also communicated on the IHLM's website, and the IHLM's call centre was engaged in collecting inputs via e-mail, fax and SMS.

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

Ward Committees were utilised to facilitate the community consultation process from 18 to 25 May 2012, and included 31 public briefing sessions. The applicable dates and venues were published in the local newspapers and on average attendance of 200 was recorded per meeting. This is up on the previous year's process. This can be attributed to the additional initiatives that were launched during the consultation process, including the specific targeting of ratepayer associations. Individual sessions were scheduled with organised business and rate-paers meetings were held to further ensure transparency and interaction. Other stakeholders involved in the consultation included churches, non-governmental institutions and community-based organisations.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant considered as part of the finalisation of the 2012/13 MTREF. Feedback and responses to the submissions received are available on request. The following are some of the issues and concerns raised as well as comments received during the consultation process:

- Capital expenditure is not allocated to the areas in the same ratio as the income derived from those areas. This is a normal practice in a collective taxation environment. The IHLM is responsible for managing the equitable use of resources to ensure that constitutional imperative to progressively improve basic services in undeveloped areas is realized in a sustainable manner over a reasonable period of time;
- Several complaints were received regarding poor service delivery, especially waste removal backlogs and the state of road infrastructure;
- Poor performance of contractors relating to infrastructure development and maintenance especially in the areas of road construction and maintenance were raised;
- The affordability of tariff increases, especially rates, was raised on numerous occasions. This concern was also raised by organized business as an obstacle to economic growth;
- Pensioners cannot afford the tariff increases due to low annual pension increases; and

- During the community consultation process large sections of the community made it clear that they are not in favour of any further tariff increases to fund additional budget requests. They indicated that the municipality must do more to ensure efficiencies and value for money.

No significant changes were effected in the final 2012/13 MTREF compared to the draft 2012/13MTREF that was tabled for community consultation, include:

- The 2012 Division of Revenue Act (DORA) grant allocations were finalized and aligned to the gazetted allocations; and

30.2 Overview of alignment of annual budget with IDP

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

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

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

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the IHLM, 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 IHLM 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 IHLM's response to these requirements.

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

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;

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

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

Table 16 IDP Strategic Objectives

2010/11 Financial Year	2012/13 MTREF
1. The provision of quality basic services and infrastructure	1. Provision of quality basic services and infrastructure
2. Acceleration of higher and shared economic growth and development	2. Economic growth and development that leads to sustainable job creation
3. Fighting of poverty, building clean, healthy, safe and sustainable communities	3.1 Fight poverty and build clean, healthy, safe and sustainable communities
	3.2 Integrated Social Services for empowered and sustainable communities
4. Fostering participatory democracy and adherence to Batho Pele principles through a caring, accessible and accountable service	4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service
5. Good governance, Financial viability and institutional governance	5.1 Promote sound governance
	5.2 Ensure financial sustainability
	5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

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

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

1. Provision of quality basic services and infrastructure which includes, amongst others:
   - Provide electricity;
   - Provide water;
   - Provide sanitation;
   - Provide waste removal;
   - Provide housing;
   - Provide roads and storm water;

- Provide public transport;
- Provide IHLM planning services; and
- Maintaining the infrastructure of the IHLM.

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

3.1 Fight poverty and build clean, healthy, safe and sustainable communities:
   - Effective implementation of the Indigent Policy;
   - Working with the provincial department of health to provide primary health care services;
   - Extending waste removal services and ensuring effective cleansing;
   - Ensuring all waste water treatment works are operating optimally;
   - Working with strategic partners such as SAPS to address crime;
   - Ensuring save working environments by effective enforcement of building and health regulations;
   - Promote viable, sustainable communities through proper zoning; and
   - Promote environmental sustainability by protecting wetlands and key open spaces.

3.2 Integrated Social Services for empowered and sustainable communities
   - Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme

4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:
   - Optimising effective community participation in the ward committee system; and
   - Implementing Batho Pele in the revenue management strategy.

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

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

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

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

In addition to the five-year IDP, IHLM 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 IHLM 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 IHLM's IDP, associated sectoral plans and strategies, and the allocation of resources of the IHLM and other service delivery partners.

This development strategy introduces important policy shifts which have further been translated into seven strategic focus areas/objectives as outlined below:

- Developing dormant areas;
- Enforcing hard development lines – so as to direct private investment;
- Maintaining existing urban areas;
- Strengthening key economic clusters;
- Building social cohesion;
- Strong developmental initiatives in relation to the municipal institution as a whole; and
- Sound financial fundamentals.

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

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

NB: refer to the attached A1 schedule for the budget related schedules

30.3 Municipal manager's quality certificate

I …………………………………, municipal manager of INGQUZA HILL LOCAL MUNICIPALITY, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name ____

Municipal manager of INGQUZA HILL LOCAL MUNICIPALITY (EC 153)

Signature ____

Date ______________________________