

# SENQU MUNICIPALITY

## MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK 2013/2014 TO 2015/2016

ANNUAL BUDGET OF

# **SENQU MUNICIPALITY**

2013/14 TO 2015/16  
MEDIUM TERM REVENUE AND  
EXPENDITURE FORECASTS

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## 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 Programme
CBD	Central Business District	MIG	Municipal Infrastructure Grant
CFO	Chief Financial Officer	MMC	Member of Mayoral Committee
MM	Municipal Manager	MPRA	Municipal Properties Rates Act
CPI	Consumer Price Index	MSA	Municipal Systems Act
CRRF	Capital Replacement Reserve Fund	MTEF	Medium-term Expenditure Framework
DBSA	Development Bank of South Africa	MTREF	Medium-term Revenue and Expenditure Framework
DoRA	Division of Revenue Act	NERSA	National Electricity Regulator South Africa
DWA	Department of Water Affairs	NGO	Non-Governmental organisations
EE	Employment Equity	NKPIs	National Key Performance Indicators
EEDSM	Energy Efficiency Demand Side Management	OHS	Occupational Health and Safety
EM	Executive Mayor	OP	Operational Plan
FBS	Free basic services	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
IDP	Integrated Development Strategy	RG	Restructuring Grant
IT	Information Technology	RSC	Regional Services Council
kℓ	kilolitre	SALGA	South African Local Government Association
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 Report

It gives me great pleasure to submit the 2013/2014 Medium Term Revenue and Expenditure Framework (The MTREF or Budget) to the Council for consideration.

In the past five years, the world economy has gone through its deepest recession in over 70 years. Signals are that a recovery is on its way with the market on the JSE reaching new record levels. It is an indication that South Africa's economy has continued to grow. GDP growth reached 2.5 percent in 2012 and is expected to grow at 2.7 percent in 2013 rising to 3.8 percent in 2015. Inflation has remained moderate, with consumer prices rising by 5,7 percent in 2012 and projected to increase by an average of 5.5 percent a year over the period ahead. Currently public sector investment is the main driver and government intends invest further in large scale infrastructure as well as reducing the cost of doing business.

Senqu Municipality was in no way immune to the harsh economic realities associated with the recession. Among the impacts is the high unemployment rate, which directly affects payment levels to the municipality as well as increased financial assistance in the form of subsidised services. For the budget year we are providing for free services to the indigent an amount of R13,4 million and over the MTREF an amount of R42,8 million. Although this amount seems less than the prior year, it must be mentioned that it now excludes the revenue foregone in the respect of water and sanitation services.

With regards to the water and sanitation services which I just mentioned, I can now report that apart from the agency fee for delivering financial services support to Joe Gqabi District Municipality no other financial transactions are reflected in the budget as the full function of delivering services was transferred to Joe Gqabi District Municipality on 1 July 2012. I must also mention, however, that we are concerned about the ability of the District Municipality to pay for the financial services service we render on its behalf.

Management within local government has a significant role to play in strengthening the link between the citizen and government's overall priorities and spending plans. The new National Development Plan (NDP) sets out an integrated strategy for accelerating growth, eliminating poverty and reducing inequality by 2030. Local Government is required to incorporate the objectives of the NDP and the National Growth Path in its budgets. I am certain that our future budgets will focus more on these new strategic objectives of National Government.

The goal should be to enhance service delivery aimed at improving the quality of life for all people within the Senqu Municipality. Budgeting is primarily about the choices that the municipality has to make between competing priorities and fiscal realities. The challenge is to do more with the available resources. We need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms.

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that sustainable municipal services are provided economically and equitably to all communities. During January 2013 the Council and Management did an extensive review of its past performance in order to put strategies in place for the future. During this process critical issues were identified to be addressed in this- and future budgets and I will discuss them later in this report.

When compiling a MTREF one needs to consider all factors which might influence the forecasts and plan accordingly. Our approach this year was to budget conservatively on especially collection rates for rates and services, thereby ensuring what is contained in expenditure will be achieved through revenue. We never, and still, believed in expenditure wish lists and unrealistic revenue budgets which is in any case not allowed but being practised, and it is exactly for that reason that I believe we are in a financially sound position and our aim is to keep it as such.

It is important that a municipality have sufficient financial resources so that the funding of a new budget is credible. Our focus must be on spending the entire budget in a financial year. Projects must be finished within a financial year and creditors paid within 30 days. In addition we should focus on the quality of our revenue – spending and manage debt.

Although we are in a financially sound position, we always consider the need for quality- and extended service delivery as well as affordability of the services to our communities, and we benchmark our tariffs to ensure it is on par with that of our peers. In general, we propose tariff increases of 6 percent in line with National Treasury's directives and we are still awaiting direction on the allowed increases for electricity due to ESCOM's tariff increases and which is beyond the municipality's control.

It is the job of the municipality to see what is going on at ground level. There is poverty, under development and disgruntled communities. It is our duty to look at all services, regardless of whose core function it is as people come to the municipality looking for answers and especially politicians. It is important to look at co-operative governance and co-ordinate all activities around service delivery; guided by the community needs gathered during the outreach.

A lot of work has been done in the rural areas in terms of service delivery, especially regarding electricity provision. Senqu is doing well in comparison with other municipalities. However, our annual report does not show this and we must improve our reporting to our communities.

In spite of what has been done, there are poverty stricken areas which have resulted in a high crime rate which can directly be linked to the high unemployment rate, and a key challenge is to assist in job creation, which is also a national government priority.

In local government we have crafted LED days involving government departments and stakeholders so that at the end of the day as the municipality we should be able to link our programs to those of other spheres of government for a better service delivery. I also want us as a municipality to look at our weak and strong points and commit ourselves at delivering better services so that even when we fall short on funds we make it a point that we go an extra mile to source out funds. I acknowledge the fact that as a municipality we have to look at our financial viability, but we also have to work hard collectively to ensure the delivery of services without compromise.

The importance of communication cannot be over emphasized. We are sitting with the Sterkspruit uprising which could have been averted if communication channels were better. Public participation in our municipality should be effective, we should go to communities for follow ups, have slots on the radio stations to improve the communication to the public. As an example if a community member has won an award of any kind, especially those that have a provincial and national recognition, then it should be printed on our newsletter.

In an attempt to improve communication within our wards, Council resolved that all new community halls should provide office space for the ward councilor where such councilor can meet with the people of that ward. It will take time to implement due to financial constraints but at least we are starting the process.

We must all work together to achieve a clean audit in the coming year. An areas still of concern is the Performance Management System and the effect of the uprising in Sterkspruit, especially the effect on electricity losses which was reduced significantly from prior years, but due to the uprising is climbing again. The support of both politicians and staff are needed to insure that unauthorised, irregular and wasteful expenditure is eliminated so that our deeds match our words for a clean audit.

I am not convinced that our performance measurement is as effective, or informative, as it should be. During the past year roads were priority number one and we also planned to buy more machinery and are going to sign a SLA with Public Works. I am not sure if this were done, something which the performance system should have pointed out. We also talked about a LED day and we committed ourselves to an outreach and we promised that we are going to do door to door visits to all the poverty stricken areas – I am wondering how many directors have done that? We had 16 million budgeted for free services – are we sure that the poorest of the poor have benefited? We must ensure that we measure whether our strategies were implemented and the results thereof.

Staff must be held accountable as there is a correlation between staff discipline and poor service delivery and staff discipline. All Directors are challenged to turn the issue around. Discipline should not be regarded as a punitive measure but rather a corrective measure that enables the organisation to become more productive.

Proper service delivery requires a skilled labour force and we must ensure that we train and retain skills. We should furthermore develop a retention strategy for scares skills. We should also assist our staff within our legal means, especially in the area of HIV and AIDS.

The importance of the oversight role of Council can't be over emphasised. The Oversight Committee is there to deal with the issue of over and under spending. They must be harsh with the administration if they don't spend. Community, public participation and customer care must also be prioritised.

Some of the key issues identified during our IDP consultation processes and following our strategic planning are listed below:

1. Roads, as no services can be accessed without roads. Climate change is leading to roads and bridges becoming rapidly eroded. When it rains children can't access schools. Priority areas are places with no approach roads. On the capital budget we provided for an amount of R25,7 million for road - and bridge projects for the budget year and R75,8 million over the MTREF period. Included in the above is significant spending on new equipment and vehicles with the specific aim of improving our road networks. An amount of R16,2 million is being budgeted for this purpose over the MTREF, of which R3,7 million will be spend in the budget year. In total we will spend an amount of R24,2 million on new vehicles and equipment over the MTREF.
2. Communication should be improved, and the use of community halls for office accommodation needs to be considered. An amount of R5 million is on the capital budget for new- and renovations of community halls.
3. Cemeteries need to be created, upgraded and fenced and for this purpose an amount of R4,8 million is provided in the MTREF, of which R2,3 million will be spent in the budget year.
4. A lack of recreational facilities are mentioned in every ward and the youth don't feel that we are doing enough for them. We have budgeted for an amount of R500 000 for the Special Programmes Unit which will focus on the youth, disability, women, sport en HIV/AIDS. An amount of R22 million is also budgeted on the capital budget for sports facilities over the MTREF period.
5. LED projects need to be identified and an amount of R500 000 was budgeted for this purpose.

As mentioned above, this budget is very much based on submissions by our communities during the IDP process, Our capital budget totals R56,5 million for the budget year and R157,2 million for the MTREF. What is specifically pleasing is that 36 percent, or R56,3 million, of the capital budget over the MTREF, and 46 percent for the budget year, is funded from our own cash-backed Capital Replacement Reserve (or CRR), and despite this the CRR remains in a healthy cash-backed position. The other capital is mostly funded from National grants through the Municipal Infrastructure Grant (or MIG as it is generally known).

Finally, I would like to thank the Community, the Councillors and all officials for their input into this budget. I believe it is really a community driven budget and although much more is needed we can only do what our finances allow us to do. I hope this budget will make a significant difference in our people's lives.

Thank you.



## 1.2 Draft Council Resolutions

**(The following resolutions must be taken at the final budget approval. It is listed here as required by the Regulations)**

It is recommended that the Council approves and adopts the following resolutions for the annual budget:

1. The Council of Senqu 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 2013/14 and the multi-year and single-year capital appropriations as set out in the following tables:
    - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification);
    - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote);
    - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type); and
    - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source.
  - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables attached in the budget documentation:
    - 1.2.1. Budgeted Financial Position;
    - 1.2.2. Budgeted Cash Flows;
    - 1.2.3. Cash backed reserves and accumulated surplus reconciliation;
    - 1.2.4. Asset management; and
    - 1.2.5. Basic service delivery measurement.
    - 1.2.6. The measurable performance objectives for each revenue source and each vote (MFMA s17(3)(b))
2. The Council of Senqu Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts the following tariffs as attached in the budget documentation, with effect from 1 July 2013:
  - 2.1. the tariffs for property rates,
  - 2.2. the tariffs for electricity;
  - 2.3. the tariffs for solid waste services.
3. The Council of Senqu Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2013 the tariffs for other services, as set out in the attached budget documentation.
4. To give proper effect to the municipality's annual budget, the Council of Senqu Municipality approves:
  - 4.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.

### 1.3 Executive Summary

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

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. In addition, the municipality during January 2013 proactively embarked on a strategic long-term financial sustainability exercise in order to ensure that this budget, as well as future budgets, are compiled to ensure that services to the community remains at high levels without overburdening the consumers of municipal services with excessive tariffs.

The main items identified by the strategic planning exercise can be summarised as follows:

- The situation in Sterkspruit,
- Improved service delivery;
- Underdeveloped areas;
- Impoverished communities;
- Co-operative governance;
- Local economic development;
- Land availability for establishing tip-sites;
- Obtaining a "clean audit";
- Performance management;
- Communication with communities and improved public participation;
- High crime rate;
- Service delivery backlogs;
- Improved maintenance programs;
- Adequacy of municipal reserves and financial sustainability;
- Curtail electricity losses; and
- Tourism initiatives.

For each of these risk areas the municipality is compiling business plans in order to prioritise expenditure according to the risk ratings. These business plans will all be implemented over the MTREF period according to available funding, however, in the 2013/2014 financial year limited provision was made for the implementation of the business plans.

National Treasury's MFMA Circular No. 66 was mainly used to guide the compilation of the 2013/14 MTREF. The Medium Term Budget Policy Statement 2012 notes that the South African economy is projected to grow by 2.5 per cent in 2012. By 2014 GDP growth is expected to reach 3.8 per cent, supported by expanding public sector investment in infrastructure, the activation of new electricity-generating capacity, improving public sector confidence, relatively low inflation and interest rates and strong growth in the Southern African region.

The labour market has deteriorated. The official unemployment rate rose to 25.5 per cent of the labour force in the third quarter of 2012 from 24.9 per cent in the second quarter according to the latest Quarterly Labour Force Survey. The total number of unemployed people stood at 4.67 million in the three months up to September, from 4.47 million in the second quarter. By the expanded definition of unemployment (including those who have stopped looking for work) unemployment increased to 36.3 per cent, from 36.2 per cent.

Consequently, municipal revenues and cash flows are expected to remain under pressure in

2013/2014. Municipalities must adopt a conservative approach when projecting their expected revenues and cash receipts. Municipalities will have to carefully consider affordability of tariff increases especially as it relates to domestic consumers while considering the level of services versus the associated cost. Municipalities should also pay particular attention to managing revenue effectively and carefully evaluate all spending decisions. In generating capacity for spending on key municipal infrastructure municipalities will have to identify inefficiencies and eliminate non-priority spending.

In addressing the key considerations contained in National Treasury's MFMA Circular No. 66 the following are highlighted in the budget.

- The municipality increase capital expenditure but maintain accumulated reserves and ensure long term sustainability of the municipality.
- Capital project were spread out over the MTREF period to avoid large fluctuations in spending and ensure that priority is given to projects with high importance.
- Tariff increases were kept as low as possible to ensure affordability thereof, whilst keeping in mind the cost of delivering services of a high quality.
- The municipality recognizes the importance of cash reserves and therefor strives to maintain a cost coverage ratio of at least 4 at all times.

In view of the aforementioned, the following table is a consolidated overview of the proposed 2013/14 Medium-term Revenue and Expenditure Framework:

The municipality is in a healthy financial position, however, it needs to at least stabilise and further strife to continuously better its financial position, coupled with acceptable levels of service delivery at affordable tariffs. The retention of sufficient cash-backed reserves is critical for the long-term sustainability of the municipality, and to this end the municipality is achieving this objective while also maintaining a balance on the Capital Replacement Reserve to a level where future external funding, excluding grants, be minimised.

The following budget principles and guidelines directly informed the compilation of the 2013/14 MTREF:

- The 2012/13 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2013/14 annual budget;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- The budget must be spent in full, and all grants should be utilised in full.;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2013/14 Medium-term Revenue and Expenditure Framework:

**Table 1 Consolidated Overview of the 2013/14 MTREF**

R thousand	Adjustments Budget	Budget Year	Budget Year +1	Budget Year +2
	2012/13	2013/14	2015/15	2015/16
Total Operating Revenue	191 300	175 115	191 028	222 008
Total Operating Expenditure	164 942	157 465	163 070	170 417
<i>Surplus/(Deficit) for the year</i>	26 358	17 650	27 957	51 591
Total Capital Expenditure	46 873	56 480	46 725	54 019

Total operating revenue has declined by 8,5 per cent for the 2013/14 financial year when compared to the 2012/13 Adjustments Budget. For the two outer years, operational revenue will increase by 9,1 and 16,2 per cent respectively, equating to a total revenue increase of R5,5 million over the MTREF when compared to the 2012/13 financial year. The main reason for the significant annual movement in revenue, as indicated above, is the changes in operating and capital grants from National- and Provincial Departments.

Total operating expenditure for the 2013/14 financial year has been appropriated at R157,5 million and translates into a budgeted loss of R12,7 million before capital transfers. When compared to the 2012/13 Adjustments Budget, operational expenditure has declined by 4,5 per cent in the 2013/14 budget and increases by 3,6 and 4,5 per cent for each of the respective outer years of the MTREF. The operating loss, before capital grant transfers, for the two outer years decreases to R6,1 million for the 2014/2015 financial year and then increases to a surplus of R15 million. Again, the main reason for the significant annual movement in expenditure, as indicated above, is the changes in operating and capital grants from National- and Provincial Departments.

The capital budget of R56,5 million for 2013/14 is 20,5 per cent more when compared to the 2012/13 Adjustment Budget. The capital programme further decreases to R46,7 million in the 2014/15 financial year and then increase in 2015/16 to R54 million. Again, the main reason for the significant annual movement in expenditure, as indicated above, is the changes in operating and capital grants from National- and Provincial Departments. A substantial portion of the capital budget will be funded from own revenue (R56,3 million or 36%) over the MTREF with no anticipated borrowings and Grants to the value of R101 million (64%) making up the other funding sources.

As indicated above no borrowing for capital projects is planned. The municipality is still well within the limits of its borrowing capacity but will raise very limited loans in the near future in order to curtail possible rising debt servicing costs.

## 1.4 Operating Revenue Framework

For Senqu 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:

- A financially sustainable municipality;
- National Treasury's guidelines and macroeconomic policy;
- Limited growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 86,3 per cent annual collection rate for property rates and other key service charges. This percentage is low compared to past history, but is being calculated conservatively due to the signs of financial stress currently being experienced;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

In order to ensure all revenues are raised and recovered and further that all ratepayers are being treated equitably, the municipality identified certain areas of concern and is busy implementing measures to address these problem areas. These areas include the following:

Strategy
Maintain and improve on debt collection
Secure new sources of income
Counter the potential loss in electricity income as well as line-losses
Ensure an accurate and well maintained income database
Secure more external funding and government grants for soft services including long term funding for operating expenses
Monitor the financial health of the Municipality and cash-back all reserves

The following table is a summary of the 2013/14 MTREF (classified by main revenue source):  
(Excluding Capital Transfers)

Description	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Audited	Audited	Audited	Original	Adjusted	Budget Year	Budget Year	Budget Year
	Outcome	Outcome	Outcome	Budget	Budget	2013/14	+1 2014/15	+2 2015/16
<b>R thousand</b>								
<b>Revenue By Source</b>								
Property rates	3 938	4 197	4 001	4 425	4 376	4 612	4 888	5 182
Service charges - electricity revenue	7 888	12 156	18 003	19 157	19 456	19 499	20 669	21 909
Service charges - water revenue	1 758	-	-	2 436	-	-	-	-
Service charges - sanitation revenue	765	-	-	1 093	-	-	-	-
Service charges - refuse revenue	1 626	1 749	1 948	2 171	2 171	2 223	2 356	2 497
Service charges - other	6 761	-	-	10 319	-	-	-	-
Rental of facilities and equipment	541	375	558	283	262	278	295	312
Interest earned - external investments	5 087	4 915	6 790	6 000	7 300	7 000	7 420	7 865
Interest earned - outstanding debtors	919	885	882	903	774	843	894	948
Fines	54	69	50	25	60	60	64	67
Licences and permits	880	814	1 348	840	1 140	1 140	1 208	1 281
Agency services	803	600	912	561	1 731	1 802	1 910	2 025
Transfers recognised - operational	60 489	103 353	106 224	99 545	125 557	106 932	116 861	143 006
Other revenue	361	1 132	2 219	408	1 848	371	393	417
Gains on disposal of PPE	409	-	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>92 278</b>	<b>130 246</b>	<b>142 935</b>	<b>148 167</b>	<b>164 676</b>	<b>144 760</b>	<b>156 958</b>	<b>185 509</b>

The percentage revenue from own sources decreases during the budget year, mainly as a result of reduced grants. In the two outer years of the MTREF the increases in revenue is fairly consistent at 6%, except electricity which is lower due to increased subsidies to the indigent. Total revenue foregone through indigent subsidies and rebates is estimated at R13,4 million. The growth in revenue contributions are indicated below (Excluding Capital Transfers). 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.

**Table 3 Percentage contribution and growth in revenue by main revenue source**

Description	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework					
	Adjusted	%	Budget Year	%	Budget Year	%	Budget Year	%
	Budget		2013/14		+1 2014/15		+2 2015/16	
<b>Revenue By Source</b>								
Property rates	4 376	2.7%	4 612	3.2%	4 888	3.1%	5 182	2.8%
Service charges - electricity revenue	19 456	118%	19 499	13.5%	20 669	13.2%	21 909	118%
Service charges - water revenue	–	0.0%	–	0.0%	–	0.0%	–	0.0%
Service charges - sanitation revenue	–	0.0%	–	0.0%	–	0.0%	–	0.0%
Service charges - refuse revenue	2 171	13%	2 223	15%	2 356	15%	2 497	13%
Service charges - other	–	0.0%	–	0.0%	–	0.0%	–	0.0%
Rental of facilities and equipment	262	0.2%	278	0.2%	295	0.2%	312	0.2%
Interest earned - external investments	7 300	4.4%	7 000	4.8%	7 420	4.7%	7 865	4.2%
Interest earned - outstanding debtors	774	0.5%	843	0.6%	894	0.6%	948	0.5%
Fines	60	0.0%	60	0.0%	64	0.0%	67	0.0%
Licences and permits	1 140	0.7%	1 140	0.8%	1 208	0.8%	1 281	0.7%
Agency services	1 731	1%	1 802	1.2%	1 910	1.2%	2 025	1%
Transfers recognised - operational	125 557	76.2%	106 932	73.9%	116 861	74.5%	143 006	77.1%
Other revenue	1 848	1%	371	0.3%	393	0.3%	417	0.2%
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>164 676</b>	<b>100%</b>	<b>144 760</b>	<b>100%</b>	<b>156 958</b>	<b>100%</b>	<b>185 509</b>	<b>100%</b>
<b>Total Revenue from Rates and Service Charges</b>	<b>26 003</b>	<b>15.8%</b>	<b>26 333</b>	<b>18.2%</b>	<b>27 913</b>	<b>17.8%</b>	<b>29 588</b>	<b>15.9%</b>

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality, but measured against other municipalities e.g. the Western Cape, the percentage is relatively low and is a clear indication of the level of unemployment in the municipal area.. Rates and service charge revenues are constant at about 18 percent of the total revenue mix over the MTREF period. In the 2012/13 financial year, revenue from rates and services charges totalled R26 million or only 15,8 per cent. This low percentage was as a result of the high level of grants received for housing and the Musong road.

This increases to an estimated R 26,3 million (18,2%), R27,9 million (17,8%) and R29,6 million (15,9%) in the respective financial years of the MTREF. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality. Revenue foregone, (mainly to the indigent) is estimated to equal about 33,8 per cent of billable revenue, placing a strain on revenue sources. Details in this regard are contained below.

EC142 Senqu - Supporting Table SA1 Supporting detail to 'Budgeted Financial Performance'									
Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand									
<b>REVENUE ITEMS:</b>									
<u>Property rates</u>									
Total Property Rates	6	3 938	4 197	4 123	5 689	5 689	6 030	6 392	6 775
<i>less Revenue Foregone</i>				122	1 264	1 313	1 418	1 503	1 593
<b>Net Property Rates</b>		<b>3 938</b>	<b>4 197</b>	<b>4 001</b>	<b>4 425</b>	<b>4 376</b>	<b>4 612</b>	<b>4 888</b>	<b>5 182</b>
<u>Service charges - electricity revenue</u>									
Total Service charges - electricity revenue	6	11 009	15 271	21 421	25 412	25 712	27 254	28 890	30 623
<i>less Revenue Foregone</i>		3 121	3 114	3 418	6 255	6 255	7 755	8 221	8 714
<b>Net Service charges - electricity revenue</b>		<b>7 888</b>	<b>12 156</b>	<b>18 003</b>	<b>19 157</b>	<b>19 456</b>	<b>19 499</b>	<b>20 669</b>	<b>21 909</b>
<u>Service charges - water revenue</u>									
Total Service charges - water revenue	6	2 851			4 252				
<i>less Revenue Foregone</i>		1 093			1 816				
<b>Net Service charges - water revenue</b>		<b>1 758</b>	<b>-</b>	<b>-</b>	<b>2 436</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<u>Service charges - sanitation revenue</u>									
Total Service charges - sanitation revenue		2 489			4 231				
<i>less Revenue Foregone</i>		1 724			3 138				
<b>Net Service charges - sanitation revenue</b>		<b>765</b>	<b>-</b>	<b>-</b>	<b>1 093</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<u>Service charges - refuse revenue</u>									
Total refuse removal revenue	6	4 025	4 501	5 673	6 121	6 121	6 489	6 878	7 291
Total landfill revenue		-	-	-	-	-	-	-	-
<i>less Revenue Foregone</i>		2 399	2 752	3 725	3 950	3 950	4 266	4 522	4 793
<b>Net Service charges - refuse revenue</b>		<b>1 626</b>	<b>1 749</b>	<b>1 948</b>	<b>2 171</b>	<b>2 171</b>	<b>2 223</b>	<b>2 356</b>	<b>2 497</b>

The Water and Sanitation functions were transferred to the Joe Gqabi District Municipality on 1 July 2012.

Tariffs for indigent households are set out below:

1	Rates free of charge to the value based on market value of his property to the maximum of R60 000
2	50 kWh free electricity per month
3	Free refuse x 4 removals per month

Interest on investments, despite the relative low interest rates, is the 2<sup>nd</sup> largest revenue source, (excluding grants) which is a clear indication of the municipality's cash flow management. Property rates is the 3<sup>rd</sup> largest revenue source totalling 3 per cent or R4,9 million rand and increases to R5,2 million (2,8 per cent) by 2015/16. A new Valuation Roll, on which the Property Rates will be based for the next four years, becomes effective on 1 July 2013.

Operating grants and transfers totals R125,6 million in the 2012/13 financial year and increases to R143 million by 2015/16. Operating grants usually fluctuates upwards or downwards from year-to-year, as the revenue recognition for such grants depends only on compliance with any conditions attached to such grants and it is also dependant on the funding available from the other spheres of Government. The unconditional Equitable Share Grant, however, is a grant growing annually according to a formula determined nationally and such formula is applicable to all local authorities on an equal basis. The National Treasury revised the formula during the current financial year and also updated the data with that of the census of 2011. Note that the year-on-year growth for the 2013/14 financial year is 9,2 per cent and then quickens significantly to 12,6 and 24,5 per cent in the two outer years. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:



Description	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>RECEIPTS:</b>								
<b>Operating Transfers and Grants</b>								
<b>National Government:</b>	55 859	67 870	85 960	97 581	105 886	105 618	115 467	141 529
Equitable share	54 621	64 714	76 964	85 187	85 187	93 052	104 728	130 337
Finance Management	1 000	1 200	1 396	1 500	1 500	1 550	1 600	1 650
Nat Gov: Neighbourhood Dev Partners	-	-	1 804	2 300	10 605	1 287	-	-
Nat Gov: Councillor Remuneration	-	-	2 226	4 536	4 536	5 081	6 412	6 654
Municipal Systems Improvement	237	714	790	800	800	890	934	967
Municipal Infrastructure (MIG)	-	960	1 155	1 401	1 401	1 598	1 793	1 921
Nat Gov: EPWP Incentive Grant	-	282	1 625	1 857	1 857	2 160	-	-
<b>Provincial Government:</b>	14 170	31 187	12 889	1 964	2 353	1 315	1 393	1 477
Prov Gov: Housing	-	-	496	-	-	-	-	-
Prov Gov: Housing - Hillside 1 000	13 203	9 607	4 974	-	131	-	-	-
Prov Gov: Housing - Herschel 700	366	-	318	-	-	-	-	-
Prov Gov: Housing - Lady Grey 1 000	577	-	-	-	-	-	-	-
Prov Gov: Revitalization of the second economy intervention	-	-	97	-	-	-	-	-
Peach & Vegetable Processing	-	-	1	-	-	-	-	-
Clean Audit	-	-	241	-	-	-	-	-
Co-op's Development	-	-	(3)	-	-	-	-	-
Holo Hlahatsi Agricultural Project	-	-	(1)	-	-	-	-	-
Implementation Ownership	-	135	(45)	-	-	-	-	-
DEAT Brickmaking	24	-	-	-	-	-	-	-
Rossouw Agricultural Project	-	-	(43)	-	-	-	-	-
Libraries	-	-	-	742	800	1 315	1 393	1 477
Internet Communication system	-	294	(84)	-	-	-	-	-
Greenest Municipality	-	200	300	-	200	-	-	-
Prov Gov: Musong Road	-	20 201	6 754	1 222	1 222	-	-	-
Local Elections	-	750	-	-	-	-	-	-
Plastic Products	-	-	(116)	-	-	-	-	-
<b>District Municipality:</b>	1 997	923	1 205	-	-	-	-	-
<i>District: IDP</i>	-	50	-	-	-	-	-	-
<i>District: Libraries</i>	-	660	1 118	-	-	-	-	-
<i>District: Tourism</i>	200	20	-	-	-	-	-	-
<i>District: Community Based Planning</i>	226	-	-	-	-	-	-	-
<i>District: Community Participation</i>	204	-	-	-	-	-	-	-
<i>Joe Gqab DM - Plastic Products</i>	1 367	-	-	-	-	-	-	-
<i>Joe Gqabi DM - District Call Centre</i>	-	-	87	-	-	-	-	-
<i>Support Programme</i>	-	193	-	-	-	-	-	-
<b>Total Operating Transfers and Grants</b>	72 025	99 979	100 054	99 545	108 239	106 932	116 861	143 006
<b>Capital Transfers and Grants</b>								
<b>National Government:</b>	17 647	14 514	23 641	26 624	26 624	30 355	34 070	36 499
Municipal Infrastructure (MIG)	17 647	14 514	23 641	26 624	26 624	30 355	34 070	36 499
<b>Provincial Government:</b>	-	105	-	-	-	-	-	-
Traffic Test Station (Sterkspruit)	-	105	-	-	-	-	-	-
<b>Total Capital Transfers and Grants</b>	17 647	14 619	23 641	26 624	26 624	30 355	34 070	36 499
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>	89 672	114 598	123 695	126 169	134 863	137 288	150 930	179 505

Revenue from capital transfers is indicated above and increases steadily from R26,6 million to R36,5 million over the MTREF period.

Total revenue per municipal vote, including capital transfers, is listed below:

Vote Description	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Revenue by Vote								
Vote 1 - Executive & Council	1 827	2 675	2 526	4 836	4 836	5 571	6 946	7 171
Vote 2 - Planning & Development	3 351	5 079	2 212	2 300	18 769	1 287	-	-
Vote 3 - Corporate Services	516	81	115	53	53	56	60	63
Vote 4 - Budget & Treasury	60 305	70 569	84 605	87 799	91 645	96 102	107 894	133 673
Vote 5 - Road Transport	18 586	34 350	28 763	24 525	26 630	25 212	25 796	19 745
Vote 6 - Waste Water Management	7 365	-	7 150	6 653	-	-	-	-
Vote 7 - Housing	13 654	10 118	7 944	60	8 447	21	22	24
Vote 8 - Health	-	-	-	-	-	-	-	-
Vote 9 - Community & Social Services	637	1 283	1 867	3 062	3 943	5 382	4 730	8 434
Vote 10 - Sport & Recreation	-	-	3 306	3 994	3 994	4 793	5 379	11 910
Vote 11 - Public Safety	29	25	68	23	23	25	26	28
Vote 12 - Electricity	10 821	15 830	22 563	25 795	26 182	28 761	33 120	33 483
Vote 13 - Waste Management	4 368	4 854	5 458	8 277	6 777	7 904	7 053	7 476
Vote 14 - Water	4 495	-	-	7 413	-	-	-	-
<b>Total Revenue by Vote</b>	<b>125 954</b>	<b>144 865</b>	<b>166 575</b>	<b>174 790</b>	<b>191 300</b>	<b>175 115</b>	<b>191 028</b>	<b>222 008</b>

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

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

The percentage increases of Eskom bulk tariffs are beyond the mentioned inflation target but at least less than applied for. Given that these tariff increases are determined by an external agency, the impact it has on the municipality's electricity tariffs are largely outside the control of the Municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the Municipality's future financial position and viability.

The municipality budgets for the non-payment of accounts based on past experience of recovery rates. The municipality applies its Credit Control Policy stringently but there are always situations where there are defaults on payment. The contribution for bad debt is about 14 percent of the revenue for rates, service charges, interest on debtors and rent of facilities on credit, and equates to R5,6 million in 2012/2013 increasing to R6,3 million in 2014/2015. Past experience indicates that this percentage should not be more than 10 per cent, however, a

cautionary approach is taken in this budget due to the signs of economic stress being experienced by the community.

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

#### **1.4.1 Property Rates**

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

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

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA);
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy to a maximum valuation of R60 000;
- The limit for indigent households is twice the amount of government pension grant.

The municipality investigates a tariff structure consistent with operational requirements but also to ensure that the ratepayers are not over-burdened.

The categories of rateable properties for purposes of levying rates and the proposed rates for the 2013/14 financial year based on a general 6 per cent increase from 1 July 2013 is contained below: (Please note that the increase can change significantly per individual property, since a new valuation roll is effective from 1 July 2013 and the changes in property values since the previous valuation for different areas and usage can be significant).

**Table 5 Comparison of proposed rates to levied for the 2013/14 financial year**

	2012 / 13	2013 / 14
	%	%
On total value of property		
Vacant Land as defined in Rates Policy		
Residential Properties	0.680	0.51
Commercial / Business Properties	0.816	0.61
Industrial Properties	0.816	0.61
Public Service Infrastructure Properties	0.630	0.51
Public Benefits Organisation Properties	0.000	0.00
Agricultural Properties used for Agricultural Purposes	0.170	0.13
Agricultural Properties used for Commercial / Industrial Purposes	0.340	0.26
Agricultural Properties used for Eco-Tourism, Conservation, Trading In or Hunting of Game	0.340	0.26
Agricultural Properties not used for Any Purpose / Purpose Unknown to Municipality	0.680	0.51
State-Owned Properties that Provide Local Services	0.680	0.51
State-Owned Properties that Provide Regional / Municipal District-Wide Services	0.680	0.51
State-Owned Properties that Provide Provincial / National Services	0.680	0.51
Municipal Properties	0.000	0.00
Vacant Properties	1.14	0.80

#### **1.4.2 Sale of Water and Sanitation and the Impact of Tariff Increases**

The JGDM held a Water-and Sanitation Indaba from 27 March 2012 to 29 March 2012 and determined that the best model for the provision of the Water-and Sanitation functions is that the District Municipality provides the service itself, but that the local municipalities only assist with the provision of financial functions on an agency basis. This was implemented on 1 July 2012 and for that reason Senqu Municipality does not advertise or consult on the tariffs for these services anymore.

#### **1.4.3 Sale of Electricity and Impact of Tariff Increases**

NERSA has announced the revised bulk electricity pricing structure. An 8% per cent increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2013.

At the time of preparing the budget, NERSA has not as yet indicated the allowed increase for municipalities. The municipality budgeted for about a general 6% increase in tariffs. Indigents will again receive 50 kWh per 30-day period free of charge.

**ELECTRICITY TARIFFS & CHARGES (Excl VAT)**

Standard interest + 1.00% would be charged on all late payments

Implementation subject to NER approval

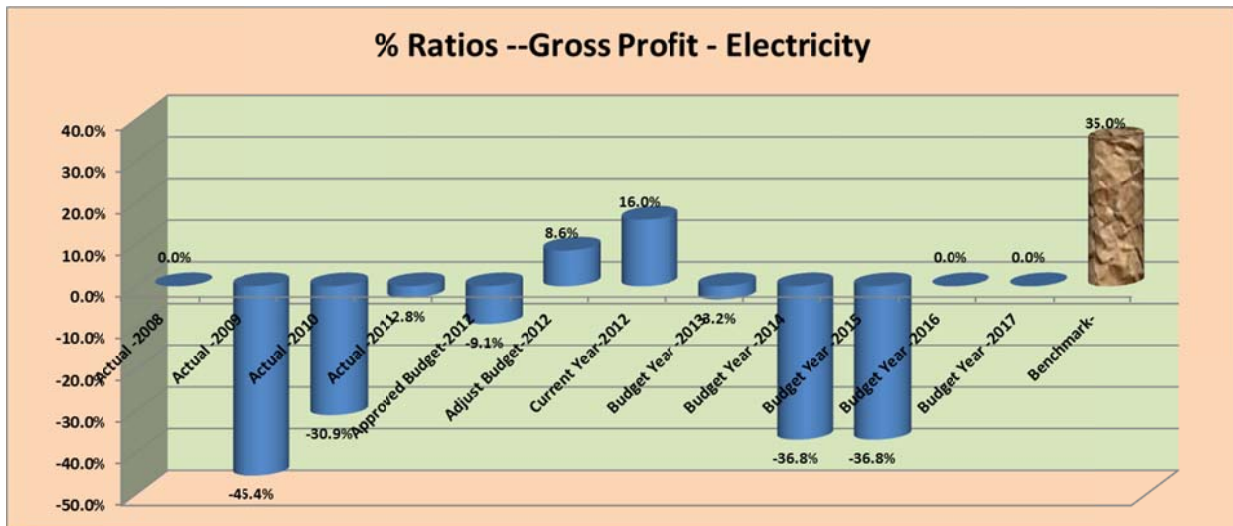
Tariffs are applicable throughout SENQU municipality unless indicated otherwise

	2012 / 13	2013 / 14
	R	R
<b><u>Domestic (Pre-paid metering)</u></b>		
Basic / Availability Charge – per month	0.0000	<b>0.0000</b>
Energy Charge – per Unit (kWh) (1 – 50kWh)	0.6900	<b>0.7300</b>
Energy Charge – per Unit (kWh) (51 – 350kWh)	0.8400	<b>0.8900</b>
Energy Charge – per Unit (kWh) (351 - 600kWh)	1.3102	<b>1.3888</b>
Energy Charge – per Unit (kWh) ( > 600kWh)	1.4323	<b>1.5182</b>
<i>Also see Council's Free Basic Services &amp; Indigent Subsidy Support Policy</i>		
<b><u>Domestic: Demand 0 – 60Amp (Credit Metering)</u></b>		
Basic / Availability Charge – per month	100.25	<b>106.25</b>
Energy Charge – per Unit (kWh) (1 – 50kWh)	0.6600	<b>0.7000</b>
Energy Charge – per Unit (kWh) (51 – 350kWh)	0.7994	<b>0.8474</b>
Energy Charge – per Unit (kWh) (351 - 600kWh)	1.0770	<b>1.1416</b>
Energy Charge – per Unit (kWh) ( > 600kWh)	1.2369	<b>1.3111</b>
<b><u>Domestic: Demand 60Amp + (Credit Metering)</u></b>		
Basic / Availability Charge – per month	250.27	<b>265.29</b>
Energy Charge – per Unit (kWh) (1 – 50kWh)	0.6600	<b>0.7000</b>
Energy Charge – per Unit (kWh) (51 – 350kWh)	0.7995	<b>0.8474</b>
Energy Charge – per Unit (kWh) (351 - 600kWh)	1.0770	<b>1.1416</b>
Energy Charge – per Unit (kWh) ( > 600kWh)	1.2369	<b>1.3111</b>
<b><u>Commercial (Pre-paid metering)</u></b>		
Energy Charge – per Unit (kWh) consumed		<b>1.5182</b>
<b><u>Commercial: Small / Medium - (Credit Metering)</u></b>		
Basic / Availability Charge – per month	288.50	<b>305.80</b>
Energy Charge – per Unit (kWh) consumed	1.1227	<b>1.1901</b>
<b><u>Commercial: Large – (Credit Metering)</u></b>		
Basic / Availability Charge – per month	850.60	<b>901.64</b>
Energy Charge – per Unit (kWh) consumed	1.1436	<b>1.2122</b>
Network Charge – per Unit (KVA) consumed	45.91	<b>48.66</b>
<b><u>Farms</u></b>		
Basic / Availability Charge – per month	288.50	<b>305.80</b>
Energy Charge – per Unit (kWh) consumed	1.1227	<b>1.1901</b>
Network Charge – per Unit (KVA) consumed	45.91	<b>48.66</b>
<b><u>Consumer Deposits (to be paid prior connection)</u></b>		
Domestic / Residential	1 100.00	<b>1 200.00</b>
Businesses / Commercial (Small / Medium): 0 – 60 Amp	2 700.00	<b>3 000.00</b>
Businesses / Commercial / Industrial: 60 – 150 Amp	7 400.00	<b>8 200.00</b>
Businesses / Commercial / Industrial: 150+ Amp	13 000.00	<b>15 000.00</b>

<b>Other</b>		
New Connection (to be paid in advance)	Material & Labour Cost + 30%	<b>Material &amp; Labour Cost + 30%</b>
Re-connecting existing connection	270.00	<b>300.00</b>
Re-connection (after default / dis-connection)	300.00	<b>330.00</b>
Test meter (Not Refundable)	270.00	<b>300.00</b>

Electricity is regarded as a trading account which should make a profit, although NERSA monitors and limits this profit to about 10% if possible. The municipality does not make a profit on electricity and must implement ways of achieving a profit, without overburdening the consumers with exorbitant tariffs. The loss on the electricity service over the MTREF is 21,1 percent for 2013/2014 and 13 percent and 17 percent for the outer years.

The gross profit (GP) on electricity is negative, whereas a good benchmark is a profit of 35%. The main reason for this negative GP is the high electricity losses, which, as can be seen from the graph below, came down significantly to a profit of 16% in 2012, but due to the situation in Sterkspruit the percentage decreases again.



Electricity line losses are continuously monitored as it can represent a significant financial loss for the municipality. In general electricity line losses of 10% is being regarded as “acceptable” in the industry and Senqu is well above that norm. The municipality instituted various measures, including the replacement of old meters since the 2010/2011 financial year and reduced the losses to 15 per cent during the year before the Sterkspruit uprising caused it to increase again significantly. The full effect of the measures will be measured during the current year and the budget year.

**Comparison between current electricity charges and increases**

It should further be noted that NERSA has advised that a stepped tariff structure must be used. The effect thereof is that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor). The Municipality complies with this requirement.

The table above provides the increases in tariffs for different users. A summary of the total impact of tariff adjustments will be provided later in this report.

#### 1.4.4 Waste Removal and Impact of Tariff Increases

Solid waste removal is operating at a loss which indicates that the tariffs are not yet cost reflective. The projected losses on the service are R6,5 million (45%), R8,2 million (54%) and R8,7 million (54%) over the MTREF period. It is widely accepted that the rendering of this service should at least break even, which is currently not the case. The Municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The main contributors to this deficit are repairs and maintenance on vehicles, increases in general expenditure such as petrol and diesel and the cost of remuneration. In addition, the cost of new landfill sites, the effect of depreciation and rehabilitation on these landfill sites all plays an important role in the projected losses. Considering the deficit, it is recommended that a comprehensive investigation into the cost structure of solid waste function be undertaken, and that this include investigating alternative service delivery models. The outcomes of this investigation should be incorporated into the next planning cycle.

Despite the losses as indicated above, a general 6 percent increase in the waste removal tariff is proposed from 1 July 2013. Higher increases will not be viable in 2013/14 owing to the significant increases implemented in previous financial years as well as the overall impact of higher than inflation increases of other services. Any increase higher than 6 per cent would not only be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debt, but also, although on a small scale, not assisting the national government in reaching the CPIX target of between 3 and 6 percent.

The following table compares current and proposed amounts payable from 1 July 2013:

**Table 2 Comparison between current waste removal fees and increases**

	2012 / 13	2013 / 14
	R	R
<b>Domestic Consumers</b> (per month for one removal per week)	R 94.45	100.00
Additional removal (per load or part thereof)	R 94.45	100.00
<b>Commercial Consumers</b> (per month for two removals per week)	R 201.50	214.00
Additional removal (per load or part thereof)	R 201.50	214.00
<b>Government Departments (Schools, hostels, SAPS, prison, hospital, etc)</b> (per month for two removals per week)	R 1 196.35	1 269.00
Additional removal (per load or part thereof)	R 201.50	214.00
<b>Garden Refuse</b> (per load) (to be paid in advance)	R 201.50	214.00
<b>Building Rubble</b> (per load) (to be paid in advance)	R 350.00	371.00
<b>Cleaning of erven</b>	R 201.50	214.00

**1.4.5 Overall impact of tariff increases on households**

The following table shows the overall expected impact of the tariff increases on different households. The National Treasury adjusted the way comparatives are being calculated and for that reason current tariffs are unfortunately not included. Note that in all instances the overall impact of the tariff increases on household's bills has been kept to about 6%, excluding the electricity adjustments and VAT



EC142 Senqu - Supporting Table SA14 Household bills					
Description	Ref	2013/14 Medium Term Revenue & Expenditure Framework			
		Budget Year % incr.	Budget Year	Budget Year	Budget Year
Rand/cent					
<b>Monthly Account for Household - 'Middle Income Range'</b>	1				
<b>Rates and services charges:</b>					
Property rates		6.2%	618.72	652.75	688.65
Electricity : Basic levy		6.1%	109.23	115.24	121.58
Electricity : Consumption		6.0%	1 746.72	1 842.79	1 944.14
Water: Basic levy			-	-	-
Water: Consumption			-	-	-
Sanitation			-	-	-
Refuse removal		6.2%	107.85	113.78	120.04
Other			-	-	-
<b>sub-total</b>		<b>(5.6%)</b>	<b>2 582.52</b>	<b>2 724.56</b>	<b>2 874.41</b>
VAT on Services					
<b>Total large household bill:</b>		<b>(5.6%)</b>	<b>2 582.52</b>	<b>2 724.56</b>	<b>2 874.41</b>
<b>% increase/-decrease</b>			<b>6.1%</b>	<b>5.5%</b>	<b>5.5%</b>
<b>Monthly Account for Household - 'Affordable Range'</b>	2				
<b>Rates and services charges:</b>					
Property rates		6.2%	148.95	157.14	165.78
Electricity : Basic levy		6.7%	109.85	115.89	122.26
Electricity : Consumption		6.2%	777.01	819.75	864.83
Water: Basic levy			-	-	-
Water: Consumption			-	-	-
Sanitation			-	-	-
Refuse removal		6.0%	107.64	113.56	119.81
Other			-	-	-
<b>sub-total</b>		<b>(13.8%)</b>	<b>1 143.45</b>	<b>1 206.34</b>	<b>1 272.69</b>
VAT on Services					
<b>Total small household bill:</b>		<b>(13.8%)</b>	<b>1 143.45</b>	<b>1 206.34</b>	<b>1 272.69</b>
<b>% increase/-decrease</b>			<b>6.2%</b>	<b>5.5%</b>	<b>5.5%</b>
<b>Monthly Account for Household - 'Indigent' Household receiving free basic services</b>	3				
<b>Rates and services charges:</b>					
Property rates		2.7%	95.90	101.17	106.74
Electricity : Basic levy			-	-	-
Electricity : Consumption		6.3%	299.80	316.29	333.68
Water: Basic levy			-	-	-
Water: Consumption			-	-	-
Sanitation			-	-	-
Refuse removal			-	-	-
Other			-	-	-
<b>sub-total</b>		<b>5.4%</b>	<b>395.70</b>	<b>417.46</b>	<b>440.42</b>
VAT on Services			-	274.93	290.05
<b>Total small household bill:</b>		<b>78.6%</b>	<b>670.63</b>	<b>707.52</b>	<b>746.43</b>
<b>% increase/-decrease</b>			<b>78.6%</b>	<b>5.5%</b>	<b>5.5%</b>

## 1.5 Operating Expenditure Framework

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

- Guidance provided by National Treasury in Circular 66;
- 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
- Limitation on tariff increases.

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

**Table 13 Summary of operating expenditure by standard classification item**

Description	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Expenditure By Type</b>								
Employee related costs	29 383	26 261	30 716	49 846	47 476	57 313	60 751	64 397
Remuneration of councillors	6 807	7 159	8 464	9 056	9 086	9 635	10 213	10 826
Debt impairment	2 332	829	2 694	5 580	3 953	4 270	4 526	4 797
Depreciation & asset impairment	8 433	10 480	11 792	13 810	14 542	15 224	16 138	17 106
Finance charges	681	1 566	1 718	2 319	2 120	1 639	541	573
Bulk purchases	10 328	12 495	15 130	20 072	20 072	26 677	28 278	29 975
Transfers and grants	397	799	732	333	333	334	-	-
Other expenditure	33 171	48 441	47 616	43 190	67 361	42 373	42 624	42 743
Loss on disposal of PPE	2 414	447	85	-	-	-	-	-
<b>Total Expenditure</b>	<b>93 946</b>	<b>108 477</b>	<b>118 947</b>	<b>144 207</b>	<b>164 942</b>	<b>157 465</b>	<b>163 070</b>	<b>170 417</b>

The budgeted allocation for employee related costs for the 2013/14 financial year totals R57,3 million, which equals 36,4 per cent of the total operating expenditure. This percentage increases to 37,3 and 37,8 per cent in the outer years of the MTREF period. Should electricity bulk purchases and depreciation be excluded, in order to compare it with other municipalities on an more equal basis, the costs represent 49,6 per cent of the expenditure and increase to 51,2 and 52,2 per cent in the outer years. This compares favorably with a benchmark of 50%. The budget provides for 11 new posts and the implementation of the TASK Benchmarking.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public

Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

The provision of debt impairment was determined based on an annual collection rate of 84 per cent and the Debt Write-off Policy of the Municipality. For the 2013/14 financial year this amount equates to R4,2 million and escalates to R4,8 million by 2015/16. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate of asset consumption. Budget appropriations in this regard total R15,2 million for the 2013/14 financial year and equates to 9,7 per cent of the total operating expenditure. In order to measure it against other municipalities, if electricity bulk purchases are eliminated, it represents 13,9 per cent of the expenditure. The average for local municipalities in recent research is 11,76 per cent, and this small difference indicating that expected useful lives and depreciation rates are realistic.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 1,04 per cent (R1,6 million) of operating expenditure excluding annual redemption for 2013/14 and decreases to R0,6 million by 2015/16. As previously noted, the Municipality is limiting its borrowing in order to keep finance charges to the absolute minimum.

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses. Electricity bulk purchases represents 16,9 per cent of expenditure and increase to 17,3 per cent and 17,6 per cent in the outer years. If depreciation is excluded, the percentage is 23,1 per cent for the budget year and increasing to 23,8 per cent and 24,3 per cent in the outer years. This compares favorably with the benchmark of 30 per cent in 2011/2012 for municipalities in a recent research.

National Treasury is introducing a new Chart of Accounts and additional expenditure line-items in the budget. One of these line-items is "Other materials". Other materials comprise of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. This group of expenditure has been identified in order to measure sustainability of the Municipality's infrastructure. The municipality's financial systems are, however, not yet ready to implement this change and will be addressed in future budgets.

Contracted services have been identified as a cost saving area for the Municipality. Management, at a strategic workshop held in January 2012, identified Contracted Services as a possible key to the financial sustainability of the municipality as well as a way and means to increase employment in line with national priorities. Management will in the budget year further investigate projects which can be used for contracted services as an extension of the Extended Public Works Program. As part of the process of identifying further cost efficiencies, a business process re-engineering project will commence in the 2012/13 financial year to identify alternative practices and procedures based on solid approved policies.

Other expenditure comprises of various line items relating to the daily operations of the municipality, but also operating grant expenditures. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. These expenditure items are listed below:

Senqu Municipality

2013/14 Annual Budget and MTREF

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand									
<b>Other Expenditure By Type</b>									
Collection costs		-	-	-	-	-	-	-	-
Contributions to 'other' provisions		-	-	-	-	-	-	-	-
Consultant fees		1 065	793	1 640	1 762	2 550	2 445	2 350	1 961
Audit fees		1 221	1 781	1 510	2 237	2 062	2 227	2 360	2 502
General expenses	3	2 681	1 986	2 257	4 533	4 211	4 832	4 088	4 333
Repairs and maintenance		2 710	2 703	3 405	3 583	2 846	3 212	3 404	3 609
Actuarial Losses		429	29	561	461	276	-	-	-
Communication		50	67	73	880	880	700	742	787
Membership Fees		189	210	219	231	485	527	559	592
Other Operating Grant Expenditure		17 130	33 748	26 240	12 693	40 082	12 034	11 425	12 110
Project: Performance Management		321	469	600	1 000	596	1 400	-	-
Project: SPU		103	109	121	400	400	500	530	562
Project: Valuation Roll		59	169	87	250	250	270	286	303
Computer charges		50	214	534	890	1 068	1 126	1 193	1 265
Fleet Management		-	-	-	600	-	-	1 800	-
Electricity		742	157	189	2 408	1 087	1 197	1 269	1 345
Legal Costs		91	260	737	300	300	324	343	364
Refuse removal		872	817	809	918	40	43	46	49
Security Services		85	115	99	417	649	713	756	801
Subsistence and travel		2 541	3 372	3 723	3 882	4 163	4 644	4 923	5 218
Telephone		472	451	958	954	871	958	1 015	1 076
Tourism		176	273	320	600	550	500	530	562
Training		347	320	471	664	1 000	1 286	1 363	1 445
Vehicle Fuel and oil		1 499	1 273	1 703	2 088	1 555	1 879	1 992	2 112
Ward Committees		389	280	1 159	1 440	1 440	1 555	1 649	1 747
Discontinued Operations		(50)	(1 155)	200	-	-	-	-	-
<b>Total 'Other' Expenditure</b>	1	33 171	48 441	47 616	43 190	67 361	42 373	42 624	42 743

## Main operational expenditure categories for the 2012/13 financial year

### 1.5.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2013/14 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset management policy and repairs and maintenance plan of the Municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, National Treasury requires municipalities to adapt their costing systems to reflect these costs as Repairs and Maintenance. The municipality financial systems, as yet, cannot provide for this request and it will be implemented in future budgets.

### Repairs and maintenance per asset class

Description	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Depreciation &amp; asset impairment</b>	8 433	10 480	11 792	13 810	14 542	15 224	16 138	17 106
<b>Repairs and Maintenance by Asset Class</b>	2 710	2 703	3 405	3 583	2 846	3 212	3 404	3 609
<i>Infrastructure - Road transport</i>	574	568	1 052	710	540	610	647	685
<i>Infrastructure - Electricity</i>	449	367	787	519	339	495	525	556
<i>Infrastructure - Water</i>	86	-	1	36	4	4	4	5
<i>Infrastructure - Sanitation</i>	71	-	-	32	-	-	-	-
<i>Infrastructure - Other</i>	22	8	30	41	41	40	42	45
Infrastructure	1 202	943	1 870	1 338	924	1 149	1 218	1 291
Community	58	197	47	55	68	73	78	82
Other assets	1 451	1 564	1 488	2 190	1 854	1 989	2 109	2 235
<b>TOTAL EXPENDITURE OTHER ITEMS</b>	<b>11 144</b>	<b>13 183</b>	<b>15 197</b>	<b>17 393</b>	<b>17 387</b>	<b>18 436</b>	<b>19 542</b>	<b>20 715</b>

### 1.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. The target was to register all 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 below. (Note that Water and Sanitation, although provided by the municipality, is the function of JGDM)

Senqu Municipality

2013/14 Annual Budget and MTREF

Description	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Household service targets</b>									
<b>Energy:</b>									
Electricity (at least min.service level)	33 689	34 802	34 802	33 831	33 831	33 831	29 869	30 167	30 469
Electricity - prepaid (min.service level)	1 733	1 149	1 149	1 276	1 276	1 276	986	996	1 006
<i>Other water supply (at least min.service level)</i>	35 422	35 951	35 951	35 107	35 107	35 107	30 855	31 164	31 475
Electricity (< min.service level)	-	-	-	-	-	-	-	-	-
Electricity - prepaid (< min. service level)	-	-	-	-	-	-	-	-	-
Other energy sources	-	-	-	-	-	-	7 191	6 882	6 571
<i>No water supply</i>	-	-	-	-	-	-	7 191	6 882	6 571
<b>Below Minimum Service Level sub-total</b>	<b>35 422</b>	<b>35 951</b>	<b>35 951</b>	<b>35 107</b>	<b>35 107</b>	<b>35 107</b>	<b>38 046</b>	<b>38 046</b>	<b>38 046</b>
<b>Refuse:</b>									
Removed at least once a week	4 366	4 715	4 715	4 930	4 930	4 930	4 756	4 756	4 756
<i>Other water supply (at least min.service level)</i>	4 366	4 715	4 715	4 930	4 930	4 930	4 756	4 756	4 756
Removed less frequently than once a week	-	-	-	-	-	-	-	-	-
Using communal refuse dump	31 056	31 236	31 236	30 177	30 177	30 177	33 290	33 290	33 290
Using own refuse dump	-	-	-	-	-	-	-	-	-
Other rubbish disposal	-	-	-	-	-	-	-	-	-
No rubbish disposal	-	-	-	-	-	-	-	-	-
<i>No water supply</i>	31 056	31 236	31 236	30 177	30 177	30 177	33 290	33 290	33 290
<b>Below Minimum Service Level sub-total</b>	<b>35 422</b>	<b>35 951</b>	<b>35 951</b>	<b>35 107</b>	<b>35 107</b>	<b>35 107</b>	<b>38 046</b>	<b>38 046</b>	<b>38 046</b>
<b>Households receiving Free Basic Service</b>									
Water (6 kilolitres per household per month)	-	-	-	-	-	-	-	-	-
Sanitation (free minimum level service)	-	-	-	-	-	-	-	-	-
Electricity/other energy (50kwh per household per month)	6 968	6 968	5 914	23 837	23 837	23 837	23 837	23 837	23 837
Refuse (removed at least once a week)	2 245	2 245	2 545	2 931	2 931	2 931	2 931	2 931	2 931
<b>Cost of Free Basic Services provided (R'000)</b>									
Water (6 kilolitres per household per month)	1 093	1 093	1 491	1 816	1 816	1 816	-	-	-
Sanitation (free sanitation service)	1 724	1 724	2 355	3 138	3 138	3 138	-	-	-
Electricity/other energy (50kwh per household per month)	3 121	3 121	4 014	6 255	6 255	6 255	7 755	8 221	8 714
Refuse (removed once a week)	2 399	2 399	3 183	3 950	3 950	3 950	4 266	4 522	4 793
<b>Total cost of FBS provided (minimum social package)</b>	<b>8 337</b>	<b>8 337</b>	<b>11 044</b>	<b>15 158</b>	<b>15 158</b>	<b>15 158</b>	<b>12 021</b>	<b>12 743</b>	<b>13 507</b>
<b>Highest level of free service provided</b>									
Property rates (R value threshold)	65 000	65 000	65 000	65 000	65 000	65 000	60 000	60 000	60 000
Water (kilolitres per household per month)	-	-	-	-	-	-	-	-	-
Sanitation (kilolitres per household per month)	-	-	-	-	-	-	-	-	-
Sanitation (Rand per household per month)	-	-	-	-	-	-	-	-	-
Electricity (kwh per household per month)	50	50	50	50	50	50	50	50	50
Refuse (average litres per week)	140	140	140	140	140	140	140	140	140
<b>Revenue cost of free services provided (R'000)</b>									
Property rates (R15 000 threshold rebate)	852	852	1 924	1 264	1 264	1 264	1 054	1 117	1 184
Property rates (other exemptions, reductions and rebates)	-	-	-	-	-	-	364	386	409
Water	1 093	1 093	1 491	1 816	1 816	1 816	-	-	-
Sanitation	1 724	1 724	2 355	3 138	3 138	3 138	-	-	-
Electricity/other energy	3 121	3 121	4 014	6 255	6 255	6 255	7 755	8 221	8 714
Refuse	2 399	2 399	3 183	3 950	3 950	3 950	4 266	4 522	4 793
Municipal Housing - rental rebates	-	-	-	-	-	-	-	-	-
Housing - top structure subsidies	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total revenue cost of free services provided (total social package)</b>	<b>9 189</b>	<b>9 189</b>	<b>12 968</b>	<b>16 422</b>	<b>16 422</b>	<b>16 422</b>	<b>13 439</b>	<b>14 246</b>	<b>15 101</b>

The cost of the social package of the registered indigent households is financed by the municipality self and largely by utilising the municipality's unconditional equitable share, allocated in terms of the Constitution to local government, and received in terms of the annual Division of Revenue Act. The income foregone as a result of free basic services totals R13,4 million in the budget year and increasing to R14,2 million and R15,1 million in the outer years.

## 1.6 Capital expenditure

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

**Table 3 2012/13 Medium-term capital budget per vote**

Description	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework					
	Adjusted	%	Budget Year	%	Budget Year	%	Budget Year	%
	Budget		2013/14		+1 2014/15		+2 2015/16	
Vote 1 - Executive & Council	822	1.8%	1 625	2.9%	-	0.0%	-	0.0%
Vote 2 - Planning & Development	530	1.1%	100	0.2%	-	0.0%	-	0.0%
Vote 3 - Corporate Services	2 210	4.7%	4 400	7.8%	-	0.0%	-	0.0%
Vote 4 - Budget & Treasury	500	1.1%	500	0.9%	-	0.0%	-	0.0%
Vote 5 - Road Transport	31 580	67.4%	25 714	45.5%	27 013	57.8%	23 049	42.7%
Vote 6 - Waste Water Management	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Vote 9 - Community & Social Services	3 633	7.8%	7 850	13.9%	7 560	16.2%	10 660	19.7%
Vote 10 - Sport & Recreation	3 994	8.5%	4 793	8.5%	5 379	11.5%	11 910	22.0%
Vote 11 - Public Safety	500	1.1%	1 100	1.9%	-	0.0%	-	0.0%
Vote 12 - Electricity	965	2.1%	5 428	9.6%	6 422	13.7%	8 000	14.8%
Vote 13 - Waste Management	2 140	4.6%	4 970	8.8%	350	0.7%	400	0.7%
<b>Total Capital Budget</b>	<b>46 873</b>	<b>100.0%</b>	<b>56 480</b>	<b>100.0%</b>	<b>46 725</b>	<b>100.0%</b>	<b>54 019</b>	<b>100.0%</b>

Much emphasis was placed on the replacement of old vehicles, as well as new vehicles, in order to improve on service delivery, including the acquisition of vehicles and plant to assist with the development of capital infrastructure. An amount of R21,1 million was budgeted for this purpose over the MTREF period.

The allocation to roads and bridges amounts to R57,2 million over the MTREF, of which R19,6 million is allocated to the 2013/2014 financial year. R20 million is allocated towards community halls and R22,1 million to sports facilities. A further R4,8 million is allocated to cemeteries.

The role that street lighting plays in safety cannot be over emphasized. An amount of R 8,5 million was therefore provided for street lighting over the MTREF period.

The following table provides more information on the breakdown of the capital budget and the related maintenance of assets..

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>CAPITAL EXPENDITURE</b>									
<b>Total New Assets</b>	1	43 941	31 677	38 223	44 504	46 223	52 980	44 225	51 019
Infrastructure - Road transport		29 701	15 934	17 347	19 830	20 987	19 554	21 988	15 689
Infrastructure - Electricity		242	1 149	3 606	700	700	4 908	6 202	6 800
Infrastructure - Water		-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-
Infrastructure - Other		-	382	10 245	2 000	1 818	1 750	-	-
Infrastructure		29 944	17 466	31 197	22 530	23 505	26 212	28 190	22 489
Community		10	-	-	6 494	6 937	10 443	10 379	19 510
Heritage assets		-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-
Other assets	6	13 865	14 130	6 958	15 480	15 781	16 325	5 655	9 020
Agricultural Assets		-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-
Intangibles		123	82	68	-	-	-	-	-
<b>Total Renewal of Existing Assets</b>	2	-	-	-	650	650	3 500	2 500	3 000
Infrastructure - Road transport		-	-	-	-	-	-	-	-
Infrastructure - Electricity		-	-	-	-	-	-	-	-
Infrastructure - Water		-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-
Infrastructure - Other		-	-	-	-	-	-	-	-
Infrastructure		-	-	-	-	-	-	-	-
Community		-	-	-	650	650	2 100	2 500	3 000
Heritage assets		-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-
Other assets	6	-	-	-	-	-	1 400	-	-
Agricultural Assets		-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-
<b>Total Capital Expenditure</b>	4	29 701	15 934	17 347	19 830	20 987	19 554	21 988	15 689
Infrastructure - Road transport		29 701	15 934	17 347	19 830	20 987	19 554	21 988	15 689
Infrastructure - Electricity		242	1 149	3 606	700	700	4 908	6 202	6 800
Infrastructure - Water		-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-
Infrastructure - Other		-	382	10 245	2 000	1 818	1 750	-	-
Infrastructure		29 944	17 466	31 197	22 530	23 505	26 212	28 190	22 489
Community		10	-	-	7 144	7 587	12 543	12 879	22 510
Heritage assets		-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-
Other assets		13 865	14 130	6 958	15 480	15 781	17 725	5 655	9 020
Agricultural Assets		-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-
Intangibles		123	82	68	-	-	-	-	-
<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>	2	43 941	31 677	38 223	45 154	46 873	56 480	46 725	54 019
<b>ASSET REGISTER SUMMARY - PPE (WDV)</b>	5	66 308	76 867	85 583	108 443	118 682	107 126	117 286	120 432
Infrastructure - Road transport		3 547	4 577	8 017	11 029	11 397	16 148	22 183	28 806
Infrastructure - Electricity		-	-	-	-	-	-	-	-
Infrastructure - Water		-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-
Infrastructure - Other		3 002	3 232	13 324	8 447	10 102	11 400	10 921	10 413
Infrastructure		72 857	84 676	106 924	127 919	140 180	134 673	150 390	159 657
Community		10	9	9	26 746	34 332	39 275	52 154	74 663
Heritage assets		-	-	-	-	-	-	-	-
Investment properties		12 549	12 549	12 549	12 549	12 549	12 549	12 549	12 549
Other assets		50 431	61 404	65 786	48 162	60 882	72 266	74 257	79 400
Agricultural Assets		-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-
Intangibles		320	300	258	303	258	215	164	103
<b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>	5	136 166	158 939	185 525	215 679	248 201	258 978	289 513	326 366
<b>EXPENDITURE OTHER ITEMS</b>		8 433	10 480	11 792	13 810	14 542	15 224	16 138	17 106
<b>Depreciation &amp; asset impairment</b>		2 710	2 703	3 405	3 583	2 846	3 212	3 404	3 609
<b>Repairs and Maintenance by Asset Class</b>	3	574	568	1 052	710	540	610	647	685
Infrastructure - Road transport		449	367	787	519	339	495	525	556
Infrastructure - Electricity		86	-	1	36	4	4	4	5
Infrastructure - Water		71	-	-	32	-	-	-	-
Infrastructure - Sanitation		22	8	30	41	41	40	42	45
Infrastructure - Other		1 202	943	1 870	1 338	924	1 149	1 218	1 297
Infrastructure		58	197	47	55	68	73	78	82
Community		-	-	-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-
Other assets	6, 7	1 451	1 564	1 488	2 190	1 854	1 989	2 109	2 235
<b>TOTAL EXPENDITURE OTHER ITEMS</b>		11 144	13 183	15 197	17 393	17 387	18 436	19 542	20 715
<i>Renewal of Existing Assets as % of total capex</i>		0.0%	0.0%	0.0%	1.4%	1.4%	6.2%	5.4%	5.6%
<i>Renewal of Existing Assets as % of deprecn"</i>		0.0%	0.0%	0.0%	4.7%	4.5%	23.0%	15.5%	17.5%
<i>R&amp;M as a % of PPE</i>		2.2%	1.9%	2.0%	1.8%	1.4%	1.3%	1.2%	1.1%
<i>Renewal and R&amp;M as a % of PPE</i>		2.0%	2.0%	2.0%	2.0%	1.0%	3.0%	2.0%	2.0%



### **1.6.1 Future operational cost of new infrastructure**

The future operational costs and revenues associated with the capital programme have been included in Table 61 MBRR SA35 on page 91. This table shows that future operational costs associated with the capital programme totals R2,8 million in 2013/14 and escalates to R5.1 million by 2014/15. This concomitant operational expenditure is expected to escalate to R7,8 million by 2015/16. It needs to be noted that as part of the 2013/14 MTREF, this expenditure has been factored into the two outer years of the operational budget.

## 1.7 Annual Budget Tables

(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 to be approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.)

**MBRR Table A1 - Budget Summary**

Description	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Financial Performance</b>								
Property rates	3 938	4 197	4 001	4 425	4 376	4 612	4 888	5 182
Service charges	18 797	13 905	19 951	35 177	21 628	21 721	23 025	24 406
Investment revenue	5 087	4 915	6 790	6 000	7 300	7 000	7 420	7 865
Transfers recognised - operational	60 489	103 353	106 224	99 545	125 557	106 932	116 861	143 006
Other own revenue	3 968	3 875	5 969	3 020	5 815	4 494	4 764	5 050
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>92 278</b>	<b>130 246</b>	<b>142 935</b>	<b>148 167</b>	<b>164 676</b>	<b>144 760</b>	<b>156 958</b>	<b>185 509</b>
Employee costs	29 383	26 261	30 716	49 846	47 476	57 313	60 751	64 397
Remuneration of councillors	6 807	7 159	8 464	9 056	9 086	9 635	10 213	10 826
Depreciation & asset impairment	8 433	10 480	11 792	13 810	14 542	15 224	16 138	17 106
Finance charges	681	1 566	1 718	2 319	2 120	1 639	541	573
Materials and bulk purchases	10 328	12 495	15 130	20 072	20 072	26 677	28 278	29 975
Transfers and grants	397	799	732	333	333	334	-	-
Other expenditure	37 917	49 717	50 396	48 771	71 314	46 643	47 150	47 541
<b>Total Expenditure</b>	<b>93 946</b>	<b>108 477</b>	<b>118 947</b>	<b>144 207</b>	<b>164 942</b>	<b>157 465</b>	<b>163 070</b>	<b>170 417</b>
<b>Surplus/(Deficit)</b>	<b>(1 667)</b>	<b>21 769</b>	<b>23 987</b>	<b>3 959</b>	<b>(266)</b>	<b>(12 705)</b>	<b>(6 113)</b>	<b>15 092</b>
Transfers recognised - capital	33 626	14 619	23 641	26 624	26 624	30 355	34 070	36 499
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>31 958</b>	<b>36 388</b>	<b>47 628</b>	<b>30 583</b>	<b>26 358</b>	<b>17 650</b>	<b>27 957</b>	<b>51 591</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>31 958</b>	<b>36 388</b>	<b>47 628</b>	<b>30 583</b>	<b>26 358</b>	<b>17 650</b>	<b>27 957</b>	<b>51 591</b>
<b>Capital expenditure &amp; funds sources</b>								
Capital expenditure	43 941	31 677	38 223	45 154	46 873	56 480	46 725	54 019
Transfers recognised - capital	33 626	14 619	23 641	26 624	26 624	30 355	34 070	36 499
Internally generated funds	1 978	577	14 583	18 530	20 249	26 125	12 655	17 520
<b>Total sources of capital funds</b>	<b>35 604</b>	<b>15 196</b>	<b>38 223</b>	<b>45 154</b>	<b>46 873</b>	<b>56 480</b>	<b>46 725</b>	<b>54 019</b>
<b>Financial position</b>								
Total current assets	90 238	129 322	147 008	111 143	123 949	103 083	103 378	121 180
Total non current assets	137 923	160 576	187 120	217 350	219 451	260 707	291 294	328 207
Total current liabilities	24 388	37 836	33 197	16 204	16 132	17 536	19 063	20 724
Total non current liabilities	19 704	28 226	29 091	30 245	30 550	31 884	33 282	34 745
Community wealth/Equity	184 068	223 836	271 841	282 044	296 719	314 370	342 327	393 918
<b>Cash flows</b>								
Net cash from (used) operating	32 365	72 647	48 003	46 202	23 397	34 559	45 874	70 576
Net cash from (used) investing	(43 521)	(30 896)	(37 997)	(45 140)	(46 873)	(56 480)	(46 725)	(54 019)
Net cash from (used) financing	8 320	8 123	(255)	(1 172)	(798)	(856)	(925)	(999)
<b>Cash/cash equivalents at the year end</b>	<b>66 272</b>	<b>116 147</b>	<b>125 897</b>	<b>95 779</b>	<b>101 623</b>	<b>78 846</b>	<b>77 071</b>	<b>92 629</b>
<b>Cash backing/surplus reconciliation</b>								
Cash and investments available	66 272	116 147	125 897	95 779	101 623	78 846	77 071	92 629
Application of cash and investments	42 859	71 108	92 101	93 948	92 733	65 607	62 387	78 313
<b>Balance - surplus (shortfall)</b>	<b>23 413</b>	<b>45 038</b>	<b>33 797</b>	<b>1 831</b>	<b>8 890</b>	<b>13 239</b>	<b>14 684</b>	<b>14 315</b>
<b>Asset management</b>								
Asset register summary (WDV)	136 166	158 939	185 525	215 679	248 201	258 978	289 513	326 366
Depreciation & asset impairment	8 433	10 480	11 792	13 810	14 542	15 224	16 138	17 106
Renewal of Existing Assets	-	-	-	650	650	3 500	2 500	3 000
Repairs and Maintenance	2 710	2 703	3 405	3 583	2 846	3 212	3 404	3 609
<b>Free services</b>								
Cost of Free Basic Services provided	8 337	8 337	11 044	-	-	12 021	12 743	13 507
Revenue cost of free services provided	9 189	9 189	12 968	-	-	13 439	14 246	15 101
<b>Households below minimum service level</b>								
Energy:	-	-	-	-	-	7	7	7
Refuse:	31	31	31	-	-	33	33	33

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

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
  - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
  - b. Capital expenditure is balanced by capital funding sources, of which
    - i. Transfers recognised is reflected on the Financial Performance Budget;
    - ii. There is no provision for any borrowing in the cash flows;
    - iii. Internally generated funds is financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was paying much attention to managing this aspect of its finances, and consequently all of its obligations are cash-backed.
5. Significant assistance is being given to the indigent households.

**Table 4 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

Standard Classification Description	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	R thousand Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Revenue - Standard</b>								
<i>Governance and administration</i>	62 648	73 325	87 246	92 688	96 534	101 730	114 900	140 908
Executive and council	1 827	2 675	2 526	4 836	4 836	5 571	6 946	7 171
Budget and treasury office	60 305	70 569	84 605	87 799	91 645	96 102	107 894	133 673
Corporate services	516	81	115	53	53	56	60	63
<i>Community and public safety</i>	14 320	11 426	13 185	7 139	16 407	11 229	13 860	22 695
Community and social services	637	1 283	1 867	3 062	3 943	5 382	4 730	8 434
Sport and recreation	-	-	3 306	3 994	3 994	4 793	5 379	11 910
Public safety	29	25	68	23	23	1 033	3 728	2 328
Housing	13 654	10 118	7 944	60	8 447	21	22	24
Health	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>	21 937	39 430	30 975	26 825	45 399	26 499	25 796	19 745
Planning and development	3 351	5 079	2 212	2 300	18 769	1 287	-	-
Road transport	18 586	34 350	28 763	24 525	26 630	25 212	25 796	19 745
<i>Trading services</i>	27 049	20 684	35 171	48 138	32 960	35 657	36 472	38 660
Electricity	10 821	15 830	22 563	25 795	26 182	27 753	29 418	31 183
Water	4 495	-	-	7 413	-	-	-	-
Waste water management	7 365	-	7 150	6 653	-	-	-	-
Waste management	4 368	4 854	5 458	8 277	6 777	7 904	7 053	7 476
<b>Total Revenue - Standard</b>	<b>125 954</b>	<b>144 865</b>	<b>166 575</b>	<b>174 790</b>	<b>191 300</b>	<b>175 115</b>	<b>191 028</b>	<b>222 008</b>
<b>Expenditure - Standard</b>								
<i>Governance and administration</i>	22 163	23 962	34 374	41 962	44 443	47 788	48 827	51 206
Executive and council	12 403	14 736	20 213	23 352	19 441	20 442	21 668	22 968
Budget and treasury office	5 035	6 748	7 313	10 225	13 735	15 707	16 582	17 557
Corporate services	4 725	2 478	6 848	8 384	11 267	11 639	10 576	10 681
<i>Community and public safety</i>	19 455	16 472	12 423	7 843	17 404	13 125	13 913	14 748
Community and social services	4 504	5 122	5 073	6 070	7 246	10 182	10 793	11 441
Sport and recreation	44	193	47	158	224	348	368	390
Public safety	654	355	328	719	512	637	676	716
Housing	14 253	10 733	6 975	896	9 421	1 958	2 076	2 200
Health	-	68	-	-	-	-	-	-
<i>Economic and environmental services</i>	19 759	41 582	40 793	39 673	58 856	45 454	46 667	47 579
Planning and development	4 680	8 577	7 638	11 199	27 783	12 479	9 814	10 403
Road transport	15 080	33 005	33 155	28 475	31 073	32 975	36 853	37 176
<i>Trading services</i>	32 618	26 461	31 357	54 729	44 240	51 098	53 664	56 884
Electricity	16 386	18 283	22 495	29 160	30 067	35 883	37 537	39 789
Water	4 322	-	-	7 458	-	-	-	-
Waste water management	5 461	462	307	7 976	754	827	877	930
Waste management	6 449	7 716	8 554	10 135	13 419	14 387	15 250	16 165
<b>Total Expenditure - Standard</b>	<b>93 995</b>	<b>108 477</b>	<b>118 947</b>	<b>144 207</b>	<b>164 942</b>	<b>157 465</b>	<b>163 070</b>	<b>170 417</b>
<b>Surplus/(Deficit) for the year</b>	<b>31 958</b>	<b>36 388</b>	<b>47 628</b>	<b>30 583</b>	<b>26 358</b>	<b>17 650</b>	<b>27 957</b>	<b>51 591</b>

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

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

**Table 5 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

Vote Description	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>R thousand</b>								
<b>Revenue by Vote</b>								
Vote 1 - Executive & Council	1 827	2 675	2 526	4 836	4 836	5 571	6 946	7 171
Vote 2 - Planning & Development	3 351	5 079	2 212	2 300	18 769	1 287	-	-
Vote 3 - Corporate Services	516	81	115	53	53	56	60	63
Vote 4 - Budget & Treasury	60 305	70 569	84 605	87 799	91 645	96 102	107 894	133 673
Vote 5 - Road Transport	18 586	34 350	28 763	24 525	26 630	25 212	25 796	19 745
Vote 6 - Waste Water Management	7 365	-	7 150	6 653	-	-	-	-
Vote 7 - Housing	13 654	10 118	7 944	60	8 447	21	22	24
Vote 8 - Health	-	-	-	-	-	-	-	-
Vote 9 - Community & Social Services	637	1 283	1 867	3 062	3 943	5 382	4 730	8 434
Vote 10 - Sport & Recreation	-	-	3 306	3 994	3 994	4 793	5 379	11 910
Vote 11 - Public Safety	29	25	68	23	23	25	26	28
Vote 12 - Electricity	10 821	15 830	22 563	25 795	26 182	28 761	33 120	33 483
Vote 13 - Waste Management	4 368	4 854	5 458	8 277	6 777	7 904	7 053	7 476
Vote 14 - Water	4 495	-	-	7 413	-	-	-	-
<b>Total Revenue by Vote</b>	<b>125 954</b>	<b>144 865</b>	<b>166 575</b>	<b>174 790</b>	<b>191 300</b>	<b>175 115</b>	<b>191 028</b>	<b>222 008</b>
<b>Expenditure by Vote to be appropriated</b>								
Vote 1 - Executive & Council	12 403	14 736	20 213	23 352	19 441	20 442	21 668	22 968
Vote 2 - Planning & Development	4 680	8 577	7 638	11 199	27 783	12 479	9 814	10 403
Vote 3 - Corporate Services	4 725	2 478	6 848	8 384	11 267	11 639	10 576	10 681
Vote 4 - Budget & Treasury	5 035	6 748	7 313	10 225	13 735	15 707	16 582	17 557
Vote 5 - Road Transport	15 080	33 005	33 155	28 475	31 073	32 975	36 853	37 176
Vote 6 - Waste Water Management	5 461	462	307	7 976	754	827	877	930
Vote 7 - Housing	14 253	10 733	6 975	896	9 421	1 958	2 076	2 200
Vote 8 - Health	-	68	-	-	-	-	-	-
Vote 9 - Community & Social Services	4 504	5 122	5 073	6 070	7 246	10 182	10 793	11 441
Vote 10 - Sport & Recreation	44	193	47	158	224	348	368	390
Vote 11 - Public Safety	1	5	3	6	47	67	71	75
Vote 12 - Electricity	17 039	18 633	22 820	29 873	30 532	36 454	38 142	40 430
Vote 13 - Waste Management	6 449	7 716	8 554	10 135	13 419	14 387	15 250	16 165
Vote 14 - Water	4 322	-	-	7 458	-	-	-	-
<b>Total Expenditure by Vote</b>	<b>93 995</b>	<b>108 477</b>	<b>118 947</b>	<b>144 207</b>	<b>164 942</b>	<b>157 465</b>	<b>163 070</b>	<b>170 417</b>
<b>Surplus/(Deficit) for the year</b>	<b>31 958</b>	<b>36 388</b>	<b>47 628</b>	<b>30 583</b>	<b>26 358</b>	<b>17 650</b>	<b>27 957</b>	<b>51 591</b>

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

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

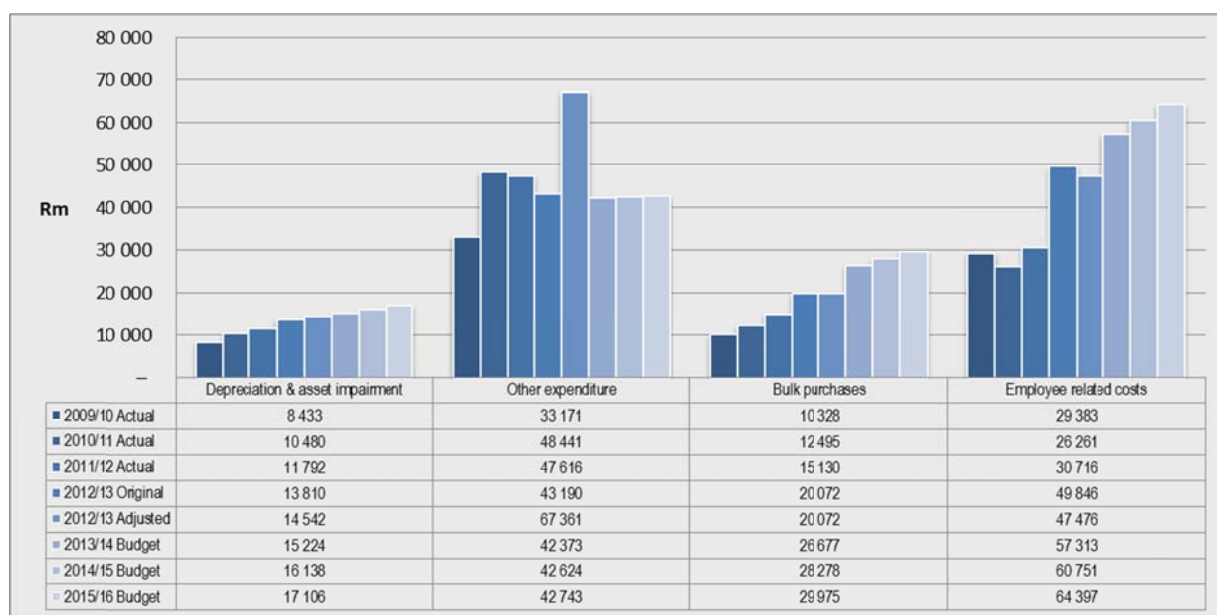


**Table 6 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)**

Description	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Revenue By Source</b>								
Property rates	3 938	4 197	4 001	4 425	4 376	4 612	4 888	5 182
Service charges - electricity revenue	7 888	12 156	18 003	19 157	19 456	19 499	20 669	21 909
Service charges - water revenue	1 758	-	-	2 436	-	-	-	-
Service charges - sanitation revenue	765	-	-	1 093	-	-	-	-
Service charges - refuse revenue	1 626	1 749	1 948	2 171	2 171	2 223	2 356	2 497
Service charges - other	6 761	-	-	10 319	-	-	-	-
Rental of facilities and equipment	541	375	558	283	262	278	295	312
Interest earned - external investments	5 087	4 915	6 790	6 000	7 300	7 000	7 420	7 865
Interest earned - outstanding debtors	919	885	882	903	774	843	894	948
Fines	54	69	50	25	60	60	64	67
Licences and permits	880	814	1 348	840	1 140	1 140	1 208	1 281
Agency services	803	600	912	561	1 731	1 802	1 910	2 025
Transfers recognised - operational	60 489	103 353	106 224	99 545	125 557	106 932	116 861	143 006
Other revenue	361	1 132	2 219	408	1 848	371	393	417
Gains on disposal of PPE	409	-	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>92 278</b>	<b>130 246</b>	<b>142 935</b>	<b>148 167</b>	<b>164 676</b>	<b>144 760</b>	<b>156 958</b>	<b>185 509</b>
<b>Expenditure By Type</b>								
Employee related costs	29 383	26 261	30 716	49 846	47 476	57 313	60 751	64 397
Remuneration of councillors	6 807	7 159	8 464	9 056	9 086	9 635	10 213	10 826
Debt impairment	2 332	829	2 694	5 580	3 953	4 270	4 526	4 797
Depreciation & asset impairment	8 433	10 480	11 792	13 810	14 542	15 224	16 138	17 106
Finance charges	681	1 566	1 718	2 319	2 120	1 639	541	573
Bulk purchases	10 328	12 495	15 130	20 072	20 072	26 677	28 278	29 975
Transfers and grants	397	799	732	333	333	334	-	-
Other expenditure	33 171	48 441	47 616	43 190	67 361	42 373	42 624	42 743
Loss on disposal of PPE	2 414	447	85	-	-	-	-	-
<b>Total Expenditure</b>	<b>93 946</b>	<b>108 477</b>	<b>118 947</b>	<b>144 207</b>	<b>164 942</b>	<b>157 465</b>	<b>163 070</b>	<b>170 417</b>
<b>Surplus/(Deficit)</b>	<b>(1 667)</b>	<b>21 769</b>	<b>23 987</b>	<b>3 959</b>	<b>(266)</b>	<b>(12 705)</b>	<b>(6 113)</b>	<b>15 092</b>
Transfers recognised - capital	33 626	14 619	23 641	26 624	26 624	30 355	34 070	36 499
<b>Surplus/(Deficit) after capital transfers &amp;</b>	<b>31 958</b>	<b>36 388</b>	<b>47 628</b>	<b>30 583</b>	<b>26 358</b>	<b>17 650</b>	<b>27 957</b>	<b>51 591</b>
<b>Surplus/(Deficit) for the year</b>	<b>31 958</b>	<b>36 388</b>	<b>47 628</b>	<b>30 583</b>	<b>26 358</b>	<b>17 650</b>	<b>27 957</b>	<b>51 591</b>

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

1. Total revenue, including capital transfers, is R175 million in 2013/14 and escalates to R222 million by 2015/16. This represents a year-on-year decrease of 8,5 per cent for the 2013/14 financial year and year-on-year increases of 9,1 per cent for the 2014/15 financial year and 16,2 per cent for the 2015/16 financial year.
2. Revenue to be generated from property rates is R4,6 million in the 2013/14 financial year and increases to R5,2 million by 2015/16 which represents only 3 per cent of the operating revenue base (excluding capital transfers) of the Municipality and therefore does not remain a significant funding source for the municipality. It remains relatively constant over the medium-term and tariff increases have been factored in at 6 per cent, 6 per cent and 6, per cent for each of the respective financial years of the MTREF.
3. Services charges relating to electricity and refuse removal constitutes the biggest component of the revenue basket out of own sources of the Municipality totaling R21,7million for the 2013/14 financial year and increasing to R23 million by 2015/16. For the 2013/14 financial year services charges amount to 15 per cent of the total revenue base (excluding capital grants) and decreasing to 13,2 per cent in 2015/2016, mainly as a result of the big increase in the Equitable Share.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. Transfers are fluctuating according to grants provided for by the respective governments.
5. The following graph illustrates the major expenditure items per type.



#### Expenditure by major type

6. Bulk purchases have significantly increased over the 2009/2010 to 2013/14 period escalating from R10,3 million to R26,7 million. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom.
7. Employee related costs, depreciation, operating grant expenditure and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

**Table 7 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

Vote Description	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>R thousand</b>								
<u>Capital expenditure - Vote</u>								
<u>Multi-year expenditure to be appropriated</u>								
Vote 3 - Corporate Services	-	-	-	2 000	2 000	4 000	-	-
Vote 5 - Road Transport	-	-	-	-	-	18 554	12 038	8 189
Vote 10 - Sport & Recreation	-	-	-	-	-	4 793	5 379	11 910
Vote 12 - Electricity	-	-	-	-	-	1 508	4 202	2 800
<b>Capital multi-year expenditure sub-total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 000</b>	<b>2 000</b>	<b>28 855</b>	<b>21 620</b>	<b>22 899</b>
<u>Single-year expenditure to be appropriated</u>								
Vote 1 - Executive & Council	656	1 289	102	1 000	822	1 625	-	-
Vote 2 - Planning & Development	1 886	1 071	39	350	530	100	-	-
Vote 3 - Corporate Services	8 193	9 546	6 011	900	210	400	-	-
Vote 4 - Budget & Treasury	551	615	460	500	500	500	-	-
Vote 5 - Road Transport	32 056	16 705	27 716	27 905	31 580	7 160	14 975	14 860
Vote 9 - Community & Social Services	99	111	89	3 150	3 633	7 850	7 560	10 660
Vote 10 - Sport & Recreation	25	-	2 374	3 994	3 994	-	-	-
Vote 11 - Public Safety	-	-	-	500	500	1 100	-	-
Vote 12 - Electricity	458	2 229	1 317	805	965	3 920	2 220	5 200
Vote 13 - Waste Management	17	112	117	4 050	2 140	4 970	350	400
<b>Capital single-year expenditure sub-total</b>	<b>43 941</b>	<b>31 677</b>	<b>38 223</b>	<b>43 154</b>	<b>44 873</b>	<b>27 625</b>	<b>25 105</b>	<b>31 120</b>
<b>Total Capital Expenditure - Vote</b>	<b>43 941</b>	<b>31 677</b>	<b>38 223</b>	<b>45 154</b>	<b>46 873</b>	<b>56 480</b>	<b>46 725</b>	<b>54 019</b>
<u>Capital Expenditure - Standard</u>								
<i>Governance and administration</i>	9 400	11 450	6 572	4 400	3 532	6 525	-	-
Executive and council	656	1 289	102	1 000	822	1 625	-	-
Budget and treasury office	551	615	460	500	500	500	-	-
Corporate services	8 193	9 546	6 011	2 900	2 210	4 400	-	-
<i>Community and public safety</i>	124	111	2 462	7 644	8 127	13 743	12 939	22 570
Community and social services	99	111	89	3 150	3 633	7 850	7 560	10 660
Sport and recreation	25	-	2 374	3 994	3 994	4 793	5 379	11 910
Public safety	-	-	-	500	500	1 100	-	-
<i>Economic and environmental services</i>	33 942	17 776	27 755	28 255	32 110	25 814	27 013	23 049
Planning and development	1 886	1 071	39	350	530	100	-	-
Road transport	32 056	16 705	27 716	27 905	31 580	25 714	27 013	23 049
<i>Trading services</i>	475	2 341	1 434	4 855	3 105	10 398	6 772	8 400
Electricity	458	2 229	1 317	805	965	5 428	6 422	8 000
Waste water management	-	-	-	-	-	-	-	-
Waste management	17	112	117	4 050	2 140	4 970	350	400
<i>Other</i>	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Standard</b>	<b>43 941</b>	<b>31 677</b>	<b>38 223</b>	<b>45 154</b>	<b>46 873</b>	<b>56 480</b>	<b>46 725</b>	<b>54 019</b>
<u>Funded by:</u>								
National Government	20 730	14 514	23 641	26 624	26 624	30 355	34 070	36 499
Provincial Government	12 896	105	-	-	-	-	-	-
Transfers recognised - capital	33 626	14 619	23 641	26 624	26 624	30 355	34 070	36 499
Borrowing	8 337	16 481	-	-	-	-	-	-
Internally generated funds	1 978	577	14 583	18 530	20 249	26 125	12 655	17 520
<b>Total Capital Funding</b>	<b>43 941</b>	<b>31 677</b>	<b>38 223</b>	<b>45 154</b>	<b>46 873</b>	<b>56 480</b>	<b>46 725</b>	<b>54 019</b>

**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. In relation to multi-year appropriations, for 2013/14 R28,8 million has been allocated of the total R56,5 million capital budget.
3. Single-year capital expenditure has been appropriated at R27,6 million for the 2013/14 financial year and remains relatively constant over the MTREF at levels of R25,1 million and R31,1 million respectively for the two outer years.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
5. The capital program is funded from national grants and transfers and internally generated funds from current and prior year surpluses. and is listed above.

**Table 8 MBRR Table A6 - Budgeted Financial Position**

Description	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>ASSETS</b>								
<b>Current assets</b>								
Cash	405	2 276	904	500	500	500	500	500
Call investment deposits	65 867	113 870	124 993	95 279	101 123	78 346	76 571	92 129
Consumer debtors	10 104	4 626	10 403	6 627	11 080	11 867	12 700	13 584
Other debtors	10 129	3 382	6 397	3 068	6 663	7 330	8 063	8 869
Current portion of long-term receivables	17	14	-	-	-	-	-	-
Inventory	3 717	5 154	4 311	5 669	4 582	5 041	5 545	6 099
<b>Total current assets</b>	<b>90 238</b>	<b>129 322</b>	<b>147 008</b>	<b>111 143</b>	<b>123 949</b>	<b>103 083</b>	<b>103 378</b>	<b>121 180</b>
<b>Non current assets</b>								
Long-term receivables	14	-	-	-	-	-	-	-
Investment property	12 549	12 549	12 549	12 549	12 549	12 549	12 549	12 549
Property, plant and equipment	123 297	146 090	172 719	202 827	205 050	246 508	277 290	314 392
Intangible	320	300	258	303	258	215	164	103
Other non-current assets	1 743	1 637	1 595	1 671	1 595	1 436	1 292	1 163
<b>Total non current assets</b>	<b>137 923</b>	<b>160 576</b>	<b>187 120</b>	<b>217 350</b>	<b>219 451</b>	<b>260 707</b>	<b>291 294</b>	<b>328 207</b>
<b>TOTAL ASSETS</b>	<b>228 160</b>	<b>289 898</b>	<b>334 128</b>	<b>328 493</b>	<b>343 401</b>	<b>363 790</b>	<b>394 672</b>	<b>449 387</b>
<b>LIABILITIES</b>								
<b>Current liabilities</b>								
Borrowing	174	778	798	1 303	899	971	1 049	1 133
Consumer deposits	363	342	533	466	533	575	621	671
Trade and other payables	13 465	25 426	20 467	2 130	3 301	3 565	3 851	4 159
Provisions	10 386	11 290	11 399	12 306	11 399	12 425	13 543	14 762
<b>Total current liabilities</b>	<b>24 388</b>	<b>37 836</b>	<b>33 197</b>	<b>16 204</b>	<b>16 132</b>	<b>17 536</b>	<b>19 063</b>	<b>20 724</b>
<b>Non current liabilities</b>								
Borrowing	8 163	15 703	15 237	13 194	14 338	13 367	12 318	11 186
Provisions	11 541	12 523	13 854	17 051	16 212	18 517	20 964	23 559
<b>Total non current liabilities</b>	<b>19 704</b>	<b>28 226</b>	<b>29 091</b>	<b>30 245</b>	<b>30 550</b>	<b>31 884</b>	<b>33 282</b>	<b>34 745</b>
<b>TOTAL LIABILITIES</b>	<b>44 092</b>	<b>66 062</b>	<b>62 287</b>	<b>46 448</b>	<b>46 682</b>	<b>49 421</b>	<b>52 345</b>	<b>55 469</b>
<b>NET ASSETS</b>	<b>184 068</b>	<b>223 836</b>	<b>271 841</b>	<b>282 044</b>	<b>296 719</b>	<b>314 370</b>	<b>342 327</b>	<b>393 918</b>
<b>COMMUNITY WEALTH/EQUITY</b>								
Accumulated Surplus/(Deficit)	143 537	160 193	182 913	180 157	192 310	233 339	263 369	297 799
Reserves	40 531	63 643	88 928	101 888	104 409	81 030	78 958	96 119
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>184 068</b>	<b>223 836</b>	<b>271 841</b>	<b>282 044</b>	<b>296 719</b>	<b>314 370</b>	<b>342 327</b>	<b>393 918</b>

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

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

**Table 9 MBRR Table A7 - Budgeted Cash Flow Statement**

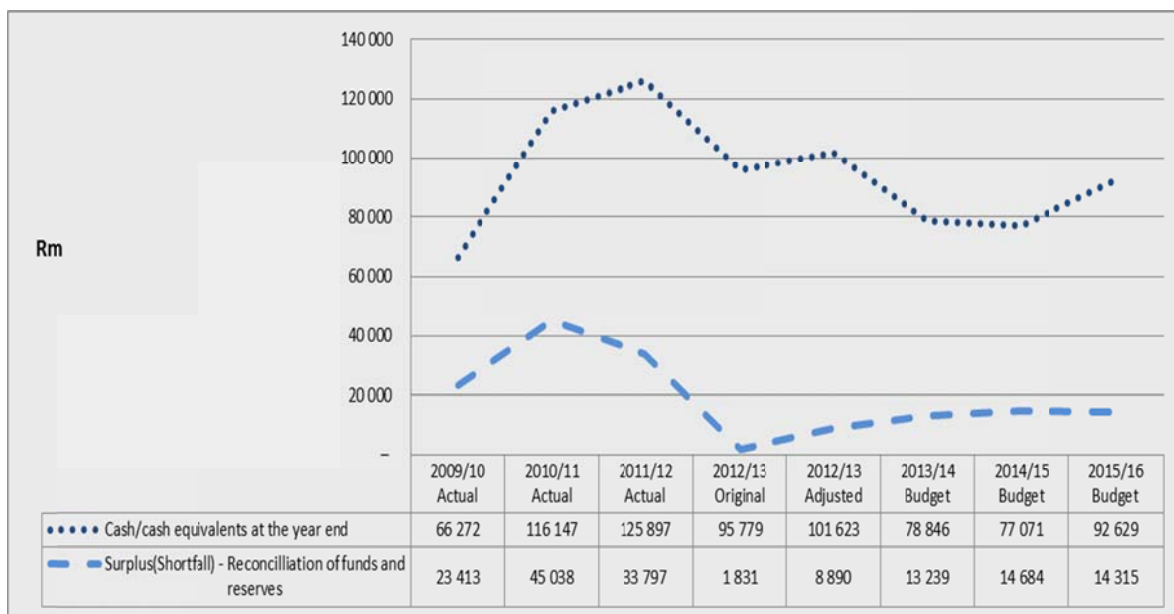
Description	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>R thousand</b>								
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>								
Receipts								
Ratepayers and other	13 728	46 976	28 626	40 555	24 668	28 531	30 217	32 000
Government - operating	59 737	129 267	123 562	99 545	108 239	106 932	116 861	143 006
Government - capital	34 378	-	-	26 624	26 624	30 355	34 070	36 499
Interest	5 087	4 915	6 790	6 903	8 074	7 843	8 314	8 813
Payments								
Suppliers and employees	(79 487)	(106 146)	(108 526)	(124 773)	(141 755)	(137 130)	(143 046)	(149 169)
Finance charges	(681)	(1 566)	(1 718)	(2 319)	(2 120)	(1 639)	(541)	(573)
Transfers and Grants	(397)	(799)	(732)	(333)	(333)	(334)	-	-
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>32 365</b>	<b>72 647</b>	<b>48 003</b>	<b>46 202</b>	<b>23 397</b>	<b>34 559</b>	<b>45 874</b>	<b>70 576</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
Receipts								
Proceeds on disposal of PPE	405	764	213	-	-	-	-	-
Decrease (Increase) in non-current debtors	15	17	14	14	-	-	-	-
Payments								
Capital assets	(43 941)	(31 677)	(38 223)	(45 154)	(46 873)	(56 480)	(46 725)	(54 019)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(43 521)</b>	<b>(30 896)</b>	<b>(37 997)</b>	<b>(45 140)</b>	<b>(46 873)</b>	<b>(56 480)</b>	<b>(46 725)</b>	<b>(54 019)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>								
Receipts								
Borrowing long term/refinancing	8 337	8 473	282	-	-	-	-	-
Increase (decrease) in consumer deposits	(16)	(21)	191	34	-	43	46	50
Payments								
Repayment of borrowing	-	(329)	(728)	(1 206)	(798)	(899)	(971)	(1 049)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>8 320</b>	<b>8 123</b>	<b>(255)</b>	<b>(1 172)</b>	<b>(798)</b>	<b>(856)</b>	<b>(925)</b>	<b>(999)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>(2 835)</b>	<b>49 875</b>	<b>9 751</b>	<b>(109)</b>	<b>(24 274)</b>	<b>(22 777)</b>	<b>(1 775)</b>	<b>15 558</b>
Cash/cash equivalents at the year begin:	69 107	66 272	116 147	95 888	125 897	101 623	78 846	77 071
Cash/cash equivalents at the year end:	66 272	116 147	125 897	95 779	101 623	78 846	77 071	92 629

**Table 10 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

Description	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget
<b>Cash and investments available</b>								
Cash/cash equivalents at the year end	66 272	116 147	125 897	95 779	101 623	78 846	77 071	92 629
Other current investments > 90 days	(0)	(0)	0	-	-	-	-	-
Non current assets - Investments	-	-	-	-	-	-	-	-
<b>Cash and investments available:</b>	<b>66 272</b>	<b>116 147</b>	<b>125 897</b>	<b>95 779</b>	<b>101 623</b>	<b>78 846</b>	<b>77 071</b>	<b>92 629</b>
<b>Application of cash and investments</b>								
Unspent conditional transfers	12 142	23 490	17 318	-	-	-	-	-
Other working capital requirements	(9 247)	(15 180)	(12 925)	(7 095)	(10 455)	(14 202)	(15 349)	(16 584)
Other provisions	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	39 965	62 798	87 707	101 043	103 188	79 809	77 737	94 898
<b>Total Application of cash and investments:</b>	<b>42 859</b>	<b>71 108</b>	<b>92 101</b>	<b>93 948</b>	<b>92 733</b>	<b>65 607</b>	<b>62 387</b>	<b>78 313</b>
<b>Surplus(shortfall)</b>	<b>23 413</b>	<b>45 038</b>	<b>33 797</b>	<b>1 831</b>	<b>8 890</b>	<b>13 239</b>	<b>14 684</b>	<b>14 315</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 Municipality is expected to fall significantly in the current Adjustments Budget owing directly to asset acquisitions from own sources. It further decreases during the budget financial year due to additional capital requirements and then increases again in the outer years of the MTREF. The municipality is serious about staying a financially viable municipality, and by so doing ensuring that services can be delivered in a sustainable manner.
4. The 2012/13 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.
5. Cash and cash equivalents totals R78,8 million as at the end of the 2013/14 financial year and increases to R92,6 million by 2015/16.

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

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

Table 11 MBRR Table A9 - Asset Management

Description	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>R thousand</b>								
<b>CAPITAL EXPENDITURE</b>								
<u>Total New Assets</u>	43 941	31 677	38 223	44 504	46 223	52 980	44 225	51 019
<i>Infrastructure - Road transport</i>	29 701	15 934	17 347	19 830	20 987	19 554	21 988	15 689
<i>Infrastructure - Electricity</i>	242	1 149	3 606	700	700	4 908	6 202	6 800
<i>Infrastructure - Other</i>	-	382	10 245	2 000	1 818	1 750	-	-
Infrastructure	29 944	17 466	31 197	22 530	23 505	26 212	28 190	22 489
Community	10	-	-	6 494	6 937	10 443	10 379	19 510
Other assets	13 865	14 130	6 958	15 480	15 781	16 325	5 655	9 020
Intangibles	123	82	68	-	-	-	-	-
<u>Total Renewal of Existing Assets</u>	-	-	-	650	650	2 100	2 500	3 000
Community	-	-	-	650	650	2 100	2 500	3 000
<u>Total Capital Expenditure</u>								
<i>Infrastructure - Road transport</i>	29 701	15 934	17 347	19 830	20 987	19 554	21 988	15 689
<i>Infrastructure - Electricity</i>	242	1 149	3 606	700	700	4 908	6 202	6 800
<i>Infrastructure - Other</i>	-	382	10 245	2 000	1 818	1 750	-	-
Infrastructure	29 944	17 466	31 197	22 530	23 505	26 212	28 190	22 489
Community	10	-	-	7 144	7 587	12 543	12 879	22 510
Other assets	13 865	14 130	6 958	15 480	15 781	17 725	5 655	9 020
Intangibles	123	82	68	-	-	-	-	-
<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>	<b>43 941</b>	<b>31 677</b>	<b>38 223</b>	<b>45 154</b>	<b>46 873</b>	<b>56 480</b>	<b>46 725</b>	<b>54 019</b>
<b>ASSET REGISTER SUMMARY - PPE (WDV)</b>								
<i>Infrastructure - Road transport</i>	66 308	76 867	85 583	108 443	118 682	107 126	117 286	120 432
<i>Infrastructure - Electricity</i>	3 547	4 577	8 017	11 029	11 397	16 148	22 183	28 806
<i>Infrastructure - Other</i>	3 002	3 232	13 324	8 447	10 102	11 400	10 921	10 413
Infrastructure	72 857	84 676	106 924	127 919	140 180	134 673	150 390	159 651
Community	10	9	9	26 746	34 332	39 275	52 154	74 663
Investment properties	12 549	12 549	12 549	12 549	12 549	12 549	12 549	12 549
Other assets	50 431	61 404	65 786	48 162	60 882	72 266	74 257	79 400
Intangibles	320	300	258	303	258	215	164	103
<b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>	<b>136 166</b>	<b>158 939</b>	<b>185 525</b>	<b>215 679</b>	<b>248 201</b>	<b>258 978</b>	<b>289 513</b>	<b>326 366</b>
<b>EXPENDITURE OTHER ITEMS</b>								
<u>Depreciation &amp; asset impairment</u>	8 433	10 480	11 792	13 810	14 542	15 224	16 138	17 106
<u>Repairs and Maintenance by Asset Class</u>	2 710	2 703	3 405	3 583	2 846	3 212	3 404	3 609
<i>Infrastructure - Road transport</i>	574	568	1 052	710	540	610	647	685
<i>Infrastructure - Electricity</i>	449	367	787	519	339	495	525	556
<i>Infrastructure - Water</i>	86	-	1	36	4	4	4	5
<i>Infrastructure - Sanitation</i>	71	-	-	32	-	-	-	-
<i>Infrastructure - Other</i>	22	8	30	41	41	40	42	45
Infrastructure	1 202	943	1 870	1 338	924	1 149	1 218	1 291
Community	58	197	47	55	68	73	78	82
Other assets	1 451	1 564	1 488	2 190	1 854	1 989	2 109	2 235
<b>TOTAL EXPENDITURE OTHER ITEMS</b>	<b>11 144</b>	<b>13 183</b>	<b>15 197</b>	<b>17 393</b>	<b>17 387</b>	<b>18 436</b>	<b>19 542</b>	<b>20 715</b>
<i>Renewal of Existing Assets as % of total capex</i>	0.0%	0.0%	0.0%	1.4%	1.4%	3.7%	5.4%	5.6%
<i>Renewal of Existing Assets as % of deprechn"</i>	0.0%	0.0%	0.0%	4.7%	4.5%	13.8%	15.5%	17.5%
<i>R&amp;M as a % of PPE</i>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<i>Renewal and R&amp;M as a % of PPE</i>	2.0%	2.0%	2.0%	2.0%	1.0%	2.0%	2.0%	2.0%

**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 Municipality does not meet both these recommendations.
3. An analysis between depreciation and operational repairs and maintenance over the MTREF is not yet possible until the municipality changes its financial systems to include all maintenance costs, also those incurred internally, to the maintenance votes. When implemented it will highlight the Municipality's maintenance backlog.

## Part 2 – Supporting Documentation

### 2.1 Overview of the annual budget process

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

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

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

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

#### 2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2012) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule on 31 August 2012. Key dates applicable to the process were:

<b>July – August 2012</b>	<p>Mayor begins planning for next three-year budget in accordance with co-ordination role of budget process</p> <p><b>MFMA s 53</b></p> <p>IDP &amp; Budget Steering Committee Meeting to discuss draft IDP &amp; Budget process plan <b>15 August 2012</b></p> <p>Mayor tables in Council a time schedule outlining key deadlines for: preparing, tabling and approving the budget; reviewing the IDP (as per s 34 of MSA) and budget related policies and consultation processes at least 10 months before the start of the budget year <b>31 August 2012.</b></p> <p><b>MFMA s 21,22, 23;</b></p> <p><b>MSA s 34, Ch 4 as amended</b></p>
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<b>September - November</b>	<p>Advertise IDP &amp; Budget review deadlines <b>7 September 2012</b></p> <p>IDP Representative Forum to discuss process plan and review analysis <b>18 September 2012</b></p> <p>Council through the IDP review process determines strategic objectives for service delivery and development for next three-year budgets including review of provincial and national government sector and strategic plans September – October 2012</p> <p>ExCo outreach <b>16 October to 15 November 2012</b></p> <p>IDP Representative Forum to discuss and finalise outreach issues <b>27 November 2012</b></p>
<b>December</b>	<p>Council finalises tariff (rates and service charges) policies for next financial year</p> <p><b>MSA s 74, 75</b></p> <p>Departmental sessions to discuss issues raised in outreach and draft objectives, strategies and project proposals <b>3-7 December 2012</b></p> <p>IDP &amp; Budget Steering Committee to discuss departmental issues and develop draft objectives, strategies and project proposals <b>11 December 2012</b></p> <p>IDP &amp; Budget Steering Committee to discuss issues and revise and develop draft objectives, strategies and formulate draft project proposals with sector departments <b>13- 14 December 2012</b></p>
<b>January</b>	Municipal strategic session <b>16-18 January 2013</b>
<b>February</b>	<p>IGR Meeting to discuss project proposals and budgets with sector departments <b>13 February 2013</b> IDP and Budget Steering Committee <b>19 February 2013</b></p>
<b>March</b>	<p>IDP Rep Forum to discuss draft IDP <b>5 March 2013</b></p> <p>IDP &amp; Budget Steering Committee meeting to develop draft high level SDBIP <b>13 March 2013</b> Mayor tables municipality budget, resolutions, plans, and proposed revisions to IDP at least 90 days before start of budget year <b>MFMA s 16, 22, 23, 87; MSA s 34</b></p> <p><b>27 March 2013</b></p>
<b>April - May</b>	<p>Directors to meet with departments and draft departmental SDBIP's <b>5-23 April 2013</b></p> <p>Public hearings on the budget <b>15 April to 3 May 2013</b>, and council debate. Council considers views of the local community, NT, PT, other provincial and national organs of state and municipalities. Mayor to be provided with an opportunity to respond to submissions during</p>

	<p>consultation and table amendments for council consideration <b>MFMA s 23, 24; MSA Ch 4 as amended</b></p> <p>IDP &amp; Budget Steering committee meetings to discuss SDBIP and budget submissions <b>6 May 2013</b></p> <p>IDP Representative Forum to discuss draft PMS targets <b>7 May 2013</b></p> <p>Consultation with national and provincial treasuries and finalise sector plans for water, sanitation, electricity etc</p> <p><b>MFMA s 21</b></p> <p>Council to consider approval of budget and plans at least 30 days before start of budget year, <b>31 May 2013</b>.</p> <p><b>MFMA s 23, 24; MSA Ch 4 as amended</b></p> <p>Council must approve annual budget by resolution, setting taxes and tariffs, approving changes to IDP and budget related policies, approving measurable performance objectives for revenue by source and expenditure by vote before start of budget year <b>31 May 2013</b></p> <p><b>MFMA s 16, 24, 26, 53</b></p>
June	<p>Mayor must approve SDBIP within 28 days after approval of the budget and ensure that annual performance contracts are concluded in accordance with s 57(2) of the MSA <b>26 June 2013</b>.</p> <p>Mayor to ensure that the annual performance agreements are linked to the measurable performance objectives approved with the budget and SDBIP. The mayor submits the approved SDBIP and performance agreements to Council <b>28 June 2013</b>, MEC for local government and makes public within 14 days after approval <b>12 July 2013</b>.</p> <p><b>MFMA s 53; MSA s 38-45, 57(2)</b></p> <p>Council must finalise a system of delegations.</p> <p><b>MFMA s 59, 79, 82; MSA s 59-65</b></p>

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

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

This is the fourth review of the IDP as adopted by Council in May 2006. It started in September 2010 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2012/13 MTREF in August.

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

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

The IDP has been taken into a business and financial planning process leading up to the 2012/13 MTREF, based on the approved 2010/11 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2012/13 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2010/11 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

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

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

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

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

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

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

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

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

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

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

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

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

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its



IDP. The following table highlights the IDP's five strategic objectives for the 2013/14 MTREF and further planning refinements that have directly informed the compilation of the budget:

**Table 12 IDP Strategic Objectives**

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

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

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

1. Provision of quality basic services and infrastructure which includes, amongst others:
  - Provide electricity;
  - Provide water;
  - Provide sanitation;
  - Provide waste removal;
  - Provide housing;
  - Provide roads and storm water;
  - Provide public transport;
  - Provide municipal planning services; and
  - Maintaining the infrastructure of the Municipality.
2. Economic growth and development that leads to sustainable job creation by:
  - Ensuring there is a clear structural plan for the Municipality;
  - Ensuring planning processes function in accordance with set timeframes;
  - Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
- 3.1 Fight poverty and build clean, healthy, safe and sustainable communities:
  - Effective implementation of the Indigent Policy;
  - Working with the provincial department of health to provide primary health care services;
  - Extending waste removal services and ensuring effective Municipality cleansing;
  - Ensuring all waste water treatment works are operating optimally;

- Working with strategic partners such as SAPS to address crime;
  - Ensuring safe working environments by effective enforcement of building and health regulations;
  - Promote viable, sustainable communities through proper zoning; and
  - Promote environmental sustainability by protecting wetlands and key open spaces.
- 3.2 Integrated Social Services for empowered and sustainable communities
- Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme
4. Foster participatory democracy and Senqu principles through a caring, accessible and accountable service by:
- Optimising effective community participation in the ward committee system; and
  - Implementing Senqu in the revenue management strategy.
- 5.1 Promote sound governance through:
- Publishing the outcomes of all tender processes on the municipal website
- 5.2 Ensure financial sustainability through:
- Reviewing the use of contracted services
  - Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan
- 5.3 Optimal institutional transformation to ensure capacity to achieve set objectives
- Review of the organizational structure to optimize the use of personnel;

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

In addition to the five-year IDP, the Municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the Municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the Municipality's IDP, associated sectoral plans and strategies, and the allocation of resources of the Municipality and other service delivery partners.

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

The 2013/14 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 13 MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue**

Strategic Objective	Goal	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand									
Good Governance	To build an institution capable of effective delivery with sound administration and good governance practices	1 827	2 675	2 526	4 836	4 836	5 571	6 946	7 171
Sustainable Infrastructure Development	Provide Sustainable Infrastructure Development by improving and building housing infrastructure, reconstructing access roads and rebuilding gravel roads.	13 654	10 118	7 944	60	8 447	21	22	24
	Provide Sustainable Infrastructure Development by improving and building housing infrastructure, reconstructing access roads and rebuilding gravel roads.	18 586	34 350	28 763	24 525	26 630	25 212	25 796	19 745
Sustainable Basic Services	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing sustainable and quality water and electricity.	4 368	4 854	5 458	8 277	6 777	7 904	7 053	7 476
	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing sustainable and quality water and electricity.	10 821	15 830	22 563	25 795	26 182	27 753	29 418	31 183
	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing sustainable and quality water and electricity.	4 495	-	-	7 413	-	-	-	-
	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing sustainable and quality water and electricity.	7 365	-	7 150	6 653	-	-	-	-
Economic Development	To create a conducive environment for local economic development and growth and unleash the potential for job creation by implementing job creation opportunities through implementing Public Private Partnerships, implement Expanded Public Works Programme and accelerate the establishment of SMMEs.	3 351	5 079	2 212	2 300	18 769	1 287	-	-
Social Development	To create a healthy and sustainable environment by improving environmental management and combating illegal dumping	637	1 283	1 867	3 062	3 943	5 382	4 730	8 434
	To build community resilience for sustainable livelihood by improving cemetery records and administration and improving cemetery conditions.	-	-	3 306	3 994	3 994	4 793	5 379	11 910
Financial Viability	To create an environment of effective, accountable and viable financial management with reliable information technology and accurate database by fully implementing all MFMA regulations and reforms	60 305	70 569	84 605	87 799	91 645	96 102	107 894	133 673
	To create an environment of effective, accountable and viable financial management with reliable information technology and accurate database by fully implementing all MFMA regulations and reforms	516	81	115	53	53	56	60	63
Safety & Security	To create a safe and secure environment by providing adequate community lighting, establish partnerships with SAPS, and ensure functional CPF's and Ward Committees.	29	25	68	23	23	1 033	3 728	2 328
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>125 954</b>	<b>144 865</b>	<b>166 575</b>	<b>174 790</b>	<b>191 300</b>	<b>175 115</b>	<b>191 028</b>	<b>222 008</b>

**Table 14 MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure**

Strategic Objective	Goal	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand									
Good Governance	To build an institution capable of effective delivery with sound administration and good governance practices	12 403	14 736	20 213	23 352	19 441	20 442	21 668	22 968
Sustainable Infrastructure Development	Provide Sustainable Infrastructure Development by improving and building housing infrastructure, reconstructing access roads and rebuilding gravel roads.	14 253	10 733	6 975	896	9 421	1 958	2 076	2 200
	Provide Sustainable Infrastructure Development by improving and building housing infrastructure, reconstructing access roads and rebuilding gravel roads.	15 080	33 005	33 155	28 475	31 073	32 975	36 853	37 176
Sustainable Basic Services	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing sustainable and quality water and electricity.	6 449	7 716	8 554	10 135	13 419	14 387	15 250	16 165
	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing sustainable and quality water and electricity.	16 386	18 283	22 495	29 160	30 067	35 883	37 537	39 789
	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing sustainable and quality water and electricity.	4 322	-	-	7 458	-	-	-	-
	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing sustainable and quality water and electricity.	5 461	462	307	7 976	754	827	877	930
	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing sustainable and quality water and electricity.	-	68	-	-	-	-	-	-
			-	-	-	-	-	-	-
Economic Development	To create a conducive environment for local economic development and growth and unleash the potential for job creation by implementing job creation opportunities through implementing Public Private Partnerships, implement Expanded Public Works Programme and accelerate the establishment of SMMEs.	4 680	8 577	7 638	11 199	27 783	12 479	9 814	10 403
Social Development	To create a healthy and sustainable environment by improving environmental management and combating illegal dumping	4 504	5 122	5 073	6 070	7 246	10 182	10 793	11 441
	To build community resilience for sustainable livelihood by improving cemetery records and administration and improving cemetery conditions.	44	193	47	158	224	348	368	390
Financial Viability	To create an environment of effective, accountable and viable financial management with reliable information technology and accurate database by fully implementing all MFMA regulations and reforms	5 035	6 748	7 313	10 225	13 735	15 707	16 582	17 557
	To create an environment of effective, accountable and viable financial management with reliable information technology and accurate database by fully implementing all MFMA regulations and reforms	4 725	2 478	6 848	8 384	11 267	11 639	10 576	10 681
Safety & Security	To create a safe and secure environment by providing adequate community lighting, establish partnerships	654	355	328	719	512	637	676	716
<b>Total Expenditure</b>		<b>93 995</b>	<b>108 477</b>	<b>118 947</b>	<b>144 207</b>	<b>164 942</b>	<b>157 465</b>	<b>163 070</b>	<b>170 417</b>

**Table 15 MBRR Table SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure**

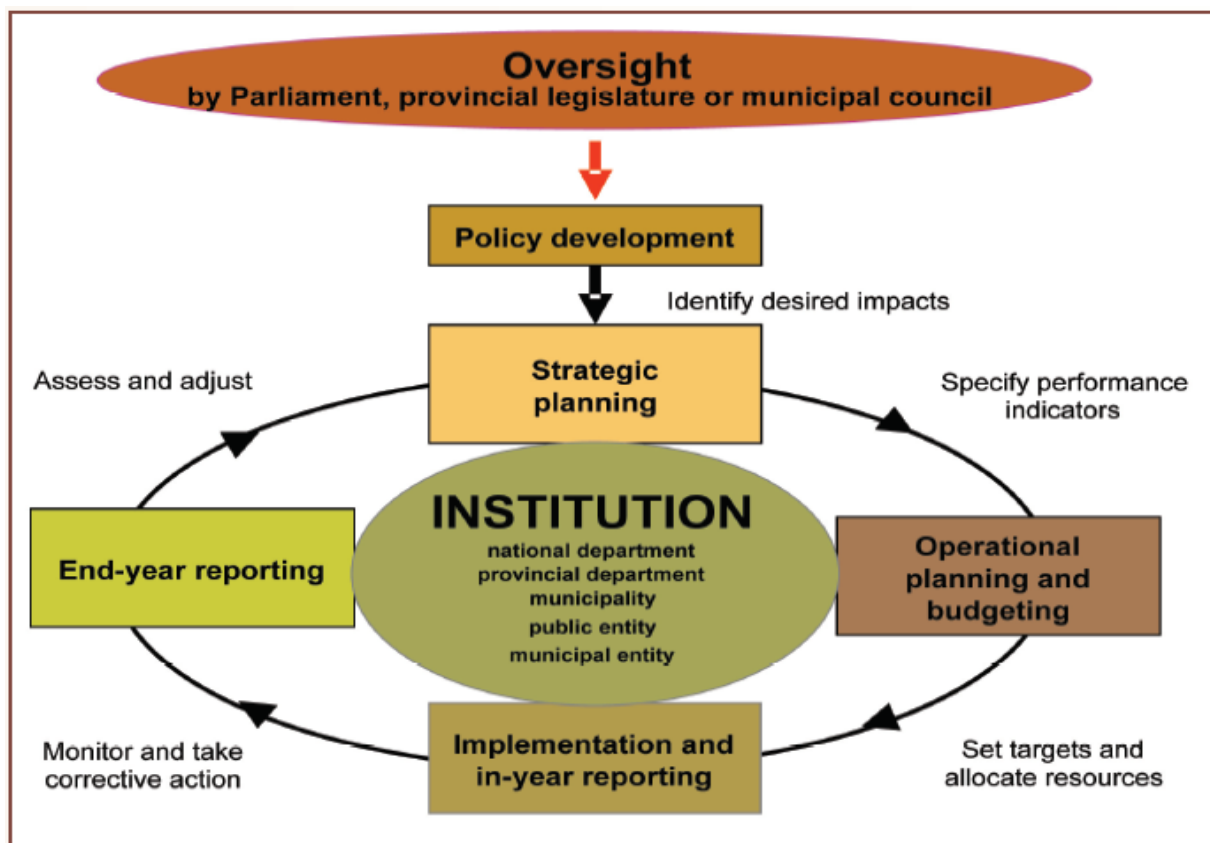
Strategic Objective	Goal	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand									
Good Governance	To build an institution capable of effective delivery with sound administration and good governance practices	656	1 289	102	1 000	822	1 625	-	-
Sustainable Infrastructure Development	Provide Sustainable Infrastructure Development by improving and building housing infrastructure, reconstructing access roads and rebuilding gravel roads.	32 056	16 705	27 716	27 905	31 580	25 714	27 013	23 049
Sustainable Basic Services	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing sustainable and quality water and electricity.	17	112	117	4 050	2 140	4 970	350	400
	To provide adequate sustainable basic services for improved quality of life for our communities by eradicating service delivery backlogs and providing sustainable and quality water and electricity.	458	2 229	1 317	805	965	5 428	6 422	8 000
Economic Development	To create a conducive environment for local economic development and growth and unleash the potential for job creation by implementing job creation opportunities through implementing Public Private Partnerships, implement Expanded Public Works Programme and accelerate the establishment of SMMEs.	1 886	1 071	39	350	530	100	-	-
Social Development	To create a healthy and sustainable environment by improving environmental management and combating illegal dumping	99	111	89	3 150	3 633	7 850	7 560	10 660
	To build community resilience for sustainable livelihood by improving cemetery records and administration and improving cemetery conditions.	25	-	2 374	3 994	3 994	4 793	5 379	11 910
Financial Viability	To create an environment of effective, accountable and viable financial management with reliable information technology and accurate database by fully implementing all MFMA regulations and reforms	551	615	460	500	500	500	-	-
	To create an environment of effective, accountable and viable financial management with reliable information technology and accurate database by fully implementing all MFMA regulations and reforms	8 193	9 546	6 011	2 900	2 210	4 400	-	-
Safety & Security	To create a safe and secure environment by providing adequate community lighting, establish partnerships with SAPS, and ensure functional CPF's and Ward Committees.	-	-	-	500	500	1 100	-	-
<b>Total Capital Expenditure</b>		<b>43 941</b>	<b>31 677</b>	<b>38 223</b>	<b>45 154</b>	<b>46 873</b>	<b>56 480</b>	<b>46 725</b>	<b>54 019</b>

## 2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative

requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

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:

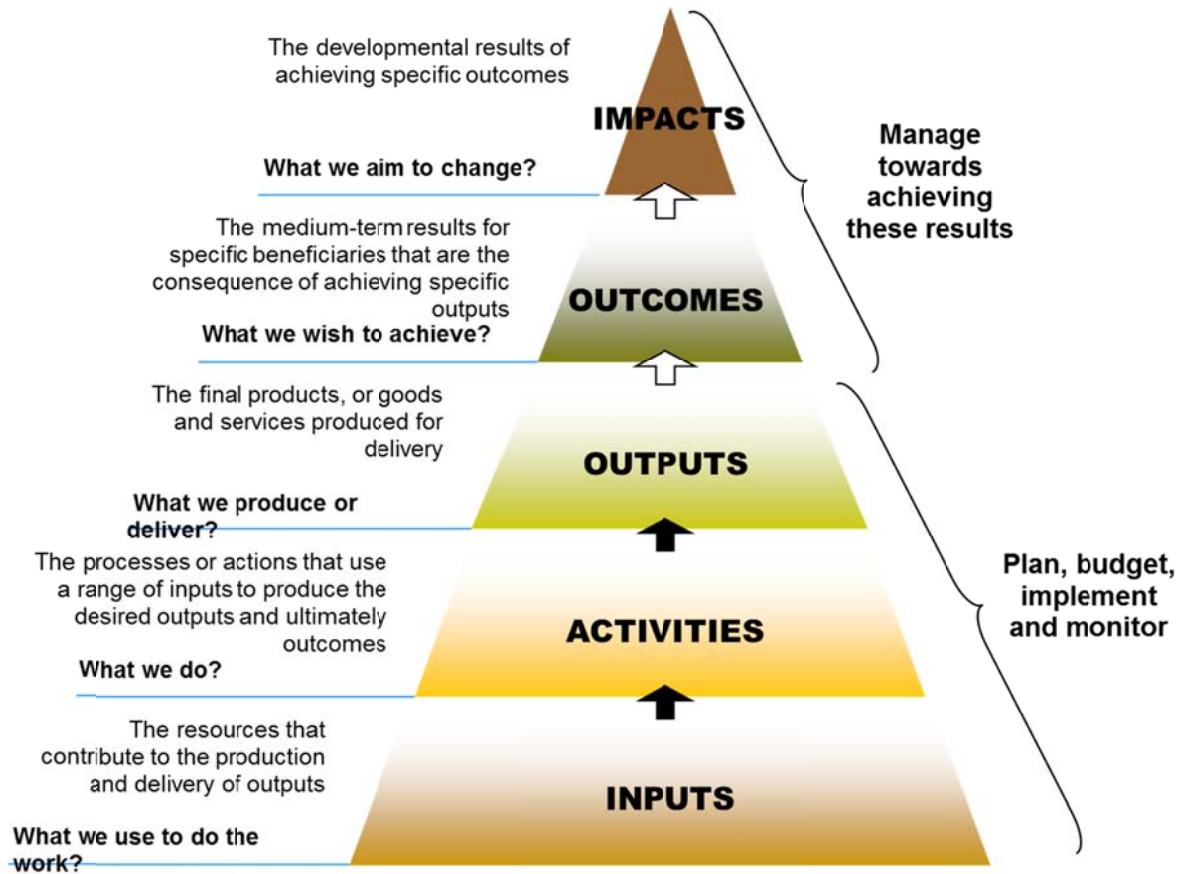


**Figure 1 Planning, budgeting and reporting cycle**

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

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

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



**Figure 2 Definition of performance information concepts**

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

**Table 16 MBRR Table SA7 - Measurable performance objectives**





Senqu Municipality

2013/14 Annual Budget and MTREF

Vote6 - Waste Water Management									
Function 1 - Storm Water									
Sub-function 1 - Infrastructure									
<i>Khwezi Storm Water (Phase II)</i>	Acceptable stormwater drainage system	2 765	13 648	12 488	-	-	-	-	-
		-	-	-	-	-	-	-	-
Vote9 - Community & Social Services									
Function 1 - Community Halls									
Sub-function 1 - Buildings									
<i>Community Halls</i>	Completion of the hall to specifications	-	-	-	2 150	2 843	2 850	3 000	6 600
Function 2 - Cemeteries									
Sub-function 1 - Cemeteries									
<i>Cemeteries</i>		-	-	-	1 000	750	2 300	1 500	1 000
Vote10 - Sport & Recreation									
Function 1 - Sport Facilities									
Sub-function 1 - Sport Facilities									
<i>Sport Facilities</i>	Fully functional sport facilities	-	-	2 374	3 994	3 994	4 793	5 379	11 910
		-	-	-	-	-	-	-	-
Vote12 - Electricity									
Function 1 - Electricity distribution									
Sub-function 1 - Infrastructure									
<i>Transmission &amp; Reticulation</i>	Completion of project to satisfy specifications of the engineers	726	1 149	1 232	-	-	3 400	2 000	4 000
Vote13 - Waste Management									
Function 1 - Refuse									
Sub-function 1 - Waste sites Infrastructure									
<i>Solid Waste Sites</i>	Completion of project to satisfy specifications of the engineers	-	112	117	2 000	-	1 250	-	-

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

**Table 17 MBRR Table SA8 - Performance indicators and benchmarks**

Description of financial indicator	Basis of calculation	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Borrowing Management</b>									
Credit Rating		0	0	0	0	0	0	0	0
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.7%	1.7%	2.1%	2.4%	1.8%	1.6%	0.9%	1.0%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	2.1%	7.0%	6.7%	7.2%	7.5%	6.7%	3.8%	3.8%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and	80.8%	49.7%	1.9%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Safety of Capital</b>									
Gearing	Long Term Borrowing/ Funds & Reserves	20.1%	24.7%	17.1%	12.9%	13.7%	16.5%	15.6%	11.6%
<b>Liquidity</b>									
Current Ratio	Current assets/current liabilities	3.7	3.4	4.4	6.9	7.7	5.9	5.4	5.8
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	3.7	3.4	4.4	6.9	7.7	5.9	5.4	5.8
Liquidity Ratio	Monetary Assets/Current Liabilities	2.7	3.1	3.8	5.9	6.3	4.5	4.0	4.5
<b>Revenue Management</b>									
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing	0.0%	52.3%	213.8%	95.7%	95.2%	77.5%	92.6%	92.5%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		0.0%	52.2%	213.7%	95.7%	95.2%	77.5%	92.6%	92.5%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	22.0%	6.2%	11.8%	6.5%	10.8%	13.3%	13.2%	12.1%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Creditors Management</b>									
Creditors System Efficiency	% of Creditors Paid Within Terms (within 'MFMA' s 65(e))	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Creditors to Cash and Investments		2.0%	1.7%	2.5%	2.2%	3.2%	4.5%	5.0%	4.5%
		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Other Indicators</b>									
Electricity Distribution Losses (2)	Total Volume Losses (kW)	0	5 562	3 674	0	0	0	0	0
	Total Cost of Losses (Rand '000)	-	2 986	2 255	-	-	-	-	-
Water Distribution Losses (2)	Total Volume Losses (kℓ)	0	0	0	0	0	0	0	0
	Total Cost of Losses (Rand '000)	-	-	-	-	-	-	-	-
Employee costs	Employee costs/(Total Revenue - capital revenue)	31.8%	20.2%	21.5%	33.6%	28.8%	39.6%	38.7%	34.7%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	38.3%	25.7%	27.4%	38.8%	34.3%	46.2%	45.2%	40.5%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	2.9%	2.1%	2.4%	2.4%	1.7%	2.2%	2.2%	1.9%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	9.9%	9.2%	9.5%	10.9%	10.1%	11.6%	10.6%	9.5%
<b>IDP regulation financial viability indicators</b>									
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial	6.1	3.6	4.5	5.5	5.5	4.1	4.1	4.3
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received from services	87.0%	43.4%	68.5%	24.3%	67.6%	72.1%	73.6%	75.1%
iii. Cost coverage	(Available cash + Investments)/monthly fixed capital expenditure	12.6	20.4	19.4	11.1	11.2	8.2	7.7	8.8

## 2.3.1 Performance indicators and benchmarks

### 2.3.1.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Senqu Municipality's borrowing strategy is primarily informed by the affordability of debt repayments. The structure of the Municipality's debt portfolio is dominated by annuity loans. The following financial performance indicators have formed part of the compilation of the 2013/14 MTREF:

- *Borrowing to asset ratio* is a measure of the long-term borrowing as a percentage of the total asset base of the municipality. This ratio is by far below the borrowing capacity of the municipality, but it needs to be noted that capital grants and transfers has contributed significantly to the municipality's capital expenditure programs, thus limiting the need for borrowing.
- *Capital charges to operating expenditure* is a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing is steady 6,7 per cent and then reducing significantly over the MTREF period.. While borrowing is considered a prudent financial instrument in financing capital infrastructure development, this indicator will have to be carefully monitored going forward as the Municipality should limit external interest charges to the minimum..
- *Borrowing funding of own capital expenditure* measures the degree to which own capital expenditure (excluding grants and contributions) has been funded by way of borrowing. The municipality does not intend borrowing any money during the MTREF period.

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

The Municipality has raised mainly amortising loans over the past five years, hence effectively 'front-loading' its debt service costs. This is reflected in the Municipality's debt service profile. The debt reduces over the period and it is not expected to increase any time soon

In summary, various financial risks could have a negative impact on the future borrowing capacity of the municipality. In particular, the continued ability of the Municipality to meet its revenue targets and ensure its forecasted cash flow targets are achieved will be critical in meeting the repayments of the debt service costs. As part of the compilation of the 2013/14 MTREF the potential of smoothing out the debt profile over the longer term will be investigated.

### 2.3.1.2 Safety of Capital

- *The debt-to-equity ratio* is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors, overdraft and tax provisions as a percentage of funds and reserves. This ratio is well below the norm, indicating a strong financial position.
- *The gearing ratio* is a measure of the total long term borrowings over funds and reserves. A ratio in the region of 50% is a general benchmark and the municipality is

currently on 16,5 per cent and reducing to 11,6 per cent by 2015/2016. This is again a clear indication of the municipality's financial strength.

#### 2.3.1.3 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the Municipality has set a limit of more than 2 which is a general benchmark, hence at no point in time should this ratio be less than 2. For the 2013/14 MTREF the current ratio is 5.9 and 5,4 and 5,8 for the two outer years of the MTREF. Going forward it will be good financial practices if these levels can be maintained.
- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2013/14 financial year the ratio is 4.5 and stabilizes at 4.5 over the outer years of the MTREF.

#### 2.3.1.4 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. The collection rates in this indicator is based on all cash receipts, also for direct income. The collection rate used for the calculation of debtors' payments was 84 per cent which is a fairly conservative approach in order to cater for the current negative economic climate. **(Note that the change in service provider of the Water and Sanitation functions causes a problem with the table in the National Treasury's schedules above and that the correct percentage is 84%).**

#### 2.3.1.5 Creditors Management

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

#### 2.3.1.6 Other Indicators

- The electricity distribution losses have been managed downwards from 40 per cent in the 2008/09 financial year to 23,9 per cent in 2010/11. The municipality invested in infrastructure to reduce this high level, and the fruits of such investment were already obvious in the year of implementation i.e. 2010/2011. Further reductions are expected for the current year and the MTREF period and the target is to bring this down to a more acceptable level of 10%. The initiatives to ensure these targets are achieved include managing illegal connections and theft of electricity by rolling out smart metering systems, including prepaid meters.

- Employee costs as a percentage of operating revenue is decreasing over the MTREF. This is primarily owing to the high increase in the Equitable Share, which directly increase revenue levels, as well as increased allocation relating to operating grants and transfers.
- Similar to that of employee costs, repairs and maintenance as percentage of operating revenue is also fairly constant owing directly to cost drivers such as bulk purchases increasing far above inflation. The expenditure on repairs and maintenance is well below acceptable levels, but the actual cost will only be determined when a costing system is implemented.

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

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

For the MTREF 23 837 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, 50 kwh of electricity, free sanitation and free waste removal equivalent once a week, as well as a discount on their property rates.

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

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

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

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

The Collection Policy as approved by Council in October 2008 is currently under review. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

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

The 2012/13 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 84 per cent on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the Municipality's cash levels.

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

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

#### **2.4.3 Budget Adjustment Policy**

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

#### **2.4.4 Supply Chain Management Policy**

The Supply Chain Management Policy was adopted by Council in September 2007. The policy was reviewed in 2012 and an amended policy will be considered by Council in due course of which the amendments will be extensively consulted on.

#### **2.4.5 Budget and Virement Policy**

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the Municipality's system of delegations. The Budget and Virement Policy was approved by Council in August 2009 and was amended on 16 February 2011 in respect of both Operating and Capital Budget Fund Transfers.

#### **2.4.6 Cash Management and Investment Policy**

The Municipality's Cash Management and Investment Policy was amended by Council in January 2011. The Policy was again reviewed in 14 May 2012. The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed,



especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduces time frames to achieve certain benchmarks.

#### **2.4.7 Tariff Policies**

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

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

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

## **2.5 Overview of budget assumptions**

### **2.5.1 External factors**

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

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

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

There are five key factors that have been taken into consideration in the compilation of the 2013/14 MTREF:

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

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

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

### **2.5.4 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 (84 per cent) of annual billings. Cash flow is assumed to be 84 per cent of billings. The performance of any increased collections or arrear collections will however only be considered a source of additional cash inflow once the performance has been carefully monitored.

### **2.5.5 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/rate pricing, real growth rate of the Municipality, household formation growth rate and the poor household change rate.

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

### **2.5.6 Salary increases**

Municipalities must take into account the multi-year Salary and Wage Collective Agreement for the period 1 July 2012 to 30 June 2015. The agreement provides for a wage increase based on the average CPI for the period 1 February 2012 until 31 January 2013, plus 1.25 per cent for the 2013/14 financial year..

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

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

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

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

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

It is estimated that a spending rate of at least 97 per cent is achieved on operating expenditure and 98 per cent on the capital programme for the 2013/14 MTREF of which performance has been factored into the cash flow budget.

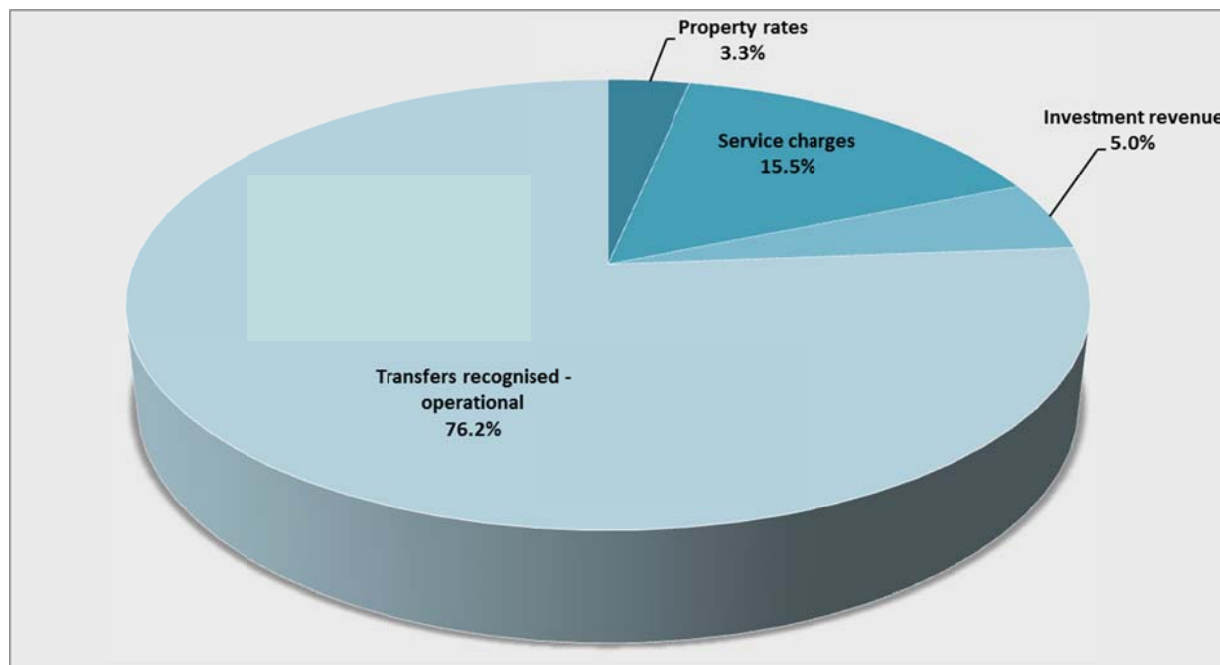
## 2.6 Overview of budget funding

### 2.6.1 Medium-term outlook: operating revenue

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

Description	2013/14 Medium Term Revenue & Expenditure Framework					
	Budget Year		Budget Year		Budget Year	
	2013/14	%	+1 2014/15	%	+2 2015/16	%
Property rates	4 612	3.2%	4 888	3.1%	5 182	2.8%
Service charges	21 721	15.0%	23 025	14.7%	24 406	13.2%
Investment revenue	7 000	4.8%	7 420	4.7%	7 865	4.2%
Transfers recognised - operational	106 932	73.9%	116 861	74.5%	143 006	77.1%
Other own revenue	4 494	3.1%	4 764	3.0%	5 050	2.7%
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>144 760</b>	<b>100%</b>	<b>156 958</b>	<b>100%</b>	<b>185 509</b>	<b>100%</b>
Total Expenditure	157 465		163 070		170 417	
Surplus/(Deficit)	(12 705)		(6 113)		15 092	

The following graph is a breakdown of the operational revenue per main category for the 2013/14 financial year.

**Breakdown of operating revenue over the 2012/13 MTREF**

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

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

- Growth in the Municipality and economic development;
- Revenue management and enhancement;
- Achievement of a 84 per cent annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.

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

Investment revenue contributes significantly to the revenue base of the Municipality. It needs to be noted that these allocations have been conservatively estimated and as part of the cash backing of reserves and provisions. The actual performance against budget will be carefully

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

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

**Table 18 MBRR SA15 – Detail Investment Information**

Investment type	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand								
<b>Parent municipality</b>								
Deposits - Bank	65 867	113 870	124 993	95 279	101 123	78 346	76 571	92 129
Total:	65 867	113 870	124 993	95 279	101 123	78 346	76 571	92 129

**Table 19 MBRR SA16 – Investment particulars by maturity**

Investments by Maturity	Period of Investment	Type of Investment	Monetary value	Interest to be realised
Name of institution & investment ID	Yrs/Months		Rand thousand	
<b>Parent municipality</b>				
Standard Bank 38 848 973 1 - 005	32 day	32 day	33 859	3 025
Standard Bank 38 848 606 6 - 001	Call Deposit	Call Deposit	4 047	362
Standard Bank 38 848 916 2 - 002	Call Deposit	Call Deposit	40 439	3 613
TOTAL INVESTMENTS AND INTEREST			78 346	7 000

## 2.6.2 Cash Flow Management

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

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

**Table 20 MBRR Table A7 - Budget cash flow statement**

Description	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>R thousand</b>								
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>								
Receipts								
Ratepayers and other	13 728	46 976	28 626	40 555	24 668	28 531	30 217	32 000
Government - operating	59 737	129 267	123 562	99 545	108 239	106 932	116 861	143 006
Government - capital	34 378	-	-	26 624	26 624	30 355	34 070	36 499
Interest	5 087	4 915	6 790	6 903	8 074	7 843	8 314	8 813
Payments								
Suppliers and employees	(79 487)	(106 146)	(108 526)	(124 773)	(141 755)	(137 130)	(143 046)	(149 169)
Finance charges	(681)	(1 566)	(1 718)	(2 319)	(2 120)	(1 639)	(541)	(573)
Transfers and Grants	(397)	(799)	(732)	(333)	(333)	(334)	-	-
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>32 365</b>	<b>72 647</b>	<b>48 003</b>	<b>46 202</b>	<b>23 397</b>	<b>34 559</b>	<b>45 874</b>	<b>70 576</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
Receipts								
Proceeds on disposal of PPE	405	764	213	-	-	-	-	-
Decrease (Increase) in non-current debtors	15	17	14	14	-	-	-	-
Payments								
Capital assets	(43 941)	(31 677)	(38 223)	(45 154)	(46 873)	(56 480)	(46 725)	(54 019)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(43 521)</b>	<b>(30 896)</b>	<b>(37 997)</b>	<b>(45 140)</b>	<b>(46 873)</b>	<b>(56 480)</b>	<b>(46 725)</b>	<b>(54 019)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>								
Receipts								
Borrowing long term/refinancing	8 337	8 473	282	-	-	-	-	-
Increase (decrease) in consumer deposits	(16)	(21)	191	34	-	43	46	50
Payments								
Repayment of borrowing	-	(329)	(728)	(1 206)	(798)	(899)	(971)	(1 049)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>8 320</b>	<b>8 123</b>	<b>(255)</b>	<b>(1 172)</b>	<b>(798)</b>	<b>(856)</b>	<b>(925)</b>	<b>(999)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>(2 835)</b>	<b>49 875</b>	<b>9 751</b>	<b>(109)</b>	<b>(24 274)</b>	<b>(22 777)</b>	<b>(1 775)</b>	<b>15 558</b>
Cash/cash equivalents at the year begin:	69 107	66 272	116 147	95 888	125 897	101 623	78 846	77 071
Cash/cash equivalents at the year end:	66 272	116 147	125 897	95 779	101 623	78 846	77 071	92 629

### 2.6.3 Cash Backed Reserves/Accumulated Surplus Reconciliation

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

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

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

**Table 21 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation**

Description	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
				Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Cash and investments available</b>								
Cash/cash equivalents at the year end	66 272	116 147	125 897	95 779	101 623	78 846	77 071	92 629
<b>Cash and investments available:</b>	<b>66 272</b>	<b>116 147</b>	<b>125 897</b>	<b>95 779</b>	<b>101 623</b>	<b>78 846</b>	<b>77 071</b>	<b>92 629</b>
<b>Application of cash and investments</b>								
Unspent conditional transfers	12 142	23 490	17 318	-	-	-	-	-
Other working capital requirements	(9 247)	(15 180)	(12 925)	(7 095)	(10 455)	(14 202)	(15 349)	(16 584)
Other provisions	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	39 965	62 798	87 707	101 043	103 188	79 809	77 737	94 898
<b>Total Application of cash and investments:</b>	<b>42 859</b>	<b>71 108</b>	<b>92 101</b>	<b>93 948</b>	<b>92 733</b>	<b>65 607</b>	<b>62 387</b>	<b>78 313</b>
<b>Surplus(shortfall)</b>	<b>23 413</b>	<b>45 038</b>	<b>33 797</b>	<b>1 831</b>	<b>8 890</b>	<b>13 239</b>	<b>14 684</b>	<b>14 315</b>

From the above table it can be seen that the cash and investments available total R65,6 million in the 2013/14 financial year and progressively increase to R78,3 million by 2015/16, including the projected cash and cash equivalents as determined in the cash flow forecast. The following is a breakdown of the application of this funding:



- Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year. In the past these have been allowed to 'roll-over' and be spent in the ordinary course of business, but this practice has been discontinued. During the 2010/11 financial year the municipality was required to supply National Treasury with a detailed analysis of the unspent grants as well as an action plan of spending the grants. Since then the National Treasury withholds any unspent grants from the next Equitable Share allocations.
- The main purpose of other working capital is to ensure that sufficient funds are available to meet obligations as they fall due. A key challenge is often the mismatch between the timing of receipts of funds from debtors and payments due to employees and creditors. High levels of debtor non-payment and receipt delays will have a greater requirement for working capital, resulting in cash flow challenges. For the purpose of the cash backed reserves and accumulated surplus reconciliation a provision equivalent to one month's operational expenditure has been provided for. It needs to be noted that although this can be considered prudent, the desired cash levels should be at least 60 days to ensure continued liquidity of the municipality. Any underperformance in relation to collections could place upward pressure on the ability of the Municipality to meet its creditor obligations. The municipality's levels are for 7 months.
- Most reserve fund cash-backing is discretionary in nature, but the reserve funds are not available to support a budget unless they are cash-backed. The reserve funds are fully cash-backed. The level of cash-backing is directly informed by the municipality's cash backing policy. These include the Capital Replacement Reserve, Employee Benefits Reserves and the Rehabilitation of landfill sites and quarries.

#### **2.6.4 Funding compliance measurement**

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

**Table 22 MBRR SA10 – Funding compliance measurement**

Description	MFMA section	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Funding measures</b>									
Cash/cash equivalents at the year end - R'000	18(1)b	66 272	116 147	125 897	95 779	101 623	78 846	77 071	92 629
Cash + investments at the yr end less applications - R'000	18(1)b	23 413	45 038	33 797	1 831	8 890	13 239	14 684	14 315
Cash year end/monthly employee/supplier payments	18(1)b	12.6	20.4	19.4	11.1	11.2	8.2	7.7	8.8
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	31 958	36 388	47 628	30 583	26 358	17 650	27 957	51 591
Service charge rev % change - macro CPI target exclusive	18(1)a,(2)	N.A.	(26.4%)	26.3%	59.3%	(40.3%)	(4.7%)	(0.0%)	0.0%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	52.2%	213.7%	95.7%	95.2%	77.5%	92.6%	92.5%	92.4%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	10.0%	4.5%	11.0%	14.0%	15.1%	16.0%	16.0%	16.0%
Capital payments % of capital expenditure	18(1)c;19	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	80.8%	49.7%	1.9%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Current consumer debtors % change - incr(decr)	18(1)a	N.A.	(60.4%)	109.4%	(42.3%)	83.0%	8.2%	8.2%	8.1%
Long term receivables % change - incr(decr)	18(1)a	N.A.	(100.0%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	2.2%	1.9%	2.0%	1.8%	1.4%	1.3%	1.2%	1.1%
Asset renewal % of capital budget	20(1)(vi)	0.0%	0.0%	0.0%	1.4%	1.4%	6.2%	5.4%	5.6%

#### 2.6.4.1 Cash/cash equivalent position

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

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year. The forecasted cash and cash equivalents for the 2013/14 MTREF shows R78,8 million, R77 million and R92,6 million for each respective financial year.

#### 2.6.4.2 Cash plus investments less application of funds

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

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

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

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the Municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts. The ratio is, at 8,2, well above the benchmark indicators.

#### *2.6.4.4 Surplus/deficit excluding depreciation offsets*

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term. For the 2012/13 MTREF the indicative outcome is a surplus of R17,6 million, R28 million and R51,6 million.

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

#### *2.6.4.5 Property Rates/service charge revenue as a percentage increase less macro inflation target*

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

The factor is calculated by deducting the maximum macro-economic inflation target increase (which is currently 3 - 6 per cent). The result is intended to be an approximation of the real increase in revenue. From the table above it can be seen that the percentage growth is less than forecasted CPIX for the respective financial years of the 2013/14 MTREF. Considering the lowest percentage tariff increase in relation to revenue generated from rates and services charges is 6 per cent it is to be expected that the increase in revenue will exceed the inflation target figures. However, the outcome is lower than it might be due to the slowdown in the economy and a reduction in consumption patterns. This trend will have to be carefully monitored and managed with the implementation of the budget.

#### *2.6.4.6 Cash receipts as a percentage of ratepayer and other revenue*

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that

the outcome is on average at 92,5 per cent for each of the respective financial years. Given that the assumed collection rate was based on a 84 per cent performance target, the cash flow statement has been conservatively determined. However, the percentage in the above table includes direct receipts for services being paid in cash such as agency services and permits. This measure and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly.

#### *2.6.4.7 Debt impairment expense as a percentage of billable revenue*

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. The provision has been appropriated at 16 per cent over the MTREF. Considering the debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is not within the accepted leading practice.

#### *2.6.4.8 Capital payments percentage of capital expenditure*

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 100 per cent payments has been factored into the cash position forecasted over the entire financial year.

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

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The Municipality has budgeted for all transfers and therefore no percentage is being shown as outstanding.

#### *2.6.4.10 Consumer debtors change (Current and Non-current)*

The purpose of these measures are to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Both measures show a relatively stable trend in line with the Municipality's policy of settling debtors accounts within 30 days.

#### *2.6.4.11 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 Municipality's strategy pertaining to asset management and repairs and maintenance is contained elsewhere in this report.

#### *2.6.4.12 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 elsewhere in this report.

## 2.7 Expenditure on grants and reconciliations of unspent funds

**Table 23 MBRR SA19 - Expenditure on transfers and grant programmes**

Description	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>EXPENDITURE:</b>								
<b>Operating expenditure of Transfers and Grants</b>								
<b>National Government:</b>	56 097	75 464	86 270	97 581	114 051	105 618	115 467	141 529
Equitable share	54 621	64 714	76 964	85 187	85 187	93 052	104 728	130 337
Finance Management	890	1 200	1 396	1 500	1 500	1 550	1 600	1 650
Nat Gov: Neighbourhood Dev Partners	–	5 009	2 115	2 300	18 769	1 287	–	–
Nat Gov: Councillor Remuneration	–	1 778	2 226	4 536	4 536	5 081	6 412	6 654
Municipal Systems Improvement	585	714	790	800	800	890	934	967
Municipal Infrastructure (MIG)	–	960	1 155	1 401	1 401	1 598	1 793	1 921
Nat Gov: EPWP Incentiv e Grant	–	1 088	1 625	1 857	1 857	2 160	–	–
<b>Provincial Government:</b>	1 197	26 943	18 587	1 964	11 507	1 315	1 393	1 477
Prov Gov: Housing	–	–	496	–	8 296	–	–	–
Prov Gov: Housing - Hillside 1 000	–	9 607	5 763	–	131	–	–	–
Prov Gov: Housing - Lady Grey 1 000	–	366	–	–	–	–	–	–
economy intervention	–	–	97	–	–	–	–	–
Clean Audit	–	–	146	–	95	–	–	–
Holo Hlahatsi Agricultural Project	266	–	–	–	–	–	–	–
LED	2	–	–	–	–	–	–	–
Implementation Ownership	171	135	–	–	–	–	–	–
Rossouw Agricultural Project	131	–	–	–	–	–	–	–
Performance Agreements	41	–	–	–	–	–	–	–
Surveying / Land Audit	551	–	–	–	–	–	–	–
Disabled Project BE	4	–	–	–	–	–	–	–
Sterkspruit Land Audit	30	–	–	–	–	–	–	–
Libraries	–	–	–	742	1 200	1 315	1 393	1 477
Internet Communication system	–	294	–	–	–	–	–	–
Greenest Municipality	–	200	–	–	500	–	–	–
Prov Gov: Musong Road	–	15 591	12 085	1 222	1 285	–	–	–
Local Elections	–	750	–	–	–	–	–	–
<b>District Municipality:</b>	3 195	946	1 366	–	–	–	–	–
<i>District: Ward Committees (MSIG)</i>	204	–	–	–	–	–	–	–
<i>District: IDP</i>	–	50	–	–	–	–	–	–
<i>District: Libraries</i>	–	660	1 279	–	–	–	–	–
<i>District: Tourism</i>	200	20	–	–	–	–	–	–
<i>District: Community Participation</i>	226	–	–	–	–	–	–	–
<i>Joe Gqab DM - Plastic Products</i>	2 276	–	–	–	–	–	–	–
<i>Joe Gqabi DM - District Call Centre</i>	123	–	87	–	–	–	–	–
<i>Support Programme</i>	166	216	–	–	–	–	–	–
<b>Total operating expenditure of Transfers and G</b>	<b>60 489</b>	<b>103 353</b>	<b>106 224</b>	<b>99 545</b>	<b>125 557</b>	<b>106 932</b>	<b>116 861</b>	<b>143 006</b>

<u>Capital expenditure of Transfers and Grants</u>								
National Government:	20 730	14 514	23 641	26 624	26 624	30 355	34 070	36 499
Municipal Infrastructure (MIG)	20 730	14 514	23 641	26 624	26 624	30 355	34 070	36 499
Provincial Government:	12 896	105	-	-	-	-	-	-
Traffic Test Station (Sterkspruit)	-	105	-	-	-	-	-	-
Prov Gov: Housing - Hillside 1 000	12 589	-	-	-	-	-	-	-
Prov Gov: Housing - Herschel 700	170	-	-	-	-	-	-	-
Prov Gov: Housing - Lady Grey 1 000	138	-	-	-	-	-	-	-
Total capital expenditure of Transfers and Grants	33 626	14 619	23 641	26 624	26 624	30 355	34 070	36 499
<b>TOTAL EXPENDITURE OF TRANSFERS AND GRANTS</b>	<b>94 115</b>	<b>117 972</b>	<b>129 864</b>	<b>126 169</b>	<b>152 181</b>	<b>137 288</b>	<b>150 930</b>	<b>179 505</b>

**Table 24 MBRR SA 20 - Reconciliation between of transfers, grant receipts and unspent funds**

Description	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>R thousand</b>								
<b>Operating transfers and grants:</b>								
<b>National Government:</b>								
Balance unspent at beginning of the year	636	398	7 196	-	8 165	-	-	-
Current year receipts	55 859	67 870	85 960	97 581	105 886	100 537	109 055	134 875
Conditions met - transferred to revenue	56 097	75 464	86 270	97 581	114 051	100 537	109 055	134 875
Conditions still to be met - transferred to liabilities	398	7 196	6 886	-	-	-	-	-
<b>Provincial Government:</b>								
Balance unspent at beginning of the year	12 310	11 477	16 086	-	9 154	-	-	-
Current year receipts	1 274	31 187	12 889	1 964	2 353	1 315	1 393	1 477
Conditions met - transferred to revenue	2 106	26 943	18 587	1 964	11 507	1 315	1 393	1 477
Conditions still to be met - transferred to liabilities	11 477	16 086	10 388	-	-	-	-	-
<b>District Municipality:</b>								
Balance unspent at beginning of the year	520	231	207	-	-	-	-	-
Current year receipts	1 997	923	1 205	-	-	-	-	-
Conditions met - transferred to revenue	2 286	946	1 366	-	-	-	-	-
Conditions still to be met - transferred to liabilities	231	207	46	-	-	-	-	-
<b>Total operating transfers and grants revenue</b>	<b>60 489</b>	<b>103 353</b>	<b>106 224</b>	<b>99 545</b>	<b>125 557</b>	<b>101 851</b>	<b>110 449</b>	<b>136 352</b>
<b>Total operating transfers and grants - CTBM</b>	<b>12 105</b>	<b>23 490</b>	<b>17 320</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Capital transfers and grants:</b>								
<b>National Government:</b>								
Balance unspent at beginning of the year	3 081	(2)	(2)	-	-	-	-	-
Current year receipts	17 647	14 514	23 641	26 624	26 624	30 355	34 070	36 499
Conditions met - transferred to revenue	20 730	14 514	23 641	26 624	26 624	30 355	34 070	36 499
Conditions still to be met - transferred to liabilities	(2)	(2)	(2)	-	-	-	-	-
<b>Provincial Government:</b>								
Balance unspent at beginning of the year	-	-	-	-	-	-	-	-
Current year receipts	-	105	-	-	-	-	-	-
Conditions met - transferred to revenue	12 896	105	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities	-	-	-	-	-	-	-	-
<b>Total capital transfers and grants revenue</b>	<b>33 626</b>	<b>14 619</b>	<b>23 641</b>	<b>26 624</b>	<b>26 624</b>	<b>30 355</b>	<b>34 070</b>	<b>36 499</b>
<b>Total capital transfers and grants - CTBM</b>	<b>(2)</b>	<b>(2)</b>	<b>(2)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL TRANSFERS AND GRANTS REVENUE</b>	<b>94 115</b>	<b>117 972</b>	<b>129 864</b>	<b>126 169</b>	<b>152 181</b>	<b>132 207</b>	<b>144 518</b>	<b>172 851</b>
<b>TOTAL TRANSFERS AND GRANTS - CTBM</b>	<b>12 103</b>	<b>23 488</b>	<b>17 318</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



## 2.8 Councillor and employee benefits

**Table 25 MBRR SA22 - Summary of councillor and staff benefits**

Summary of Employee and Councillor remuneration	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15
<b>Councillors (Political Office Bearers plus Other)</b>								
Basic Salaries and Wages	6 285	6 610	5 992	8 416	8 431	8 937	9 473	10 041
Cellphone Allowance	345	362	438	476	474	502	532	564
Housing Allowances	-	-	-	-	-	-	-	-
Other benefits and allowances	177	187	2 034	164	182	196	208	220
<b>Sub Total - Councillors</b>	<b>6 807</b>	<b>7 159</b>	<b>8 464</b>	<b>9 056</b>	<b>9 086</b>	<b>9 635</b>	<b>10 213</b>	<b>10 826</b>
% increase		5.2%	18.2%	7.0%	0.3%	-	6.0%	6.0%
<b>Senior Managers of the Municipality</b>								
Basic Salaries and Wages	3 886	5 084	5 434	6 077	6 077	6 132	6 499	6 889
Performance Bonus	454	2 005	1 376	1 185	1 185	1 384	1 467	1 555
Motor Vehicle Allowance	224	291	293	-	-	-	-	-
Cellphone Allowance	66	65	78	463	463	95	101	107
Housing Allowances	-	-	30	36	36	-	-	-
Other benefits and allowances	7	9	9	221	221	607	643	682
<b>Sub Total - Senior Managers of Municipality</b>	<b>4 638</b>	<b>7 454</b>	<b>7 220</b>	<b>7 982</b>	<b>7 982</b>	<b>8 218</b>	<b>8 711</b>	<b>9 234</b>
% increase		60.7%	(3.1%)	10.6%	-	-	6.0%	6.0%
<b>Other Municipal Staff</b>								
Basic Salaries and Wages	16 038	12 546	14 695	30 800	25 195	27 861	29 533	31 305
Pension and UIF Contributions	1 812	2 149	2 611	2 724	4 106	6 767	7 174	7 604
Medical Aid Contributions	2 158	2 380	2 629	3 073	7 246	10 734	11 378	12 061
Overtime	808	451	482	1 161	534	587	622	660
Performance Bonus	2 018	641	1 090	1 950	1 574	1 035	1 097	1 163
Cellphone Allowance	52	62	6	(370)	(323)	185	197	208
Housing Allowances	22	17	18	(16)	(9)	31	33	35
Other benefits and allowances	298	97	237	293	308	90	95	101
Payments in lieu of leave	649	314	1 491	650	650	1 578	1 672	1 773
Long service awards	-	149	237	254	214	226	239	254
Post-retirement benefit obligations	-	-	-	-	-	-	-	-
<b>Sub Total - Other Municipal Staff</b>	<b>23 857</b>	<b>18 807</b>	<b>23 495</b>	<b>40 519</b>	<b>39 494</b>	<b>49 095</b>	<b>52 040</b>	<b>55 163</b>
% increase		(21.2%)	24.9%	72.5%	(2.5%)	-	6.0%	6.0%
<b>Total Parent Municipality</b>	<b>35 301</b>	<b>33 420</b>	<b>39 180</b>	<b>57 557</b>	<b>56 562</b>	<b>66 947</b>	<b>70 964</b>	<b>75 222</b>

**Table 26 MBRR SA23 - Salaries, allowances and benefits (political office bearers/councillors/ senior managers)**

Disclosure of Salaries, Allowances & Benefits 1.	Salary	Allowances	Performance Bonuses	Total Package
Rand per annum				
<b>Councillors</b>				
Speaker	547 425	21 064	–	568 490
Chief Whip	282 266	13 140	–	295 406
Executive Mayor	684 282	21 064	–	705 346
Executive Committee	1 411 331	65 699	–	1 477 030
Total for all other councillors	6 011 425	381 053	–	6 392 478
<b>Total Councillors</b>	<b>8 936 730</b>	<b>502 020</b>		<b>9 438 750</b>
<b>Senior Managers of the Municipality</b>				
Municipal Manager (MM)	1 123 070	335 336	364 602	1 823 008
Chief Finance Officer	1 196 100	12 720	302 205	1 511 025
Deputy City Manager - Planning and Development	1 056 526	39 962	153 508	1 249 997
Deputy City Manager - Procurement & Infrastructure	1 096 874	121 264	304 535	1 522 673
Deputy City Manager - Health, Safety & Social Issues	845 996	68 900	128 085	1 042 981
Deputy City Manager - Corporate & Human Resources	812 992	124 020	131 182	1 068 194
<b>Total Senior Managers of the Municipality</b>	<b>6 131 558</b>	<b>702 202</b>	<b>1 384 117</b>	<b>8 217 877</b>
<b>TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION</b>	<b>15 068 288</b>	<b>1 204 223</b>	<b>1 384 117</b>	<b>17 656 627</b>



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

**Table 28 MBRR SA25 - Budgeted monthly revenue and expenditure**

Description	Budget Year 2013/14												Medium Term Revenue and Expenditure Framework			
	R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Revenue By Source</b>																
Property rates	2 897	156	156	156	156	156	156	156	156	156	156	156	156	4 612	4 888	5 182
Service charges - electricity revenue	2 112	1 950	1 787	1 625	1 462	1 137	1 219	1 300	1 462	1 544	1 787	2 112	19 499	20 669	21 909	
Service charges - refuse revenue	185	185	185	185	185	185	185	185	185	185	185	185	185	2 223	2 356	2 497
Service charges - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment	23	23	23	23	23	23	23	23	23	23	23	23	23	278	295	312
Interest earned - external investments	583	583	583	583	583	583	583	583	583	583	583	583	583	7 000	7 420	7 865
Interest earned - outstanding debtors	70	70	70	70	70	70	70	70	70	70	70	70	70	843	894	948
Fines	5	5	5	5	5	5	5	5	5	5	5	5	5	60	64	67
Licences and permits	95	95	95	95	95	95	95	95	95	95	95	95	95	1 140	1 208	1 281
Agency services	150	150	150	150	150	150	150	150	150	150	150	150	1 802	1 910	2 025	
Transfers recognised - operational	38 431	4 826	1 080	2 660	31 621	1 518	890	-	25 907	-	-	-	106 932	116 861	143 006	
Other revenue	31	31	31	31	31	31	31	31	31	31	31	31	371	393	417	
contributions)	44 583	8 075	4 166	5 584	34 382	3 955	3 408	2 599	28 668	2 843	3 086	3 411	144 760	156 958	185 509	
<b>Expenditure By Type</b>																
Employee related costs	4 576	4 576	4 576	4 576	6 978	4 576	4 576	4 576	4 576	4 576	4 576	4 576	4 576	57 313	60 751	64 397
Remuneration of councillors	803	803	803	803	803	803	803	803	803	803	803	803	803	9 635	10 213	10 826
Debt impairment	356	356	356	356	356	356	356	356	356	356	356	356	356	4 270	4 526	4 797
Depreciation & asset impairment	1 269	1 269	1 269	1 269	1 269	1 269	1 269	1 269	1 269	1 269	1 269	1 269	1 269	15 224	16 138	17 106
Finance charges	43	43	43	43	43	607	43	43	43	43	43	43	607	1 639	541	573
Bulk purchases	2 223	2 223	2 223	2 223	2 223	2 223	2 223	2 223	2 223	2 223	2 223	2 223	2 223	26 677	28 278	29 975
Transfers and grants	28	28	28	28	28	28	28	28	28	28	28	28	28	334	-	-
Other expenditure	2 912	3 261	4 488	2 912	2 912	4 876	2 912	2 912	4 488	2 912	4 488	3 300	42 373	42 624	42 743	
Total Expenditure	12 209	12 558	13 785	12 209	14 611	14 737	12 209	12 209	13 785	12 209	13 785	13 161	157 465	163 070	170 417	
<b>Surplus/(Deficit)</b>																
Surplus/(Deficit)	32 374	(4 483)	(9 619)	(6 625)	19 772	(10 783)	(8 801)	(9 610)	14 883	(9 366)	(10 699)	(9 749)	(12 705)	(6 113)	15 092	
Transfers recognised - capital	14 365	-	504	-	3 824	4 889	-	252	1 381	5 141	-	-	30 355	34 070	36 499	
Surplus/(Deficit) after capital transfers & contributions	46 740	(4 483)	(9 115)	(6 625)	23 595	(5 894)	(8 801)	(9 358)	16 264	(4 225)	(10 699)	(9 749)	17 650	27 957	51 591	
Surplus/(Deficit)	46 740	(4 483)	(9 115)	(6 625)	23 595	(5 894)	(8 801)	(9 358)	16 264	(4 225)	(10 699)	(9 749)	17 650	27 957	51 591	

**Table 29 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)**

Description	Budget Year 2013/14												Medium Term Revenue and Expenditure Framework			
	R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Revenue by Vote</b>																
Vote 1 - Executive & Council	2 031	–	–	–	1 743	–	490	–	1 307	–	–	–	5 571	6 946	7 171	
Vote 2 - Planning & Development	–	1 287	–	–	–	–	–	–	–	–	–	–	1 287	–	–	
Vote 3 - Corporate Services	5	5	5	5	5	5	5	5	5	5	5	5	56	60	63	
Vote 4 - Budget & Treasury	37 551	865	865	865	28 656	865	1 265	865	21 709	865	865	865	96 102	107 894	133 673	
Vote 5 - Road Transport	10 684	158	1 238	158	782	6 127	158	158	384	5 047	158	158	25 212	25 796	19 745	
Vote 7 - Housing	2	2	2	2	2	2	2	2	2	2	2	2	21	22	24	
Vote 8 - Health	1 783	465	26	26	1 491	465	26	26	994	26	26	26	5 382	4 730	8 434	
Vote 9 - Community & Social Services	2 246	–	–	–	1 871	–	–	–	676	–	–	–	4 793	5 379	11 910	
Vote 10 - Sport & Recreation	2	2	2	2	2	2	2	2	2	2	2	2	25	26	28	
Vote 11 - Public Safety	2 154	5 092	2 333	4 326	1 504	1 179	1 260	1 594	3 499	1 837	1 829	2 154	28 761	33 120	33 483	
Vote 12 - Electricity	2 490	199	199	199	2 150	199	199	199	1 473	199	199	199	7 904	7 053	7 476	
<b>Total Revenue by Vote</b>	<b>58 948</b>	<b>8 075</b>	<b>4 670</b>	<b>5 584</b>	<b>38 206</b>	<b>8 843</b>	<b>3 408</b>	<b>2 851</b>	<b>30 049</b>	<b>7 983</b>	<b>3 086</b>	<b>3 411</b>	<b>175 115</b>	<b>191 028</b>	<b>222 008</b>	
<b>Expenditure by Vote to be appropriated</b>																
Vote 1 - Executive & Council	1 684	1 724	1 684	1 684	1 879	1 684	1 684	1 684	1 684	1 684	1 684	1 684	20 442	21 668	22 968	
Vote 2 - Planning & Development	697	697	1 678	697	893	1 678	697	697	1 678	697	1 678	697	12 479	9 814	10 403	
Vote 3 - Corporate Services	830	871	830	830	1 032	1 547	830	830	830	830	830	1 547	11 639	10 576	10 681	
Vote 4 - Budget & Treasury	1 087	1 100	1 682	1 087	1 360	1 682	1 087	1 087	1 682	1 087	1 682	1 087	15 707	16 582	17 557	
Vote 5 - Road Transport	2 692	2 832	2 692	2 692	3 226	2 692	2 692	2 692	2 692	2 692	2 692	2 692	32 975	36 853	37 176	
Vote 6 - Waste Water Management	69	69	69	69	69	69	69	69	69	69	69	69	827	877	930	
Vote 7 - Housing	157	157	157	157	233	157	157	157	157	157	157	157	1 958	2 076	2 200	
Vote 9 - Community & Social Services	822	845	822	822	1 121	822	822	822	822	822	822	822	10 182	10 793	11 441	
Vote 10 - Sport & Recreation	29	33	29	29	29	29	29	29	29	29	29	29	348	368	390	
Vote 11 - Public Safety	6	6	6	6	6	6	6	6	6	6	6	6	67	71	75	
Vote 12 - Electricity	2 976	3 038	2 976	2 976	3 183	3 212	2 976	2 976	2 976	2 976	2 976	3 212	36 454	38 142	40 430	
Vote 13 - Waste Management	1 162	1 185	1 162	1 162	1 582	1 162	1 162	1 162	1 162	1 162	1 162	1 162	14 387	15 250	16 165	
<b>Total Expenditure by Vote</b>	<b>12 209</b>	<b>12 558</b>	<b>13 785</b>	<b>12 209</b>	<b>14 611</b>	<b>14 737</b>	<b>12 209</b>	<b>12 209</b>	<b>13 785</b>	<b>12 209</b>	<b>13 785</b>	<b>13 161</b>	<b>157 465</b>	<b>163 070</b>	<b>170 417</b>	
<b>Surplus/(Deficit)</b>	<b>46 740</b>	<b>(4 483)</b>	<b>(9 115)</b>	<b>(6 625)</b>	<b>23 595</b>	<b>(5 894)</b>	<b>(8 801)</b>	<b>(9 358)</b>	<b>16 264</b>	<b>(4 225)</b>	<b>(10 699)</b>	<b>(9 749)</b>	<b>17 650</b>	<b>27 957</b>	<b>51 591</b>	

**Table 30 MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)**

Description	Budget Year 2013/14												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Revenue - Standard</b>															
<i>Governance and administration</i>	39 587	870	870	870	30 404	870	1 760	870	23 021	870	870	870	101 730	114 900	140 908
Executive and council	2 031	-	-	-	1 743	-	490	-	1 307	-	-	-	5 571	6 946	7 171
Budget and treasury office	37 551	865	865	865	28 656	865	1 265	865	21 709	865	865	865	96 102	107 894	133 673
Corporate services	5	5	5	5	5	5	5	5	5	5	5	5	56	60	63
<i>Community and public safety</i>	4 033	468	30	30	3 366	468	30	30	1 673	30	30	1 038	11 229	13 860	22 695
Community and social services	1 783	465	26	26	1 491	465	26	26	994	26	26	26	5 382	4 730	8 434
Sport and recreation	2 246	-	-	-	1 871	-	-	-	676	-	-	-	4 793	5 379	11 910
Public safety	2	2	2	2	2	2	2	2	2	2	2	1 010	1 033	3 728	2 328
Housing	2	2	2	2	2	2	2	2	2	2	2	2	21	22	24
<i>Economic and environmental services</i>	10 684	1 445	1 238	158	782	6 127	158	158	384	5 047	158	158	26 499	25 796	19 745
Planning and development	-	1 287	-	-	-	-	-	-	-	-	-	-	1 287	-	-
Road transport	10 684	158	1 238	158	782	6 127	158	158	384	5 047	158	158	25 212	25 796	19 745
<i>Trading services</i>	4 644	5 291	2 532	4 525	3 654	1 378	1 459	1 793	4 972	2 036	2 028	1 345	35 657	36 472	38 660
Electricity	2 154	5 092	2 333	4 326	1 504	1 179	1 260	1 594	3 499	1 837	1 829	1 146	27 753	29 418	31 183
Waste management	2 490	199	199	199	2 150	199	199	199	1 473	199	199	199	7 904	7 053	7 476
<b>Total Revenue - Standard</b>	<b>58 948</b>	<b>8 075</b>	<b>4 670</b>	<b>5 584</b>	<b>38 206</b>	<b>8 843</b>	<b>3 408</b>	<b>2 851</b>	<b>30 049</b>	<b>7 983</b>	<b>3 086</b>	<b>3 411</b>	<b>175 115</b>	<b>191 028</b>	<b>222 008</b>
<b>Expenditure - Standard</b>															
<i>Governance and administration</i>	3 601	3 695	4 196	3 601	4 270	4 913	3 601	3 601	4 196	3 601	4 196	4 317	47 788	48 827	51 206
Executive and council	1 684	1 724	1 684	1 684	1 879	1 684	1 684	1 684	1 684	1 684	1 684	1 684	20 442	21 668	22 968
Budget and treasury office	1 087	1 100	1 682	1 087	1 360	1 682	1 087	1 087	1 682	1 087	1 682	1 087	15 707	16 582	17 557
Corporate services	830	871	830	830	1 032	1 547	830	830	830	830	830	1 547	11 639	10 576	10 681
<i>Community and public safety</i>	1 013	1 041	1 013	1 013	1 388	1 013	1 013	1 013	1 013	1 013	1 013	1 583	13 125	13 913	14 748
Community and social services	822	845	822	822	1 121	822	822	822	822	822	822	822	10 182	10 793	11 441
Sport and recreation	29	33	29	29	29	29	29	29	29	29	29	29	348	368	390
Public safety	6	6	6	6	6	6	6	6	6	6	6	576	637	676	716
Housing	157	157	157	157	233	157	157	157	157	157	157	157	1 958	2 076	2 200
Planning and development	697	697	1 678	697	893	1 678	697	697	1 678	697	1 678	697	12 479	9 814	10 403
Road transport	2 692	2 832	2 692	2 692	3 226	2 692	2 692	2 692	2 692	2 692	2 692	2 692	32 975	36 853	37 176
<i>Trading services</i>	4 207	4 292	4 207	4 207	4 834	4 443	4 207	4 207	4 207	4 207	4 207	3 872	51 098	53 664	56 884
Electricity	2 976	3 038	2 976	2 976	3 183	3 212	2 976	2 976	2 976	2 976	2 976	2 641	35 883	37 537	39 789
Waste water management	69	69	69	69	69	69	69	69	69	69	69	69	827	877	930
Waste management	1 162	1 185	1 162	1 162	1 582	1 162	1 162	1 162	1 162	1 162	1 162	1 162	14 387	15 250	16 165
<b>Total Expenditure - Standard</b>	<b>12 209</b>	<b>12 558</b>	<b>13 785</b>	<b>12 209</b>	<b>14 611</b>	<b>14 737</b>	<b>12 209</b>	<b>12 209</b>	<b>13 785</b>	<b>12 209</b>	<b>13 785</b>	<b>13 161</b>	<b>157 465</b>	<b>163 070</b>	<b>170 417</b>
<b>Surplus/(Deficit)</b>	<b>46 740</b>	<b>(4 483)</b>	<b>(9 115)</b>	<b>(6 625)</b>	<b>23 595</b>	<b>(5 894)</b>	<b>(8 801)</b>	<b>(9 358)</b>	<b>16 264</b>	<b>(4 225)</b>	<b>(10 699)</b>	<b>(9 749)</b>	<b>17 650</b>	<b>27 957</b>	<b>51 591</b>

**Table 31 MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)**

Description	Budget Year 2013/14												Medium Term Revenue and Expenditure Framework			
	R thousand	July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Multi-year expenditure to be appropriated</b>																
Vote 3 - Corporate Services	600	700	400	400	400	400	150	200	375	375	-	-	4 000	-	-	
Vote 5 - Road Transport	800	950	1 500	2 000	2 000	2 000	2 000	2 000	2 000	2 000	1 304	-	18 554	12 038	8 189	
Vote 10 - Sport & Recreation	-	750	750	750	750	750	250	793	-	-	-	-	4 793	5 379	11 910	
Vote 12 - Electricity	-	-	-	500	500	508	-	-	-	-	-	-	1 508	4 202	2 800	
Capital multi-year expenditure sub-total	1 400	2 400	2 650	3 650	3 650	3 658	2 400	2 993	2 375	2 375	1 304	-	28 855	21 620	22 899	
<b>Single-year expenditure to be appropriated</b>																
Vote 1 - Executive & Council	-	-	200	560	453	-	-	206	-	-	206	-	1 625	-	-	
Vote 2 - Planning & Development	-	-	-	-	70	-	-	15	-	-	15	-	100	-	-	
Vote 3 - Corporate Services	-	-	-	-	280	-	-	60	-	-	60	-	400	-	-	
Vote 4 - Budget & Treasury	-	-	-	350	-	-	-	75	-	-	75	-	500	-	-	
Vote 5 - Road Transport	500	1 300	890	-	1 862	350	-	699	250	420	399	490	7 160	14 975	14 860	
Vote 9 - Community & Social Services	-	950	1 500	1 150	500	875	40	125	1 175	125	125	1 285	7 850	7 560	10 660	
Vote 11 - Public Safety	-	-	110	-	-	275	-	-	330	-	-	385	1 100	-	-	
Vote 13 - Waste Management	-	-	417	2 671	667	250	-	483	-	-	483	-	4 970	350	400	
Capital single-year expenditure sub-total	500	3 100	3 117	5 043	3 831	2 600	40	1 663	3 455	753	1 363	2 160	27 625	25 105	31 120	
<b>Total Capital Expenditure</b>	<b>1 900</b>	<b>5 500</b>	<b>5 767</b>	<b>8 693</b>	<b>7 481</b>	<b>6 258</b>	<b>2 440</b>	<b>4 656</b>	<b>5 830</b>	<b>3 128</b>	<b>2 667</b>	<b>2 160</b>	<b>56 480</b>	<b>46 725</b>	<b>54 019</b>	



**Table 32 MBRR SA29 - Budgeted monthly capital expenditure (standard classification)**

Description	Budget Year 2013/14												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Capital Expenditure - Standard</b>															
<i>Governance and administration</i>	600	700	600	1 310	1 133	400	150	541	375	375	341	-	6 525	-	-
Executive and council	-	-	200	560	453	-	-	206	-	-	206	-	1 625	-	-
Budget and treasury office	-	-	-	350	-	-	-	75	-	-	75	-	500	-	-
Corporate services	600	700	400	400	680	400	150	260	375	375	60	-	4 400	-	-
<i>Community and public safety</i>	-	1 700	2 360	1 900	1 250	1 900	290	918	1 505	125	125	1 670	13 743	12 939	22 570
Community and social services	-	950	1 500	1 150	500	875	40	125	1 175	125	125	1 285	7 850	7 560	10 660
Sport and recreation	-	750	750	750	750	750	250	793	-	-	-	-	4 793	5 379	11 910
Public safety	-	-	110	-	-	275	-	-	330	-	-	385	1 100	-	-
<i>Economic and environmental services</i>	1 300	2 250	2 390	2 000	3 932	2 350	2 000	2 714	2 250	2 420	1 718	490	25 814	27 013	23 049
Planning and development	-	-	-	-	70	-	-	15	-	-	15	-	100	-	-
Road transport	1 300	2 250	2 390	2 000	3 862	2 350	2 000	2 699	2 250	2 420	1 703	490	25 714	27 013	23 049
<i>Trading services</i>	-	850	417	3 483	1 167	1 608	-	483	1 700	208	483	-	10 398	6 772	8 400
Electricity	-	850	-	812	500	1 358	-	-	1 700	208	-	-	5 428	6 422	8 000
Waste management	-	-	417	2 671	667	250	-	483	-	-	483	-	4 970	350	400
<b>Total Capital Expenditure - Standard</b>	<b>1 900</b>	<b>5 500</b>	<b>5 767</b>	<b>8 693</b>	<b>7 481</b>	<b>6 258</b>	<b>2 440</b>	<b>4 656</b>	<b>5 830</b>	<b>3 128</b>	<b>2 667</b>	<b>2 160</b>	<b>56 480</b>	<b>46 725</b>	<b>54 019</b>

**Table 33 MBRR SA30 - Budgeted monthly cash flow**

MONTHLY CASH FLOWS	Budget Year 2013/14												Medium Term Revenue and Expenditure Framework			
	R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Cash Receipts By Source</b>																
Property rates	2 028	109	109	109	109	109	109	109	109	109	109	109	3 228	3 422	3 627	
Service charges - electricity revenue	1 892	1 747	1 601	1 456	1 310	1 019	1 092	1 164	1 310	1 383	1 601	1 891	17 466	19 119	20 266	
Service charges - refuse revenue	139	139	139	139	139	139	139	139	139	139	139	139	1 667	1 767	1 873	
Rental of facilities and equipment	23	23	23	23	23	23	23	23	23	23	23	23	275	292	309	
Interest earned - external investments	583	583	583	583	583	583	583	583	583	583	583	583	7 000	7 420	7 865	
Interest earned - outstanding debtors	46	46	46	46	46	46	46	46	46	46	46	46	548	581	616	
Fines	5	5	5	5	5	5	5	5	5	5	5	5	60	64	67	
Licences and permits	95	95	95	95	95	95	95	95	95	95	95	95	1 140	1 208	1 281	
Agency services	150	150	150	150	150	150	150	150	150	150	150	150	1 802	1 910	2 025	
Transfer receipts - operational	38 431	4 826	1 080	2 660	31 621	1 518	890	-	25 907	-	-	-	106 932	116 861	143 006	
Other revenue	31	31	31	31	31	31	31	31	31	31	31	31	371	393	417	
<b>Cash Receipts by Source</b>	<b>43 423</b>	<b>7 754</b>	<b>3 862</b>	<b>5 297</b>	<b>34 112</b>	<b>3 718</b>	<b>3 163</b>	<b>2 346</b>	<b>28 398</b>	<b>2 564</b>	<b>2 782</b>	<b>3 073</b>	<b>140 490</b>	<b>153 036</b>	<b>181 352</b>	
<b>Other Cash Flows by Source</b>																
Transfer receipts - capital	14 365	-	504	-	3 824	4 889	-	252	1 381	5 141	-	-	30 355	34 070	36 499	
Increase (decrease) in consumer deposits	4	4	4	4	4	4	4	4	4	4	4	4	43	46	50	
<b>Total Cash Receipts by Source</b>	<b>57 792</b>	<b>7 757</b>	<b>4 370</b>	<b>5 300</b>	<b>37 939</b>	<b>8 610</b>	<b>3 166</b>	<b>2 601</b>	<b>29 782</b>	<b>7 708</b>	<b>2 786</b>	<b>3 076</b>	<b>170 888</b>	<b>187 152</b>	<b>217 901</b>	
<b>Cash Payments by Type</b>																
Employee related costs	4 576	4 576	4 576	4 576	6 976	4 576	4 576	4 576	4 576	4 576	4 576	4 576	57 313	60 751	64 397	
Remuneration of councillors	803	803	803	803	803	803	803	803	803	803	803	803	9 635	10 213	10 826	
Finance charges	137	137	137	137	137	137	137	137	137	137	137	137	1 639	541	573	
Bulk purchases - Electricity	2 223	2 223	2 223	2 223	2 223	2 223	2 223	2 223	2 223	2 223	2 223	2 223	26 677	28 278	29 975	
Other expenditure	3 391	3 391	3 391	3 391	3 391	3 391	3 391	3 391	3 391	3 391	3 391	3 391	40 688	41 449	41 505	
<b>Cash Payments by Type</b>	<b>11 129</b>	<b>11 129</b>	<b>11 129</b>	<b>11 129</b>	<b>13 529</b>	<b>11 129</b>	<b>11 129</b>	<b>11 129</b>	<b>11 129</b>	<b>11 129</b>	<b>11 129</b>	<b>11 129</b>	<b>135 952</b>	<b>141 232</b>	<b>147 275</b>	
<b>Other Cash Flows/Payments by Type</b>																
Capital assets	1 900	5 500	5 767	8 693	7 481	6 258	2 440	4 656	5 830	3 128	2 667	2 160	56 480	46 725	54 019	
Repayment of borrowing	-	-	450	-	-	-	-	-	450	-	-	-	899	971	1 049	
<b>Total Cash Payments by Type</b>	<b>13 029</b>	<b>16 629</b>	<b>17 346</b>	<b>19 822</b>	<b>21 010</b>	<b>17 388</b>	<b>13 569</b>	<b>15 786</b>	<b>17 409</b>	<b>14 257</b>	<b>13 797</b>	<b>13 289</b>	<b>193 331</b>	<b>188 927</b>	<b>202 343</b>	
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>44 762</b>	<b>(8 872)</b>	<b>(12 976)</b>	<b>(14 522)</b>	<b>16 929</b>	<b>(8 777)</b>	<b>(10 403)</b>	<b>(13 184)</b>	<b>12 373</b>	<b>(6 549)</b>	<b>(11 011)</b>	<b>(10 213)</b>	<b>(22 443)</b>	<b>(1 775)</b>	<b>15 558</b>	
Cash/cash equivalents at the month/year begin:	101 623	146 358	137 458	124 454	109 905	126 805	118 000	107 570	94 357	106 703	100 126	89 087	101 623	78 846	77 071	
Cash/cash equivalents at the month/year end:	146 358	137 458	124 454	109 905	126 805	118 000	107 570	94 357	106 703	100 126	89 087	78 846	78 846	77 071	92 629	

## **2.10 Contracts having future budgetary implications**

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

### **Table 34 MBRR SA35 - Future financial implications of the capital budget**

## **2.11 Capital expenditure details**

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

**Table 56 MBRR SA 34a - Capital expenditure on new assets by asset class**

Description	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>R thousand</b>								
<b>Capital expenditure on new assets by Asset Class/Sub-class</b>								
<b>Infrastructure</b>	29 944	17 196	21 070	22 530	23 505	26 212	28 190	22 489
Infrastructure - Road transport	29 701	15 934	17 347	19 830	20 987	19 554	21 988	15 689
<i>Roads, Pavements &amp; Bridges</i>	26 630	2 287	15 867	19 830	20 987	19 554	21 988	15 689
<i>Storm water</i>	3 072	13 648	1 480	-	-	-	-	-
Infrastructure - Electricity	242	1 149	3 606	700	700	4 908	6 202	6 800
<i>Transmission &amp; Reticulation</i>	242	1 149	3 606	700	700	3 400	2 000	4 000
<i>Street Lighting</i>	-	-	-	-	-	1 508	4 202	2 800
Infrastructure - Other	-	112	117	2 000	1 818	1 750	-	-
<i>Waste Management</i>	-	112	117	2 000	-	1 750	-	-
<i>Other</i>	-	-	-	-	1 818	-	-	-
<b>Community</b>	10	-	-	6 494	6 937	10 443	10 379	19 510
Parks & gardens	10	-	-	-	-	500	500	-
Sportsfields & stadia	-	-	-	3 994	3 994	4 793	5 379	11 910
Community halls	-	-	-	1 500	2 193	2 850	3 000	6 600
Recreational facilities	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	1 000	750	2 300	1 500	1 000
<b>Other assets</b>	13 865	14 130	6 958	15 480	15 781	16 325	5 655	9 020
General vehicles	1 453	569	-	10 480	10 672	8 500	4 605	8 000
Plant & equipment	3 499	1 818	2 858	555	708	60	1 050	1 020
Computers - hardware/equipment	498	645	391	-	-	-	-	-
Furniture and other office equipment	408	1 789	465	1 245	1 901	2 665	-	-
Other Buildings	8 004	9 309	3 244	3 200	2 500	5 100	-	-
Other	3	-	-	-	-	-	-	-
<b>Intangibles</b>	123	82	68	-	-	-	-	-
Computers - software & programming	123	82	68	-	-	-	-	-
Other ( <i>list sub-class</i> )	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure on new assets</b>	<b>43 941</b>	<b>31 407</b>	<b>28 096</b>	<b>44 504</b>	<b>46 223</b>	<b>52 980</b>	<b>44 225</b>	<b>51 019</b>

**Table 57 MBRR SA34b - Capital expenditure on the renewal of existing assets by asset class**

Description	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Capital expenditure on renewal of existing assets by Asset Class/Sub-class</b>								
<b>Community</b>	-	-	-	650	650	2 100	2 500	3 000
Community halls	-	-	-	650	650	2 100	2 500	3 000
<b>Other assets</b>	-	-	-	-	-	1 400	-	-
Other Buildings	-	-	-	-	-	1 400	-	-
existing assets	-	-	-	650	650	3 500	2 500	3 000

**Table 58 MBRR SA34c - Repairs and maintenance expenditure by asset class**

Description	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Repairs and maintenance expenditure by Asset Class/Sub-class</b>								
<b>Infrastructure</b>	1 202	943	1 870	1 338	924	1 149	1 218	1 291
Infrastructure - Road transport	574	568	1 052	710	540	610	647	685
<i>Roads, Pavements &amp; Bridges</i>	73	106	745	424	374	370	392	416
<i>Storm water</i>	501	462	307	286	166	240	254	270
Infrastructure - Electricity	449	367	787	519	339	495	525	556
<i>Transmission &amp; Reticulation</i>	177	149	606	254	154	250	265	281
<i>Street Lighting</i>	272	218	181	265	185	245	260	275
Infrastructure - Water	86	-	1	36	4	4	4	5
<i>Reticulation</i>	86	-	1	36	4	4	4	5
Infrastructure - Sanitation	71	-	-	32	-	-	-	-
<i>Reticulation</i>	71	-	-	32	-	-	-	-
Infrastructure - Other	22	8	30	41	41	40	42	45
<i>Transportation</i>	22	8	30	41	41	40	42	45
<b>Community</b>	58	197	47	55	68	73	78	82
Sportsfields & stadia	27	161	28	30	13	14	15	16
Security and policing	29	35	17	22	52	56	59	63
Cemeteries	2	1	2	3	3	4	4	4
<b>Other assets</b>	1 451	1 564	1 488	2 190	1 854	1 989	2 109	2 235
General vehicles	895	926	1 136	1 364	1 068	1 165	1 235	1 309
Plant & equipment	40	147	165	218	213	230	243	258
Furniture and other office equipment	25	29	156	185	182	196	208	220
Civic Land and Buildings	491	461	30	424	391	398	422	447
Other Buildings	-	-	-	-	-	-	-	-
<b>Total Repairs and Maintenance Expen</b>	<b>2 710</b>	<b>2 703</b>	<b>3 405</b>	<b>3 583</b>	<b>2 846</b>	<b>3 212</b>	<b>3 404</b>	<b>3 609</b>

**Table 59 MBRR SA36 - Detailed capital budget per municipal vote**

Municipal Vote/Capital project	Program/Project description	Asset Class	Asset Sub-Class	Prior year outcomes		2013/14 Medium Term Revenue & Expenditure Framework			New or renewal
				Audited Outcome 2011/12	Current Year 2012/13 Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16	
<b>Parent municipality:</b>									
<i>Executive &amp; Council</i>	Furniture & Office Equipment	<i>Other assets</i>	<i>Furniture and other office equipment</i>	26	146	625	-	-	New
<i>Executive &amp; Council</i>	Vehicles, Plant & Equipment	<i>Other assets</i>	<i>General vehicles</i>	-	675	1 000	-	-	New
<i>Executive &amp; Council</i>	Computer Equipment	<i>Other assets</i>	<i>Computers - hardware/equipment</i>	75	-	-	-	-	New
<i>Planning &amp; Development</i>	Furniture & Office Equipment	<i>Other assets</i>	<i>Furniture and other office equipment</i>	16	150	100	-	-	New
<i>Planning &amp; Development</i>	Vehicles, Plant & Equipment	<i>Other assets</i>	<i>General vehicles</i>	-	380	-	-	-	New
<i>Planning &amp; Development</i>	Tools & Equipment	<i>Other assets</i>	<i>Plant &amp; equipment</i>	3	-	-	-	-	New
<i>Planning &amp; Development</i>	Computer Equipment	<i>Other assets</i>	<i>Computers - hardware/equipment</i>	20	-	-	-	-	New
<i>Corporate Services</i>	Furniture & Office Equipment	<i>Other assets</i>	<i>Furniture and other office equipment</i>	37	210	400	-	-	New
<i>Corporate Services</i>	Fleet Bay	<i>Other assets</i>	<i>Other Buildings</i>	402	-	-	-	-	New
<i>Corporate Services</i>	Tools & Equipment	<i>Other assets</i>	<i>Plant &amp; equipment</i>	2 714	-	-	-	-	New
<i>Corporate Services</i>	Computer Equipment	<i>Other assets</i>	<i>Computers - hardware/equipment</i>	15	-	-	-	-	New
<i>Corporate Services</i>	Extention Offices	<i>Other assets</i>	<i>Other Buildings</i>	2 843	-	-	-	-	New
<i>Corporate Services</i>	Buildings	<i>Other assets</i>	<i>Other Buildings</i>	-	2 000	4 000	-	-	New
<i>Budget &amp; Treasury</i>	Furniture & Office Equipment	<i>Other assets</i>	<i>Furniture and other office equipment</i>	169	500	500	-	-	New
<i>Budget &amp; Treasury</i>	Computer Equipment	<i>Other assets</i>	<i>Computers - hardware/equipment</i>	222	-	-	-	-	New
<i>Budget &amp; Treasury</i>	Computers - software & programming	<i>Other assets</i>	<i>Computers - software &amp; programming</i>	68	-	-	-	-	New
<i>Budget &amp; Treasury</i>	Tools & Equipment	<i>Other assets</i>	<i>Plant &amp; equipment</i>	-	-	-	-	-	New
<i>Road Transport</i>	Furniture & Office Equipment	<i>Other assets</i>	<i>Furniture and other office equipment</i>	161	895	1 000	-	-	New
<i>Road Transport</i>	Tools & Equipment	<i>Other assets</i>	<i>Plant &amp; equipment</i>	22	-	-	990	960	New
<i>Road Transport</i>	Computer Equipment	<i>Other assets</i>	<i>Computers - hardware/equipment</i>	59	-	-	-	-	New
<i>Road Transport</i>	Computers - software & programming	<i>Other assets</i>	<i>Computers - software &amp; programming</i>	-	-	-	-	-	New
<i>Road Transport</i>	Vehicles, Plant & Equipment	<i>Other assets</i>	<i>General vehicles</i>	-	7 880	3 760	4 035	6 400	New
<i>Road Transport</i>	Construction Access Roads: Wards 1, 2 & 3	<i>Infrastructure</i>	<i>Roads, Pavements &amp; Bridges</i>	482	-	-	-	-	New
<i>Road Transport</i>	Surfaced Roads	<i>Infrastructure</i>	<i>Roads, Pavements &amp; Bridges</i>	2 914	-	-	-	-	New
<i>Road Transport</i>	Sterkspruit Taxi Rank	<i>Infrastructure</i>	<i>Transportation</i>	10 127	1 818	-	-	-	New
<i>Road Transport</i>	Constr Access Roads Wards 7,8,9&12 (Ph 4	<i>Infrastructure</i>	<i>Roads, Pavements &amp; Bridges</i>	-	6 810	-	-	-	New
<i>Road Transport</i>	Renovation BE Traffic Station	<i>Other assets</i>	<i>Other Buildings</i>	-	800	1 400	-	-	Renewal
<i>Road Transport</i>	Access Roads	<i>Infrastructure</i>	<i>Roads, Pavements &amp; Bridges</i>	1 022	6 377	18 554	12 038	8 189	New
<i>Road Transport</i>	Bridges	<i>Infrastructure</i>	<i>Roads, Pavements &amp; Bridges</i>	-	7 000	1 000	9 950	7 500	New
<i>Road Transport</i>	Storm water projects	<i>Infrastructure</i>	<i>Storm water</i>	442	-	-	-	-	New
<i>Waste Water Management</i>	Khwezi Storm Water (Phase II)	<i>Infrastructure</i>	<i>Storm water</i>	12 488	-	-	-	-	New

Community Services	Tools & Equipment	Other assets	Plant & equipment	53	40	60	60	60	New
Community Services	Computer Equipment	Other assets	Computers - hardware/equipment	-	-	-	-	-	New
Community Services	Community Halls	Community	Community halls	-	2 193	2 850	3 000	6 600	New
Community Services	Renovations: Community Halls	Community	Community halls	-	650	2 100	2 500	3 000	Renewal
Community Services	Furniture & Office Equipment	Other assets	Furniture and other office equipment	35	-	40	-	-	New
Community Services	Cemeteries (Phase 2)	Community	Cemeteries	-	250	900	-	-	New
Community Services	Fencing: Cemeteries	Community	Cemeteries	-	500	1 400	1 500	1 000	New
Community Services	Parks & gardens	Community	Parks & gardens	-	-	500	500	-	New
Sport and recreation	Sport Facilities	Community	Sportsfields & stadia	2 374	3 994	4 793	5 379	11 910	New
Public Safety	Project Pounds	Other assets	Other Buildings	-	500	1 100	-	-	New
Electricity	Tools & Equipment	Other assets	Plant & equipment	65	265	-	-	-	New
Electricity	Furniture & Office Equipment	Other assets	Furniture & Office Equipment	19	-	-	-	-	New
Electricity	Computer Equipment	Other assets	Computers - hardware/equipment	-	-	-	-	-	New
Electricity	Infrastructure	Infrastructure	Transmission & Reticulation	1 232	700	3 400	2 000	4 000	New
Electricity	Street Lighting	Infrastructure	Street Lighting	-	-	1 508	4 202	2 800	New
Electricity	Vehicles, Plant & Equipment	Other assets	General vehicles	-	-	520	220	1 200	New
Waste Management	Tools & Equipment	Other assets	Plant & equipment	-	403	-	-	-	New
Waste Management	Solid Waste Sites	Infrastructure	Waste Management	-	-	1 250	-	-	New
Waste Management	Sterkspruit Solid Waste Site	Infrastructure	Waste Management	117	-	-	-	-	New
Waste Management	Weigh Bridge LG	Infrastructure	Waste Management	-	-	500	-	-	New
Waste Management	Vehicles, Plant & Equipment	Other assets	General vehicles	-	1 737	3 220	350	400	New
Parent Capital expenditure				38 223	46 873	56 480	46 725	54 019	

## 2.12 Legislation compliance status

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

1. In year reporting  
Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the Municipality's website.
2. Internship programme  
The Municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department. Of the five interns one has been appointed permanently from June 2009. The remaining four have completed their two year contract on 28 February 2010, and extension for one year has been granted by National Treasury. Since the introduction of the Internship programme the Municipality has successfully employed and trained 33 interns through this programme and a majority of them were appointed either in the Municipality or other Institutions such as KPMG, Ernest & Young, SARS, Auditor General, National Treasury. Three additional interns have been appointed with effect from 1 March 2011.
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 2013/14 MTREF in May 2013 directly aligned and informed by the 2013/14 MTREF.
6. Annual Report  
Annual report is compiled in terms of the MFMA and National Treasury requirements.
7. MFMA Training  
The MFMA training module in electronic format is presented at the Municipality's internal centre and training is ongoing.
8. Policies  
An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009, was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.



**Table 35 MBRR Table SA2 – Matrix financial performance budget (revenue source/expenditure type and department)**

Description	Vote 1 - Executive & Council	Vote 2 - Planning & Developm ent	Vote 3 - Corporate Services	Vote 4 - Budget & Treasury	Vote 5 - Road Transport	Vote 6 - Waste Water Managem ent	Vote 7 - Housing	Vote 8 - Health	Vote 9 - Communit y & Social Services	Vote 10 - Sport & Recreation	Vote 11 - Public Safety	Vote 12 - Electricity	Vote 13 - Waste Managem ent	Vote 14 - Water	Vote 15 - Other	Total
R thousand																
<b>Revenue By Source</b>																
Property rates	-	-	-	4 612	-	-	-	-	-	-	-	-	-	-	-	4 612
Service charges - electricity revenue	-	-	-	-	-	-	-	-	-	-	-	19 499	-	-	-	19 499
Service charges - refuse revenue	-	-	-	-	-	-	-	-	-	-	-	-	2 223	-	-	2 223
Rental of facilities and equipment	-	-	-	-	-	-	-	-	278	-	-	-	-	-	-	278
Interest earned - external investments	-	-	-	7 000	-	-	-	-	-	-	-	-	-	-	-	7 000
Interest earned - outstanding debtors	-	-	-	360	-	-	-	-	-	-	-	318	165	-	-	843
Fines	-	-	-	-	60	-	-	-	-	-	-	-	-	-	-	60
Licences and permits	-	-	-	-	1 140	-	-	-	-	-	-	-	-	-	-	1 140
Agency services	-	-	-	1 102	700	-	-	-	-	-	-	-	-	-	-	1 802
Other revenue	-	-	56	48	-	-	21	-	40	-	25	181	-	-	-	371
Transfers recognised - operational	5 571	1 287	-	82 981	3 758	-	-	-	1 315	-	-	7 755	4 266	-	-	106 932
Gains on disposal of PPE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
and contributions)	5 571	1 287	56	96 102	5 658	-	21	-	1 632	-	25	27 753	6 654	-	-	144 760
<b>Expenditure By Type</b>																
Employee related costs	4 824	5 624	4 097	6 462	11 107	-	1 513	-	8 010	-	-	5 390	10 286	-	-	57 313
Remuneration of councillors	9 635	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9 635
Debt impairment	-	-	-	1 610	-	-	-	-	54	-	-	1 043	1 562	-	-	4 270
Depreciation & asset impairment	321	276	1 492	452	10 223	587	-	-	370	290	43	453	718	-	-	15 224
Finance charges	-	-	801	-	-	-	-	-	-	-	-	328	510	-	-	1 639
Bulk purchases	-	-	-	-	-	-	-	-	-	-	-	26 677	-	-	-	26 677
Transfers and grants	-	334	-	-	-	-	-	-	-	-	-	-	-	-	-	334
Other expenditure	5 662	6 246	5 249	7 183	11 645	240	446	-	1 748	57	24	2 563	1 312	-	-	42 373
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>20 442</b>	<b>12 479</b>	<b>11 639</b>	<b>15 707</b>	<b>32 975</b>	<b>827</b>	<b>1 958</b>	<b>-</b>	<b>10 182</b>	<b>348</b>	<b>67</b>	<b>36 454</b>	<b>14 387</b>	<b>-</b>	<b>-</b>	<b>157 465</b>
<b>Surplus/(Deficit)</b>	<b>(14 871)</b>	<b>(11 192)</b>	<b>(11 583)</b>	<b>80 395</b>	<b>(27 317)</b>	<b>(827)</b>	<b>(1 937)</b>	<b>-</b>	<b>(8 550)</b>	<b>(348)</b>	<b>(42)</b>	<b>(8 701)</b>	<b>(7 733)</b>	<b>-</b>	<b>-</b>	<b>(12 705)</b>
Transfers recognised - capital	-	-	-	-	19 554	-	-	-	3 750	4 793	-	1 008	1 250	-	-	30 355
<b>Surplus/(Deficit) after capital transfers &amp;</b>	<b>(14 871)</b>	<b>(11 192)</b>	<b>(11 583)</b>	<b>80 395</b>	<b>(7 763)</b>	<b>(827)</b>	<b>(1 937)</b>	<b>-</b>	<b>(4 800)</b>	<b>4 445</b>	<b>(42)</b>	<b>(7 693)</b>	<b>(6 483)</b>	<b>-</b>	<b>-</b>	<b>17 650</b>

**Table 36 MBRR Table SA3 – Supporting detail to Statement of Financial Position**

Description	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>R thousand</b>								
<b>ASSETS</b>								
<b>Call investment deposits</b>								
Consumer debtors	16 539	11 708	20 964	24 555	25 595	30 651	36 010	41 691
Less: Provision for debt impairment	(6 436)	(7 083)	(10 561)	(17 928)	(14 515)	(18 784)	(23 310)	(28 108)
<b>Total Consumer debtors</b>	<b>10 104</b>	<b>4 626</b>	<b>10 403</b>	<b>6 627</b>	<b>11 080</b>	<b>11 867</b>	<b>12 700</b>	<b>13 584</b>
<b>Debt impairment provision</b>								
Balance at the beginning of the year	2 470	6 436	7 755	12 347	10 561	14 515	18 784	23 310
Contributions to the provision	3 965	647	3 118	5 580	3 953	4 270	4 526	4 797
<b>Balance at end of year</b>	<b>6 436</b>	<b>7 083</b>	<b>10 873</b>	<b>17 928</b>	<b>14 515</b>	<b>18 784</b>	<b>23 310</b>	<b>28 108</b>
<b>Property, plant and equipment (PPE)</b>								
PPE at cost/valuation (excl. finance leases)	159 184	188 648	224 649	274 851	271 522	328 002	374 727	428 746
Leases recognised as PPE	–	92	92	92	92	–	–	–
Less: Accumulated depreciation	35 887	42 650	52 021	72 116	66 563	81 494	97 437	114 353
<b>Total Property, plant and equipment (PPE)</b>	<b>123 297</b>	<b>146 090</b>	<b>172 719</b>	<b>202 827</b>	<b>205 050</b>	<b>246 508</b>	<b>277 290</b>	<b>314 392</b>
<b>LIABILITIES</b>								
<b>Current liabilities - Borrowing</b>								
Current portion of long-term liabilities	174	778	798	1 303	899	971	1 049	1 133
<b>Total Current liabilities - Borrowing</b>	<b>174</b>	<b>778</b>	<b>798</b>	<b>1 303</b>	<b>899</b>	<b>971</b>	<b>1 049</b>	<b>1 133</b>
<b>Trade and other payables</b>								
Trade and other creditors	1 324	1 936	3 148	2 130	3 301	3 565	3 851	4 159
Unspent conditional transfers	12 142	23 490	17 318	–	–	–	–	–
<b>Total Trade and other payables</b>	<b>13 465</b>	<b>25 426</b>	<b>20 467</b>	<b>2 130</b>	<b>3 301</b>	<b>3 565</b>	<b>3 851</b>	<b>4 159</b>
<b>Non current liabilities - Borrowing</b>								
Borrowing	8 163	15 659	15 225	13 150	14 326	13 367	12 318	11 186
Finance leases (including PPP asset element)	–	44	12	44	12	–	–	–
<b>Total Non current liabilities - Borrowing</b>	<b>8 163</b>	<b>15 703</b>	<b>15 237</b>	<b>13 194</b>	<b>14 338</b>	<b>13 367</b>	<b>12 318</b>	<b>11 186</b>
<b>Provisions - non-current</b>								
Retirement benefits	8 071	8 788	9 993	11 840	11 637	13 463	15 398	17 449
Refuse landfill site rehabilitation	565	642	733	1 030	948	1 174	1 413	1 667
Other	2 905	3 094	3 127	4 181	3 627	3 881	4 153	4 443
<b>Total Provisions - non-current</b>	<b>11 541</b>	<b>12 523</b>	<b>13 854</b>	<b>17 051</b>	<b>16 212</b>	<b>18 517</b>	<b>20 964</b>	<b>23 559</b>
<b>CHANGES IN NET ASSETS</b>								
<b>Accumulated Surplus/(Deficit)</b>								
Accumulated Surplus/(Deficit) - opening balance	105 693	143 537	160 193	169 463	181 433	192 310	233 339	263 369
Restated balance	105 693	146 639	160 193	169 463	181 433	192 310	233 339	263 369
Surplus/(Deficit)	31 958	36 388	47 628	30 583	26 358	17 650	27 957	51 591
Appropriations to Reserves	–	(22 833)	(24 909)	(19 889)	(15 481)	23 379	2 072	(17 161)
Transfers from Reserves	5 886	–	–	–	–	–	–	–
Other adjustments	–	–	–	–	–	–	–	–
<b>Accumulated Surplus/(Deficit)</b>	<b>143 537</b>	<b>160 193</b>	<b>182 913</b>	<b>180 157</b>	<b>192 310</b>	<b>233 339</b>	<b>263 369</b>	<b>297 799</b>
<b>Reserves</b>								
Housing Development Fund	–	–	–	4 181	–	–	–	–
Capital replacement	39 965	56 464	75 142	83 303	89 684	63 983	59 466	74 052
Self-insurance	–	5 645	11 645	12 870	12 585	14 636	16 811	19 116
Valuation Roll Reserve	–	690	919	690	919	1 189	1 459	1 729
Revaluation	566	844	1 221	844	1 221	1 221	1 221	1 221
<b>Total Reserves</b>	<b>40 531</b>	<b>63 643</b>	<b>88 928</b>	<b>101 888</b>	<b>104 409</b>	<b>81 030</b>	<b>78 958</b>	<b>96 119</b>
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>184 068</b>	<b>223 836</b>	<b>271 841</b>	<b>282 044</b>	<b>296 719</b>	<b>314 370</b>	<b>342 327</b>	<b>393 918</b>

**Table 37 MBRR Table SA9 – Social, economic and demographic statistics and assumptions**

Description of economic indicator	1996 Census	2001 Census	2007 Survey	2009/10	2010/11	2011/12	Current Year 2012/13	2013/14 Medium Term Revenue & Expenditure Framework		
				Outcome	Outcome	Outcome	Original Budget	Outcome	Outcome	Outcome
<b>Demographics</b>										
Population	131	136	118	133	133	133	134	134	134	134
Females aged 5 - 14	30	19	16	18	18	18	21	21	21	21
Males aged 5 - 14	25	19	17	19	19	19	24	24	24	24
Females aged 15 - 34	23	24	21	24	24	24	37	37	37	37
Males aged 15 - 34	20	23	19	21	21	21	42	42	42	42
Unemployment	85	102	99	112	112	112	48	48	48	48
<b>Household/demographics (000)</b>										
Number of people in municipal area	131	136	118	133	133	133	134	134	134	134
Number of poor people in municipal area	94	132	85	95	95	95	95	95	95	95
Number of households in municipal area	28	34	35	36	36	36	38	38	38	38
Number of poor households in municipal	20	15	25	26	26	26	26	26	26	26
Definition of poor household (R per month)	< 1600	< 1600	< 1600	< 1600	< 1600	< 1600	< 1600	< 1600	< 1600	< 1600
<b>Housing statistics</b>										
Formal	17	33	33	34	34	34	27	27	27	27
Informal	11	1	2	2	2	2	11	11	11	11
Total number of households	27 913	34 283	35 107	36 066	36 066	36 066	38 046	38 046	38 000	37 955
Dwellings provided by municipality	-	-	-	-	-	-	-	-	-	-
Total new housing dwellings	-	-	-	-	-	-	-	-	-	-

**2.13 Municipal Manager’s quality certificate**

I ....., Municipal Manager of Senqu Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name \_\_\_\_\_

Municipal Manager of Senqu Municipality

Signature \_\_\_\_\_

Date \_\_\_\_\_