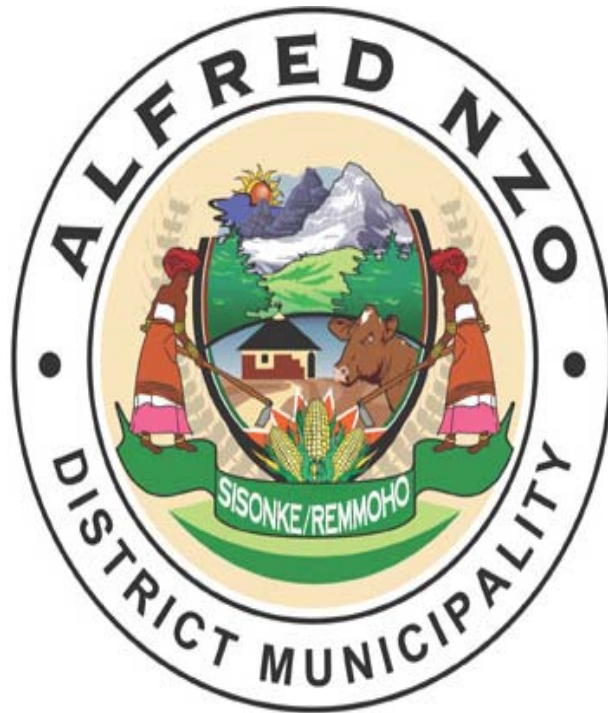


ALFRED NZO DISTRICT MUNICIPALITY



BUDGET AND TREASURY OFFICE

BUDGET DOCUMENT 2012/2013

## Table of Contents

ANNEXURE .....	<b>ERROR! BOOKMARK NOT DEFINED.</b>
<b>PART 1 – ANNUAL BUDGET .....</b>	<b>1</b>
1.1 MAYOR’S REPORT .....	<b>ERROR! BOOKMARK NOT DEFINED.</b>
1.2 COUNCIL RESOLUTIONS .....	7
1.3 EXECUTIVE SUMMARY .....	8
1.4 OPERATING REVENUE FRAMEWORK .....	14
1.5 OPERATING EXPENDITURE FRAMEWORK .....	25
1.6 CAPITAL EXPENDITURE .....	32
1.7 ANNUAL BUDGET TABLES - PARENT MUNICIPALITY .....	36
<b>PART 2 – SUPPORTING DOCUMENTATION.....</b>	<b>59</b>
2.1 OVERVIEW OF THE ANNUAL BUDGET PROCESS .....	59
2.2 OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP.....	62
2.3 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS.....	68
2.4 OVERVIEW OF BUDGET RELATED-POLICIES.....	74
2.5 OVERVIEW OF BUDGET ASSUMPTIONS.....	77
2.6 OVERVIEW OF BUDGET FUNDING .....	<b>ERROR! BOOKMARK NOT DEFINED.</b>
2.7 EXPENDITURE ON GRANTS AND RECONCILIATIONS OF UNSPENT FUNDS.....	<b>ERROR! BOOKMARK NOT DEFINED.</b>
2.8 COUNCILLOR AND EMPLOYEE BENEFITS.....	93
2.9 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW .....	97
2.10 ANNUAL BUDGETS AND SDBIPs – INTERNAL DEPARTMENTS.....	106
2.11 CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS.....	<b>ERROR! BOOKMARK NOT DEFINED.</b>
2.12 CAPITAL EXPENDITURE DETAILS .....	<b>ERROR! BOOKMARK NOT DEFINED.</b>
2.13 LEGISLATION COMPLIANCE STATUS .....	<b>ERROR! BOOKMARK NOT DEFINED.</b>
2.14 OTHER SUPPORTING DOCUMENTS .....	119
2.15 MUNICIPAL MANAGER’S QUALITY CERTIFICATE.....	<b>ERROR! BOOKMARK NOT DEFINED.</b>

## List of Tables

Table 1 Consolidated Overview of the 2011/12 MTREF .....	13
Table 2 Summary of revenue classified by main revenue source .....	15
Table 3 Percentage growth in revenue by main revenue source... <b>Error! Bookmark not defined.</b>	
Table 4 Operating Transfers and Grant Receipts.....	18
Table 5 Comparison of proposed rates to levied for the 2011/12 financial year <b>Error! Bookmark not defined.</b>	
Table 6 Proposed Water Tariffs .....	23
Table 7 Comparison between current water charges and increases (Domestic). <b>Error! Bookmark not defined.</b>	
Table 8 Comparison between current electricity charges and increases (Domestic) .....	<b>Error! Bookmark not defined.</b>
Table 9 Comparison between current sanitation charges and increases..... <b>Error! Bookmark not defined.</b>	
Table 10 Comparison between current sanitation charges and increases, single dwelling-houses .....	<b>Error! Bookmark not defined.</b>
Table 11 Comparison between current waste removal fees and increases.. <b>Error! Bookmark not defined.</b>	
Table 12 MBRR Table SA14 – Household bills .....	<b>Error! Bookmark not defined.</b>
Table 13 Summary of operating expenditure by standard classification item.....	26
Table 14 Operational repairs and maintenance .....	<b>Error! Bookmark not defined.</b>
Table 15 Repairs and maintenance per asset class .....	30
Table 16 2011/12 Medium-term capital budget per vote.....	33
Table 17 MBRR Table A1 - Budget Summary .....	37
Table 18 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification) .....	39
Table 19 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote) .....	41
Table 20 Surplus/(Deficit) calculations for the trading services .....	<b>Error! Bookmark not defined.</b>
Table 21 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure).....	43
Table 22 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source .....	49
Table 23 MBRR Table A6 - Budgeted Financial Position .....	52
Table 24 MBRR Table A7 - Budgeted Cash Flow Statement .....	54
Table 25 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation.....	55
Table 26 MBRR Table A9 - Asset Management .....	57
Table 27 MBRR Table A10 - Basic Service Delivery Measurement . <b>Error! Bookmark not defined.</b>	
Table 28 IDP Strategic Objectives .....	63

Table 29 MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue .....	66
Table 30 MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure .....	66
Table 31 MBRR Table SA7 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure .....	<b>Error! Bookmark not defined.</b>
Table 32 MBRR Table SA7 - Measurable performance objectives .....	70
Table 33 MBRR Table SA8 - Performance indicators and benchmarks .....	70
Table 34 Credit rating outlook .....	<b>Error! Bookmark not defined.</b>
Table 35 Breakdown of the operating revenue over the medium-term.....	80
Table 36 Proposed tariff increases over the medium-term .....	<b>Error! Bookmark not defined.</b>
Table 37 MBRR SA15 – Detail Investment Information.....	<b>Error! Bookmark not defined.</b>
Table 38 MBRR SA16 – Investment particulars by maturity.....	<b>Error! Bookmark not defined.</b>
Table 39 Sources of capital revenue over the MTREF .....	82
Table 40 MBRR Table SA 17 - Detail of borrowings .....	83
Table 41 MBRR Table SA 18 - Capital transfers and grant receipts .....	84
Table 42 MBRR Table A7 - Budget cash flow statement .....	86
Table 43 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation .....	<b>Error! Bookmark not defined.</b>
Table 44 MBRR SA10 – Funding compliance measurement.....	87
Table 45 MBRR SA19 - Expenditure on transfers and grant programmes .....	<b>Error! Bookmark not defined.</b>
Table 46 MBRR SA 20 - Reconciliation between of transfers, grant receipts and unspent funds .....	91
Table 47 MBRR SA22 - Summary of councillor and staff benefits..	<b>Error! Bookmark not defined.</b>
Table 48 MBRR SA23 - Salaries, allowances and benefits (political office bearers/councillors/ senior managers) .....	<b>Error! Bookmark not defined.</b>
Table 49 MBRR SA24 – Summary of personnel numbers.....	<b>Error! Bookmark not defined.</b>
Table 50 MBRR SA25 - Budgeted monthly revenue and expenditure.....	<b>Error! Bookmark not defined.</b>
Table 51 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote) .....	<b>Error! Bookmark not defined.</b>
Table 52 MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification) .....	<b>Error! Bookmark not defined.</b>
Table 53 MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)	<b>Error! Bookmark not defined.</b>
Table 54 MBRR SA29 - Budgeted monthly capital expenditure (standard classification).....	<b>Error! Bookmark not defined.</b>

Table 55 MBRR SA30 - Budgeted monthly cash flow .....	<b>Error! Bookmark not defined.</b>
Table 56 Water Services Department - operating revenue by source, expenditure by type and total capital expenditure.....	<b>Error! Bookmark not defined.</b>
Table 57 Water Services Department – Performance objectives and indicators.	<b>Error! Bookmark not defined.</b>
Table 58 MBRR SA 34a - Capital expenditure on new assets by asset class.....	106
Table 59 MBRR SA34b - Capital expenditure on the renewal of existing assets by asset class	108
Table 60 MBRR SA34c - Repairs and maintenance expenditure by asset class.....	110
Table 61 MBRR SA35 - Future financial implications of the capital budget .....	112
Table 62 MBRR SA36 - Detailed capital budget per municipal vote.....	115
Table 63 MBRR SA37 - Projects delayed from previous financial year.....	117
Table 64 MBRR Table SA1 - Supporting detail to budgeted financial performance.....	119
Table 65 MBRR Table SA2 – Matrix financial performance budget (revenue source/expenditure type and department).....	122
Table 66 MBRR Table SA3 – Supporting detail to Statement of Financial Position.....	123
Table 67 MBRR Table SA9 – Social, economic and demographic statistics and assumptions ..	123
Table 68 MBRR SA32 – List of external mechanisms .....	<b>Error! Bookmark not defined.</b>

## List of Figures

Figure 1 Main operational expenditure categories for the 2011/12 financial year .....	<b>Error! Bookmark not defined.</b>
Figure 2 Capital Infrastructure Programme .....	<b>Error! Bookmark not defined.</b>
Figure 3 Expenditure by major type .....	<b>Error! Bookmark not defined.</b>
Figure 4 Depreciation in relation to repairs and maintenance over the MTREF..	<b>Error! Bookmark not defined.</b>
Figure 5 Planning, budgeting and reporting cycle .....	68
Figure 6 Definition of performance information concepts.....	69
Figure 7 Breakdown of operating revenue over the 2011/12 MTREF.....	81
Figure 8 Sources of capital revenue for the 2011/12 financial year.....	82
Figure 9 Growth in outstanding borrowing (long-term liabilities) .	<b>Error! Bookmark not defined.</b>
Figure 10 Cash and cash equivalents / Cash backed reserves and accumulated funds .....	<b>Error! Bookmark not defined.</b>

## Abbreviations and Acronyms

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

Part 1 – Annual Budget

**1.1 MAYOR’S SPEECH**

**THE 2012/13 IDP AND BUDGET SPEECH BY HER WORSHIP THE EXECUTIVE MAYOR OF ALFRED NZO DISTRICT MUNICIPALITY, CCLR. E.N DIKO AT THE COUNCIL MEETING HELD AT COUNCIL CHAMBERS ON THE 31 MAY 2012.**

Honourable Speaker

Chief Whip

Members of the Mayoral Committee

Councillors

Inkosi Zomthonyama

The Municipal Manager and staff

Members of the Media Present

Distinguished Guests in the Gallery.

Friends and Comrades,

Somlomo ndivumele ndibulise kwi councillor’s nentatheli zamaphephandaba kunye nezamaziko ethu osasazo alpha ekuhlaleni kunye nabahambi esinabo. Endinokubalula kubo abantwana abasuka komasipala bethu abane. Ababantwana ngaba bale program ekuthiwa : take a girl child to a work Campaign 2012. This program was initiated by Cell C in 2003 with the aim of exposing young learners to the “world of work”.

Intatheli ezi zidlala indima enkulu ekusinxibelelaniseni nabahlali besi sithili ukuze bazi ngezicwangciso zalomasipala ekuphuculeni nasekuguquleni impilo zabo zibengcono.

Sikwenza oku njengoko besithe bhazalala kwiveki ezidlulileyo siyo kuthi thaca idraft IDP /Budget ka 2012/2013 kubo, sizifumene ingcebiso

, nezilungiso zabo, kunjalo nje ziyinxalenye yemigomo ezakuthi imiliselwe kulonyaka-mali.

Masibulele kuba hlali ngokuthi basamukele kwindawo zabo, size sixoxe nabo ekwakheni isithili esingcono, liyinyaniso elithi xa sisebenza kunye singenza lukhulu.

Mr Speaker, allow me to request councillors and our communities to join us in celebrating Child Protection week, where all organs of the state and civil society have to play a critical role in protecting the future of this country and as the district we join the chorus towards the advancement of a better future for our children.

**Quote *“There can be no keener revelation of a society's soul than the way in which it treats its children” close quote. Watsho u Tata Nelson Mandela***

As we celebrate 100 years of the ANC Centenary we also pride ourselves as the Alfred Nzo District Municipality having brought up the likes of Alfred Baphethuxolo Nzo, Oliver Reginald Tambo, Winnie Madikizela, Maggie Resha and others who have stood firm in the struggle against apartheid system and they have been honoured across the world for their contributions in the advancement of the human race.

It is in that spirit that we have tasked the Community Services Department within the council to develop a clear plan to recognise these heroes and heroines.

Such plans include the Nkantolo Thusong Service Centre which is currently in the planning phase and we are working together with the Mbizana Local Municipality, as well as the funder the South African Postal Services and other state organs that are running various initiatives in the area.

We will play a pivotal role in the O.R.Tambo month as the whole nation will be celebrating this gallant fighter and plans are afoot working with Ekurhuleni Metro.

Mr. Speaker and the house at large, as the roars of young lions of 1976 resonate in our minds, we have put together a comprehensive plan to celebrate this month and also honour Alfred Baphethuxolo Nzo as he was born in this month.

A memorial lecture will be held to celebrate this giant and we will also host this year's Open Council Day at Thabachicha where he grew up, studied and the remains of his forefathers are and we will bring the family and the broader community to be part of this celebrations and also extend reach to basic government services and information that this community desperately need through this progressive public participation programme.

Mr Speaker and the house at large allow me to propose that we declare the month of June, as Alfred Baphethuxolo Nzo month.

Furthermore, I have mandated Community Services unit to prioritise the Mbhongweni area and develop clear plans to provide credible services to communities of this area and beyond in recognising the role played by Winnie Madikizela and the community that brought this struggle stalwart who stood firm in the advancement of a democratic process.



In advancing the five priorities of this government evidence is visible in every corner of this district and this has really turned this district into a construction site, which indicates strides that are being put up to address the dilapidated infrastructure which is the legacy of the apartheid and homeland system.

*Kucace gca nakuthatha uba iAlfred Nzo iyasebenza, kuqhuzu thuli.*

Government is at work as you see the revitalisation of the N2 Road (Economic Corridor) from Ngcweleni to Brooksnek, Shinta towards Siphethu, feasibility study is continuing on foundation phase from Mtsane to Kakashill, electricity as the catalyst of economic and social development working together with the four local municipalities we will see light soon in our communities.

Sanitation facilities are being constructed in massive numbers to bring dignity to our people that they deserve.

Water is life it is in that background that the big chunk of our budget is channelled towards providing clean water to our people.

Construction at Ludeke Dam in Mbizana is at advanced stages and I call upon members of this Council and Civil Societies to partner with us in addressing challenges that hinder progress, as we build one of the dams in the district that will provide water to more than **48,408** households and service more than **279 739** people.

Kungentsuku zatywala sizakuthi sidibane singabemi besisithili kwingqunguthela yokuxoxa ngenkonzo zamanzi, lendibano ijolise ekuveleni nezisombululo kwinkonzo yethu yokuzisa amanzi acocekileyo kubantu bethu.

Mr Speaker, our term of office started in June 2011 after the Local government Election that means we have 12 months in office already.

Kwezinyanga zilishumi elinambini ziqgithileyo sinikwe oluxanduva lokukhokhela olurhulumente umqela uyabonakala.

***Quote "A small body of determined spirits fired by an unquenchable faith in their mission can alter the course of history" Close quote. Kwatsho Mahatma Gandhi.***

Mr Speaker, it is with great pleasure for me to address this council sitting on the important meeting of tabling the Final Draft Integrated Development Plan 2012-2017 and the Final Draft Budget for 2012/2013(MTEF) for approval.

The Auditor General has visited the district during the course of this month of May and we had robust engagement with him and his team and we made commitments and failure is not an option, not in our name and our time.

Mr Speaker we are on course to meet the set target in making sure that our municipality has clean audit by 2014.

In responding to the Audit Outcome of 2010/2011, the Management Action Plan has been developed in addressing the Auditor General's findings.

The council has further made a point that the structures such the Audit Committee, MPAC, Risk Management Committee are in place to assist the process of achieving our goal (Clean Audit).

The employment of the Risk Manager and Audit Manager has been done to ensure that all the tools necessary to change audit outcomes in current financial year are in place.

We are not there yet, hence the strengthening of the oversight role in this regard is crucial.

### **FINAL INTEGRATED DEVELOPMENT PLAN 2012/2017**

Mr Speaker it gives great pleasure to present to the Council, Communities and various stakeholders of the municipality the Final Draft 5 Year Municipal Integrated Development Plan 2012 to 2017 as guided by Chapter 5 Section 25 of the Municipal Systems Act, 2000 as amended. As mandated by the said legislation through Section 27 of the same Act, the municipality in consultation with all Local Municipalities drafted and adopted IDP Framework Plan that has guided the process of developing IDPs.

In the process the municipality appreciated the commitment showed by local communities where they reflected their interest in terms of key focus areas that the Council should consider which has in turn informed the Vision the municipality should lead.

The municipality has taken into consideration the approach by the government of the Republic of South Africa in terms of National Strategic Priority focus areas being creation of decent work and sustainable livelihoods, Education, Health, Rural development, food security and land reform, and Fight against crime and corruption. Furthermore reference is made to Local Government Turn-Around Strategy Approach as adopted by Cabinet in 2010 where Chapter 2 of the Municipal Final Draft IDP talks to Strategic Approaches the municipality will employ to address challenges it is faced with as reflected in Chapter 1 (Section A) of the IPD. Chapter of the Draft IDP also serves as the base of the municipal Score Cards for the next 5 years which also has a direct linkage to the Performance Management System.

The municipality further noted Provincial Government Strategic Priorities hence the municipality has crafted its four Strategic Goals in the five year plan and those goals are focusing on economic growth through rural development by expanding and enhancing infrastructure through provision of water and sanitation and electricity. For the municipality to

achieve its Vision there should be a common purpose within all stakeholders to ensure good governance within the municipality through effective partnerships.

Through this approach of common purpose, the municipality aims to ensure Community resilience and self-reliance by encouraging the utilization of available resources through social development and effective maintenance of available resources and empowerment of local people.

The municipality considers the fourth goal being Service excellence and sustainability critical, the sustainability of services rendered by the municipality will ensure unlocking of economic potential that will contribute to the growth of district economy and reverse the impacts of challenges (unemployment and poverty) facing the municipality.

The Council has therefore adopted a new vision being “A self-sustainable municipality that guarantees effective and efficient rural development”.

For the municipality to lead its vision the municipal Strategic Plan (IDP) reflects that in the next five years over R2 billion will be invested towards infrastructure development and over R600 million will be invested towards maintenance of existing infrastructure in particular water and sanitation where the major focus is on rural infrastructure development. Our IDP reflects a number of Flagship or Key projects that will assist the municipality in leading its vision and amongst others are the following:

- ☐ Matatiele Wellfields;
- ☐ Matatiele Kinira Dam;
- ☐ Mt Ayliff Siroqobeni Dam;
- ☐ Mt Ayliff Off Chanel Dam;
- ☐ Mt Frere Mkemane Dam;
- ☐ Mt Frere Raising Ntenetyane;
- ☐ Ntabankulu Regional Bulk Supply;
- ☐ Greater Mbizana Dam;
- ☐ VIP Sanitation roll-out across the district;
- ☐ Establishment of Disaster Centre in Mbizana; and

## ☐ Establishment of Thusong Centres in Matatiele and Ntabankulu

This approach by the municipality will further contribute towards government focus area on infrastructure development as reflected by the Hon President of the Country in his State of the Nation Address, 2012.

The municipality has noted the plans by Department of Human Settlements to sustain the livelihoods through provision of rural housing programme where over R700 million will be invested in the district in the next five years which will further contribute towards jobs creation within the district.

The municipality further commits to facilitate meaningful investment on socio-economic infrastructure development in the next five years which will assist in jobs creation and district economic growth to encourage further investments in the district and minimise the impact of district economic leakage. This approach will see the municipality further investing on revival of all existing Local Economic Development projects for sustainable development. The municipality further commits to invest approximately R35 million and R25 Million in the next 5 years towards SMME and Tourism Developments respectively to assist in growth of the district economy and poverty alleviation.

The municipality further commits to invest over R43 million towards Special programme over the next 5 years where groups such as Youth, Women, Children, Disability and Elderly people will be prioritised. This will contribute towards achievements of Millennium Development Goals.

The municipality derived its values from the Batho Pele principles where it will promote Humanity, Professionalism, Responsiveness, Respect, Transparency, Courtesy, Accountability, Trustworthiness, and Teamwork and these values will be achieved through effectiveness of the recently established Customer Care Centre.

The municipality further aims to promote healthy and sustainable communities through implementation of social strategic approaches which include Municipal health Services and disaster and rescue management.

The municipality aims to achieve clean audit by 2014 in line with National Operation Clean Audit 2014 and this could be achieved through good governance which would be achieved through proper monitoring and oversight by the Council. This will see the municipality investing towards improving systems and capacity within the municipality through filling of

critical posts, retaining the skills and further embark on skills development within the district both internal and external.

Mr Speaker, I would like the Council to note the Draft Municipal Service Delivery and Budget Implementation Plan for 2012/13 which gives the details on how the municipality will implement the IDP and Budget in particular the forthcoming Financial Year being 2012/13. The SDBIP therefore serves as a “contract” between the administration, council and community expressing the goals and objectives set by the council as quantifiable outcomes that can be implemented by the administration over the next twelve months or the municipal financial cycle. This provides the basis for measuring performance in service delivery against end of-year targets and implementing the budget for 2012/13.

Lastly Mr Speaker I would like the council to note the draft organogram of the District Municipality.

## **1.1 Council Resolutions**

On 30 Marc 2012 the Council of Alfred Nzo District Municipality met in the Council Chambers of Alfred Nzo District Municipality to note the draft annual budget of the municipality for the financial year 2012/13.

1. The Council of Alfred Nzo District 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. Consolidated Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 184;
    - 1.1.2. Consolidated Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 18;
    - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 21 and
    - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 22 on page 30.
  - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:

- 1.2.1. Budgeted Cash Flows as contained in Table 21;
  - 1.2.2. Asset management as contained in Table 23; and
2. The Council of Alfred Nzo District 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 the supply of water – as set out in Annexure C
  - 2.2. the tariffs for sanitation services – as set out in Annexure E
  - 2.3. other tariffs for Fire Services
3. The Council of Alfred Nzo District Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) notes tariffs for other services, as set out in Annexures G1 to G21 respectively.
4. To give proper effect to the municipality's annual budget, the Council of Alfred Nzo District 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 by way of MIG frontloading for the funding of the capital programmes in respect of the 2012/13 financial year limited to an amount of R723 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.

## **1.2 Executive Summary 2012/2013**

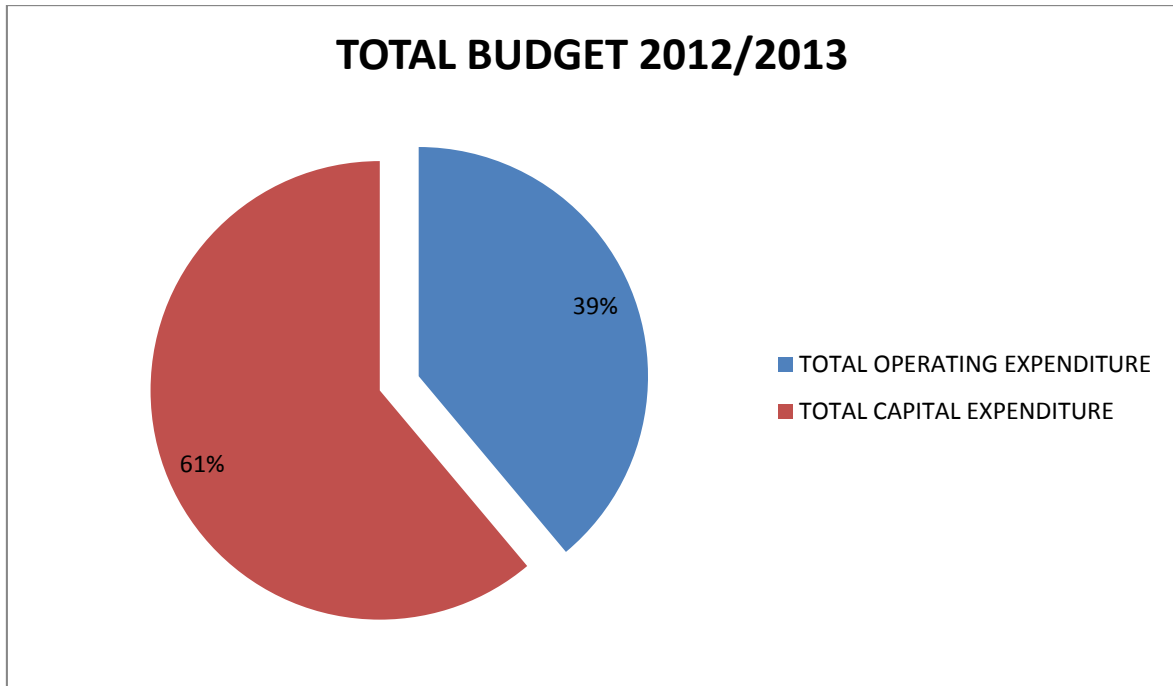
### **Budget alignment with National, Provincial and District Priorities.**

Progress is being made with respect to the implementation of district priorities that are primarily focused on the powers and functions of the municipality. Alfred Nzo District Municipality is both a Water Service Authority and Water Services Provider; hence the key priority is to meet the target set by the Department of Water Affairs that every household should have access to clean water by 2014. Most of our plans and strategies are in place, and now our efforts and resources are focussed on accelerating implementation and action.

The efforts of the leadership converge on investing more funds in water and sanitation infrastructure in the medium term revenue and expenditure framework. The spending on

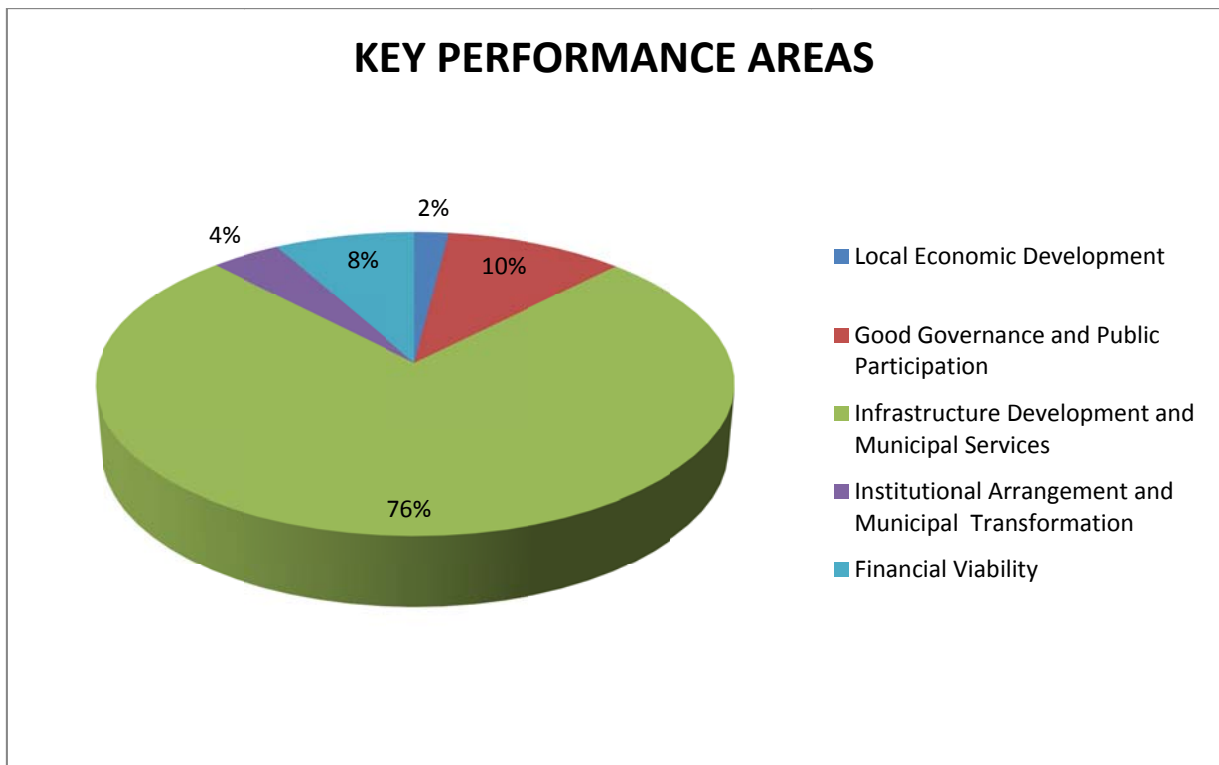
infrastructure is in congruence with the national and provincial priorities in an endeavour to improve the quality of lives of South Africans, with no exceptions to those in Alfred Nzo district.

The total annual budget for 2012/2013 is R918 769 093 representing 15% increase from 2011/2012 budget. The annual budget comprise 39% (R361 462 214) total operating expenditure and 61% (R557 306 879 850.00) of capital expenditure.



### ANNUAL BUDGET PER KEY PERFORMANCE AREAS

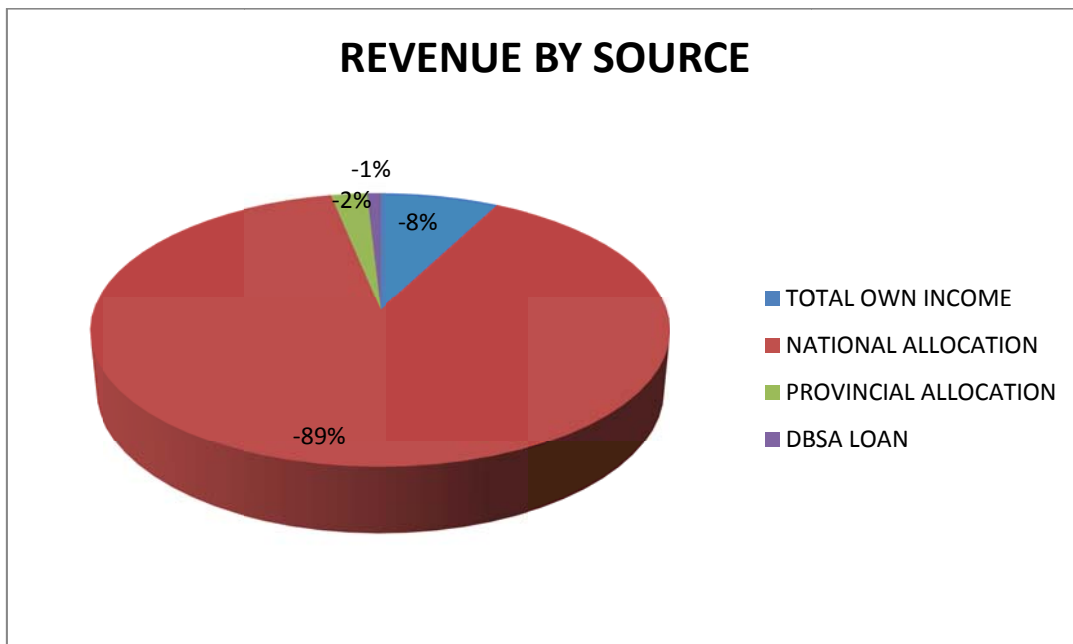
Local Economic Development	18 146 736.00
Good Governance and Public Participa	95 324 338.32
Infrastructure Development and Muni	693 828 020.00
Institutional Arrangement and Municip	37 413 289.00
Financial Viability	74 056 708.68





### TOTAL INCOME PER SOURCE

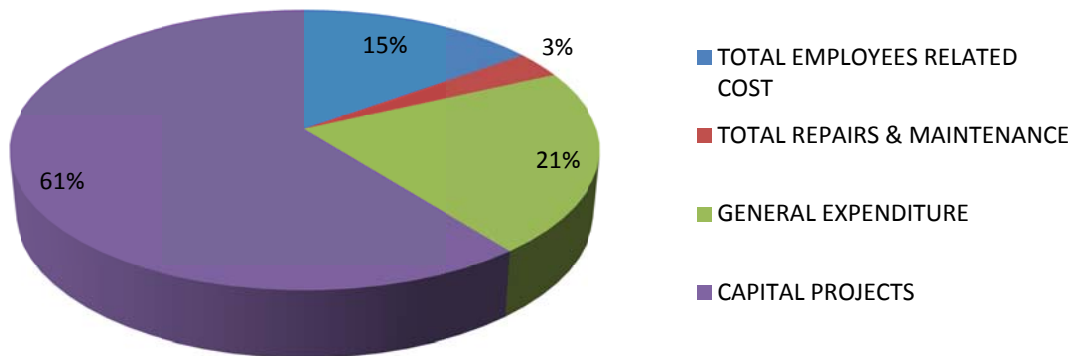
TOTAL OWN INCOME	(69 612 601)
NATIONAL ALLOCATION	(809 022 000)
PROVINCIAL ALLOCATION	(20 778 000)
DBSA LOAN	(7 993 492)



### TOTAL EXPENDITURE BUDGET PER CATEGORY

TOTAL EMPLOYEES RELATED COST	138 314 836.00
TOTAL REPAIRS & MAINTENANCE	27 968 000.00
GENERAL EXPENDITURE	195 179 379.00
CAPITAL PROJECTS	557 306 879.19

### TOTAL EXPENDITURE BUDGET BY CATEGORY



## **PROMMINET BUDGETED PROJECTS PER DEPARTMENT**

### **Local economic development**

A budget of R6m has been provided for laying foundation in terms of LED strategy formulation and all other plans aimed at positioning the district to be able to stimulate economic growth.

### **Infrastructure Development and Municipal Works**

The budget for repairs and maintenance of the water and sanitation infrastructure has been provided at R27.9m with the main aim to provide sustainable water and sanitation services to Alfred Nzo District Municipality community.

The budget appropriation of R17,8m is provided for an enabling environment which includes the development of ground water management plan, water quality management, dam safety plan, effluent management plan; etc.

The implementation of EPWP is budgeted for as per the DORA allocation of R9 604 000.00, which result in the expansion of job creation capacity of the municipality. During the financial year under review a total of 483 jobs have been created through Expanded Public Works Programme and 748 jobs created through implementation of Municipal Infrastructure Grant Funded projects.

### **Budget and Treasury Office**

The municipality made an appropriation of R1m for improving its financial management systems and R2m for implementation of Generally Recognized Accounting Practice in pursuit of operation clean administration. The insurance for the assets and other risks to which the municipality is exposed is budgeted at R2m which includes stated benefits for Councillors as well as officials.

The municipality has also budgeted for the development of the fixed asset management strategy which will guide the municipality on how the preventive maintenance system can be in place and when will the infrastructure assets will be refurbished.

## **Table 1 Consolidated Overview of the 2012/13 MTREF**

	<b>Adjustment Budget</b>	<b>Budget Year</b>	<b>Budget Year +1</b>	<b>Budget Year +2</b>
<b>R thousand</b>	<b>2011/2012</b>	<b>2012/2013</b>	<b>2013/2014</b>	<b>2014/2015</b>
Total Operating Revenue	-603 439 000.00	-361 462 214.00	-357 537 341.00	-389 616 507.00
Total Operating Expenditure	500 014 000.00	361 462 214.00	357 537 341.00	389 616 507.00
(Surplus)/Deficit for the year	-103 425 000.00	-	-	-
Total Capital Expenditure	459 660 350.00	557 306 879.00	587 345 419.00	616 908 480.00

Total operating revenue shows a decrease of 40% or R241,9 million for the 2012/13 financial year when compared to the 2011/12 Adjustments Budget; this is attributable to the incorrect calculations in the previous year that took into account the total equitable share inclusive of the portion allocated to capital budget which has been corrected in the budget year

Total operating expenditure for the 2012/13 financial year has been appropriated at R361.46 million and translates into a budgeted surplus of R0.00 as the operating revenue equals the operating expenditure.

The capital budget of R557.30 million for 2012/13 is 8 per cent more when compared to the 2011/12 Adjustment Budget. The increase is due to the incorporation of Mbizana and Ntabankulu Local Municipality. The capital programme increases to R557.30 million in the 2012/13 financial year and then continues to increase in 2014/15 to R616.9 million. A substantial portion of the capital budget will be funded from Municipal Infrastructure Grant over MTREF. Municipal Infrastructure Grant will contribute 66 per cent of capital expenditure in 2012/2013 year, when equitable share are excluded. Development Bank of Southern Africa loan will fund capital budget to the tune of R7.99 million. The balance will be funded from equitable share.

### **1.3 Operating Revenue Framework**

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

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

- National Treasury's guidelines and macroeconomic policy;
- Growth in the District and continued economic development;

- Efficient revenue management, which aims to ensure a 65 per cent annual collection rate for water and sanitation.
- 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;
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policy of the District.

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**

DC44 Alfred Nzo - Table A4 Consolidated 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	-	-	-	-	-	-	-	-	-	-
Property rates - penalties & collection charges											
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	-	-	-	20 000	15 000	15 000	-	30 310	31 826	34 053
Service charges - sanitation revenue	2	-	-	-	2 400	2 400	2 400	-	2 180	2 289	2 449
Service charges - refuse revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - other											
Rental of facilities and equipment		-	368	2 498	1 970	1 970	1 970	1 970	570	599	640
Interest earned - external investments		2 300	4 213	3 479	6 000	6 000	6 000	6 000	10 000	10 500	11 235
Interest earned - outstanding debtors									200	210	225
Dividends received									-	-	-
Fines									-	-	-
Licences and permits									-	-	-
Agency services									-	-	-
Transfers recognised - operational		31 397	113 434	142 845	262 598	265 535	265 535	265 535	280 729	294 766	315 399
Other revenue	2	-	-	-	289 305	312 034	312 034	-	37 473	39 346	42 100
Gains on disposal of PPE					500	500	500	500			
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>33 697</b>	<b>118 015</b>	<b>148 822</b>	<b>582 773</b>	<b>603 439</b>	<b>603 439</b>	<b>274 005</b>	<b>361 462</b>	<b>379 535</b>	<b>406 102</b>
<b>Expenditure By Type</b>											
Employee related costs	2	-	-	-	127 741	77 172	77 172	-	132 279	152 262	161 590
Remuneration of councillors		1 907	3 716	4 506	10 709		10 709	10 709	6 036	6 338	6 782
Debt impairment	3										
Depreciation & asset impairment	2	-	-	-	-	-	-	-	10 000	10 500	11 235
Finance charges									250	263	300
Bulk purchases	2	-	-	-	3 500	3 500	3 500	-	5 000	5 250	5 618
Other materials	8										
Contracted services		-	-	-	-	-	-	-	-	-	-
Transfers and grants		150	8 079	9 630	12 000	17 520	9 927	9 927	21 957	21 000	22 470
Other expenditure	4, 5	-	-	-	187 027	398 506	398 506	-	185 740	183 922	198 108
Loss on disposal of PPE						200	200	200	200		
<b>Total Expenditure</b>		<b>2 058</b>	<b>11 796</b>	<b>14 136</b>	<b>340 977</b>	<b>496 898</b>	<b>500 014</b>	<b>20 836</b>	<b>361 462</b>	<b>379 535</b>	<b>406 102</b>
<b>Surplus/(Deficit)</b>											
Transfers recognised - capital		31 639	106 219	134 687	241 796	106 541	103 425	253 169	0	0	(0)
Contributions recognised - capital					(253 796)	(311 087)	(311 087)	311 087	(465 741)	(502 493)	(539 968)
Contributed assets									(91 566)	(84 852)	(76 940)
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>31 639</b>	<b>106 219</b>	<b>134 687</b>	<b>(12 000)</b>	<b>(204 546)</b>	<b>(207 662)</b>	<b>564 256</b>	<b>557 307</b>	<b>587 345</b>	<b>616 908</b>
Taxation											
<b>Surplus/(Deficit) after taxation</b>		<b>31 639</b>	<b>106 219</b>	<b>134 687</b>	<b>(12 000)</b>	<b>(204 546)</b>	<b>(207 662)</b>	<b>564 256</b>	<b>0</b>	<b>0</b>	<b>0</b>
Attributable to minorities											
<b>Surplus/(Deficit) attributable to municipality</b>		<b>31 639</b>	<b>106 219</b>	<b>134 687</b>	<b>(12 000)</b>	<b>(204 546)</b>	<b>(207 662)</b>	<b>564 256</b>	<b>0</b>	<b>0</b>	<b>0</b>
Share of surplus/ (deficit) of associate	7										
<b>Surplus/(Deficit) for the year</b>		<b>31 639</b>	<b>106 219</b>	<b>134 687</b>	<b>(12 000)</b>	<b>(204 546)</b>	<b>(207 662)</b>	<b>564 256</b>	<b>0</b>	<b>0</b>	<b>0</b>

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 services charges forms a small percentage of the revenue basket for the District. This increases to R32 million, R42m and R52m in the respective financial years of the MTREF.

The largest sources, is Municipal infrastructure Grant which is intended to lay a solid foundation for sustainable service delivery.

Operating grants and transfers total R280.7million in the 2012/13 financial year and steadily increase to R 315 399million by 2014/15. Note that the year-on-year growth for the 2012/13 financial year is 5 per cent for 2013/2014 and then flattens out to 6.5 per cent in 2014/2015. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

**Table 3 Operating Transfers and Grant Receipts**



DC44 Alfred Nzo - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>RECEIPTS:</b>	1, 2									
<b>Operating Transfers and Grants</b>										
National Government:		111 998	128 102	170 456	288 193	411 899	295 608	332 568	319 847	441 634
Local Government Equitable Share		79 948	99 430	125 171	265 535	265 535	265 535	297 597	312 477	334 350
Water Services Operating Subsidy		7 849	7 370	5 294	6 600	6 600	6 600	22 817	5 000	
EPWP Incentive				7 584	9 530	9 530	9 530	9 604		
RSC Levy Replacement								-		
Municipal Systems Improvement				726	790	790	610	1 000	870	950
Finance Management				892	1 250	1 330	1 330	1 250	1 500	1 250
Other transfers/grants [Rural transport]MIG PORT		24 201	21 302	30 788	4 488	128 114	12 002	300	-	105 084
Provincial Government:		-	-	-	1 201	1 201	1 201	17 878	19 234	20 529
Health subsidy								13 276	13 940	14 916
LED, LGTA an SPU					1 201	1 201	1 201	4 602	5 294	5 613
District Municipality: <i>[insert description]</i>		-	-	-	-	-	-	-	-	-
Other grant providers: <i>LGSETA</i>		-	-	-	-	-	-	-	-	-
<b>Total Operating Transfers and Grants</b>	5	111 998	128 102	170 456	289 394	413 100	296 809	350 446	339 081	462 163
<b>Capital Transfers and Grants</b>										
National Government:		105 334	138 392	176 267	431 216	309 834	431 216	476 454	505 277	542 924
Municipal Infrastructure Grant (MIG)		105 334	138 392	172 982	308 146	308 146	308 146	374 678	393 412	420 951
Regional Bulk Infrastructure				3 219	121 382	-	121 382	100 000	110 000	120 000
Rural Transport Services and Infrastructure				65	1 688	1 688	1 688	1 776	1 865	1 973
Other capital transfers/grants [Equitable share]										
Provincial Government:		-	-	-	-	-	-	-	-	-
Other capital transfers/grants [insert description]										
District Municipality: <i>[insert description]</i>		-	-	-	-	-	-	-	-	-
Other grant providers:		-	-	-	-	-	-	-	-	-
<b>Total Capital Transfers and Grants</b>	5	105 334	138 392	176 267	431 216	309 834	431 216	476 454	505 277	542 924
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>		217 332	266 494	346 722	720 610	722 934	728 025	826 900	844 357	1 005 087

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When 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 District.

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

The percentage increase of Water bulk tariffs is within the mentioned inflation target. Given that these tariff increases are determined by DWA, the impact DWA has on the municipality's tariffs are largely outside the control of the District. Discounting the impact of these price increases in lower consumer tariffs will erode the District's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilized 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 raw water, petrol, diesel, chemicals, cement etc. The current challenge facing the District 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 District has undertaken the tariff setting process relating to service charges as follows.

### **1.3.1 Sale of Water and Impact of Tariff Increases**

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

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

In addition National Treasury has urged all municipalities to ensure that water tariff structures are cost reflective by 2015.

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

A tariff increase of 5,9 per cent from 1 July 2012 for water is proposed. This is based on input cost assumption of the cost of inputs increasing by 8 per cent. In addition 6 kℓ water per 30-day period will again be granted free of charge to all residents.

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





**Table 4 Proposed Water Tariffs**

<b>WATER CHARGES</b>	2009/2010	2010/2011		2011/2012		2012/2013	
<i>Domestic Charges for metered water per kl</i>							
0 - 6 Kl (Indigent)	R 0.00	R 0.00	20.5%	R 0.00	4.5%	R 0.00	5.9%
0 - 6 Kl (Non - Indigent)	R 1.08	R 1.30	20.5%	R 1.30	4.5%	R 1.38	5.9%
7 - 20 Kl	R 3.56	R 4.29	20.5%	R 4.29	4.5%	R 4.54	5.9%
21 - 50 Kl	R 7.13	R 8.59	20.5%	R 8.59	4.5%	R 9.10	5.9%
51 - 120 Kl	R 10.79	R 13.00	20.5%	R 13.00	4.5%	R 13.77	5.9%
121 Kl and more	R 14.38	R 17.33	20.5%	R 17.33	4.5%	R 18.35	5.9%
<i>Commercial Charges for metered water per kl</i>							
0 - 10 Kl	R 3.69	R 4.45	20.5%	R 4.45	4.5%	R 4.71	5.9%
11 - 30 Kl	R 7.50	R 9.04	20.5%	R 9.04	4.5%	R 9.57	5.9%
31 - 50 Kl	R 9.67	R 11.65	20.5%	R 11.65	4.5%	R 12.34	5.9%
51 - 120 Kl	R 14.38	R 17.33	20.5%	R 17.33	4.5%	R 18.35	5.9%
121 Kl and more	R 18.62	R 22.44	20.5%	R 22.44	4.5%	R 23.76	5.9%
<i>Domestic pre-paid charges for metered water per kl</i>							
0 - 6 Kl (Indigent)	R 0.00	R 0.00	20.5%	R 0.00	4.5%	R 0.00	5.9%
0 - 6 Kl (Non - Indigent)	R 1.08	R 1.30	20.5%	R 1.30	4.5%	R 1.38	5.9%
7 - 20 Kl	R 3.30	R 3.98	20.5%	R 3.98	4.5%	R 4.21	5.9%
21 - 50 Kl	R 6.60	R 7.95	20.5%	R 7.95	4.5%	R 8.42	5.9%
51 Kl and more	R 10.38	R 12.51	20.5%	R 12.51	4.5%	R 13.25	5.9%
<i>Commercial pre-paid charges for metered water per kl</i>							
0 - 6 Kl	R 3.56	R 4.29	20.5%	R 4.29	4.5%	R 4.54	5.9%
7 - 20 Kl	R 7.27	R 8.76	20.5%	R 8.76	4.5%	R 9.28	5.9%
21 - 50 Kl	R 9.35	R 11.27	20.5%	R 11.27	4.5%	R 11.93	5.9%
51 - 120 Kl	R 13.80	R 16.63	20.5%	R 16.63	4.5%	R 17.61	5.9%
121 Kl and more	R 18.03	R 21.73	20.5%	R 21.73	4.5%	R 23.01	5.9%
Deposit with application for a water connection	R 250.00	R 301.25	20.5%	R 301.25	4.5%	R 319.02	5.9%
Charge for reconnection of supply after disconnection	R 25.00	R 30.13	20.5%	R 30.13	4.5%	R 31.90	5.9%

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

### **1.3.2 Sanitation and Impact of Tariff Increases**

A tariff increase of 5.9 per cent for sanitation from 1 July 2012 is proposed. This is based on the input cost assumptions related to water. It should be noted that electricity costs contributes approximately a huge per cent of waste water treatment input costs, therefore the higher than CPI increase for sanitation tariffs. The following factors also contribute to the proposed tariff increase:

- Sanitation charges are calculated according to the percentage water discharged as indicated in the table below;
- Free sanitation will be applicable to registered indigents; and

### **1.4 Operating Expenditure Framework**

The District'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

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

**Table 5 Summary of operating expenditure by standard classification item**

DC44 Alfred Nzo - Table A4 Consolidated 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	-	-	-	-	-	-	-	-	-	-
Property rates - penalties & collection charges											
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	-	-	-	20 000	15 000	15 000	-	30 310	31 826	34 053
Service charges - sanitation revenue	2	-	-	-	2 400	2 400	2 400	-	2 180	2 289	2 449
Service charges - refuse revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - other											
Rental of facilities and equipment		-	368	2 498	1 970	1 970	1 970	1 970	570	599	640
Interest earned - external investments		2 300	4 213	3 479	6 000	6 000	6 000	6 000	10 000	10 500	11 235
Interest earned - outstanding debtors									200	210	225
Dividends received											
Fines											
Licences and permits											
Agency services											
Transfers recognised - operational		31 397	113 434	142 845	262 598	265 535	265 535	265 535	280 729	294 766	315 399
Other revenue	2	-	-	-	289 305	312 034	312 034	-	37 473	39 346	42 100
Gains on disposal of PPE					500	500	500	500			
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>33 697</b>	<b>118 015</b>	<b>148 822</b>	<b>582 773</b>	<b>603 439</b>	<b>603 439</b>	<b>274 005</b>	<b>361 462</b>	<b>379 535</b>	<b>406 102</b>
<b>Expenditure By Type</b>											
Employee related costs	2	-	-	-	127 741	77 172	77 172	-	132 279	152 262	161 590
Remuneration of councillors		1 907	3 716	4 506	10 709		10 709	10 709	6 036	6 338	6 782
Debt impairment	3										
Depreciation & asset impairment	2	-	-	-	-	-	-	-	10 000	10 500	11 235
Finance charges									250	263	300
Bulk purchases	2	-	-	-	3 500	3 500	3 500	-	5 000	5 250	5 618
Other materials	8										
Contracted services											
Transfers and grants		150	8 079	9 630	12 000	17 520	9 927	9 927	21 957	21 000	22 470
Other expenditure	4, 5	-	-	-	187 027	398 506	398 506	-	185 740	183 922	198 108
Loss on disposal of PPE						200	200	200	200		
<b>Total Expenditure</b>		<b>2 058</b>	<b>11 796</b>	<b>14 136</b>	<b>340 977</b>	<b>496 898</b>	<b>500 014</b>	<b>20 836</b>	<b>361 462</b>	<b>379 535</b>	<b>406 102</b>
<b>Surplus/(Deficit)</b>											
Transfers recognised - capital		31 639	106 219	134 687	241 796	106 541	103 425	253 169	0	0	(0)
Contributions recognised - capital					(253 796)	(311 087)	(311 087)	311 087	(465 741)	(502 493)	(539 968)
Contributed assets									(91 566)	(84 852)	(76 940)
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>31 639</b>	<b>106 219</b>	<b>134 687</b>	<b>(12 000)</b>	<b>(204 546)</b>	<b>(207 662)</b>	<b>564 256</b>	<b>557 307</b>	<b>587 345</b>	<b>616 908</b>
Taxation											
<b>Surplus/(Deficit) after taxation</b>		<b>31 639</b>	<b>106 219</b>	<b>134 687</b>	<b>(12 000)</b>	<b>(204 546)</b>	<b>(207 662)</b>	<b>564 256</b>	<b>0</b>	<b>0</b>	<b>0</b>
Attributable to minorities											
<b>Surplus/(Deficit) attributable to municipality</b>		<b>31 639</b>	<b>106 219</b>	<b>134 687</b>	<b>(12 000)</b>	<b>(204 546)</b>	<b>(207 662)</b>	<b>564 256</b>	<b>0</b>	<b>0</b>	<b>0</b>
Share of surplus/ (deficit) of associate	7										
<b>Surplus/(Deficit) for the year</b>		<b>31 639</b>	<b>106 219</b>	<b>134 687</b>	<b>(12 000)</b>	<b>(204 546)</b>	<b>(207 662)</b>	<b>564 256</b>	<b>0</b>	<b>0</b>	<b>0</b>

The budgeted allocation for employee related costs for the 2012/13 financial year totals R134 million excluding councillors remuneration; equals 38 per cent of the total operating expenditure. Based on the three year collective SALGBC agreement, salary increases have been factored into this budget at a percentage increase of 9 per cent for the 2012/13 financial year. An annual increase of 7.5 per cent has been included in the two outer years of the MTREF. As part of the District's cost reprioritization and cash management strategy vacancies have been significantly streamlined 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. Expenditure against overtime was significantly reduced, with provisions against this budget item only being provided for emergency services and other critical functions.



The settlement reached by the SALGBC parties in the salary dispute resulted in a further financial implication on this area of expenditure. A preliminary amount of R64.8 million has been included in the 2012/13 MTREF. It should be noted that the total financial implication could not be determined as the applicable municipal wage curve (representing equal pay for equal work at all municipalities in South Africa) has not been finalized.

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 District's budget.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption.

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

Other materials comprise of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. In line with the District's repairs and maintenance plan this group of expenditure has been prioritized to ensure sustainability of the District's infrastructure. For 2012/13 the appropriation against this group of expenditure has grown by 8 per cent (R28 million) and continues to grow at 8 and 8.2 per cent for the two outer years of which budget allocation is in excess of by 2014/15.

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 8 per cent for 2012/13 and kept at 8 and 8.2 per cent for the two outer years, indicating that significant cost savings have been already realized. Further details relating to contracted services can be seen in Table 64 MBRR SA1 (see page 100).

#### **1.4.1 Priority given to repairs and maintenance**

Aligned to the priority being given to preserving and maintaining the District'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 District. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:



**Table 15 Repairs and maintenance per asset class**



<b>Intangibles</b>		-	-	-	-	-	-	-	-	
Computers - software & programming										
Other (list sub-class)										
<b>Total Repairs and Maintenance Expenditure</b>	1	-	-	-	35 841	32 386	30 586	30 688	27 280	29 865
<b>Specialised vehicles</b>		-	-	-	-	-	-	-	-	
Refuse										
Fire										
Conservancy										
Ambulances										
<i>R&amp;M as a % of PPE</i>		0.0%	0.0%	0.0%	25.9%	23.4%	22.1%	20.1%	16.3%	16.2%
<i>R&amp;M as % Operating Expenditure</i>		0.0%	0.0%	0.0%	10.5%	6.5%	6.1%	8.5%	7.2%	7.4%

For the 2012/13 financial year, 68.8 per cent or R28 million of total repairs and maintenance will be spent on infrastructure assets.

#### 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 District's Indigent Policy. The target is to register all or more indigent households during the 2012/13 financial year, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement) on page 38.

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

## 1.5 Capital expenditure

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

**Table 16 2012/13 Medium-term capital budget per vote**

DC44 Alfred Nzo - Table A5 Consolidated 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>R thousand</b>	1										
<b>Capital expenditure - Vote</b>											
<b>Multi-year expenditure to be appropriated</b>	2										
Vote 1 - Executive Council and Mayoral		-	-	-	-	-	-	-	-	-	-
Vote 2 - Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 3 - Planning and Economic Development		-	-	-	-	-	-	-	-	-	-
Vote 4 - Budget and Treasury		-	-	-	-	-	-	-	-	-	-
Vote 5 - Infrastructure Development Services		-	-	-	-	-	-	-	-	-	-
Vote 6 - Community Development Services		-	-	-	-	-	-	-	-	-	-
Vote 7 - Corporate Services		-	-	-	-	-	-	-	-	-	-
Vote 8 -		-	-	-	-	-	-	-	-	-	-
Vote 9 -		-	-	-	-	-	-	-	-	-	-
Vote 10 -		-	-	-	-	-	-	-	-	-	-
Vote 11 -		-	-	-	-	-	-	-	-	-	-
Vote 12 -		-	-	-	-	-	-	-	-	-	-
Vote 13 -		-	-	-	-	-	-	-	-	-	-
Vote 14 -		-	-	-	-	-	-	-	-	-	-
Vote 15 -		-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	7	-	-	-	-	-	-	-	-	-	-
<b>Single-year expenditure to be appropriated</b>	2										
Vote 1 - Executive Council and Mayoral		35	-	20	20	834	834	834	950	150	100
Vote 2 - Municipal Manager		1 071	-	-	1 100	1 890	1 890	1 890	244	100	110
Vote 3 - Planning and Economic Development		641	-	-	820	820	820	820	396	-	-
Vote 4 - Budget and Treasury		536	-	3 360	1 240	1 488	1 488	1 488	1 785	500	200
Vote 5 - Infrastructure Development Services		136 419	-	180 465	449 480	448 128	448 128	448 128	538 862	577 881	613 998
Vote 6 - Community Development Services		-	-	-	6 350	6 350	6 350	6 350	12 220	2 000	2 000
Vote 7 - Corporate Services		-	-	-	150	150	150	150	2 850	500	500
Vote 8 -		-	-	-	-	-	-	-	-	-	-
Vote 9 -		-	-	-	-	-	-	-	-	-	-
Vote 10 -		-	-	-	-	-	-	-	-	-	-
Vote 11 -		-	-	-	-	-	-	-	-	-	-
Vote 12 -		-	-	-	-	-	-	-	-	-	-
Vote 13 -		-	-	-	-	-	-	-	-	-	-
Vote 14 -		-	-	-	-	-	-	-	-	-	-
Vote 15 -		-	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>		138 702	-	183 845	459 160	459 660	459 660	459 660	557 307	581 131	616 908
<b>Total Capital Expenditure - Vote</b>		138 702	-	183 845	459 160	459 660	459 660	459 660	557 307	581 131	616 908
<b>Capital Expenditure - Standard</b>											
<b>Governance and administration</b>		2 526	-	3 480	2 510	4 362	4 362	4 362	5 829	1 250	910
Executive and council		1 136	-	20	1 120	2 724	2 724	2 724	1 194	250	210
Budget and treasury office		-	-	3 360	1 240	1 488	1 488	1 488	1 785	500	200
Corporate services		1 390	-	100	150	150	150	150	2 850	500	500
<b>Community and public safety</b>		97	-	850	6 350	6 350	6 350	6 350	12 220	2 000	2 000
Community and social services		97	-	850	6 350	6 350	6 350	6 350	12 220	2 000	2 000
Sport and recreation		-	-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		641	-	3 650	820	820	820	820	396	-	-
Planning and development		641	-	3 650	820	820	820	820	396	-	-
Road transport		-	-	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-	-
<b>Trading services</b>		136 419	-	180 465	449 480	448 128	448 128	448 128	538 862	584 095	613 998
Electricity		-	-	-	-	-	-	-	-	-	-
Water		136 419	-	180 465	449 480	448 128	448 128	448 128	538 862	584 095	613 998
Waste water management		-	-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-	-
<b>Other</b>		-	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Standard</b>	3	139 684	-	188 445	459 160	459 660	459 660	459 660	557 307	587 345	616 908
<b>Funded by:</b>											
National Government		128 597	-	184 445	459 160	459 660	459 660	459 660	557 307	587 345	610 904
Provincial Government		11 087	-	4 000	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	139 684	-	188 445	459 160	459 660	459 660	459 660	557 307	587 345	610 904
Public contributions & donations	5	-	-	-	-	-	-	-	-	-	-
Borrowing	6	-	-	-	-	-	-	-	-	-	-
Internally generated funds		-	-	-	-	-	-	-	-	-	-
<b>Total Capital Funding</b>	7	139 684	-	188 445	459 160	459 660	459 660	459 660	557 307	587 345	610 904

For 2012/13 an amount of R465 million has been appropriated for the development of infrastructure which represents 87 per cent of the total capital budget. Water and sanitation receive the highest allocation of R465 million in 2012/13. Asset renewal equates to 12 per cent or R67m million.

- Customer care offices –;
- Automated meter reading –;
- New waste water treatment works –
- Upgrading and renewal of sewers –
- Bulk supply and backlog eradication of water -
- Refurbishment and renewal of water network –
- Integrated transportation system –;

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

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



### 1.5.1 Future operational cost of new infrastructure

DC44 Alfred Nzo - Supporting Table SA35 Consolidated future financial implications of the capital budget

Vote Description	Ref	2012/13 Medium Term Revenue & Expenditure Framework			Forecasts			
		Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15	Forecast 2015/16	Forecast 2016/17	Forecast 2017/18	Present value
<b>Capital expenditure</b>	1							
Vote 1 - Executive Council and Mayoral		950	150	100				
Vote 2 - Municipal Manager		244	100	110				
Vote 3 - Planning and Economic Development		396	-	-				
Vote 4 - Budget and Treasury		1 785	500	200				
Vote 5 - Infrastructure Development Services		538 862	577 881	613 998				
Vote 6 - Community Development Services		12 220	2 000	2 000				
Vote 7 - Corporate Services		2 850	500	500				
Vote 8 -		-	-	-				
Vote 9 -		-	-	-				
Vote 10 -		-	-	-				
Vote 11 -		-	-	-				
Vote 12 -		-	-	-				
Vote 13 -		-	-	-				
Vote 14 -		-	-	-				
Vote 15 -		-	-	-				
<i>List entity summary if applicable</i>								
<b>Total Capital Expenditure</b>		557 307	581 131	616 908	-	-	-	-
<b>Future operational costs by vote</b>	2							
Vote 1 - Executive Council and Mayoral		12 566	13 195	14 118	14 824	15 714	16 814	
Vote 2 - Municipal Manager		30 089	31 593	33 805	35 495	37 625	40 258	
Vote 3 - Planning and Economic Development		20 487	18 638	19 943	20 940	22 197	23 750	
Vote 4 - Budget and Treasury		71 061	74 614	79 837	83 829	88 858	95 078	
Vote 5 - Infrastructure Development Services		138 689	133 242	142 569	149 697	158 679	169 786	
Vote 6 - Community Development Services		54 402	64 059	68 543	71 970	76 289	81 629	
Vote 7 - Corporate Services		34 168	36 474	39 027	40 978	43 437	46 477	
Vote 8 -								
Vote 9 -								
Vote 10 -						-		
Vote 11 -						-		
Vote 12 -								
Vote 13 -						-		
Vote 14 -								
Vote 15 -								
<i>List entity summary if applicable</i>								
<b>Total future operational costs</b>		361 462	371 814	397 841	417 733	442 797	473 793	-
<b>Future revenue by source</b>	3							
Property rates								
Property rates - penalties & collection charges								
Service charges - electricity revenue								
Service charges - water revenue		30 310	31 826	34 053	35 756	37 901	40 554	
Service charges - sanitation revenue		2 180	2 289	2 449	2 572	2 726	2 917	
Service charges - refuse revenue					-	-	-	
Service charges - other		10 200	10 710	11 460	12 033	12 755	13 648	
Rental of facilities and equipment		570	599	640	672	713	763	
<i>Other revenue</i>		37 473	30 875	33 037	34 688	36 770	39 344	
<i>Transfers Operational</i>		280 729	294 766	315 399	331 169	351 039	375 612	
<b>Total future revenue</b>		361 462	371 064	397 039	416 891	441 904	472 837	-
<b>Net Financial Implications</b>		557 307	581 882	617 711	843	893	956	-

The future operational costs and revenues associated with the capital programme have been included in Table 61 MBRR SA35. Annual Budget Tables - Parent Municipality

The following 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 6 MBRR Table A1 - Budget Summary**

DC44 Alfred Nzo - Table A1 Consolidated Budget Summary

Description	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>R thousands</b>										
<b>Financial Performance</b>										
Property rates	-	-	-	-	-	-	-	-	-	-
Service charges	-	-	-	22 400	17 400	17 400	-	32 490	34 115	36 503
Investment revenue	2 300	4 213	3 479	6 000	6 000	6 000	6 000	10 000	10 500	11 235
Transfers recognised - operational	31 397	113 434	142 845	262 598	265 535	265 535	265 535	280 729	294 766	315 399
Other own revenue	-	368	2 498	291 775	314 504	314 504	2 470	38 243	40 155	42 966
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>33 697</b>	<b>118 015</b>	<b>148 822</b>	<b>582 773</b>	<b>603 439</b>	<b>603 439</b>	<b>274 005</b>	<b>361 462</b>	<b>379 535</b>	<b>406 102</b>
Employee costs	-	-	-	127 741	77 172	77 172	-	132 279	152 262	161 590
Remuneration of councillors	1 907	3 716	4 506	10 709	-	10 709	10 709	6 036	6 338	6 782
Depreciation & asset impairment	-	-	-	-	-	-	-	10 000	10 500	11 235
Finance charges	-	-	-	-	-	-	-	250	263	300
Materials and bulk purchases	-	-	-	3 500	3 500	3 500	-	5 000	5 250	5 618
Transfers and grants	150	8 079	9 630	12 000	17 520	9 927	9 927	21 957	21 000	22 470
Other expenditure	-	-	-	187 027	398 706	398 706	200	185 940	183 922	198 108
<b>Total Expenditure</b>	<b>2 058</b>	<b>11 796</b>	<b>14 136</b>	<b>340 977</b>	<b>496 898</b>	<b>500 014</b>	<b>20 836</b>	<b>361 462</b>	<b>379 535</b>	<b>406 102</b>
<b>Surplus/(Deficit)</b>	<b>31 639</b>	<b>106 219</b>	<b>134 687</b>	<b>241 796</b>	<b>106 541</b>	<b>103 425</b>	<b>253 169</b>	<b>0</b>	<b>0</b>	<b>(0)</b>
Transfers recognised - capital	-	-	-	(253 796)	(311 087)	(311 087)	311 087	(465 741)	(502 493)	(539 968)
Contributions recognised - capital & contributed	-	-	-	-	-	-	-	465 741	502 493	539 968
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>31 639</b>	<b>106 219</b>	<b>134 687</b>	<b>(12 000)</b>	<b>(204 546)</b>	<b>(207 662)</b>	<b>564 256</b>	<b>0</b>	<b>0</b>	<b>0</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>31 639</b>	<b>106 219</b>	<b>134 687</b>	<b>(12 000)</b>	<b>(204 546)</b>	<b>(207 662)</b>	<b>564 256</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Capital expenditure &amp; funds sources</b>										
<b>Capital expenditure</b>	<b>139 684</b>	-	188 445	459 160	459 660	459 660	459 660	557 307	587 345	616 908
Transfers recognised - capital	139 684	-	188 445	459 160	459 660	459 660	459 660	557 307	587 345	610 904
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	-	-	-	-	-	-	-	-	-	-
<b>Total sources of capital funds</b>	<b>139 684</b>	<b>-</b>	<b>188 445</b>	<b>459 160</b>	<b>459 660</b>	<b>459 660</b>	<b>459 660</b>	<b>557 307</b>	<b>587 345</b>	<b>610 904</b>
<b>Financial position</b>										
Total current assets	120 321	65 534	77 488	19 416	19 416	19 416	-	50 936	56 030	61 633
Total non current assets	13 675	15 113	1 143 981	156 955	138 573	138 573	-	172 651	189 916	208 907
Total current liabilities	118 476	50 653	55 733	296 111	296 111	296 111	-	321 832	353 841	389 114
Total non current liabilities	26 053	25 148	25 111	6 718	6 718	6 718	-	7 390	8 129	8 942
Community wealth/Equity	(10 532)	4 846	1 140 626	(144 840)	(144 840)	(144 840)	-	(105 635)	(116 024)	(127 516)
<b>Cash flows</b>										
Net cash from (used) operating	-	-	(0)	(0)	1	1	-	557 509	580 921	616 688
Net cash from (used) investing	-	-	-	-	-	-	-	(557 307)	(581 131)	(616 908)
Net cash from (used) financing	25 148	26 053	26 220	5 000	(2 900)	-	-	30 606	31 808	63 406
<b>Cash/cash equivalents at the year end</b>	<b>25 148</b>	<b>51 201</b>	<b>77 420</b>	<b>5 000</b>	<b>(2 899)</b>	<b>1</b>	<b>-</b>	<b>35 408</b>	<b>67 006</b>	<b>130 192</b>
<b>Cash backing/surplus reconciliation</b>										
Cash and investments available	101 984	44 020	42 090	20 748	2 366	2 366	-	22 823	25 105	27 616
Application of cash and investments	117 732	(1 459 670)	(677 060)	284 996	285 124	285 124	-	271 791	304 650	335 004
<b>Balance - surplus (shortfall)</b>	<b>(15 747)</b>	<b>1 503 690</b>	<b>719 150</b>	<b>(264 248)</b>	<b>(282 758)</b>	<b>(282 758)</b>	<b>-</b>	<b>(248 968)</b>	<b>(279 545)</b>	<b>(307 389)</b>
<b>Asset management</b>										
Asset register summary (WDV)	-	1 006 868	1 126 984	459 161	459 660	459 660	557 307	557 307	587 346	616 909
Depreciation & asset impairment	-	-	-	-	-	-	10 000	10 000	10 500	11 235
Renewal of Existing Assets	-	-	-	432 080	453 728	453 728	453 728	431 716	-	-
Repairs and Maintenance	-	-	-	35 841	32 386	30 586	30 688	30 688	27 280	29 865

## **Explanatory notes to MBRR Table A1 - Budget Summary**

1. Table A1 is a budget summary and provides a concise overview of the District'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 emphasizes 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 recognized 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 2013/14, when a small surplus is reflected.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs. It is anticipated that by 2013/14 the water backlog will have been very nearly eliminated.

**Table 7 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

DC44 Alfred Nzo - Table A2 Consolidated Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification 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>Revenue - Standard</b>	1									
<i>Governance and administration</i>		-	-	196 561	314 768	337 903	337 903	918 769	944 883	1 006 525
Executive and council		-	-	-	-	-	-	-	-	-
Budget and treasury office		-	-	196 561	314 768	337 903	337 903	918 769	944 883	1 006 525
Corporate services		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		-	-	-	-	-	-	-	-	-
Community and social services		-	-	-	-	-	-	-	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		-	-	-	-	-	-	-	-	-
Planning and development		-	-	-	-	-	-	-	-	-
Road transport		-	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		-	-	-	-	-	-	-	-	-
Electricity		-	-	-	-	-	-	-	-	-
Water		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Standard</b>	2	-	-	196 561	314 768	337 903	337 903	918 769	944 883	1 006 525
<b>Expenditure - Standard</b>										
<i>Governance and administration</i>		-	-	87 343	139 748	155 072	155 072	142 954	150 102	160 609
Executive and council		-	-	15 277	37 419	43 901	43 901	37 725	39 611	42 384
Budget and treasury office		-	-	50 899	73 558	80 675	80 675	71 061	74 614	79 837
Corporate services		-	-	21 167	28 771	30 496	30 496	34 168	35 877	38 388
<i>Community and public safety</i>		-	-	20 601	53 008	47 206	47 206	59 332	62 299	66 660
Community and social services		-	-	16 540	49 758	47 206	47 206	54 402	57 123	61 121
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	4 060	3 250	-	-	4 930	5 177	5 539
<i>Economic and environmental services</i>		-	-	10 461	8 202	13 613	13 613	20 487	21 511	23 017
Planning and development		-	-	10 461	8 202	13 613	13 613	20 487	21 511	23 017
Road transport		-	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		-	-	78 156	113 811	122 012	122 012	138 688	145 623	155 816
Electricity		-	-	-	-	-	-	-	-	-
Water		-	-	78 156	113 811	122 012	122 012	138 688	145 623	155 816
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
<b>Total Expenditure - Standard</b>	3	-	-	196 561	314 768	337 903	337 903	361 462	379 535	406 102
<b>Surplus/(Deficit) for the year</b>		-	-	-	-	-	-	557 308	565 348	600 423

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

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognized – 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 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.

**Table 8 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

DC44 Alfred Nzo - Table A3 Consolidated Budgeted Financial Performance (revenue and expenditure by municipal vote)

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	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Revenue by Vote</b>	1									
Vote 1 - Executive Council and Mayoral		-	-	-	-	-	-	-	-	-
Vote 2 - Municipal Manager		-	-	-	-	-	-	-	-	-
Vote 3 - Planning and Economic Development		-	-	-	-	-	-	-	-	-
Vote 4 - Budget and Treasury		222 883	279 551	193 297	314 768	337 903	337 903	918 769	944 883	1 006 525
Vote 5 - Infrastructure Development Services		-	-	-	-	-	-	-	-	-
Vote 6 - Community Development Services		-	-	-	-	-	-	-	-	-
Vote 7 - Corporate Services		-	-	-	-	-	-	-	-	-
Vote 8 -		-	-	-	-	-	-	-	-	-
Vote 9 -		-	-	-	-	-	-	-	-	-
Vote 10 -		-	-	-	-	-	-	-	-	-
Vote 11 -		-	-	-	-	-	-	-	-	-
Vote 12 -		-	-	-	-	-	-	-	-	-
Vote 13 -		-	-	-	-	-	-	-	-	-
Vote 14 -		-	-	-	-	-	-	-	-	-
Vote 15 -		-	-	-	-	-	-	-	-	-
<b>Total Revenue by Vote</b>	2	222 883	279 551	193 297	314 768	337 903	337 903	918 769	944 883	1 006 525
<b>Expenditure by Vote to be appropriated</b>	1									
Vote 1 - Executive Council and Mayoral		8 060	4 874	5 988	13 379	10 551	10 551	12 566	13 195	14 118
Vote 2 - Municipal Manager		431	8 843	13 349	27 290	33 350	33 350	30 089	31 593	33 805
Vote 3 - Planning and Economic Development		1 110	4 878	7 197	8 202	13 613	13 613	20 487	21 511	23 017
Vote 4 - Budget and Treasury		23 802	24 113	50 899	73 558	80 675	80 675	71 061	74 614	79 837
Vote 5 - Infrastructure Development Services		19 766	27 494	78 156	113 811	122 012	122 012	138 688	145 623	155 816
Vote 6 - Community Development Services		6 672	12 648	16 540	49 758	47 206	47 206	54 402	57 123	61 121
Vote 7 - Corporate Services		37 282	21 269	21 167	28 771	30 496	30 496	34 168	35 877	38 388
Vote 8 -		-	-	-	-	-	-	-	-	-
Vote 9 -		-	-	-	-	-	-	-	-	-
Vote 10 -		-	-	-	-	-	-	-	-	-
Vote 11 -		-	-	-	-	-	-	-	-	-
Vote 12 -		-	-	-	-	-	-	-	-	-
Vote 13 -		-	-	-	-	-	-	-	-	-
Vote 14 -		-	-	-	-	-	-	-	-	-
Vote 15 -		-	-	-	-	-	-	-	-	-
<b>Total Expenditure by Vote</b>	2	97 122	104 119	193 297	314 768	337 903	337 903	361 462	379 535	406 102
<b>Surplus/(Deficit) for the year</b>	2	125 761	175 432	-	-	-	-	557 308	565 348	600 423

DC44 Alfred Nzo - Table A3 Consolidated Budgeted Financial Performance (revenue and expenditure by municipal vote)

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	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>R thousand</b>										
<b>Revenue by Vote</b>	1									
Vote 1 - Executive Council and Mayoral		-	-	-	-	-	-	-	-	-
Vote 2 - Municipal Manager		-	-	-	-	-	-	-	-	-
Vote 3 - Planning and Economic Development		-	-	-	-	-	-	-	-	-
Vote 4 - Budget and Treasury		67 686	-	193 297	314 768	337 903	337 903	918 769	944 883	1 006 525
Vote 5 - Infrastructure Development Services		-	-	-	-	-	-	-	-	-
Vote 6 - Community Development Services		-	-	-	-	-	-	-	-	-
Vote 7 - Corporate Services		-	-	-	-	-	-	-	-	-
Vote 8 -		-	-	-	-	-	-	-	-	-
Vote 9 -		-	-	-	-	-	-	-	-	-
Vote 10 -		-	-	-	-	-	-	-	-	-
Vote 11 -		-	-	-	-	-	-	-	-	-
Vote 12 -		-	-	-	-	-	-	-	-	-
Vote 13 -		-	-	-	-	-	-	-	-	-
Vote 14 -		-	-	-	-	-	-	-	-	-
Vote 15 -		-	-	-	-	-	-	-	-	-
<b>Total Revenue by Vote</b>	2	<b>67 686</b>	<b>-</b>	<b>193 297</b>	<b>314 768</b>	<b>337 903</b>	<b>337 903</b>	<b>918 769</b>	<b>944 883</b>	<b>1 006 525</b>
<b>Expenditure by Vote to be appropriated</b>	1									
Vote 1 - Executive Council and Mayoral		8 978	-	5 988	13 379	10 551	10 551	12 566	13 195	14 118
Vote 2 - Municipal Manager		750	-	13 349	27 290	33 350	33 350	30 089	31 593	33 805
Vote 3 - Planning and Economic Development		10 046	-	7 197	8 202	13 613	13 613	20 487	21 511	23 017
Vote 4 - Budget and Treasury		25 725	-	50 899	73 558	80 675	80 675	71 061	74 614	79 837
Vote 5 - Infrastructure Development Services		20 763	-	78 156	113 811	122 012	122 012	138 688	145 623	155 816
Vote 6 - Community Development Services		6 664	-	16 540	49 758	47 206	47 206	54 402	57 123	61 121
Vote 7 - Corporate Services		38 215	-	21 167	28 771	30 496	30 496	34 168	35 877	38 388
Vote 8 -		-	-	-	-	-	-	-	-	-
Vote 9 -		-	-	-	-	-	-	-	-	-
Vote 10 -		-	-	-	-	-	-	-	-	-
Vote 11 -		-	-	-	-	-	-	-	-	-
Vote 12 -		-	-	-	-	-	-	-	-	-
Vote 13 -		-	-	-	-	-	-	-	-	-
Vote 14 -		-	-	-	-	-	-	-	-	-
Vote 15 -		-	-	-	-	-	-	-	-	-
<b>Total Expenditure by Vote</b>	2	<b>111 141</b>	<b>-</b>	<b>193 297</b>	<b>314 768</b>	<b>337 903</b>	<b>337 903</b>	<b>361 462</b>	<b>379 535</b>	<b>406 102</b>
<b>Surplus/(Deficit) for the year</b>	2	<b>(43 455)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>557 308</b>	<b>565 348</b>	<b>600 423</b>



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

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

**Table 9 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)**

DC44 Alfred Nzo - Table A4 Consolidated 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	-	-	-	-	-	-	-	-	-	-
Property rates - penalties & collection charges											
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	-	-	-	20 000	15 000	15 000	-	30 310	31 826	34 053
Service charges - sanitation revenue	2	-	-	-	2 400	2 400	2 400	-	2 180	2 289	2 449
Service charges - refuse revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - other											
Rental of facilities and equipment		-	368	2 498	1 970	1 970	1 970	1 970	570	599	640
Interest earned - external investments		2 300	4 213	3 479	6 000	6 000	6 000	6 000	10 000	10 500	11 235
Interest earned - outstanding debtors									200	210	225
Dividends received											
Fines											
Licences and permits											
Agency services											
Transfers recognised - operational		31 397	113 434	142 845	262 598	265 535	265 535	265 535	280 729	294 766	315 399
Other revenue	2	-	-	-	289 305	312 034	312 034	-	37 473	39 346	42 100
Gains on disposal of PPE					500	500	500	500			
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>33 697</b>	<b>118 015</b>	<b>148 822</b>	<b>582 773</b>	<b>603 439</b>	<b>603 439</b>	<b>274 005</b>	<b>361 462</b>	<b>379 535</b>	<b>406 102</b>
<b>Expenditure By Type</b>											
Employee related costs	2	-	-	-	127 741	77 172	77 172	-	132 279	152 262	161 590
Remuneration of councillors		1 907	3 716	4 506	10 709		10 709	10 709	6 036	6 338	6 782
Debt impairment	3										
Depreciation & asset impairment	2	-	-	-	-	-	-	-	10 000	10 500	11 235
Finance charges									250	263	300
Bulk purchases	2	-	-	-	3 500	3 500	3 500	-	5 000	5 250	5 618
Other materials	8										
Contracted services											
Transfers and grants		150	8 079	9 630	12 000	17 520	9 927	9 927	21 957	21 000	22 470
Other expenditure	4, 5	-	-	-	187 027	398 506	398 506	-	185 740	183 922	198 108
Loss on disposal of PPE						200	200	200	200		
<b>Total Expenditure</b>		<b>2 058</b>	<b>11 796</b>	<b>14 136</b>	<b>340 977</b>	<b>496 898</b>	<b>500 014</b>	<b>20 836</b>	<b>361 462</b>	<b>379 535</b>	<b>406 102</b>
<b>Surplus/(Deficit)</b>		<b>31 639</b>	<b>106 219</b>	<b>134 687</b>	<b>241 796</b>	<b>106 541</b>	<b>103 425</b>	<b>253 169</b>	<b>0</b>	<b>0</b>	<b>(0)</b>
Transfers recognised - capital					(253 796)	(311 087)	(311 087)	311 087	(465 741)	(502 493)	(539 968)
Contributions recognised - capital	6	-	-	-	-	-	-	-	(91 566)	(84 852)	(76 940)
Contributed assets									557 307	587 345	616 908
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>31 639</b>	<b>106 219</b>	<b>134 687</b>	<b>(12 000)</b>	<b>(204 546)</b>	<b>(207 662)</b>	<b>564 256</b>	<b>0</b>	<b>0</b>	<b>0</b>
Taxation											
<b>Surplus/(Deficit) after taxation</b>		<b>31 639</b>	<b>106 219</b>	<b>134 687</b>	<b>(12 000)</b>	<b>(204 546)</b>	<b>(207 662)</b>	<b>564 256</b>	<b>0</b>	<b>0</b>	<b>0</b>
Attributable to minorities											
<b>Surplus/(Deficit) attributable to municipality</b>		<b>31 639</b>	<b>106 219</b>	<b>134 687</b>	<b>(12 000)</b>	<b>(204 546)</b>	<b>(207 662)</b>	<b>564 256</b>	<b>0</b>	<b>0</b>	<b>0</b>
Share of surplus/ (deficit) of associate	7										
<b>Surplus/(Deficit) for the year</b>		<b>31 639</b>	<b>106 219</b>	<b>134 687</b>	<b>(12 000)</b>	<b>(204 546)</b>	<b>(207 662)</b>	<b>564 256</b>	<b>0</b>	<b>0</b>	<b>0</b>



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

1. Total revenue is R361 million in 2012/13 and escalates to R357million by 2014/15. This represents a year-on-year increase of 15.1 per cent for the 2012/13 financial year and 11.7 per cent for the 2014/15 financial year.
2. Services charges relating to water and sanitation constitute a small component of the revenue basket of the District totaling R32 million for the 2012/13 financial year and increasing to R36 million by 2014/15. For the 2012/13 financial year services charges amount to 5 per cent of the total revenue base. This growth can mainly be attributed to the increase in the bulk prices of water.
3. Transfers recognized – 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.
4. Bulk purchases have significantly increased over the 2011/12 to 2012/13 period escalating to R5 million. These increases can be attributed to the substantial increase in the cost of bulk from DWA.
5. 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.



**6. Table 10 MBRR Table A9 - Asset Management**

DC44 Alfred Nzo - Table A9 Consolidated 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>R thousand</b>										
<b>CAPITAL EXPENDITURE</b>										
<b>Total New Assets</b>	1	-	-	-	6 350	6 350	6 350	126 681	-	-
Infrastructure - Road transport		-	-	-	-	-	-	-	-	-
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
Infrastructure - Water		-	-	-	-	-	-	91 200	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	19 800	-	-
Infrastructure - Other		-	-	-	-	-	-	650	-	-
Infrastructure		-	-	-	-	-	-	111 650	-	-
Community		-	-	-	6 350	6 350	6 350	10 620	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	-	-	-	-	-	-	4 411	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
<b>Total Renewal of Existing Assets</b>	2	-	-	-	432 080	453 728	453 728	431 716	-	-
Infrastructure - Road transport		-	-	-	-	-	-	-	-	-
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
Infrastructure - Water		-	-	-	275 199	236 819	236 819	245 918	-	-
Infrastructure - Sanitation		-	-	-	148 332	189 073	189 073	153 298	-	-
Infrastructure - Other		-	-	-	2 950	22 236	22 236	26 500	-	-
Infrastructure		-	-	-	426 480	448 128	448 128	425 716	-	-
Community		-	-	-	-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	-	-	-	5 600	5 600	5 600	6 000	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure</b>	4	-	-	-	-	-	-	-	-	-
Infrastructure - Road transport		-	-	-	-	-	-	-	-	-
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
Infrastructure - Water		-	-	-	275 199	236 819	236 819	337 118	-	-
Infrastructure - Sanitation		-	-	-	148 332	189 073	189 073	173 098	-	-
Infrastructure - Other		-	-	-	2 950	22 236	22 236	27 150	-	-
Infrastructure		-	-	-	426 480	448 128	448 128	537 366	-	-
Community		-	-	-	6 350	6 350	6 350	10 620	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	-	-	-	5 600	5 600	5 600	10 411	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>	2	-	-	-	438 430	460 078	460 078	558 397	-	-
<b>ASSET REGISTER SUMMARY - PPE (WDV)</b>	5									
Infrastructure - Road transport										
Infrastructure - Electricity										
Infrastructure - Water			769 339	715 874	152 111	119 363	119 363	171 918	278 000	301 000
Infrastructure - Sanitation			178 929	215 665	148 332	189 073	189 073	192 540	136 000	125 000
Infrastructure - Other			50 289	187 107	142 518	135 024	135 024	174 404	146 131	165 908
Infrastructure		-	998 558	1 118 646	442 961	443 460	443 460	538 862	560 131	597 908
Community					6 350	6 350	6 350	12 220	2 000	2 000
Heritage assets										
Investment properties										
Other assets			8 310	8 338	9 850	9 850	9 850	6 225	25 214	23 000
Agricultural Assets										
Biological assets										
Intangibles										
<b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>	5	-	1 006 868	1 126 984	459 161	459 660	459 660	557 307	587 346	616 909
<b>EXPENDITURE OTHER ITEMS</b>										
Depreciation & asset impairment			26 855	27 207	-	-	-	10 000	10 500	11 235
Repairs and Maintenance by Asset Class	3				35 841	32 386	30 586	30 688	27 280	29 865
Infrastructure - Road transport										
Infrastructure - Electricity										
Infrastructure - Water					16 000	16 000	16 000	10 590	11 120	12 000
Infrastructure - Sanitation					7 000	6 500	6 500	3 090	3 245	3 800
Infrastructure - Other					5 205	6 200	4 400	10 950	11 498	13 621
Infrastructure					28 205	28 700	26 900	24 630	25 862	29 421

Community	-	-	-	1 515	2 215	2 215	2 834	1 003	-	
Heritage assets	-	-	-	-	-	-	-	-	-	
Investment properties	-	-	-	-	-	-	-	-	-	
Other assets	6, 7	-	-	6 121	1 471	1 471	3 224	415	444	
<b>TOTAL EXPENDITURE OTHER ITEMS</b>		-	26 855	27 207	35 841	32 386	30 586	40 688	37 780	41 100
<i>Renewal of Existing Assets as % of total capex</i>		0.0%	0.0%	0.0%	98.6%	98.6%	98.6%	77.3%	0.0%	0.0%
<i>Renewal of Existing Assets as % of deprecn"</i>		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4317.2%	0.0%	0.0%
<i>R&amp;M as a % of PPE</i>		0.0%	0.0%	0.0%	25.9%	23.4%	22.1%	20.1%	16.3%	16.2%
<i>Renewal and R&amp;M as a % of PPE</i>		0.0%	0.0%	0.0%	102.0%	106.0%	105.0%	83.0%	5.0%	5.0%

**Table 11 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

DC44 Alfred Nzo - Table A5 Consolidated 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>R thousand</b>	1										
<b>Capital expenditure - Vote</b>											
<b>Multi-year expenditure, to be appropriated</b>	2										
Vote 1 - Executive Council and Mayoral		-	-	-	-	-	-	-	-	-	-
Vote 2 - Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 3 - Planning and Economic Development		-	-	-	-	-	-	-	-	-	-
Vote 4 - Budget and Treasury		-	-	-	-	-	-	-	-	-	-
Vote 5 - Infrastructure Development Services		-	-	-	-	-	-	-	-	-	-
Vote 6 - Community Development Services		-	-	-	-	-	-	-	-	-	-
Vote 7 - Corporate Services		-	-	-	-	-	-	-	-	-	-
Vote 8 -		-	-	-	-	-	-	-	-	-	-
Vote 9 -		-	-	-	-	-	-	-	-	-	-
Vote 10 -		-	-	-	-	-	-	-	-	-	-
Vote 11 -		-	-	-	-	-	-	-	-	-	-
Vote 12 -		-	-	-	-	-	-	-	-	-	-
Vote 13 -		-	-	-	-	-	-	-	-	-	-
Vote 14 -		-	-	-	-	-	-	-	-	-	-
Vote 15 -		-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	7	-	-	-	-	-	-	-	-	-	-
<b>Single-year expenditure, to be appropriated</b>	2										
Vote 1 - Executive Council and Mayoral		35	-	20	20	834	834	834	950	150	100
Vote 2 - Municipal Manager		1 071	-	-	1 100	1 890	1 890	1 890	244	100	110
Vote 3 - Planning and Economic Development		641	-	-	820	820	820	820	396	-	-
Vote 4 - Budget and Treasury		536	-	3 360	1 240	1 488	1 488	1 488	1 785	500	200
Vote 5 - Infrastructure Development Services		136 419	-	180 465	449 480	448 128	448 128	448 128	538 862	577 881	613 998
Vote 6 - Community Development Services		-	-	-	6 350	6 350	6 350	6 350	12 220	2 000	2 000
Vote 7 - Corporate Services		-	-	-	150	150	150	150	2 850	500	500
Vote 8 -		-	-	-	-	-	-	-	-	-	-
Vote 9 -		-	-	-	-	-	-	-	-	-	-
Vote 10 -		-	-	-	-	-	-	-	-	-	-
Vote 11 -		-	-	-	-	-	-	-	-	-	-
Vote 12 -		-	-	-	-	-	-	-	-	-	-
Vote 13 -		-	-	-	-	-	-	-	-	-	-
Vote 14 -		-	-	-	-	-	-	-	-	-	-
Vote 15 -		-	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>		138 702	-	183 845	459 160	459 660	459 660	459 660	557 307	581 131	616 908
<b>Total Capital Expenditure - Vote</b>		138 702	-	183 845	459 160	459 660	459 660	459 660	557 307	581 131	616 908
<b>Capital Expenditure - Standard</b>											
<i>Governance and administration</i>		2 526	-	3 480	2 510	4 362	4 362	4 362	5 829	1 250	910
Executive and council		1 136	-	20	1 120	2 724	2 724	2 724	1 194	250	210
Budget and treasury office		-	-	3 360	1 240	1 488	1 488	1 488	1 785	500	200
Corporate services		1 390	-	100	150	150	150	150	2 850	500	500
<i>Community and public safety</i>		97	-	850	6 350	6 350	6 350	6 350	12 220	2 000	2 000
Community and social services		97	-	850	6 350	6 350	6 350	6 350	12 220	2 000	2 000
Sport and recreation		-	-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		641	-	3 650	820	820	820	820	396	-	-
Planning and development		641	-	3 650	820	820	820	820	396	-	-
Road transport		-	-	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-	-
<i>Trading services</i>		136 419	-	180 465	449 480	448 128	448 128	448 128	538 862	584 095	613 998
Electricity		-	-	-	-	-	-	-	-	-	-
Water		136 419	-	180 465	449 480	448 128	448 128	448 128	538 862	584 095	613 998
Waste water management		-	-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-	-
<i>Other</i>		-	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Standard</b>	3	139 684	-	188 445	459 160	459 660	459 660	459 660	557 307	587 345	616 908
<b>Funded by:</b>											
National Government		128 597	-	184 445	459 160	459 660	459 660	459 660	557 307	587 345	610 904
Provincial Government		11 087	-	4 000	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	139 684	-	188 445	459 160	459 660	459 660	459 660	557 307	587 345	610 904
Public contributions & donations	5	-	-	-	-	-	-	-	-	-	-
Borrowing	6	-	-	-	-	-	-	-	-	-	-
Internally generated funds	6	-	-	-	-	-	-	-	-	-	-
<b>Total Capital Funding</b>	7	139 684	-	188 445	459 160	459 660	459 660	459 660	557 307	587 345	610 904



### **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 R557 million for the 2012/13 financial year and remains relatively constant over the MTREF at levels of R587 million and R617 million respectively for the two outer years.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the District. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
5. The capital programme is funded from capital and provincial grants and transfers, public contributions and donations, borrowing and internally generated funds from current year surpluses. For 2011/12, capital transfers totals R365 million (66 per cent).

**Table 12 MBRR Table A6 - Budgeted Financial Position**

DC44 Alfred Nzo - Table A6 Consolidated 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		16 516	1 584	25 451	2 366	2 366	2 366		2 603	2 863	3 149
Call investment deposits	1	72 538	27 375	-	-	-	-	-	-	-	-
Consumer debtors	1	2 743	9 293	23 358	16 500	16 500	16 500	-	18 150	19 965	21 962
Other debtors		26 711	24 921	26 051					28 656	31 522	34 674
Current portion of long-term receivables		863	861	839					923	1 015	1 116
Inventory	2	951	1 501	1 789	550	550	550		605	666	732
<b>Total current assets</b>		<b>120 321</b>	<b>65 534</b>	<b>77 488</b>	<b>19 416</b>	<b>19 416</b>	<b>19 416</b>	<b>-</b>	<b>50 936</b>	<b>56 030</b>	<b>61 633</b>
<b>Non current assets</b>											
Long-term receivables		-	-	-	-	-	-	-	-	-	-
Investments		13 675	15 113	16 711	18 382				20 220	22 242	24 466
Investment property											
Investment in Associate											
Property, plant and equipment	3	-	-	1 127 270	138 573	138 573	138 573	-	152 430	167 673	184 441
Agricultural											
Biological											
Intangible											
Other non-current assets											
<b>Total non current assets</b>		<b>13 675</b>	<b>15 113</b>	<b>1 143 981</b>	<b>156 955</b>	<b>138 573</b>	<b>138 573</b>	<b>-</b>	<b>172 651</b>	<b>189 916</b>	<b>208 907</b>
<b>TOTAL ASSETS</b>		<b>133 997</b>	<b>80 647</b>	<b>1 221 469</b>	<b>176 371</b>	<b>157 989</b>	<b>157 989</b>	<b>-</b>	<b>223 587</b>	<b>245 946</b>	<b>270 540</b>
<b>LIABILITIES</b>											
<b>Current liabilities</b>											
Bank overdraft	1	744	52	72							
Borrowing	4	-	-	-	2 000	2 000	2 000	-	2 200	2 420	2 662
Consumer deposits											
Trade and other payables	4	117 732	50 601	55 660	287 393	287 393	287 393	-	316 132	347 746	382 520
Provisions					6 718	6 718	6 718		3 500	3 675	3 932
<b>Total current liabilities</b>		<b>118 476</b>	<b>50 653</b>	<b>55 733</b>	<b>296 111</b>	<b>296 111</b>	<b>296 111</b>	<b>-</b>	<b>321 832</b>	<b>353 841</b>	<b>389 114</b>
<b>Non current liabilities</b>											
Borrowing		-	-	-	-	-	-	-	-	-	-
Provisions		26 053	25 148	25 111	6 718	6 718	6 718	-	7 390	8 129	8 942
<b>Total non current liabilities</b>		<b>26 053</b>	<b>25 148</b>	<b>25 111</b>	<b>6 718</b>	<b>6 718</b>	<b>6 718</b>	<b>-</b>	<b>7 390</b>	<b>8 129</b>	<b>8 942</b>
<b>TOTAL LIABILITIES</b>		<b>144 529</b>	<b>75 801</b>	<b>80 843</b>	<b>302 829</b>	<b>302 829</b>	<b>302 829</b>	<b>-</b>	<b>329 222</b>	<b>361 969</b>	<b>398 056</b>
<b>NET ASSETS</b>	5	<b>(10 532)</b>	<b>4 846</b>	<b>1 140 626</b>	<b>(126 458)</b>	<b>(144 840)</b>	<b>(144 840)</b>	<b>-</b>	<b>(105 635)</b>	<b>(116 024)</b>	<b>(127 516)</b>
<b>COMMUNITY WEALTH/EQUITY</b>											
Accumulated Surplus/(Deficit)		(10 532)	4 846	1 140 626	(144 840)	(144 840)	(144 840)		(105 635)	(116 024)	(127 516)
Reserves	4	-	-	-	-	-	-	-	-	-	-
Minorities' interests											
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	5	<b>(10 532)</b>	<b>4 846</b>	<b>1 140 626</b>	<b>(144 840)</b>	<b>(144 840)</b>	<b>(144 840)</b>	<b>-</b>	<b>(105 635)</b>	<b>(116 024)</b>	<b>(127 516)</b>



**Table 13 MBRR Table A7 - Budgeted Cash Flow Statement**

DC44 Alfred Nzo - Table A7 Consolidated 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>											
Ratepayers and other		33 989	16 223	37 050	45 570	45 570	45 570		80 733	76 088	81 414
Government - operating	1	31 397	113 434	142 845	263 198	282 648	282 648		280 729	291 142	311 522
Government - capital	1	181 711	145 690	197 635	459 160	459 660	459 660		557 307	561 906	605 015
Interest		2 300	4 213	3 479	6 000	6 000	6 000				
Dividends					-						
<b>Payments</b>											
Suppliers and employees		(67 686)	(109 942)	(196 565)	(314 468)	(334 217)	(334 217)		(341 110)	(327 058)	(358 593)
Finance charges			(2 289)		(300)						
Transfers and Grants	1	(181 711)	(167 330)	(184 445)	(459 160)	(459 660)	(459 660)		(20 150)	(21 158)	(22 670)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		-	-	(0)	(0)	1	1	-	557 509	580 921	616 688
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Receipts</b>											
Proceeds on disposal of PPE									-	-	-
Decrease (increase) in non-current debtors											
Decrease (increase) other non-current receivables											
Decrease (increase) in non-current investments											
<b>Payments</b>											
Capital assets									(557 307)	(581 131)	(616 908)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		-	-	-	-	-	-	-	(557 307)	(581 131)	(616 908)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
Short term loans											
Borrowing long term/refinancing		25 148	26 053	22 220					34 206	35 408	67 006
Increase (decrease) in consumer deposits											
<b>Payments</b>											
Repayment of borrowing				4 000	5 000	(2 900)			(3 600)	(3 600)	(3 600)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		25 148	26 053	26 220	5 000	(2 900)	-	-	30 606	31 808	63 406
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		25 148	26 053	26 220	5 000	(2 899)	1	-	30 808	31 598	63 186
Cash/cash equivalents at the year begin:	2		25 148	51 201				-	4 600	35 408	67 006
Cash/cash equivalents at the year end:	2	25 148	51 201	77 420	5 000	(2 899)	1	-	35 408	67 006	130 192

**Table 14 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

DC44 Alfred Nzo - Table A8 Consolidated 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	25 148	51 201	77 420	5 000	(2 899)	1	-	35 408	67 006	130 192
Other current investments > 90 days		63 161	(22 294)	(52 041)	(2 634)	5 265	2 365	-	(32 805)	(64 143)	(127 043)
Non current assets - Investments	1	13 675	15 113	16 711	18 382	-	-	-	20 220	22 242	24 466
<b>Cash and investments available:</b>		<b>101 984</b>	<b>44 020</b>	<b>42 090</b>	<b>20 748</b>	<b>2 366</b>	<b>2 366</b>	<b>-</b>	<b>22 823</b>	<b>25 105</b>	<b>27 616</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		28 518	16 876	17 217	20 400	20 400	20 400	-	22 440	24 684	27 152
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	4 860	5 220	5 760
Other working capital requirements	3	89 214	(1 476 546)	(694 276)	264 596	264 724	264 724	-	240 268	270 314	297 346
Other provisions		-	-	-	-	-	-	-	4 223	4 433	4 746
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-	-	-
<b>Total Application of cash and investments:</b>		<b>117 732</b>	<b>(1 459 670)</b>	<b>(677 060)</b>	<b>284 996</b>	<b>285 124</b>	<b>285 124</b>	<b>-</b>	<b>271 791</b>	<b>304 650</b>	<b>335 004</b>
<b>Surplus(shortfall)</b>		<b>(15 747)</b>	<b>1 503 690</b>	<b>719 150</b>	<b>(264 248)</b>	<b>(282 758)</b>	<b>(282 758)</b>	<b>-</b>	<b>(248 968)</b>	<b>(279 545)</b>	<b>(307 389)</b>

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<b>Cash and investments available</b>									
Cash/cash equivalents at the year end	520,699	147,866	155,720	(82,659)	677,079	677,079	1,150,887	1,079,186	1,235,018
Other current investments > 90 days	-	-	-	369,697	-	-	-	-	-
Non current assets - Investments	411,284	425,553	500,346	720,582	704,539	704,539	604,539	854,539	1,204,539
<b>Cash and investments available:</b>	<b>931,983</b>	<b>573,419</b>	<b>656,066</b>	<b>1,007,620</b>	<b>1,381,618</b>	<b>1,381,618</b>	<b>1,755,426</b>	<b>1,933,725</b>	<b>2,439,557</b>
<b>Application of cash and investments</b>									
Unspent conditional transfers	210,991	328,760	420,556	407,787	407,787	407,787	-	-	-
Unspent borrowing	-	-	-	-	-	-	-	-	-
Statutory requirements	123,439	164,585	215,689	195,620	224,317	224,317	236,654	250,854	258,370
Other working capital requirements	599,907	714,149	810,910	936,839	939,662	939,662	1,021,457	1,041,886	1,062,723
Other provisions	-	87,211	204,985	221,328	259,335	259,335	316,357	377,138	441,252
Long term investments committed	-	-	125,000	150,000	150,000	150,000	175,000	180,000	185,000
Reserves to be backed by cash/investments	501,153	307,157	219,591	1,006,841	352,173	352,173	226,084	229,475	232,917
<b>Total Application of cash and investments:</b>	<b>1,435,490</b>	<b>1,601,863</b>	<b>1,996,730</b>	<b>2,918,414</b>	<b>2,333,273</b>	<b>2,333,273</b>	<b>1,975,553</b>	<b>2,079,353</b>	<b>2,180,262</b>
<b>Surplus(shortfall)</b>	<b>(503,507)</b>	<b>(1,028,444)</b>	<b>(1,340,664)</b>	<b>(1,910,793)</b>	<b>(951,655)</b>	<b>(951,655)</b>	<b>(220,126)</b>	<b>(145,628)</b>	<b>259,295</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. It can be seen that the cash levels of the District improved significantly over the 2010/11 to 2012/13.
4. As part of the 2011/12 mid-year review and Adjustments Budget this sustainable cash position had to be strengthened and various interventions were implemented such as the reduction of expenditure allocations and rationalization of spending priorities.
5. In addition the District undertook an extensive debt collection drive resulting in cash receipts on arrear debtors of R2 million.
6. The 2012/13 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term

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

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2012/13 MTREF was funded as it is balancing.
6. 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.

**Table 15 MBRR Table A9 - Asset Management**

DC44 Alfred Nzo - Table A9 Consolidated 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>R thousand</b>										
<b>CAPITAL EXPENDITURE</b>										
<b>Total New Assets</b>	1	-	-	-	6 350	6 350	6 350	126 681	-	-
Infrastructure - Road transport		-	-	-	-	-	-	-	-	-
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
Infrastructure - Water		-	-	-	-	-	-	91 200	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	19 800	-	-
Infrastructure - Other		-	-	-	-	-	-	650	-	-
Infrastructure		-	-	-	-	-	-	111 650	-	-
Community		-	-	-	6 350	6 350	6 350	10 620	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	-	-	-	-	-	-	4 411	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
<b>Total Renewal of Existing Assets</b>	2	-	-	-	432 080	453 728	453 728	431 716	-	-
Infrastructure - Road transport		-	-	-	-	-	-	-	-	-
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
Infrastructure - Water		-	-	-	275 199	236 819	236 819	245 918	-	-
Infrastructure - Sanitation		-	-	-	148 332	189 073	189 073	153 298	-	-
Infrastructure - Other		-	-	-	2 950	22 236	22 236	26 500	-	-
Infrastructure		-	-	-	426 480	448 128	448 128	425 716	-	-
Community		-	-	-	-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	-	-	-	5 600	5 600	5 600	6 000	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure</b>	4	-	-	-	-	-	-	-	-	-
Infrastructure - Road transport		-	-	-	-	-	-	-	-	-
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
Infrastructure - Water		-	-	-	275 199	236 819	236 819	337 118	-	-
Infrastructure - Sanitation		-	-	-	148 332	189 073	189 073	173 098	-	-
Infrastructure - Other		-	-	-	2 950	22 236	22 236	27 150	-	-
Infrastructure		-	-	-	426 480	448 128	448 128	537 366	-	-
Community		-	-	-	6 350	6 350	6 350	10 620	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	-	-	-	5 600	5 600	5 600	10 411	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>	2	-	-	-	438 430	460 078	460 078	558 397	-	-
<b>ASSET REGISTER SUMMARY - PPE (WDV)</b>	5									
Infrastructure - Road transport										
Infrastructure - Electricity										
Infrastructure - Water			769 339	715 874	152 111	119 363	119 363	171 918	278 000	301 000
Infrastructure - Sanitation			178 929	215 665	148 332	189 073	189 073	192 540	136 000	125 000
Infrastructure - Other			50 289	187 107	142 518	135 024	135 024	174 404	146 131	165 908
Infrastructure		-	998 558	1 118 646	442 961	443 460	443 460	538 862	560 131	591 908
Community					6 350	6 350	6 350	12 220	2 000	2 000
Heritage assets										
Investment properties										
Other assets			8 310	8 338	9 850	9 850	9 850	6 225	25 214	23 000
Agricultural Assets										
Biological assets										
Intangibles										
<b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>	5	-	1 006 868	1 126 984	459 161	459 660	459 660	557 307	587 346	616 909
<b>EXPENDITURE OTHER ITEMS</b>										
Depreciation & asset impairment			26 855	27 207	-	-	-	10 000	10 500	11 235
Repairs and Maintenance by Asset Class	3				35 841	32 386	30 586	30 688	27 280	29 865
Infrastructure - Road transport										
Infrastructure - Electricity										
Infrastructure - Water					16 000	16 000	16 000	10 590	11 120	12 000
Infrastructure - Sanitation					7 000	6 500	6 500	3 090	3 245	3 800
Infrastructure - Other					5 205	6 200	4 400	10 950	11 498	13 621
Infrastructure					28 205	28 700	26 900	24 630	25 862	29 421



Community		-	-	-	1 515	2 215	2 215	2 834	1 003	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6, 7	-	-	-	6 121	1 471	1 471	3 224	415	444
<b>TOTAL EXPENDITURE OTHER ITEMS</b>		-	26 855	27 207	35 841	32 386	30 586	40 688	37 780	41 100
<i>Renewal of Existing Assets as % of total capex</i>		0.0%	0.0%	0.0%	98.6%	98.6%	98.6%	77.3%	0.0%	0.0%
<i>Renewal of Existing Assets as % of deprecn*</i>		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4317.2%	0.0%	0.0%
<i>R&amp;M as a % of PPE</i>		0.0%	0.0%	0.0%	25.9%	23.4%	22.1%	20.1%	16.3%	16.2%
<i>Renewal and R&amp;M as a % of PPE</i>		0.0%	0.0%	0.0%	102.0%	106.0%	105.0%	83.0%	5.0%	5.0%

## 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 District meets both these recommendations.
3. The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF. It highlights the District's strategy to address the maintenance backlog

### 1.6 Overview of the annual budget process

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

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

The primary aim 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 District'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.

### 1.6.1 Budget Process Overview

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

The Mayor tabled in Council the required the IDP and budget time schedule on 25 August 2010. Key dates applicable to the process were:

- **October 2011** – 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 2012/13 MTREF;
- **January 2012** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **01-15 February 2012** - Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;
- **March 2012** – Multi-year budget proposals are submitted to the Mayoral Committee for endorsement;
- **31 January 2012** - Council considers the 2011/12 Mid-year Review and Adjustments Budget;
- **March 2012** - Recommendations of the Mayoral Committee are communicated to the Budget Steering Committee, and on to the respective departments. The draft 2012/13 MTREF is revised accordingly;
- **31 March 2012** - Tabling in Council of the draft 2012/13 IDP and 2012/13 MTREF for public consultation;

There were deviations from the key dates set out in the Budget Time Schedule tabled in Council.

### 1.6.2 IDP and Service Delivery and Budget Implementation Plan

This is a five year IDP that covers the term of the new Council subsequent to the local government held in May 2011. 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 District's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

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

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

With the compilation of the 2012/13 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2012/13 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.

### **1.6.3 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:

- District growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e. inflation, 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 51 and 58 has been taken into consideration in the planning and prioritisation process.

#### **1.6.4 Community Consultation**

The draft 2012/13 MTREF as tabled before Council on 31 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.

#### **1.7 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 District, 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 District 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 District'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**

<b>2011/12 Financial Year</b>	<b>2012/13 MTREF</b>
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	5.1 Promote sound governance

and institutional governance	5.2 Ensure financial sustainability
	5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

In order to ensure integrated and focused service delivery between all spheres of government it was important for the District 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 water;
  - Provide sanitation;
  - Maintaining the infrastructure of the District.
  
2. Economic growth and development that leads to sustainable job creation by:
  - Ensuring there is a clear structural plan for the District;
  - 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;
  - Ensuring all waste water treatment works are operating optimally;
  - Working with strategic partners such as SAPS to address crime;
  - 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:
- Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan
- 5.3 Optimal institutional transformation to ensure capacity to achieve set objectives
- Review of the organizational structure to optimize the use of personnel;

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

In addition to the five-year IDP, the District undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon. 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 District 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 District's IDP, associated sectoral plans and strategies, and the allocation of resources of the District 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 District;
- Initiating zonal planning processes that involve the communities in the analysis and planning processes. More emphasis was placed on area based interventions, within the overall holistic framework;
- Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and

- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

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

**Table 17 MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue**

DC44 Alfred Nzo - 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												
Spatial Development Framework										25 278	26 545	28 409
Service Delivery										137 849	153 898	165 931
Financial Viability										73 430	69 919	73 992
Local Economic Development										17 751	18 638	19 943
Good Governance and Public Participation										61 072	62 149	66 780
Institutional Arrangements										34 563	36 292	38 106
Allocations to other priorities			2									
<b>Total Revenue (excluding capital transfers and contributions)</b>			1	-	-	-	-	-	-	349 943	367 441	393 161

**Table 18 MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure**



DC44 Alfred Nzo - 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													
Spatial Development Framework										25 278	26 545	28 409	
Service Delivery										137 849	153 898	165 931	
Financial Viability										73 430	69 919	73 992	
Local Economic Development										17 751	18 638	19 943	
Good Governance and Public Participation										61 072	62 149	66 780	
Institutional Arrangements										34 563	36 292	38 106	
Allocations to other priorities													
Total Expenditure				1	-	-	-	-	-	-	349 943	367 441	393 161

## 1.8 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 District 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:

### Figure 1 Planning, budgeting and reporting cycle

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

**Figure 2 Definition of performance information concepts**

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

**Table 19 MBRR Table SA7 - Measurable performance objectives**

The following table sets out the municipalities main performance objectives and benchmarks for the 2011/12 MTREF.

**Table 20 MBRR Table SA8 - Performance indicators and benchmarks**

DC44 Alfred Nzo - 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	0.0%	0.0%	-28.3%	-1.5%	0.6%	0.0%	0.0%	1.1%	1.0%	1.0%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	0.0%	0.0%	-66.9%	-1.6%	0.9%	0.0%	0.0%	4.8%	4.6%	4.3%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	-2563.0%	0.0%	-483.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-569.8%	1116.0%
<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	1.0	1.3	1.4	0.1	0.1	0.1	-	0.2	0.2	0.2
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	1.0	1.3	1.4	0.1	0.1	0.1	-	0.2	0.2	0.2
Liquidity Ratio	Monetary Assets/Current Liabilities	0.8	0.6	0.5	0.0	0.0	0.0	-	0.0	0.0	0.0
<b>Revenue Management</b>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		0.0%	4414.3%	1483.0%	14.5%	13.8%	13.8%	0.0%	114.1%	102.4%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)			0.0%	4414.3%	1483.0%	14.5%	13.8%	13.8%	0.0%	114.1%	102.4%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	90.0%	29.7%	33.8%	2.8%	2.7%	2.7%	0.0%	13.2%	13.8%	14.2%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
<b>Creditors Management</b>											
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA' s 65(e))										
Creditors to Cash and Investments		354.8%	65.9%	49.7%	5340.3%	-9209.2%	33668726.4%	0.0%	829.5%	482.1%	273.0%
<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)	0.0%	0.0%	0.0%	21.9%	12.8%	12.8%	0.0%	36.6%	40.1%	39.8%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		38.3%	41.8%	41.5%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	0.0%	0.0%	0.0%	6.2%	5.4%	5.1%		8.5%	7.2%	7.4%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		2.8%	2.8%	2.8%
<b>IDP regulation financial viability indicators</b>											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year	0.5	(8.8)	6.0	36.0	36.0	36.0	2.4	22.4	23.5	25.2
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	0.0%	9543.9%	2011.2%	67.7%	85.2%	85.2%	0.0%	144.4%	151.2%	155.5%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	146.7	52.1	51.2	0.3	(0.1)	0.0	-	1.8	3.2	5.7

## 1.8.1 Performance indicators and benchmarks

### 1.8.1.1 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, Alfred Nzo District Municipality's borrowing strategy is primarily informed by the affordability of debt repayments. The structure of the District'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.

The District has raised mainly amortising loans over the past five years, hence effectively 'front-loading' its debt service costs. This is reflected in the District's debt service profile, which predicts large debt service costs between 2012 and 2018. Debt service costs are expected to peak in 2018 due to the redemption of the last few term loans held by the District.

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 District 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.

### 1.8.1.2 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the District has set a limit of 1, hence at no point in time should this ratio be less than 1. For the 2012/13 MTREF the current ratio is 1.2 in the 2012/13 financial year and 1.1 for the two outer years of the MTREF. Going forward it will be necessary to maintain these levels.
- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything

below 1 indicates a shortage in cash to meet creditor obligations. For the 2011/12 financial year the ratio was 0.2 and as part of the financial planning strategy it has been increased to 0.3 in the 2012/13 financial year. This needs to be considered a pertinent risk for the municipality as any under collection of revenue will translate into serious financial challenges for the District. As part of the longer term financial planning objectives this ratio will have to be set at a minimum of 1.

#### *1.8.1.3 Revenue Management*

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

#### *1.8.1.4 Creditors Management*

- The District 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 District, which is expected to benefit the District in the form of more competitive pricing of tenders, as suppliers compete for the District's business.

#### *1.8.1.5 Other Indicators*

- The municipality has embarked on an aggressive process of installing bulk meter and employed a Water Demand and Conservation Manager. This endeavor is directed at achieving water economic efficiencies throughout the District. Presently the municipality has no baseline information regarding the economical distribution of water value chain. It is therefore hoped that the effort will enable the municipality to record the distribution water losses which will result in quantitative control and management of water losses.
- Employee costs as a percentage of operating expenditure is fairly high at 38%; as such requires close monitoring going forward due to the fact that the Municipality is vastly rural. The water schemes that are scattered throughout district require an even spread in order to effect the preventive policy in maintaining uninterrupted flow of water to the community.
- Similar to that of employee costs, repairs and maintenance as percentage of operating expenditure needs to be improved to an acceptable level. It should be appreciated that

the municipality through its maintenance plan allocated a considerable amount to water infrastructure refurbishment. The budget has also been allocated for developing a comprehensive fixed asset management strategy that will guide the District in terms of managing the aging water infrastructure.

### **1.8.2 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 District. With the exception of water, only registered indigents qualify for the free basic services.

For the 2012/13 financial year 15 000 registered indigents have been provided for in the budget. In terms of the Municipality's indigent policy registered households are entitled to 6kℓ free water.

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

### **1.8.3 Providing clean water and managing waste water**

The District is the Water Services Authority for the entire municipality in terms of the Water Services Act, 1997 and acts as water services provider. Approximately 71 per cent of the District's bulk water needs are provided directly by Water purchased from Department of Water Affairs

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

The District was awarded Blue Drop status in 2011/12, indicating that the District's drinking water is of exceptional quality. Alfred Nzo District Municipality Water Treatment Plant was awarded the best medium sized drinking water treatment works by the Department of Water Affairs.

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

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

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

- Infrastructure shortcomings are being addressed through the capital budget in terms of a 5-year upgrade plan;
- The filling of vacancies has commenced and the Waste Water Division will embark on an in-house training programme, especially for operational personnel;
- The Division is working in consultation with the Department of Water Affairs to address catchment management.

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

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

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

The Credit Control and Debt Collection Policy as approved by Council in October 2010 is currently under review. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the 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, the Integrated Indigent Exit Programme aims to link the registered indigent households to development, skills and job opportunities. The programme also seeks to ensure that all departments as well as external role players are actively involved in the reduction of the number of registered indigent households.



The 2012/13 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 65 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 District's cash levels. In addition, the potential of a payment incentive scheme is being investigated and if found to be viable will be incorporated into the policy.

### **1.9.2 Asset Management 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 District'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).

### **1.9.3 Budget 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 District 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.

### **1.9.4 Supply Chain Management Policy**

The Supply Chain Management Policy was adopted by Council in September 2010. An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on.

### **1.9.5 Cash Management and Investment Policy**

The District's Cash Management and Investment Policy was amended by Council in January 2011. The aim of the policy is to ensure that the District'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.

### **1.9.6 Tariff Policy**

The District'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.

### **1.9.7 Financial Modelling and Scenario Planning Policy**

The Financial Modelling and Scenario Planning Policy has directly informed the compilation of the 2012/13 MTREF with the emphasis on affordability and long-term sustainability. The policy dictates the approach to longer term financial modelling. The outcomes are then filtered into the budget process. The model and scenario planning outcomes are taken to Council every November and then translate into recommendations for the budget guidelines that inform the compilation of the next MTREF. One of the salient features of the policy is the emphasis on financial sustainability. Amongst others, the following has been modelled as part of the financial modelling and scenario planning process:

- Approved 2011/12 Adjustments Budget;
- Cash Flow Management Interventions, Initiatives and Strategies ;
- Economic climate and trends (i.e Inflation, household debt levels, indigent factors, growth, recessionary implications);
- Loan and investment possibilities;
- Performance trends;
- Tariff Increases;
- The ability of the community to pay for services (affordability);
- Policy priorities;
- Improved and sustainable service delivery; and
- Debtor payment levels.

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

- Budget Policy; and

- Indigent Policy.

## **1.10 Overview of budget assumptions**

### **1.10.1 External factors**

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

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

### **1.10.2 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 District's residents and businesses;
- The impact of municipal cost drivers;
- The increase in the cost of remuneration. Employee related costs comprise 38 per cent of total operating expenditure in the 2012/13 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget. The wage agreement SALGBC concluded with the municipal workers unions has expired.

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

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

compilation of the 2012/13 MTREF the potential of smoothing out the debt profile over the long term will be investigated.

#### **1.10.4 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 (65 per cent) of annual billings. Cash flow is assumed to be 5 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

#### **1.10.5 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 pricing, real growth rate of the District, 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.

#### **1.10.6 Salary increases**

The collective agreement regarding salaries/wages comes to an end in June 2012 it is expected that the new salaries agreement will be negotiated for 2012/2013.

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.

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

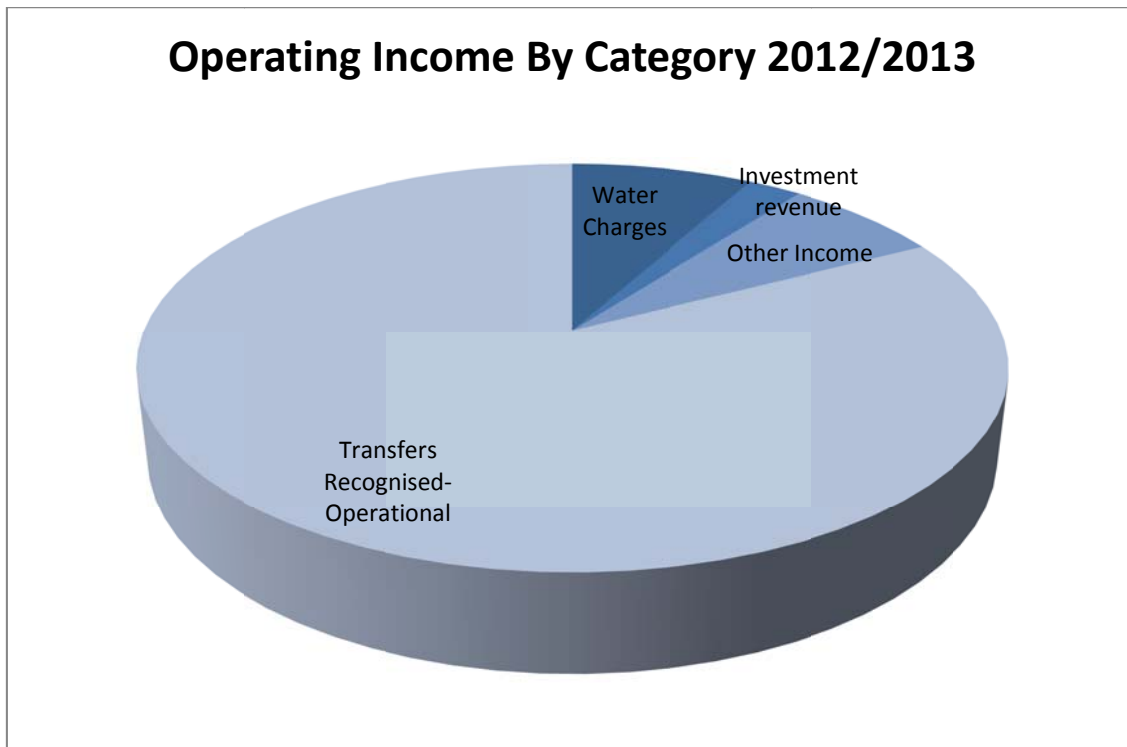
It is estimated that a spending rate of at least 90 per cent is achieved on operating expenditure and 98 per cent on the capital programme for the 2012/13 MTREF of which performance has been factored into the cash flow budget.

**Table 21 Breakdown of the operating revenue over the medium-term**

Description	Medium Term Expenditure and Revenue Framework					
	Budget Year		Budget Year +1		Budget Year +2	
	2012/2013	%	2013/2014	%		%
Water Charges	-34 200 000.00	0.08	-35 910 000.00	0.09	-52 359 350.00	0.11
Investment revenue	-10 000 000.00	0.03	-10 500 000.00	0.03	-11 235 000.00	0.02
Other Income	-29 925 000.00	0.07	-31 421 250.00	0.08	-33 625 120.00	0.07
Transfers Recognised-Operational	-352 222 000.00	0.83	-340 945 450.00	0.81	-359 051 815.00	0.79
	<b>-426 347 000.00</b>	<b>1.00</b>	<b>-418 776 700.00</b>	<b>1.00</b>	<b>-456 271 285.00</b>	
Less: Total operating expenditure	361 462 214.00		357 537 341.00		389 616 507.00	
<b>(Surplus)/Deficit</b>	<b>-787 809 214.00</b>		<b>-776 314 041.00</b>		<b>-845 887 792.00</b>	

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

**Figure 3 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 District derives most of its operational revenue from the provision of goods and services such as water and sanitation. Operating and capital grants from organs of state and other minor charge.

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

- Growth in the District and economic development;
- Revenue management and enhancement;
- Achievement of a 65 per cent annual collection rate for consumer revenue;
- National Treasury guidelines;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- And the ability to extend new services and obtain cost recovery levels.

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

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

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

#### 1.10.8 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2011/12 medium-term capital programme:

**Table 39 Sources of capital revenue over the MTREF**

Description	Medium Term Expenditure and Revenue Framework		
	Budget Year	Budget Year +1	Budget Year +2
	2012/2013	2013/2014	2014/2015
Funded by:			
Government grant	549 113 387.00	586 995 419.00	616 508 480.00
Loan	7 993 492.00	-	-
Provincial grant	200 000.00	350 000.00	400 000.00
Transfers recognised Capital	<b>557 306 879.00</b>	<b>587 345 419.00</b>	<b>616 908 480.00</b>
<b>Total Capital Budget</b>	<b>557 306 879.00</b>	<b>587 345 419.00</b>	<b>616 908 480.00</b>

**Figure 4 Sources of capital revenue for the 2012/13 financial year**

Capital grants and receipts equates to 99 per cent of the total funding source which represents R549.3m for the 2012/13 financial year and steadily increase to R616.9 million or 100 per cent by 2014/15.

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



**Table 22 MBRR Table SA 17 - Detail of borrowings**

DC44 Alfred Nzo - Supporting Table SA17 Borrowing

Borrowing - Categorised by type R thousand	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>Parent municipality</b>										
Long-Term Loans (annuity/reducing balance)		15 148	26 053	22 220				34 206	30 126	29 359
Long-Term Loans (non-annuity)										
Local registered stock										
Instalment Credit										
Financial Leases										
PPP liabilities										
Finance Granted By Cap Equipment Supplier										
Marketable Bonds										
Non-Marketable Bonds										
Bankers Acceptances										
Financial derivatives										
Other Securities										
<b>Municipality sub-total</b>	1	15 148	26 053	22 220	-	-	-	34 206	30 126	29 359
<b>Entities</b>										
Long-Term Loans (annuity/reducing balance)										
Long-Term Loans (non-annuity)										
Local registered stock										
Instalment Credit										
Financial Leases										
PPP liabilities										
Finance Granted By Cap Equipment Supplier										
Marketable Bonds										
Non-Marketable Bonds										
Bankers Acceptances										
Financial derivatives										
Other Securities										
<b>Entities sub-total</b>	1	-	-	-	-	-	-	-	-	-
<b>Total Borrowing</b>	1	15 148	26 053	22 220	-	-	-	34 206	30 126	29 359

**Table 23 MBRR Table SA 18 - Capital transfers and grant receipts**

DC44 Alfred Nzo - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>RECEIPTS:</b>	1, 2									
<b>Operating Transfers and Grants</b>										
National Government:		111 998	128 102	170 456	288 193	411 899	295 608	332 568	319 847	441 634
Local Government Equitable Share		79 948	99 430	125 171	265 535	265 535	265 535	297 597	312 477	334 350
Water Services Operating Subsidy		7 849	7 370	5 294	6 600	6 600	6 600	22 817	5 000	
EPWP Incentive				7 584	9 530	9 530	9 530	9 604		
RSC Levy Replacement								-		
Municipal Systems Improvement				726	790	790	610	1 000	870	950
Finance Management				892	1 250	1 330	1 330	1 250	1 500	1 250
Other transfers/grants [Rural transport][MIG PORT		24 201	21 302	30 788	4 488	128 114	12 002	300	-	105 084
Provincial Government:		-	-	-	1 201	1 201	1 201	17 878	19 234	20 529
Health subsidy								13 276	13 940	14 916
LED, LGTA an SPU					1 201	1 201	1 201	4 602	5 294	5 613
District Municipality: <i>[insert description]</i>		-	-	-	-	-	-	-	-	-
Other grant providers: <i>LGSETA</i>		-	-	-	-	-	-	-	-	-
<b>Total Operating Transfers and Grants</b>	5	111 998	128 102	170 456	289 394	413 100	296 809	350 446	339 081	462 163
<b>Capital Transfers and Grants</b>										
National Government:		105 334	138 392	176 267	431 216	309 834	431 216	476 454	505 277	542 924
Municipal Infrastructure Grant (MIG)		105 334	138 392	172 982	308 146	308 146	308 146	374 678	393 412	420 951
Regional Bulk Infrastructure				3 219	121 382	-	121 382	100 000	110 000	120 000
Rural Transport Services and Infrastructure				65	1 688	1 688	1 688	1 776	1 865	1 973
Other capital transfers/grants [Equitable share]										
Provincial Government:		-	-	-	-	-	-	-	-	-
Other capital transfers/grants [insert description]										
District Municipality: <i>[insert description]</i>		-	-	-	-	-	-	-	-	-
Other grant providers:		-	-	-	-	-	-	-	-	-
<b>Total Capital Transfers and Grants</b>	5	105 334	138 392	176 267	431 216	309 834	431 216	476 454	505 277	542 924
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>		217 332	266 494	346 722	720 610	722 934	728 025	826 900	844 357	1 005 087

### 1.10.9 Cash Flow Management

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

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

**Table 24 MBRR Table A7 - Budget cash flow statement**

DC44 Alfred Nzo - Table A7 Consolidated 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>											
Ratepayers and other		33 989	16 223	37 050	45 570	45 570	45 570		80 733	76 088	81 414
Government - operating	1	31 397	113 434	142 845	263 198	282 648	282 648		280 729	291 142	311 522
Government - capital	1	181 711	145 690	197 635	459 160	459 660	459 660		557 307	561 906	605 015
Interest		2 300	4 213	3 479	6 000	6 000	6 000				
Dividends					-						
<b>Payments</b>											
Suppliers and employees		(67 686)	(109 942)	(196 565)	(314 468)	(334 217)	(334 217)		(341 110)	(327 058)	(358 593)
Finance charges			(2 289)		(300)						
Transfers and Grants	1	(181 711)	(167 330)	(184 445)	(459 160)	(459 660)	(459 660)		(20 150)	(21 158)	(22 670)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		-	-	(0)	(0)	1	1	-	557 509	580 921	616 688
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Receipts</b>											
Proceeds on disposal of PPE									-	-	-
Decrease (increase) in non-current debtors											
Decrease (increase) other non-current receivables											
Decrease (increase) in non-current investments											
<b>Payments</b>											
Capital assets									(557 307)	(581 131)	(616 908)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		-	-	-	-	-	-	-	(557 307)	(581 131)	(616 908)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
Short term loans											
Borrowing long term/refinancing		25 148	26 053	22 220					34 206	35 408	67 006
Increase (decrease) in consumer deposits											
<b>Payments</b>											
Repayment of borrowing				4 000	5 000	(2 900)			(3 600)	(3 600)	(3 600)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		25 148	26 053	26 220	5 000	(2 900)	-	-	30 606	31 808	63 406
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>											
Cash/cash equivalents at the year begin:	2	25 148	26 053	26 220	5 000	(2 899)	1	-	30 808	31 598	63 186
Cash/cash equivalents at the year end:	2	25 148	51 201	77 420	5 000	(2 899)	1	-	4 600	35 408	67 006
		25 148	51 201	77 420	5 000	(2 899)	1	-	35 408	67 006	130 192

- Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year. In the past these have been allowed to 'roll-over' and be spent in the ordinary course of business, but this practice has been discontinued.
- The borrowing amounting to R7 993 492 was received in November 2011. Since the borrowing was for a particular project it could not be spent in the 2011/2012 financial year due to the fact that there was already a contractor on site funded by MIG. The borrowing is a top up funding in order to complete the project.
- Long term investments consist primarily of a collateral to a loan with the Development Bank of Southern Africa.

### **1.10.10 Funding compliance measurement**

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

#### **Table 25 MBRR SA10 – Funding compliance measurement**

##### *1.10.10.1 Cash/cash equivalent position*

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

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year.

##### *1.10.10.2 Monthly average payments covered by cash or cash equivalents*

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the District to meet monthly payments as and when they fall due. It is especially important to consider the position should the

municipality be faced with an unexpected disaster that threatens revenue collection such as

DC44 Alfred Nzo Supporting Table SA10 Funding measurement

Description	MFMA section	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>Funding measures</b>												
Cash/cash equivalents at the year end - R'000	18(1)b	1	25 148	51 201	77 420	5 000	(2 899)	1	-	35 408	67 006	130 192
Cash + investments at the yr end less applications - R'000	18(1)b	2	114 306	36 952	103 690	(264 248)	(282 758)	(282 758)	-	(248 968)	(279 545)	(307 389)
Cash year end/monthly employee/supplier payments	18(1)b	3	3.8	7.5	7.8	0.3	(0.1)	0.0	-	1.8	3.2	5.7
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	(10 266)	(19 330)	(26 605)	(12 000)	(204 546)	(207 662)	564 256	0	0	0
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	5	N.A.	66.0%	10.3%	49.5%	(28.3%)	(6.0%)	(106.0%)	80.7%	(1.0%)	1.0%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	441.5%	127.2%	237.3%	14.5%	13.8%	13.8%	0.0%	114.1%	102.4%	102.4%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Capital payments % of capital expenditure	18(1)c:19	8	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	(2563.0%)	0.0%	(483.0%)	0.0%	0.0%	0.0%	0.0%	0.0%	(569.8%)	1116.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								(22.9%)	(24.3%)	(24.9%)
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	15.7%	43.3%	(67.2%)	0.0%	0.0%	(100.0%)	189.3%	10.0%	10.0%
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	0.0%	0.0%	0.0%	25.9%	23.4%	22.1%	0.0%	20.1%	16.3%	16.2%
Asset renewal % of capital budget	20(1)(vi)	14	0.0%	0.0%	0.0%	94.1%	98.7%	98.7%	0.0%	77.5%	0.0%	0.0%

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

The purpose of this measurement is to determine the proportion of a municipality's 'own-funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers/grants and contributions) has been excluded. It can be seen that borrowing equates to 1 per cent of total capital.

#### 1.10.10.4 Transfers/grants revenue as a percentage of Government transfers/grants available

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The District has budgeted for all transfers.

#### 1.10.10.5 Repairs and maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected. Details of the District's strategy pertaining to asset management and repairs and maintenance is contained in Table 60 MBRR SA34C on page 90.

#### *1.10.10.6 Asset renewal/rehabilitation expenditure level*

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

## 1.11 Expenditure on grants and reconciliations of unspent funds

**Table 26 MBRR SA19 - Expenditure on transfers and grant programmes**

DC44 Alfred Nzo - Supporting Table SA19 Expenditure on transfers and grant programme

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>EXPENDITURE:</b>										
<b>Operating expenditure of Transfers and Grants</b>										
<b>National Government:</b>		111 998	128 102	170 456	288 193	411 899	295 608	332 568	319 847	441 634
Local Government Equitable Share		79 948	99 430	125 171	265 535	265 535	265 535	297 597	312 477	334 350
Water Services Operating Subsidy		7 849	7 370	5 294	6 600	6 600	6 600	22 817	5 000	
EPWP Incentive				7 584	9 530	9 530	9 530	9 604		
RSC Levy Replacement								-		
Municipal Systems Improvement				726	790	790	610	1 000	870	950
Finance Management				892	1 250	1 330	1 330	1 250	1 500	1 250
Other transfers/grants [Rural transport]MIG PORT		24 201	21 302	30 788	4 488	128 114	12 002	300	-	105 084
<b>Provincial Government:</b>		-	-	-	1 201	1 201	1 201	17 878	19 234	20 529
Health subsidy								13 276	13 940	14 916
LED, LGTA an SPU					1 201	1 201	1 201	4 602	5 294	5 613
<b>District Municipality:</b>		-	-	-	-	-	-	-	-	-
[insert description]										
<b>Other grant providers:</b>		-	-	-	-	-	-	-	-	-
LGSETA										
<b>Total operating expenditure of Transfers and Grants</b>		<b>111 998</b>	<b>128 102</b>	<b>170 456</b>	<b>289 394</b>	<b>413 100</b>	<b>296 809</b>	<b>350 446</b>	<b>339 081</b>	<b>462 163</b>
<b>Capital expenditure of Transfers and Grants</b>										
<b>National Government:</b>		105 334	138 392	176 267	431 216	309 834	431 216	476 454	505 277	542 924
Municipal Infrastructure Grant (MIG)		105 334	138 392	172 982	308 146	308 146	308 146	374 678	393 412	420 951
Regional Bulk Infrastructure				3 219	121 382	-	121 382	100 000	110 000	120 000
Rural Transport Services and Infrastructure				65	1 688	1 688	1 688	1 776	1 865	1 973
Other capital transfers/grants [Equitable share]										
<b>Provincial Government:</b>		-	-	-	-	-	-	-	-	-
Other capital transfers/grants [insert description]										
<b>District Municipality:</b>		-	-	-	-	-	-	-	-	-
[insert description]										
<b>Other grant providers:</b>		-	-	-	-	-	-	-	-	-
0										
<b>Total capital expenditure of Transfers and Grants</b>		<b>105 334</b>	<b>138 392</b>	<b>176 267</b>	<b>431 216</b>	<b>309 834</b>	<b>431 216</b>	<b>476 454</b>	<b>505 277</b>	<b>542 924</b>
<b>TOTAL EXPENDITURE OF TRANSFERS AND GRANTS</b>		<b>217 332</b>	<b>266 494</b>	<b>346 722</b>	<b>720 610</b>	<b>722 934</b>	<b>728 025</b>	<b>826 900</b>	<b>844 357</b>	<b>1 005 087</b>







**1.12 Councillor and employee benefits**

**Table 28 MBRR SA22 - Summary of councillor and staff benefits**



Other benefits and allowances	3									
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
<b>Sub Total - Senior Managers of Entities</b>		-	-	-	-	-	-	-	-	-
% increase	4									
<b>Other Staff of Entities</b>										
Basic Salaries and Wages										
Pension and UIF Contributions										
Medical Aid Contributions										
Overtime										
Performance Bonus										
Motor Vehicle Allowance	3									
Cellphone Allowance	3									
Housing Allowances	3									
Other benefits and allowances	3									
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
<b>Sub Total - Other Staff of Entities</b>		-	-	-	-	-	-	-	-	-
% increase	4									
<b>Total Municipal Entities</b>		-	-	-	-	-	-	-	-	-
<b>TOTAL SALARY, ALLOWANCES &amp; BENEFITS</b>								138 315	158 601	168 372
% increase	4							-	14.7%	6.2%
<b>TOTAL MANAGERS AND STAFF</b>	5	-	-	-	-	-	-	132 279	152 262	161 590



### **1.13 Monthly targets for revenue, expenditure and cash flow**

**Table 30 MBRR SA25 - Budgeted monthly revenue and expenditure**

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DC44 Alfred Nzo - Supporting Table SA25 Consolidated budgeted monthly revenue and expenditure

Description	Ref	Budget Year 2012/13												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Revenue By Source</b>																
Property rates													-	-	-	-
Property rates - penalties & collection charges													-	-	-	-
Service charges - electricity revenue													-	-	-	-
Service charges - water revenue		2 526	2 526	2 526	2 526	2 526	2 526	2 526	2 526	2 526	2 526	2 526	30 310	31 826	34 053	
Service charges - sanitation revenue		182	182	182	182	182	182	182	182	182	182	182	2 180	2 289	2 449	
Service charges - refuse revenue													-	-	-	
Service charges - other													-	-	-	
Rental of facilities and equipment		48	48	48	48	48	48	48	48	48	48	48	570	599	640	
Interest earned - external investments		833	833	833	833	833	833	833	833	833	833	833	10 000	10 500	11 235	
Interest earned - outstanding debtors		17	17	17	17	17	17	17	17	17	17	17	200	210	225	
Dividends received													-	-	-	
Fines													-	-	-	
Licences and permits													-	-	-	
Agency services													-	-	-	
Transfers recognised - operational		132 745	5 573	2 576	19 781	99 007	1 929	6 505	800	75 200	6 505	800	(70 693)	280 729	294 766	
Other revenue		2 450	2 450	2 450	2 450	2 450	2 450	2 450	2 450	2 450	2 450	2 450	10 518	37 473	42 100	
Gains on disposal of PPE													-	-	-	
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>138 801</b>	<b>11 629</b>	<b>8 632</b>	<b>25 836</b>	<b>105 063</b>	<b>7 985</b>	<b>12 560</b>	<b>6 856</b>	<b>81 255</b>	<b>12 560</b>	<b>6 856</b>	<b>(56 569)</b>	<b>361 462</b>	<b>379 535</b>	<b>406 102</b>
<b>Expenditure By Type</b>																
Employee related costs		11 526	11 526	11 526	11 526	11 526	11 526	11 526	11 526	11 526	11 526	11 526	5 490	132 279	152 262	161 590
Remuneration of councillors		43											5 994	6 036	6 338	6 782
Debt impairment													-	-	-	-
Depreciation & asset impairment		833	833	833	833	833	833	833	833	833	833	833	833	10 000	10 500	11 235
Finance charges													250	250	263	300
Bulk purchases		417	417	417	417	417	417	417	417	417	417	417	417	5 000	5 250	5 618
Other materials													-	-	-	-
Contracted services													-	-	-	-
Transfers and grants													21 957	21 957	21 000	22 470
Other expenditure		16 365	16 365	16 365	16 365	16 365	16 365	16 365	16 365	16 365	16 365	16 365	5 726	185 740	183 922	198 108
Loss on disposal of PPE													200	200	-	-
<b>Total Expenditure</b>		<b>29 184</b>	<b>29 141</b>	<b>29 141</b>	<b>29 141</b>	<b>29 141</b>	<b>29 141</b>	<b>29 141</b>	<b>29 141</b>	<b>29 141</b>	<b>29 141</b>	<b>29 141</b>	<b>40 867</b>	<b>361 462</b>	<b>379 535</b>	<b>406 102</b>
<b>Surplus/(Deficit)</b>		<b>109 617</b>	<b>(17 512)</b>	<b>(20 509)</b>	<b>(3 305)</b>	<b>75 922</b>	<b>(21 156)</b>	<b>(16 581)</b>	<b>(22 285)</b>	<b>52 114</b>	<b>(16 581)</b>	<b>(22 285)</b>	<b>(97 436)</b>	<b>0</b>	<b>0</b>	<b>(0)</b>
Transfers recognised - capital		45 817	45 817	45 817	45 817	45 817	45 817	45 817	45 817	45 817	45 817	45 817	(969 726)	(465 741)	(502 493)	(539 968)
Contributions recognised - capital													(91 566)	(91 566)	(84 852)	(76 940)
Contributed assets													557 307	557 307	587 345	616 908
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>155 434</b>	<b>28 304</b>	<b>25 307</b>	<b>42 512</b>	<b>121 738</b>	<b>24 660</b>	<b>29 236</b>	<b>23 531</b>	<b>97 931</b>	<b>29 236</b>	<b>23 531</b>	<b>(601 422)</b>	<b>0</b>	<b>0</b>	<b>0</b>
Taxation													-	-	-	-
Attributable to minorities													-	-	-	-
Share of surplus/ (deficit) of associate													-	-	-	-
<b>Surplus/(Deficit)</b>	<b>1</b>	<b>155 434</b>	<b>28 304</b>	<b>25 307</b>	<b>42 512</b>	<b>121 738</b>	<b>24 660</b>	<b>29 236</b>	<b>23 531</b>	<b>97 931</b>	<b>29 236</b>	<b>23 531</b>	<b>(601 422)</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Table 31 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)**

DC44 Alfred Nzo - Supporting Table SA26 Consolidated budgeted monthly revenue and expenditure (municipal vote)

Description	Ref	Budget Year 2012/13												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Revenue by Vote</b>																
Vote 1 - Executive Council and Mayoral													-	-	-	-
Vote 2 - Municipal Manager													-	-	-	-
Vote 3 - Planning and Economic Development													-	-	-	-
Vote 4 - Budget and Treasury													918 769	918 769	944 883	1 006 525
Vote 5 - Infrastructure Development Services													-	-	-	-
Vote 6 - Community Development Services													-	-	-	-
Vote 7 - Corporate Services													-	-	-	-
Vote 8 -													-	-	-	-
Vote 9 -													-	-	-	-
Vote 10 -													-	-	-	-
Vote 11 -													-	-	-	-
Vote 12 -													-	-	-	-
Vote 13 -													-	-	-	-
Vote 14 -													-	-	-	-
Vote 15 -													-	-	-	-
<b>Total Revenue by Vote</b>		-	-	-	-	-	-	-	-	-	-	-	918 769	918 769	944 883	1 006 525
<b>Expenditure by Vote to be appropriated</b>																
Vote 1 - Executive Council and Mayoral		904	904	904	904	904	904	904	904	904	904	904	2 627	12 566	13 195	14 118
Vote 2 - Municipal Manager		2 650	2 650	2 650	2 650	2 650	2 650	2 650	2 650	2 650	2 650	2 650	940	30 089	31 593	33 805
Vote 3 - Planning and Economic Development		1 479	1 479	1 479	1 479	1 479	1 479	1 479	1 479	1 479	1 479	1 479	4 216	20 487	21 511	23 017
Vote 4 - Budget and Treasury		6 119	6 119	6 119	6 119	6 119	6 119	6 119	6 119	6 119	6 119	6 119	3 750	71 061	74 614	79 837
Vote 5 - Infrastructure Development Services		11 356	11 356	11 356	11 356	11 356	11 356	11 356	11 356	11 356	11 356	11 356	13 771	138 688	145 623	155 816
Vote 6 - Community Development Services		4 546	4 546	4 546	4 546	4 546	4 546	4 546	4 546	4 546	4 546	4 546	4 397	54 402	57 123	61 121
Vote 7 - Corporate Services		2 880	2 880	2 880	2 880	2 880	2 880	2 880	2 880	2 880	2 880	2 880	2 485	34 168	35 877	38 388
Vote 8 -													-	-	-	-
Vote 9 -													-	-	-	-
Vote 10 -													-	-	-	-
Vote 11 -													-	-	-	-
Vote 12 -													-	-	-	-
Vote 13 -													-	-	-	-
Vote 14 -													-	-	-	-
Vote 15 -													-	-	-	-
<b>Total Expenditure by Vote</b>		29 934	29 934	29 934	29 934	29 934	29 934	29 934	29 934	29 934	29 934	29 934	32 186	361 462	379 535	406 102
<b>Surplus/(Deficit) before assoc.</b>		(29 934)	(29 934)	(29 934)	(29 934)	(29 934)	(29 934)	(29 934)	(29 934)	(29 934)	(29 934)	(29 934)	886 583	557 308	565 348	600 423
Taxation													-	-	-	-
Attributable to minorities													-	-	-	-
Share of surplus/ (deficit) of associate													-	-	-	-
<b>Surplus/(Deficit)</b>	1	(29 934)	(29 934)	(29 934)	(29 934)	(29 934)	(29 934)	(29 934)	(29 934)	(29 934)	(29 934)	(29 934)	886 583	557 308	565 348	600 423

**Table 32 MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)**

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DC44 Alfred Nzo - Supporting Table SA27 Consolidated budgeted monthly revenue and expenditure (standard classification)

Description	Ref	Budget Year 2012/13												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Revenue - Standard</b>																
<i>Governance and administration</i>		74 979	74 979	74 979	74 979	74 979	74 979	74 979	74 979	74 979	74 979	74 979	94 003	918 769	944 883	1 006 525
Executive and council		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Budget and treasury office		74 979	74 979	74 979	74 979	74 979	74 979	74 979	74 979	74 979	74 979	74 979	94 003	918 769	944 883	1 006 525
Corporate services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community and social services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Planning and development		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Road transport		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Trading services</i>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Other</i>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Standard</b>		74 979	74 979	74 979	74 979	74 979	74 979	74 979	74 979	74 979	74 979	74 979	94 003	918 769	944 883	1 006 525
<b>Expenditure - Standard</b>																
<i>Governance and administration</i>		12 009	12 009	12 009	12 009	12 009	12 009	12 009	12 009	12 009	12 009	12 009	10 850	142 954	150 102	160 609
Executive and council		3 010	3 010	3 010	3 010	3 010	3 010	3 010	3 010	3 010	3 010	3 010	4 615	37 725	39 611	42 384
Budget and treasury office		6 119	6 119	6 119	6 119	6 119	6 119	6 119	6 119	6 119	6 119	6 119	3 750	71 061	74 614	79 837
Corporate services		2 880	2 880	2 880	2 880	2 880	2 880	2 880	2 880	2 880	2 880	2 880	2 485	34 168	35 877	38 388
<i>Community and public safety</i>		4 347	4 347	4 347	4 347	4 347	4 347	4 347	4 347	4 347	4 347	4 347	11 518	59 332	62 299	66 660
Community and social services		3 156	3 156	3 156	3 156	3 156	3 156	3 156	3 156	3 156	3 156	3 156	19 685	54 402	57 123	61 121
Sport and recreation		317	317	317	317	317	317	317	317	317	317	317	(3 491)	-	-	-
Public safety		702	702	702	702	702	702	702	702	702	702	702	(7 718)	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health		172	172	172	172	172	172	172	172	172	172	172	3 042	4 930	5 177	5 539
<i>Economic and environmental services</i>		123	123	123	123	123	123	123	123	123	123	123	19 131	20 487	21 511	23 017
Planning and development		123	123	123	123	123	123	123	123	123	123	123	19 131	20 487	21 511	23 017
Road transport		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Trading services</i>		11 356	11 356	11 356	11 356	11 356	11 356	11 356	11 356	11 356	11 356	11 356	13 771	138 688	145 623	155 816
Electricity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water		11 356	11 356	11 356	11 356	11 356	11 356	11 356	11 356	11 356	11 356	11 356	13 771	138 688	145 623	155 816
Waste water management		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Other</i>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditure - Standard</b>		27 836	27 836	27 836	27 836	27 836	27 836	27 836	27 836	27 836	27 836	27 836	55 269	361 462	379 535	406 102
<b>Surplus/(Deficit) before assoc.</b>		47 143	47 143	47 143	47 143	47 143	47 143	47 143	47 143	47 143	47 143	47 143	38 734	557 308	565 348	600 423
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit)</b>	1	47 143	47 143	47 143	47 143	47 143	47 143	47 143	47 143	47 143	47 143	47 143	38 734	557 308	565 348	600 423

**Table 33 MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)**

DC44 Alfred Nzo - Supporting Table SA28 Consolidated budgeted monthly capital expenditure (municipal vote)

Description	Ref	Budget Year 2012/13												Medium Term Revenue and Expenditure Framework			
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15	
<b>Multi-year expenditure to be appropriated</b>	1																
Vote 1 - Executive Council and Mayoral														-	-	-	-
Vote 2 - Municipal Manager														-	-	-	-
Vote 3 - Planning and Economic Development														-	-	-	-
Vote 4 - Budget and Treasury														-	-	-	-
Vote 5 - Infrastructure Development Services														-	-	-	-
Vote 6 - Community Development Services														-	-	-	-
Vote 7 - Corporate Services														-	-	-	-
Vote 8 -														-	-	-	-
Vote 9 -														-	-	-	-
Vote 10 -														-	-	-	-
Vote 11 -														-	-	-	-
Vote 12 -														-	-	-	-
Vote 13 -														-	-	-	-
Vote 14 -														-	-	-	-
Vote 15 -														-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Single-year expenditure to be appropriated</b>																	
Vote 1 - Executive Council and Mayoral		79	79	79	79	79	79	79	79	79	79	79	79	79	950	150	100
Vote 2 - Municipal Manager		20	20	20	20	20	20	20	20	20	20	20	20	28	244	100	110
Vote 3 - Planning and Economic Development		17	17	17	17	17	17	17	17	17	17	17	17	213	396	-	-
Vote 4 - Budget and Treasury		149	149	149	149	149	149	149	149	149	149	149	149	149	1 785	500	200
Vote 5 - Infrastructure Development Services		44 430	44 430	44 430	44 430	44 430	44 430	44 430	44 430	44 430	44 430	44 430	50 131	538 862	577 881	613 998	
Vote 6 - Community Development Services		885	885	885	885	885	885	885	885	885	885	885	2 485	12 220	2 000	2 000	
Vote 7 - Corporate Services		238	238	238	238	238	238	238	238	238	238	238	238	2 850	500	500	
Vote 8 -														-	-	-	
Vote 9 -														-	-	-	
Vote 10 -														-	-	-	
Vote 11 -														-	-	-	
Vote 12 -														-	-	-	
Vote 13 -														-	-	-	
Vote 14 -														-	-	-	
Vote 15 -														-	-	-	
<b>Capital single-year expenditure sub-total</b>	2	45 817	45 817	45 817	45 817	45 817	45 817	45 817	45 817	45 817	45 817	45 817	53 322	557 307	581 131	616 908	
<b>Total Capital Expenditure</b>	2	45 817	45 817	45 817	45 817	45 817	45 817	45 817	45 817	45 817	45 817	45 817	53 322	557 307	581 131	616 908	

**Table 34 MBRR SA29 - Budgeted monthly capital expenditure (standard classification)**

DC44 Alfred Nzo - Supporting Table SA29 Consolidated budgeted monthly capital expenditure (standard classification)

Description	Ref	Budget Year 2012/13												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Capital Expenditure - Standard</b>	1															
<i>Governance and administration</i>		386	386	386	386	386	386	386	386	386	386	386	1 580	5 829	1 250	910
Executive and council													1 194	1 194	250	210
Budget and treasury office		149	149	149	149	149	149	149	149	149	149	149	149	1 785	500	200
Corporate services		238	238	238	238	238	238	238	238	238	238	238	238	2 850	500	500
<i>Community and public safety</i>		885	885	885	885	885	885	885	885	885	885	885	2 485	12 220	2 000	2 000
Community and social services		885	885	885	885	885	885	885	885	885	885	885	2 485	12 220	2 000	2 000
Sport and recreation													-	-	-	-
Public safety													-	-	-	-
Housing													-	-	-	-
Health													-	-	-	-
<i>Economic and environmental services</i>		17	17	17	17	17	17	17	17	17	17	17	213	396	-	-
Planning and development		17	17	17	17	17	17	17	17	17	17	17	213	396	-	-
Road transport													-	-	-	-
Environmental protection													-	-	-	-
<i>Trading services</i>		44 376	44 376	44 376	44 376	44 376	44 376	44 376	44 376	44 376	44 376	44 376	50 727	538 862	584 095	613 998
Electricity													-	-	-	-
Water		44 376	44 376	44 376	44 376	44 376	44 376	44 376	44 376	44 376	44 376	44 376	50 727	538 862	584 095	613 998
Waste water management													-	-	-	-
Waste management													-	-	-	-
<i>Other</i>		54	54	54	54	54	54	54	54	54	54	54	(596)	-	-	-
<b>Total Capital Expenditure - Standard</b>	2	45 718	45 718	45 718	45 718	45 718	45 718	45 718	45 718	45 718	45 718	45 718	54 409	557 307	587 345	616 908

**Table 35 MBRR SA30 - Budgeted monthly cash flow**



## **1.14 Annual budgets and SDBIPs – internal departments**

### **1.14.1 Water Services Department – Vote 14**

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

Table 36 MBRR SA 34a - Capital expenditure on new assets by asset class

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DC44 Alfred Nzo - Supporting Table SA34a Consolidated capital expenditure on new assets by asset class

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>R thousand</b>	1									
<b>Capital expenditure on new assets by Asset Class/Sub-class</b>										
<b>Infrastructure</b>		-	-	-	-	-	-	111 650	-	-
Infrastructure - Road transport		-	-	-	-	-	-	-	-	-
<i>Roads, Pavements &amp; Bridges</i>										
<i>Storm water</i>										
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
<i>Generation</i>										
<i>Transmission &amp; Reticulation</i>										
<i>Street Lighting</i>										
Infrastructure - Water		-	-	-	-	-	-	91 200	-	-
<i>Dams &amp; Reservoirs</i>								91 200		
<i>Water purification</i>										
<i>Reticulation</i>										
Infrastructure - Sanitation		-	-	-	-	-	-	19 800	-	-
<i>Reticulation</i>										
<i>Sewerage purification</i>								19 800		
Infrastructure - Other		-	-	-	-	-	-	650	-	-
<i>Waste Management</i>										
<i>Transportation</i>	2									
<i>Gas</i>										
<i>Other</i>	3							650		
<b>Community</b>		-	-	-	6 350	6 350	6 350	10 620	-	-
Parks & gardens										
Sportsfields & stadia										
Swimming pools										
Community halls										
Libraries										
Recreational facilities										
Fire, safety & emergency					6 350	6 350	6 350	10 620		
Security and policing	7									
Buses										
Clinics										
Museums & Art Galleries										
Cemeteries										
Social rental housing	8									
Other										
<b>Heritage assets</b>		-	-	-	-	-	-	-	-	-
Buildings										
Other	9									
<b>Investment properties</b>		-	-	-	-	-	-	-	-	-
Housing development										
Other										
<b>Other assets</b>		-	-	-	-	-	-	4 411	-	-
General vehicles										
Specialised vehicles										
Plant & equipment										
Computers - hardware/equipment										
Furniture and other office equipment								4 000		
Abattoirs										
Markets										
Civic Land and Buildings										
Other Buildings										
Other Land										
Surplus Assets - (Investment or Inventory)										
Other								411		
<b>Agricultural assets</b>		-	-	-	-	-	-	-	-	-
<i>List sub-class</i>										
<b>Biological assets</b>		-	-	-	-	-	-	-	-	-
<i>List sub-class</i>										
<b>Intangibles</b>		-	-	-	-	-	-	-	-	-
Computers - software & programming										
Other ( <i>list sub-class</i> )										
<b>Total Capital Expenditure on new assets</b>	1	-	-	-	6 350	6 350	6 350	126 681	-	-

Table 37 MBRR SA34b - Capital expenditure on the renewal of existing assets by asset class

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**Table 38 MBRR SA34c - Repairs and maintenance expenditure by asset class**

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**Table 39 MBRR SA35 - Future financial implications of the capital budget**

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DC44 Alfred Nzo - Supporting Table SA34d Consolidated Depreciation by asset class

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>R thousand</b>	1									
<b>Depreciation by Asset Class/Sub-class</b>										
<b>Infrastructure</b>		-	-	-	5 000	5 000	5 000	10 000	10 000	10 000
Infrastructure - Road transport		-	-	-	-	-	-	-	-	-
<i>Roads, Pavements &amp; Bridges</i>										
<i>Storm water</i>										
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
<i>Generation</i>										
<i>Transmission &amp; Reticulation</i>										
<i>Street Lighting</i>										
Infrastructure - Water		-	-	-	5 000	5 000	5 000	10 000	10 000	10 000
<i>Dams &amp; Reservoirs</i>					5 000	5 000	5 000	10 000	10 000	10 000
<i>Water purification</i>										
<i>Reticulation</i>										
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
<i>Reticulation</i>										
<i>Sewerage purification</i>										
Infrastructure - Other		-	-	-	-	-	-	-	-	-
<i>Waste Management</i>										
<i>Transportation</i>	2									
<i>Gas</i>										
<i>Other</i>	3									
<b>Community</b>		-	-	-	-	-	-	-	-	-
Parks & gardens										
Sportsfields & stadia										
Swimming pools										
Community halls										
Libraries										
Recreational facilities										
Fire, safety & emergency										
Security and policing										
Buses	7									
Clinics										
Museums & Art Galleries										
Cemeteries										
Social rental housing	8									
Other										
<b>Heritage assets</b>		-	-	-	-	-	-	-	-	-
Buildings										
Other	9									
<b>Investment properties</b>		-	-	-	-	-	-	-	-	-
Housing development										
Other										
<b>Other assets</b>		-	-	-	-	-	-	-	-	-
General vehicles										
Specialised vehicles										
Plant & equipment										
Computers - hardware/equipment										
Furniture and other office equipment										
Abattoirs										
Markets										
Civic Land and Buildings										
Other Buildings										
Other Land										
Surplus Assets - (Investment or Inventory)										
Other	10									
<b>Agricultural assets</b>		-	-	-	-	-	-	-	-	-
<i>List sub-class</i>										
<b>Biological assets</b>		-	-	-	-	-	-	-	-	-
<i>List sub-class</i>										
<b>Intangibles</b>		-	-	-	-	-	-	-	-	-
Computers - software & programming										
Other ( <i>list sub-class</i> )										
<b>Total Depreciation</b>	1	-	-	-	5 000	5 000	5 000	10 000	10 000	10 000

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**Table 40 MBRR SA36 - Detailed capital budget per municipal vote**

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**Table 41 MBRR SA37 - Projects delayed from previous financial year**

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### **1.15 Legislation compliance status**

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

1. In year reporting

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the District's website.

2. Internship programme

The District is participating in the Municipal Financial Management Internship programme and has employed six interns undergoing training in various divisions of the Financial Services Department. Since the District started participating in the programme it has employed eighteen interns. The District has absorbed seven interns on a permanent basis four have been employed by different government departments

3. Budget and Treasury Office

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

4. Audit Committee

An Audit Committee has been established and is fully functional.

5. Service Delivery and Implementation Plan

The detail SDBIP document is at a draft stage and will be finalised after approval of the 2012/13 MTREF in May 2012 directly aligned and informed by the 2012/13 MTREF.

6. Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements.

7. MFMA Training

The MFMA training module in electronic format is presented at the District's internal centre and training is ongoing.

**1.16 Other supporting documents**

**Table 42 MBRR Table SA1 - Supporting detail to budgeted financial performance**

DC44 Alfred Nzo - Supporting Table SA1 Supporting detail to 'Budgeted Financial Performance'

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
R thousand											
<b>REVENUE ITEMS:</b>											
<b>Property rates</b>											
Total Property Rates	6										
less Revenue Foregone											
<b>Net Property Rates</b>											
<b>Service charges - electricity revenue</b>											
Total Service charges - electricity revenue	6										
less Revenue Foregone											
<b>Net Service charges - electricity revenue</b>											
<b>Service charges - water revenue</b>											
Total Service charges - water revenue	6	7 108	11 207	12 486	20 000	15 000	15 000		30 310	31 826	34 053
less Revenue Foregone											
<b>Net Service charges - water revenue</b>		7 108	11 207	12 486	20 000	15 000	15 000		30 310	31 826	34 053
<b>Service charges - sanitation revenue</b>											
Total Service charges - sanitation revenue	6	92	1 175	1 917	2 400	2 400	2 400		2 180	2 289	2 449
less Revenue Foregone											
<b>Net Service charges - sanitation revenue</b>		92	1 175	1 917	2 400	2 400	2 400		2 180	2 289	2 449
<b>Service charges - refuse revenue</b>											
Total refuse removal revenue	6										
Total landfill revenue											
less Revenue Foregone											
<b>Net Service charges - refuse revenue</b>											
<b>Other Revenue by source</b>											
Rental of Municipal Facilities											
Vat recovery									27 000	28 350	30 335
Tender fees									1 000	1 050	1 124
Donation									200	210	225
Profit on Sales									500	525	562
Commission Received									5	5	6
Interest on Investment											
Interest on Current Account									100	105	112
Investment Roll-over									8 068	8 471	9 064
Igseta									500	525	562
Ostersund									100	105	112
<b>Total 'Other' Revenue</b>	3				289 305	312 034	312 034		37 473	39 346	42 100
	1				289 305	312 034	312 034		37 473	39 346	42 100
<b>EXPENDITURE ITEMS:</b>											
<b>Employee related costs</b>											
Basic Salaries and Wages	2	55 889	41 180	44 077	127 741	58 289	58 289		79 322	96 658	102 093
Pension and UIF Contributions		3 642	1 644	6 269		8 463	8 463		11 295	11 860	12 690
Medical Aid Contributions						4 557	4 557		10 032	10 534	11 271
Overtime		2	33	781		3 770	3 770		5 799	6 089	6 515
Performance Bonus			660	2 346		1 100	1 100		17 387	18 256	19 534
Motor Vehicle Allowance			1 724	9 804		993	993		58	60	65
Cellphone Allowance											
Housing Allowances		109	176	2 112					7 764	8 152	8 723
Other benefits and allowances				9	2 542				622	653	699
Payments in lieu of leave											
Long service awards			16	365							
Post-retirement benefit obligations											
<b>sub-total</b>	4	59 642	45 443	68 296	127 741	77 172	77 172		132 279	152 262	161 590
Less: Employees costs capitalised to PPE	5										
<b>Total Employee related costs</b>	1	59 642	45 443	68 296	127 741	77 172	77 172		132 279	152 262	161 590
<b>Contributions recognised - capital</b>											
Loan from DBSA									(7 993)		
Equitable share									(83 572)	(84 852)	(76 940)
Mg											
<b>Total Contributions recognised - capital</b>									(91 566)	(84 852)	(76 940)
<b>Depreciation &amp; asset impairment</b>											
Depreciation of Property, Plant & Equipment			26 855	27 207					10 000	10 500	11 235
Lease amortisation											
Capital asset impairment											
Depreciation resulting from revaluation of PPE	10										
<b>Total Depreciation &amp; asset impairment</b>	1		26 855	27 207					10 000	10 500	11 235
<b>Bulk purchases</b>											
Electricity Bulk Purchases											
Water Bulk Purchases		1 712	3 935	8 332	3 500	3 500	3 500		5 000	5 250	5 618
<b>Total bulk purchases</b>	1	1 712	3 935	8 332	3 500	3 500	3 500		5 000	5 250	5 618
<b>Transfers and grants</b>											
Cash transfers and grants		150	8 079	9 630	12 000	17 520	9 927	9 927	21 957	21 000	22 470
Non-cash transfers and grants											
<b>Total transfers and grants</b>	1	150	8 079	9 630	12 000	17 520	9 927	9 927	21 957	21 000	22 470
<b>Contracted services</b>											
List services provided by contract											
<b>sub-total</b>	1										
<b>Allocations to organs of state:</b>											
Electricity											
Water											
<b>Total contracted services</b>											
<b>Other Expenditure By Type</b>											
Collection costs									4 223	4 434	4 744
Contributions to 'other' provisions											
Consultant fees					500	1 200	1 200				
Audit fees					2 200	3 600	3 600		4 500	4 725	5 056
General expenses									127 958	123 251	133 190
Repairs and maintenance	3	34 399	45 405	58 929	184 327	393 706	393 706		28 709	30 144	32 254
Profit / loss on sale									200	210	225
Grants and Subsidies Paid									20 150	21 158	22 639



**Table 43 MBRR Table SA2 – Matrix financial performance budget (revenue source/expenditure type and department)**

DC44 Alfred Nzo - Supporting Table SA2 Consolidated Matrix Financial Performance Budget (revenue source/expenditure type & dept.)

Description	Ref	Vote 1 - Executive Council and Mayoral	Vote 2 - Municipal Manager	Vote 3 - Planning and Economic Development	Vote 4 - Budget and Treasury	Vote 5 - Infrastructur e Development	Vote 6 - Community Development Services	Vote 7 - Corporate Services	Vote 8 -	Vote 9 -	Vote 10 -	Vote 11 -	Vote 12 -	Vote 13 -	Vote 14 -	Vote 15 -	Total
<b>R thousand</b>																	
<b>Revenue By Source</b>																	
Property rates																	-
Property rates - penalties & collection charges																	-
Service charges - electricity revenue																	-
Service charges - water revenue					30 310												30 310
Service charges - sanitation revenue					2 180												2 180
Service charges - refuse revenue																	-
Service charges - other																	-
Rental of facilities and equipment					570												570
Interest earned - external investments					10 000												10 000
Interest earned - outstanding debtors					200												200
Dividends received																	-
Fines																	-
Licences and permits																	-
Agency services																	-
Other revenue					37 473												37 473
Transfers recognised - operational					280 729												280 729
Gains on disposal of PPE																	-
<b>Total Revenue (excluding capital transfers and contributions)</b>		-	-	-	361 462	-	-	-	-	-	-	-	-	-	-	-	361 462
<b>Expenditure By Type</b>																	
Employee related costs			11 598	9 249	16 550	48 596	35 635	10 650									132 279
Remuneration of councillors		6 036	-	-	-	-	-	-									6 036
Debt impairment																	-
Depreciation & asset impairment						10 000											10 000
Finance charges					250			-									250
Bulk purchases						5 000											5 000
Other materials					-												-
Contracted services																	-
Transfers and grants																	-
Other expenditure						207 697											207 697
Loss on disposal of PPE						200											200
<b>Total Expenditure</b>		6 036	11 598	9 249	16 800	271 493	35 635	10 650	-	-	-	-	-	-	-	-	361 462
<b>Surplus/(Deficit)</b>		(6 036)	(11 598)	(9 249)	344 662	(271 493)	(35 635)	(10 650)	-	-	-	-	-	-	-	-	0
Transfers recognised - capital						(557 307)											(557 307)
Contributions recognised - capital																	-
Contributed assets						557 307											557 307
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		(6 036)	(11 598)	(9 249)	344 662	(271 493)	(35 635)	(10 650)	-	-	-	-	-	-	-	-	0



**Table 44 MBRR Table SA3 – Supporting detail to Statement of Financial Position**

DC44 Alfred Nzo - Supporting Table SA3 Supporting detail to '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>R thousand</b>											
<b>ASSETS</b>											
<b>Call investment deposits</b>											
Call deposits < 90 days											
Other current investments > 90 days		72 538	27 375								
<b>Total Call investment deposits</b>	2	72 538	27 375	-	-	-	-	-	-	-	-
<b>Consumer debtors</b>											
Consumer debtors		2 743	9 293	23 358	16 500	16 500	16 500		18 150	19 965	21 962
Less: Provision for debt impairment											
<b>Total Consumer debtors</b>	2	2 743	9 293	23 358	16 500	16 500	16 500	-	18 150	19 965	21 962
<b>Debt impairment provision</b>											
Balance at the beginning of the year											
Contributions to the provision											
Bad debts written off											
<b>Balance at end of year</b>		-	-	-	-	-	-	-	-	-	-
<b>Property, plant and equipment (PPE)</b>											
PPE at cost/valuation (excl. finance leases)				1 127 270	138 795	138 795	138 795		152 675	167 942	184 736
Leases recognised as PPE											
Less: Accumulated depreciation					222	222	222		244	269	295
<b>Total Property, plant and equipment (PPE)</b>	2	-	-	1 127 270	138 573	138 573	138 573	-	152 430	167 673	184 441
<b>LIABILITIES</b>											
<b>Current liabilities - Borrowing</b>											
Short term loans (other than bank overdraft)											
Current portion of long-term liabilities					2 000	2 000	2 000		2 200	2 420	2 662
<b>Total Current liabilities - Borrowing</b>		-	-	-	2 000	2 000	2 000	-	2 200	2 420	2 662
<b>Trade and other payables</b>											
Trade and other creditors		89 214	33 725	38 444	266 993	266 993	266 993		293 692	323 062	355 368
Unspent conditional transfers		28 518	16 876	17 217	20 400	20 400	20 400		22 440	24 684	27 152
VAT											
<b>Total Trade and other payables</b>	2	117 732	50 601	55 660	287 393	287 393	287 393	-	316 132	347 746	382 520
<b>Non current liabilities - Borrowing</b>											
Borrowing											
Finance leases (including PPP asset element)											
<b>Total Non current liabilities - Borrowing</b>	4	-	-	-	-	-	-	-	-	-	-
<b>Provisions - non-current</b>											
Retirement benefits					6 718	6 718	6 718		7 390	8 129	8 942
List other major provision items											
unspent conditional grant											
Other		26 053	25 148	25 111							
<b>Total Provisions - non-current</b>		26 053	25 148	25 111	6 718	6 718	6 718	-	7 390	8 129	8 942
<b>CHANGES IN NET ASSETS</b>											
<b>Accumulated Surplus/(Deficit)</b>											
Accumulated Surplus/(Deficit) - opening balance		(10 532)	4 846	1 140 626	1 254 689				1 380 157	1 518 173	1 669 991
GRAP adjustments											
Restated balance		(10 532)	4 846	1 140 626	1 254 689	-	-	-	1 380 157	1 518 173	1 669 991
Surplus/(Deficit)		(10 266)	(19 330)	(26 605)	(12 000)	(204 546)	(207 662)	564 256	0	0	0
Appropriations to Reserves											
Transfers from Reserves											
Depreciation offsets											
Other adjustments											
<b>Accumulated Surplus/(Deficit)</b>	1	(20 798)	(14 484)	1 114 021	1 242 689	(204 546)	(207 662)	564 256	1 380 158	1 518 174	1 669 991
<b>Reserves</b>											
Housing Development Fund											
Capital replacement											
Self-insurance											
Other reserves											
Revaluation											
<b>Total Reserves</b>	2	-	-	-	-	-	-	-	-	-	-
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	2	(20 798)	(14 484)	1 114 021	1 242 689	(204 546)	(207 662)	564 256	1 380 158	1 518 174	1 669 991
Total capital expenditure includes expenditure on nationally significant priorities:											
Provision of basic services											

**Table 45 MBRR Table SA9 – Social, economic and demographic statistics and assumptions**

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**1.17 Municipal manager’s quality certificate**

I ....., municipal manager of Alfred Nzo District 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 \_\_\_\_\_

Acting Municipal Manager of Alfred Nzo District Municipality

Signature \_\_\_\_\_

Date \_\_\_\_\_

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