MANTSOPA LOCAL MUNICIPALITY (FS196)

DRAFT (BUDGET)MTREF FORECAST 2013/14

BUDGET

2014

38 JOUBERT STREET LADYBRAND

PART 1 – ANNUAL BUDGET

1.1 Council Resolutions

On 28 March 2013 the Council of Mantsopa Local Municipality met in the Council Chambers of Mantsopa Local Municipality to consider the annual budget of the municipality for the financial year 2013/14. The Council approved and adopted the following resolutions:

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

1.1. The annual budget of the municipality for the financial year 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)
1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source.

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 annexure A

3. The Council of Mantsopa Local Municipality, acting in terms of section 75(a) of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2013:

   2.1. the tariffs for property rates – as set out in Annexure B
   2.2. the tariffs for electricity – as set out in Annexure B
   2.3. the tariffs for the supply of water – as set out in Annexure B
   2.4. the tariffs for sanitation services – as set out in Annexure B
   2.5. the tariffs for solid waste services – as set out in Annexure B

4. The Council of Mantsopa Local Municipality, acting in terms of 75(a) 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 Annexures B.

5. The Municipality reviews the following budget related policies in order to give effect to the implementation of the budget 2013/14 MTERF:

   - Rates policy
   - Tariff policy
   - Indigent policy
   - Credit control and collection
   - Investment policy
   - Supply chain policy

1.2 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.

National Treasury's MFMA Circular No. 51,54,66 and 67 were used to guide the compilation of the 2013/14 MTREF.

The main challenges experienced during the compilation of the 2013/14 MTREF can be summarised as follows:

- The on-going difficulties in the national and local economy;
- Aging and poorly maintained water, roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk water and electricity (due to tariff increases from Bloem Water and Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2013/14 MTREF process; and
- Availability of affordable capital/borrowing.

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;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- R 8 396 918 was set for the following items and allocations to these items had to be supported by a list and/or motivation setting out the intention and cost of the expenditure which was used to prioritise expenditures:

  - Special Projects;
  - Consultant Fees;
  - Furniture and office equipment;
  - Special Events;
  - Refreshments and entertainment and;
  - Subsistence, Travelling & Conference fees (national & international).

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	**Adjustment Budget 2012/13**	**Budget Year 2013/14**	**Budget Year 2014/15**	**Budget Year 2015/16**
Total Operating Revenue	R230 156 316	R239 441 830	R258 597 176	R279 284 950
Total Operating Expenditure	R193 549 602	R207 804 305	R224 428 649	R242 382 941
Total Capital Expenditure	R36 531 265	R31 638 460	R33 795 414	R36 499 047
(Surplus)/ Deficit	R75 449	**R15**	R373 113	R402 962

Total operating revenue has grown byR14 321 614for the 2013/14 financial year when compared to the 2012/13 Adjustments Budget. For the two outer years, operational revenue will increase by 8%(per cent) respectively.

Total operating expenditure for the 2013/14 financial year has been appropriated at R207 804 305 and translates into a budgeted surplus of R15. When compared to the 2012/13 Adjustments Budget, operational expenditure has grown by 7.3% in the 2013/14 budget and by 8% for each of the respective outer years of the MTREF. The surplus of R15 will be used to fund capital expenditure.

The capital budget of R31 637 000 for 2013/14has decreased by R 4 894 265.00 when compared to the 2012/13 Adjustment Budget. The reduction is due to various projects being finalised in the previous financial year as well as affordability constraints in the light of current economic circumstances. A substantial portion amounting toR30 007 650 for the capital budget will be funded from Grants. The balance of R1 629 860 will be funded from internally generated funds. It should be noted that own funding has decreased drastically from R 8 000 000 to R 1 629 860 over a period of three years.

1.3 Operating Revenue Framework

For Mantsopa Local Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty.

The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

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

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 80% annual
- collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

Summary of revenue classified by main revenue source

FS196 Mantsopa - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Revenue By Source											
Property rates	2	9 777	12 647	10 762	11 260	11 260	12 272	–	15 173	16 386	17 697
Property rates - penalties & collection charges											
Service charges - electricity revenue	2	22 023	19 908	24 600	31 563	31 879	30 505	–	31 455	33 971	36 689
Service charges - water revenue	2	15 299	18 007	19 615	23 418	23 935	32 031	–	32 961	35 598	38 446
Service charges - sanitation revenue	2	35 498	11 956	13 829	16 161	16 161	15 655	–	21 402	23 114	24 963
Service charges - refuse revenue	2	8 000	7 028	8 019	9 034	9 017	8 933	–	12 009	12 970	14 008
Service charges - other											
Rental of facilities and equipment					1 015	1 024	1 019		1 064	1 149	1 241
Interest earned - external investments					150	191	166		191	206	223
Interest earned - outstanding debtors					13 800	16 285	15 670		17 000	18 360	19 829
Dividends received					20	20	19		20	22	23
Fines					105	120	127		120	130	140
Licences and permits					0	–			–	–	–
Agency services						–					
Transfers recognised - operational		44 552	82 210	64 219	71 395	84 716	84 716		77 449	83 645	90 337
Other revenue	2	4 624	12 034	14 426	498	504	5 070	–	590	637	688
Gains on disposal of PPE			239	–	–						
Total Revenue (excluding capital transfers and contributions)		139 772	164 030	155 469	178 420	195 113	206 181	–	209 434	226 189	244 284

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

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise64% of the total operating revenue mix for 2013/14. In the 2012/13 financial year, revenue from rates and services charges totalled 57%. This increase value an amount of R32 million, R11million and R12 million in the respective financial years of the MTREF. This growth can be mainly attributed to the increased share that the sale of water and property rates contributes to the total revenue mix. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality.

Water the largest revenue source totalling to R32 961 312 with electricity being the second largest revenue source totalling R31 454 520. The third largest sources is sanitation which also totals to R21 402 024.

Operating grants and transfers totals R64 293 000 in the 2012/13 financial year and steadily increases to R77 449 183 by 2013/14. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 4 Operating Transfers and Grant Receipts

FS196 Mantsopa - Supporting Table SA18 Transfers and grant receipts

Description	Ref	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	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
RECEIPTS:	1, 2									
-										
Operating Transfers and Grants										
National Government:		36 898	44 550	57 666	62 293	62 293	–	74 930	74 754	75 765
Local Government Equitable Share		34 913	41 065	53 916	59 517	59 517	–	71 490	72 220	73 148
Finance Management		1 250	2 750	3 000	1 450	1 450		1 550	1 600	1 650
Municipal Systems Improvement		735	735	750	790	790		890	934	967
Integrated National Electrification Programme										
Energy Efficiency and Demand Management										
Expanded Public Work Program					536	536		1 000	–	–
Provincial Government:		–	–	–	–	–	–	–	–	–
Expanded Public Work Program										
District Municipality:		–	–	1 748	2 000	2 000	–	1 208	–	–
Thabo Mofutsanyane				1 748	2 000	2 000		1 208	–	–
Other grant providers:		–	–	817	–	–	–	1 311	1 079	997
PMU				817				1 311	1 079	997
Total Operating Transfers and Grants	5	36 898	44 550	60 231	64 293	64 293	–	77 449	75 833	76 762

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.

The percentage increases of both Eskom and Bloem Water bulk tariffs are above the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and water 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. Salaries are also expected to rise with 7%.

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.

1.3.1 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. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R75 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);
- 50 per cent rebate will be granted on all residential properties.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2013/14 financial year based on a .0093%.

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

Category	Current Tariff (2012/2013)	Proposed Tariff (from 1 July 2013)
Residential	0.006700	0.004650
Government	0.009450	0.009300
Business	0.013500	0.009300
Farms	0.001190	0.000830

1.4.2 Sale of Water and Impact of Tariff Increases

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

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

In addition National Treasury has urged all municipalities to ensure that water tariff structures are cost reflective by 2014.

Better maintenance of infrastructure, Commissioning of boreholes and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability.
A tariff increase of 7.05% from 1 July 2013 for water is proposed. This is based on an input cost assumptions of 7% increase in the cost of bulk water (Bloem Water), the cost of other inputs increasing and a surplus generated on the water service of a minimum 9.9%. In addition 6 kℓ water per 30-day period will again be granted free of charge to all residents.

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

Table 6 Proposed Water Tariffs

CATEGORY	CURRENT TARIFFS 2012/13 Rand per kℓ	PROPOSED TARIFFS 2013/14 Rand per kℓ
RESIDENTIAL		
Basic charge	R 78.00	R 83.50
• 0-20 kl	R 5.25	R 5.62
• 21-40	R 6.40	R 6.85
• 41<	R 7.70	R 8.25
BUSINESS		
Basic charge	R 45.00	R 48.50
Business usage (MIN 10kl)	R 5.70	R 6.10
DEPARTMENTS		
Usage (MIN 10kl)	R 5.10	R 5.50

1.4.3 Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk electricity pricing structure. A***6*** per cent anticipated increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2013.
Considering the Eskom increases, the consumer tariff had to be increased by ***6.06***per cent to offset the additional bulk purchase cost from 1 July 2013. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity.

Registered indigents will again be granted 50 kWh per 30-day period free of charge.

Table 7 Comparison between current electricity charges and increases

Monthly consumption	Current amount payable	Proposed amount payable	Difference (increase)	% Change
kWh	R	R	R	
0-50	0.66	0.70	0.04	6.6
51-350	0.78	0.827	0.047	6.03

351-600	**1.05**	**1.115**	**0.065**	**6.19**
More than 600	**1.23**	**1.305**	**0.075**	**6.1**
Business	**1.26**	**1.336**	**0.076**	**6.3**
Bulk	**0.51**	**0.545**	**0.035**	**6.86**
Departmental	**0.51**	**0.545**	**0.035**	**6.86**
KVA	**90**	**95.50**	**5.50**	**6.11**

It should further be noted that NERSA has advised that a stepped tariff structure needs to be implemented from 1 July 2013. The effect thereof will be that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor). However Mantsopa implemented the block tariff back in 2009 with the first roll out.

The inadequate electricity bulk capacity and the impact on service delivery and development remains a challenge for the Municipality.

The approved budget for the Electricity Division can only be utilised for certain committed upgrade projects and to strengthen critical infrastructure (e.g. substations without back-up supply). Special funding of R 8 800 000 was received during 2012/13 financial year for electrification of Mantsopa, a further R 5 092 000 is expected for 2013/14 financial year.

1.4.4 Sanitation and Impact of Tariff Increases

A tariff increase of 7.2% from 1 July 2013 is proposed. This is based on the input cost assumptions related to water. It should be noted that electricity and chemicals costs contribute largely to treatment of waste water input costs.

The following factors also contribute to the proposed tariff increase:

- Free sanitation will be applicable to registered indigents; and
- The total revenue expected to be generated from rendering this service amounts to R21 402 024 for the 2013/14 financial year.

Monthly consumption	Current amount payable R	Proposed amount payable R	Difference (increase) R	% Change
Households	*125.00*	*134.00*	*9.00*	*7.20*
Business	*205.00*	*220.00*	*15.00*	*7.32*
Bulk	*5800.00*	*6150.00*	*350.00*	*6.03*

Departmental	*205.00*	*205.00*	*0.00*	*0.00*

1.4.5 Waste Removal and Impact of Tariff Increases

It is widely accepted that the rendering of this service should at least break even, although this service is currently making surplus.

A 7.69% 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. Free sanitation will be applicable to registered indigents

Monthly consumption	Current amount payable R	Proposed amount payable R	Difference (increase) R	% Change
Households	*65.00*	*70.00*	*5.00*	*7.69*
Business	*260.00*	*280.00*	*20.00*	*7.69*
Departmental	*260.00*	*280.00*	*20.00*	*7.69*

1.4.6 Overall impact of tariff increases on households

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

FS196 Mantsopa - Supporting Table SA14 Household bills

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework			
Rand/cent		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14 % incr.	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Monthly Account for Household - 'Middle Income Range'	1										
Rates and services charges:											
Property rates		275.00	300.00	315.00	315.00	315.00	315.00	6.0%	333.90	357.27	382.28
Electricity: Basic levy		65.00	70.00	70.00	–	–	–				
Electricity: Consumption		683.00	718.00	858.00	1 012.44	1 194.68	1 409.72	6.1%	1 495.15	1 599.81	1 711.80
Water: Basic levy		65.00	70.00	73.00	78.00	78.00	78.00	7.1%	83.50	89.35	95.60
Water: Consumption		114.10	122.80	128.92	136.65	136.65	136.65	7.5%	146.90	157.18	168.18
Sanitation		101.00	110.00	116.00	125.00	125.00	125.00	7.2%	134.00	143.38	153.42
Refuse removal		53.00	58.00	61.20	65.00	65.00	65.00	7.7%	70.00	74.90	80.14
Other		–	–	–	–						
sub-total		1 356.10	1 448.80	1 622.12	1 732.09	1 914.33	2 129.37	30.7%	2 263.45	2 421.89	2 591.42
VAT on Services											
Total large household bill:		1 356.10	1 448.80	1 622.12	1 732.09	1 914.33	2 129.37	30.7%	2 263.45	2 421.89	2 591.42
% increase/-decrease			6.8%	12.0%	6.8%	10.5%	11.2%		6.3%	7.0%	7.0%
Monthly Account for Household - 'Affordable Range'	2										
Rates and services charges:											
Property rates		–	–	–	–	–	–				
Electricity: Basic levy		–	–	–	–	–	–				
Electricity: Consumption		380.97	338.92	407.60	480.97	480.97	480.97	6.0%	509.83	545.51	583.70
Water: Basic levy		65.00	70.00	73.00	78.00	78.00	78.00	7.1%	83.50	89.35	95.60

Water: Consumption		87.85	94.30	98.97	104.91	104.91	104.91	7.5%	112.78	120.67	129.12
Sanitation		101.00	110.00	116.00	125.00	125.00	125.00	7.2%	134.00	143.38	153.42
Refuse removal		53.00	58.00	61.20	65.00	65.00	65.00	7.7%	70.00	74.90	80.14
Other				–	–	–	–				
sub-total		687.82	671.22	756.77	853.88	853.88	853.88	6.6%	910.10	973.81	1 041.98
VAT on Services											
Total small household bill:		687.82	671.22	756.77	853.88	853.88	853.88	6.6%	910.10	973.81	1 041.98
% increase/-decrease			(2.4%)	12.7%	12.8%	–	–		6.6%	7.0%	7.0%
-				-6.28	0.01	-1.00	-				
<u>Monthly Account for Household - 'Indigent' Household receiving free basic services</u>	3										
Rates and services charges:											
Property rates		–	–	–	–	–	–				
Electricity: Basic levy		–	–	–	–	–	–				
Electricity: Consumption		380.97	338.92	407.60	480.97	407.60	407.60	6.0%	432.06	462.30	494.66
Water: Basic levy		65.00	70.00	–							
Water: Consumption		87.85	94.30	98.97	104.91	104.91	104.91	7.5%	112.78	120.67	129.12
Sanitation		101.00	110.00	–							
Refuse removal		53.00	58.00	–							
Other				–	–	–	–				
sub-total		687.82	671.22	506.57	585.88	512.51	512.51	(7.0%)	544.83	582.97	623.78
VAT on Services											
Total small household bill:		687.82	671.22	506.57	585.88	512.51	512.51	(7.0%)	544.83	582.97	623.78
% increase/-decrease			(2.4%)	(24.5%)	15.7%	(12.5%)	–		6.3%	7.0%	7.0%

1.5 Operating Expenditure Framework

The municipality's expenditure framework for the 2013/14 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plans no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2013/14 budget and MTREF (classified per main type of operating expenditure):

Summary of operating expenditure by standard classification item

Expenditure – Standard	-									
Governance and administration		24 265	54 304	65 304	62 952	80 127	73 652	85 736	92 595	100 003
Executive and council		10 999	12 175	13 115	15 747	15 810	16 161	18 908	20 421	22 054
Budget and treasury office		9 389	35 341	43 362	38 872	43 077	48 973	45 121	48 731	52 629
Corporate services		3 877	6 788	8 828	8 334	21 240	8 519	21 707	23 444	25 319
Community and public safety		8 712	12 106	13 073	13 171	11 488	11 257	15 556	16 800	18 144
Community and social services		3 490	5 085	5 068	5 450	4 095	3 986	4 829	5 216	5 633
Sport and recreation		2 207	3 668	4 190	4 021	3 830	3 773	4 015	4 336	4 683
Public safety		2 078	2 215	2 578	2 589	2 459	2 375	4 877	5 267	5 689
Housing		937	1 138	1 238	1 111	1 104	1 122	1 834	1 981	2 140
Health		–	–	–	–	–	–	–	–	–
Economic and environmental services		9 170	12 301	16 879	15 965	14 045	10 451	15 472	16 710	18 047
Planning and development		2 124	2 694	2 588	2 874	3 015	3 043	4 099	4 427	4 781
Road transport		5 490	7 847	13 343	13 091	10 283	6 717	10 165	10 979	11 857
Environmental protection		1 556	1 760	948	–	747	690	1 208	1 304	1 409
Trading services		68 074	94 723	80 746	83 952	87 935	80 055	91 040	98 323	106 189
Electricity		23 842	25 967	30 787	33 388	36 073	31 663	36 714	39 651	42 823
Water		11 967	32 632	20 151	21 381	28 778	19 061	29 660	32 033	34 596
Waste water management		24 507	20 289	22 486	16 886	10 778	17 788	11 790	12 734	13 752
Waste management		7 758	15 834	7 322	12 297	12 306	11 543	12 876	13 906	15 019
Other	4	–	–	–	–	–	–	–	–	–
Total Expenditure – Standard	3	110 221	173 433	176 002	176 040	193 595	175 415	207 804	224 429	242 383
Surplus/(Deficit) for the year		29 551	(9 404)	2 240	37 423	36 562	60 774	31 638	34 169	36 902

The budgeted allocation for employee related costs for the 2013/14 financial year totals R64 296 594, which equals 31.5% of the total operating expenditure. Based on the three year collective SALGBC agreement, salary increases have been factored into this budget at a percentage increase of 7% for the 2013/14 financial year. An annual increase of 7% has been included in the two outer years of the MTREF.

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 and an amount of R4 226 806.

The provision of debt impairment was determined based on an annual collection rate of 79% and the Debt Write-off Policy of the municipality. For the 2012/13 financial year this amount equates to R18 627 542 and remains the same in 2013/14. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R13 998 900 for the 2012/13.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 0.4% (R859 822) of operating expenditure excluding annual redemption for 2012/13 and increases to R791500 by 2013/14.

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

Other materials comprise of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. In line with the municipality's repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the municipality's infrastructure. The appropriation against this group of expenditure has decreased from R10 497 532 for 2012/13 adjustment budget to R 10 226 932 in 2013/14 but will grow at 8% for the two outer years of MTREF.

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 renewal strategy 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, the following table is a consolidation of all the expenditures associated with repairs and maintenance:

FS196 Mantsopa - Supporting Table SA34c Repairs and maintenance expenditure by asset class

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Repairs and maintenance expenditure by Asset Class/Sub-class										
-										
Infrastructure		–	6 363	6 363	10 507	6 408	6 408	6 103	6 591	7 118
Infrastructure - Road transport		–	1 920	1 920	5 730	3 790	3 790	3 690	3 985	4 304
Roads, Pavements & Bridges			1 920	1 920	5 730	3 790	3 790	3 690	3 985	4 304
Storm water										
Infrastructure - Electricity		–	606	606	165	158	158	153	165	178
Generation			606	606	165	158	158	153	165	178
Transmission & Reticulation										
Street Lighting										
Infrastructure - Water		–	2 750	2 750	1 777	747	747	747	806	871
Dams & Reservoirs			2 750	2 750	1 777	747	747	747	806	871
Water purification										
Reticulation										
Infrastructure - Sanitation		–	640	640	505	203	203	203	219	237
Reticulation			640	640	505	203	203	203	219	237
Sewerage purification										
Infrastructure - Other		–	447	447	2 330	1 510	1 510	1 310	1 415	1 528
Waste Management			447	447	2 330	1 510	1 510	1 310	1 415	1 528
Transportation	2									
Gas										

Other	3									
Community		–	5 255	5 255	3 074	4 090	4 090	4 122	4 452	4 808
Parks & gardens			285	285	235	105	105	105	113	122
Sportsfields& stadia						–	–			
Swimming pools						–	–			
Community halls			1 800	1 800	722	95	95	95	103	111
Libraries			12	12		–	–	–		
Recreational facilities						–	–			
Fire, safety & emergency			340	340	125	70	70	207	224	242
Security and policing						–	–			
Buses	7					–	–			
Clinics						–	–			
Museums & Art Galleries						–	–			
Cemeteries			4	4		–	–	–		
Social rental housing	8					–	–			
Other			2 815	2 815	1 992	3 820	3 820	3 715	4 012	4 333
Heritage assets		–	–	–	–	–	–	–	–	–
Buildings										
Other	9									
Investment properties		–	5	5	–	–	–	3	3	3
Housing development			5	5				3	3	3
Other										
Other assets		–	–	–	–	–	–	–	–	–
General vehicles										
Specialised vehicles	10	–	–	–	–	–	–	–	–	–

Plant & equipment										
Computers - hardware/equipment										
Furniture and other office equipment										
Abattoirs										
Markets										
Civic Land and Buildings										
Other Buildings										
Other Land										
Surplus Assets - (Investment or Inventory)										
Other										
Agricultural assets		–	–	–	–	–	–	–	–	–
List sub-class										
Biological assets		–	–	–	–	–	–	–	–	–
List sub-class										
Intangibles		–	–	–	–	–	–	–	–	–
Computers - software & programming										
Other *(list sub-class)*										
Total Repairs and Maintenance Expenditure	1	–	11 623	11 623	13 581	10 498	10 498	10 227	11 045	11 929
Specialised vehicles		–	–	–	–	–	–	–	–	–
Refuse										
Fire										
Conservancy										
Ambulances										
R&M as a % of PPE		*0.0%*	*2.7%*	*1.6%*	*2.9%*	*4.3%*	*4.3%*	*3.8%*	*3.7%*	*3.7%*
R&M as % Operating Expenditure		*0.0%*	*6.7%*	*6.6%*	*7.7%*	*5.4%*	*6.0%*	*0.0%*	*0.0%*	*0.0%*

During the compilation of the 2013/14 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the municipality's infrastructure and historic deferred maintenance. To this end, repairs and maintenance was substantially decreased by 24.7% in the 2012/13 financial year, from R13 581 000to R10 227 000. During the 2012 Adjustment Budget this allocation was adjusted slightly downwards toR10 498 000 owing to the cash flow challenges faced by the municipality. Notwithstanding this reduction, as part of the 2013/14 MTREF this strategic imperative remains a priority as can be seen by the budget appropriations over the MTREF. The total allocation for 2013/14 equates to R10 227 000 a reduction of 2.6% in relation to the Adjustment Budget.

In relation to the total operating expenditure, repairs and maintenance comprises of 4.7%.

1.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the municipality's Indigent Policy. The target is to register ***4000***(four thousand) or more indigent households during the 2013/14 financial year, a process reviewed annually.

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

1.6 Capital expenditure

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

2013/14 Medium-term capital budget per vote

Capital Expenditure - Standard											
Governance and administration		822	300	2	295	80	49	–	740	624	674
Executive and council		30	300	–	95	20	20		188	27	29
Budget and treasury office		660	–	1	50	50	19		–	–	–
Corporate services		132		1	150	10	10		553	597	645
Community and public safety		581	1 890	628	275	80	1	–	483	324	350
Community and social services		391	1 700	628		80	–				
Sport and recreation					110	–	1				
Public safety					165	–	–		395	162	175
Housing						–			88	162	175
Health		190	190	–							
Economic and environmental services		13 250	8 723	14 875	1 142	1 062	1 062	–	3 941	4 256	4 596
Planning and development						–			3 941	4 256	4 596
Road transport		13 250	8 723	14 875	1 142	1 062	1 062			–	–
Environmental protection						–					
Trading services		14 618	27 809	8 710	35 692	35 310	35 310	–	26 474	28 591	30 879
Electricity		236		–	8 800	8 800	8 800		5 092	5 499	5 939
Water		350	924	1 306	1 300	1 128	1 128		400	432	467
Waste water management		14 026	24 085	7 403	25 392	25 182	25 182		20 982	22 660	24 473
Waste management		6	2 800	–	200	200	200				
Other		107				–					
Total Capital Expenditure - Standard	3	29 378	38 722	24 215	37 404	36 531	36 422	–	31 638	33 795	36 499
Funded by:											
National Government		13 814	18 117	18 978	26 244	26 244	26 244		24 916	26 909	29 062
Provincial Government						–			–		
District Municipality		4 229	12 000	5 237		–					
Other transfers and grants					8 800	8 800	8 800		5 092	5 499	5 939
Transfers recognised - capital	4	18 043	30 117	24 215	35 044	35 044	35 044	–	30 008	32 408	35 001
Public contributions & donations	5										
Borrowing	6										
Internally generated funds		11 335	9 415		2 360	1 488	1 378		1 630	1 760	1 901
Total Capital Funding	7	29 378	39 532	24 215	37 404	36 531	36 422	–	31 638	34 169	36 902

For 2013/14 an amount of R30 407 650 has been appropriated for the development of infrastructure which represents 96% of the total capital budget. In the outer years this amount totals R32 840 000 and R35 467 000 respectively for each of the financial years. Sewerage receives the highest allocation of R20 982 000 in 2013/14 followed by electricity infrastructure at R5 092 000 and then properties at R3 934 000.

Total new assets represent R31 638 000.

- Council – R90 000: Furniture and Equipment
- Administrative Services – R102 900: Furniture and Equipment
- Administrative Services – R450 000 High capacity Photo Copier
- Municipal Manager – R 20 000: Furniture and Equipment
- Community Services – R50 000: Furniture and Equipment
- Internal Audit – R 20 500: Furniture and Equipment
- Traffic – R70 00: AARTO equipment
- Traffic – R 150 000: Vehicle
- IDP – R 6 500: Furniture and Equipment
- Fire – R 50 000: Movable shacks
- Fire – R 100 000: Control Room
- Fire - R25 000: Equipment
- PMS – R7 000 Furniture
- Properties – R3 934 050: Upgrading Arthur Pitso Stadium
- Electricity – R5 000 000: Upgrading of infrastructure
- Electricity – R 92 000: Electrification
- Water – R 300 000: Commission 4 boreholes
- Water – R100 000: Provision of water to farms
- Housing – R 72 960: Ext 5 Erf 2697
- Housing – R15 000:Furniture and Equipment
- Sewerage – R 20 981 600: Bucket Eradication

Part 2 – Supporting Documentation

2.1

Overview of the annual budget process

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

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

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

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

2.1.1 Budget Process Overview

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

The Mayor tabled in Council the required the IDP and budget time schedule on 23 August 2012 (Council Resolution 406 23/08/2012). Key dates applicable to the process were:

SUMMARISED BUDGET TABLE

OBJECTIVE	RESPONSIBILITY	TARGET DATE	% COMPLETE
Develop budget and schedule for preparation of operating and capital budget (Adopted from	IDP/Budget & Treasury	23 August 2012	100%

Treasury guide)			
Review tariffs and charges and collection of revenue and prepare forecasts of revenue for next three years in consultation with other municipalities (Section 21 (2) (d)	Budget & Treasury	March 2013	100%
Develop structure of budgets to align with portfolios and organisational management structures.	Budget and Treasury Officer	29 September 2013	100%
Integrate the IDP planning process with the budget process and timetable through development of operational and project plans.	MM / MFS	November 2013	100%
Prepare initial estimates of portfolio allocations for next three years based on past performance, council priorities and objectives and operational and project plans.	Budget and Treasury Officer	February 2013	100%
Evaluate estimates and allocations to determine a draft budget and budget options for three years.	MFS/ All Heads of Departments	15 March 2013	50%

In consultation with IDP Steering Committee develop capital and operating budgets for next three years.	IDP Steering Committee / MM / MFS	December 2012	100%
Prepare cash flow budget / statements.	Budget and Treasury Officer	19 March 2013	100%
Prepare budget documentation in accordance with framework.	Budget and Treasury Officer	March 2013	25%
Prepare budget information in reporting formats (National Treasury)	Budget and Treasury Officer	March 2013	25%
Communicate proposed budget to community for comments and inputs.	Councillors	15 April 2013	100%
Submit draft budget to National Treasury.	Budget and Treasury Officer	04 April 2013	100%
Advertise proposed budget to public for objections.	MAS	04 April 2013	100%
Table draft budget in Council for public consultation and debate.	Mayor	31 March 2013	100%
Submit electricity tariffs to the NERSA for approval.	Budget and Treasury Officer	April 2013	100%
Approve 2011/2012 capital and operating budgets	Council	30 June 2013	100%

and cash flow budget by resolution that also notes outer two year's projected budgets.			
Submit approved budgets to National Treasury.	Budget and Treasury Officer	05 July 2013	100%
Draft SDBIP (Section 69 (3) (a)	IDP Manager	July 2013	100%

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 first review of the IDP as adopted by Council in May 2012. It started in September 2012 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2013/14 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 first 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 2013/14 MTREF, based on the approved 2012/13 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 2013/14 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2012/13 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.1.3. Financial Modelling and Key Planning Drivers

As part of the compilation of the 2013/14 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 2013/14 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 2012/13 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 51-67 has been taken into consideration in the planning and prioritisation process.

2.1.4. Community Consultation

The draft 2013/14 MTREF as tabled before Council on 25 March 2013 for community consultation was published on the municipality's website, and hard copies were made available at customer care offices, municipal notice boards and various libraries

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

Ward Committees were utilised to facilitate the community consultation process, and included public briefing sessions. The applicable dates and venues were published in all the local newspapers. This can be attributed to the additional initiatives that were launched during the consultation process, including the specific targeting of ratepayer associations. Individual sessions were scheduled with organised business and imbizo's were held to further ensure transparency and interaction. Other stakeholders involved in the consultation included churches, non-governmental institutions and community-based organisations.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant considered as part of the finalisation of the 2013/14 MTREF. Feedback and responses to the submissions received are available on request. The following are some of the issues and concerns raised as well as comments received during the consultation process:

- Capital expenditure is not allocated to the areas in the same ratio as the income derived from those areas. This is a normal practice in a collective taxation environment. The Municipality is responsible for managing the equitable use of resources to ensure that constitutional imperative to progressively improve basic services in undeveloped areas is realized in a sustainable manner over a reasonable period of time;

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

Significant changes effected in the final 2013/14 MTREF compared to the draft 2012/13 MTREF that was tabled for community consultation, include:

- The final Eskom bulk tariff increase, applicable to municipalities from 1 April 2013, was factored into the proposed consumer tariffs, applicable from 1 July 2013. This resulted in an increase of 6.06 %;
- An amount of R100 000 was allocated in the Capital Budget to fund the establishment of a control room;
- The 2013 Division of Revenue Act (DORA) grant allocations were finalized and aligned to the gazetted allocations; and

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 City, 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 City strategically complies with the key national and provincial priorities.

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

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

- 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:

IDP Strategic Objectives

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

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 town planning services; and
    - Maintaining the infrastructure of the Town.

2. Economic growth and development that leads to sustainable job creation by:
    - Ensuring the is a clear structural plan for the town
    - 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;
- Extending waste removal services and ensuring effective city cleansing;
- Ensuring all waste water treatment works are operating optimally;
- Ensuring save working environments by effective enforcement of building and health regulations;
- Promote viable, sustainable communities through proper zoning; and

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

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

5.2 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 town. The five-year programme responds to the development challenges and opportunities faced by the City by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

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

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

- Strengthening the analysis and strategic planning processes of the town;
- 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.

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 town 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:

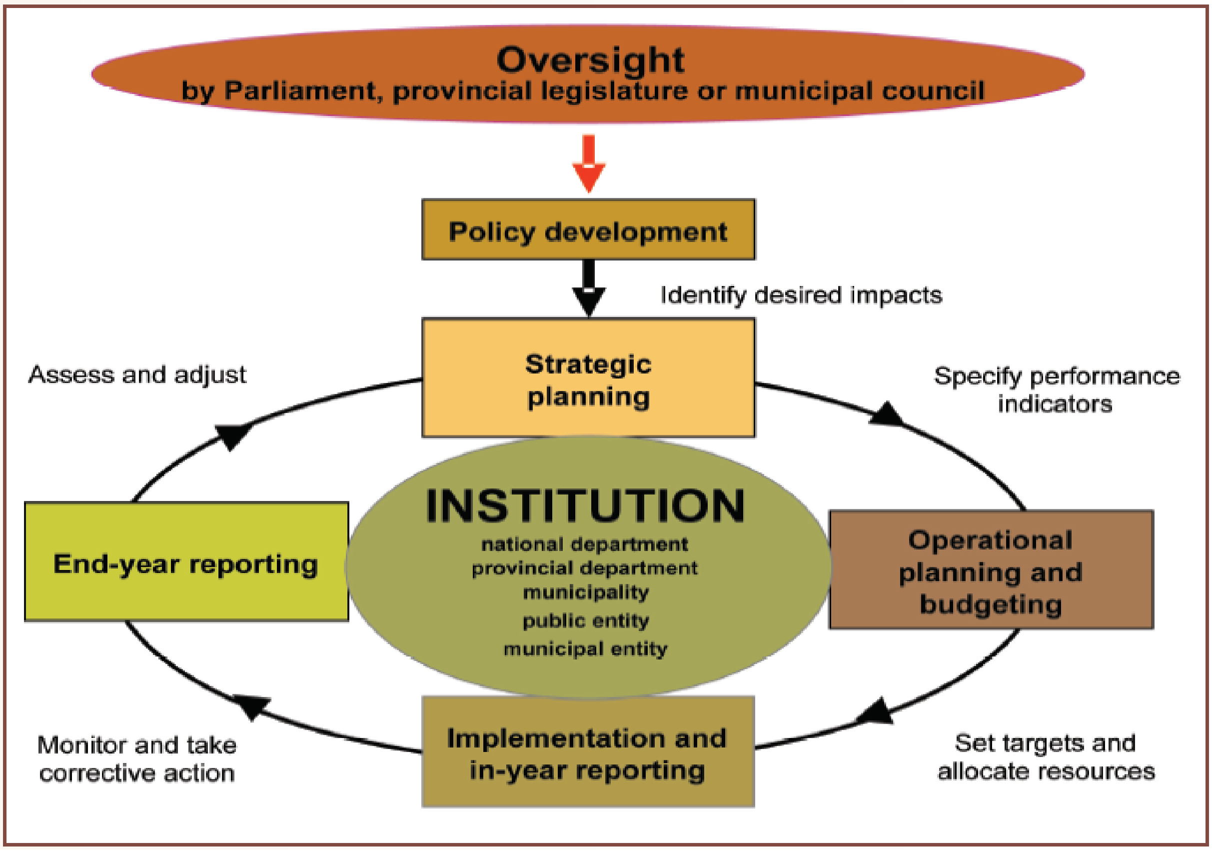
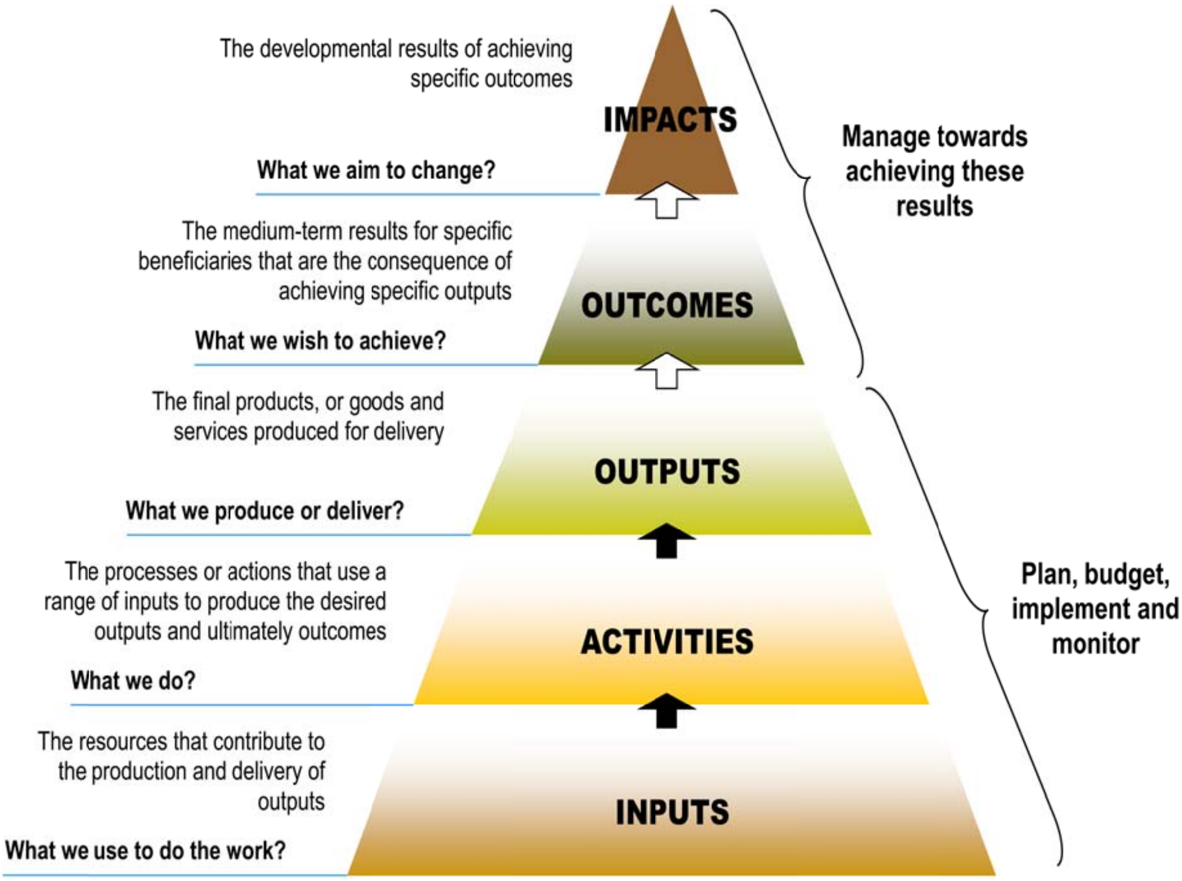


Figure 1 Planning, budgeting and reporting cycle

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



Definition of performance information concepts

2.3.2. Performance indicators and benchmarks

2.3.2.1. 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, Mantsopa municipality's borrowing strategy is primarily informed by the affordability of debt repayments.

2.3.2.2. 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.

2.3.2.3. *Revenue Management*

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

2.3.2.4. *Creditors Management*

- The council is currently not able to ensure that creditors are settled within the legislated 30 days of invoice due to cash flow problems.

2.3.2.5. *Other Indicators*

- The electricity distribution losses have been increased over the last few years to an unacceptable 30% plus.

- The water distribution losses cannot be determined as a result of no bulk water meters at the purification plant.

- Employee costs as a percentage of operating revenue is below the norm of 35% at 31%.

2.3.3. Free Basic Services: basic social services package for indigent households

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

For the 2012/13 financial year 2200 registered indigents have been provided for and may increase to 4000 by 2013/14. In terms of the Municipality's indigent policy registered households are entitled to 6kℓ fee water, 50 kwh of electricity, free sanitation and free waste removal per month.

2.3.4. Providing clean water and managing waste water

Approximately R1 100 000 was budget for bulk water purchases from Bloem Water Board for Excelsior. The municipality supply water to all other towns.

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

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

- The infrastructure at most of the waste water treatment works are old and insufficient to treat the increased volumes of waste water to the necessary compliance standard;

- Shortage of skilled personnel makes proper operations and maintenance difficult;

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

- Infrastructure shortcomings are being addressed through the capital budget in terms of a 5-year upgrade plan;
- The Division is working in consultation with the Department of Water Affairs to address water conservation and demand management.

2.4. Overview of budget related-policies

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

2.4.2. Review of credit control and debt collection procedures/policies

The Collection Policy as approved by Council in April 2012 is currently under review. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

As most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed

The 2013/14 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 79 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 council's cash levels.

2.4.3. Asset Management, Infrastructure Investment and Funding Policy

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the municipality 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 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 April 2012.

2.4.5. Cash Management and Investment Policy

The municipality's Cash Management and Investment Policy were amended by Council in April 2012. The aim of the policy is to ensure that the City's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves.

2.4.6. 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.

2.5. Overview of budget assumptions

2.5.2. External factors

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.

2.5.3. General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2021/13 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration. Employee related costs comprise 31 per cent of total operating expenditure in the 2013/14 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget

2.5.4. Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The Municipality is not engaging in any new borrowings for 2013/2014. Investment of surplus money and unspent grants are done regularly.

2.5.5. Collection rate for revenue services

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

The rate of revenue collection is currently expressed as a percentage (79 per cent) of annual billings. Cash flow is assumed to be 79 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only is considered a source of additional cash in-flow once the performance has been carefully monitored.

2.5.6. Growth or decline in tax base of the municipality

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

2.5.7. Salary increases

The collective agreement regarding salaries/wages came into operation on 1 July 2012 and shall remain in force until 30 June 2015. Salary increase for 2013/14 is budget at 7%.

2.5.8. Impact of national, provincial and local policies

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

- Creating jobs;
- Enhancing education and skill development;
- Rural development and agriculture; and

2.6. Overview of budget funding

2.6.2. Medium-term outlook: operating revenue

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

FS196 Mantsopa - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Revenue By Source											
Property rates	2	9 777	12 647	10 762	11 260	11 260	12 272	–	15 173	16 386	17 697
Property rates - penalties & collection charges											
Service charges - electricity revenue	2	22 023	19 908	24 600	31 563	31 879	30 505	–	31 455	33 971	36 689
Service charges - water revenue	2	15 299	18 007	19 615	23 418	23 935	32 031	–	32 961	35 598	38 446
Service charges - sanitation revenue	2	35 498	11 956	13 829	16 161	16 161	15 655	–	21 402	23 114	24 963
Service charges - refuse revenue	2	8 000	7 028	8 019	9 034	9 017	8 933	–	12 009	12 970	14 008
Service charges - other											
Rental of facilities and equipment					1 015	1 024	1 019		1 064	1 149	1 241
Interest earned - external investments					150	191	166		191	206	223
Interest earned - outstanding debtors					13 800	16 285	15 670		17 000	18 360	19 829
Dividends received					20	20	19		20	22	23
Fines					105	120	127		120	130	140
Licences and permits					0	–			–	–	–
Agency services						–					
Transfers recognised - operational		44 552	82 210	64 219	71 395	84 716	84 716		77 449	83 645	90 337
Other revenue	2	4 624	12 034	14 426	498	504	5 070	–	590	637	688
Gains on disposal of PPE			239	–	–						
Total Revenue (excluding capital transfers and contributions)		139 772	164 030	155 469	178 420	195 113	206 181	–	209 434	226 189	244 284

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise64% of the total operating revenue mix for 2013/14. In the 2012/13 financial year, revenue from rates and services charges totalled 57%. This increase value an amount of R32 million, R11million and R12 million in the respective financial years of the MTREF. This growth can be mainly attributed to the increased share that the sale of water and property rates contributes to the total revenue mix. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality.

Water the largest revenue source totalling to R32 961 312 with electricity being the second largest revenue source totalling R31 454 520. The third largest sources is sanitation which also totals to R21 402 024.

Operating grants and transfers totals R64 293 000 in the 2012/13 financial year and steadily increases to R77 449 183 by 2013/14. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

2.6.3. Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2013/14 medium-term capital programme:

Sources of capital revenue over the MTREF

The below table represents the 2013/14 financial year.

Funded by:											
National Government		13 814	18 117	18 978	26 244	26 244	26 244		24 916	26 909	29 062
Provincial Government						–			–		
District Municipality		4 229	12 000	5 237		–					
Other transfers and grants					8 800	8 800	8 800		5 092	5 499	5 939
Transfers recognised - capital	4	18 043	30 117	24 215	35 044	35 044	35 044	–	30 008	32 408	35 001
Public contributions & donations	5										
Borrowing	6										
Internally generated funds		11 335	9 415		2 360	1 488	1 378		1 630	1 760	1 901
Total Capital Funding	7	29 378	39 532	24 215	37 404	36 531	36 422	–	31 638	34 169	36 902

Sources of capital revenue for the 2013/14 financial year

For 2013/14 an amount of R30 407 650 has been appropriated for the development of infrastructure which represents 96% of the total capital budget. In the outer years this amount totals R32 840 000 and R35 467 000 respectively for each of the financial years. Sewerage receives the highest allocation of R20 982 000 in 2013/14 followed by electricity infrastructure at R5 092 000 and then properties at R3 934 000.

Total new assets represent R31 638 000.

- Council – R90 000: Furniture and Equipment
- Administrative Services – R102 900: Furniture and Equipment
- Administrative Services – R450 000 High capacity Photo Copier

- Municipal Manager – R 20 000: Furniture and Equipment
- Community Services – R50 000: Furniture and Equipment
- Internal Audit – R 20 500: Furniture and Equipment
- Traffic – R70 00: AARTO equipment
- Traffic – R 150 000: Vehicle
- IDP – R 6 500: Furniture and Equipment
- Fire – R 50 000: Movable shacks
- Fire – R 100 000: Control Room
- Fire - R25 000: Equipment
- PMS – R7 000 Furniture
- Properties – R3 934 050: Upgrading Arthur Pitso Stadium
- Electricity – R5 000 000: Upgrading of infrastructure
- Electricity – R 92 000: Electrification
- Water – R 300 000: Commission 4 boreholes
- Water – R100 000: Provision of water to farms
- Housing – R 72 960: Ext 5 Erf 2697
- Housing – R15 000:Furniture and Equipment
- Sewerage – R 20 981 600: Bucket Eradication

2.6.4. 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).

FS196 Mantsopa - Table A7 Budgeted Cash Flows

Description	Ref	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	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Ratepayers and other		130 434	87 988		93 054	93 900	105 611		114 774	123 956	133 872
Government - operating	1		60 231		71 395	84 716	84 716		77 449	83 645	90 337
Government - capital	1		30 117		35 044	35 044	30 008		30 008	32 408	35 001
Interest		732			13 950	16 476	15 836		17 191	18 566	20 052
Dividends		0			20	20	19		20	22	23
Payments											
Suppliers and employees		(103 738)	(136 081)		(145 181)	(160 108)	(145 432)		(175 175)	(189 189)	(204 324)
Finance charges		(719)	(2 722)		(860)	(860)	(861)		(792)	(855)	(923)
Transfers and Grants	1										
NET CASH FROM/(USED) OPERATING ACTIVITIES		26 710	39 533	–	67 423	69 188	89 896	–	63 475	68 553	74 037
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		1 119							–		
Decrease (Increase) in non-current debtors											
Decrease (increase) other non-current receivables											
Decrease (increase) in non-current investments									–		
Payments											
Capital assets		(29 378)	(39 532)		(37 404)	(36 531)	(36 422)		(31 638)	(33 795)	(36 499)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(28 259)	(39 532)	–	(37 404)	(36 531)	(36 422)	–	(31 638)	(33 795)	(36 499)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans											
Borrowing long term/refinancing											
Increase (decrease) in consumer deposits		3 577							–		

Payments											
Repayment of borrowing		(891)			(1 009)	(1 009)	(1 009)		(1 089)	(1 176)	(1 270)
NET CASH FROM/(USED) FINANCING ACTIVITIES		2 686	–	–	(1 009)	(1 009)	(1 009)	–	(1 089)	(1 176)	(1 270)
NET INCREASE/ (DECREASE) IN CASH HELD		1 137	0	–	29 011	31 648	52 466	–	30 748	33 581	36 268
Cash/cash equivalents at the year begin:	2	(2 530)	(1 393)	(1 392)	80	80	80	80	80	30 829	64 410
Cash/cash equivalents at the year end:	2	(1 393)	(1 392)	(1 392)	29 091	31 729	52 546	80	30 829	64 410	100 678

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.

2.6.4.2. *Monthly average payments covered by cash or cash equivalents*

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the City 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.

2.6.4.3. *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.

It needs to be noted that a surplus 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.

2.6.4.4. 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.

2.6.4.5. Cash receipts as a percentage of ratepayer and other revenue

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

Debt impairment expense as a percentage of billable revenue

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues.

2.6.4.6. 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.

2.6.4.7. 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 City has budgeted for all transfers.

2.6.4.8. 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.

2.6.4.9. Repairs and maintenance expenditure level

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

2.7. Contracts having future budgetary implications

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

2.8. Capital expenditure details

The following table present details of the council's capital expenditure programme.

Capital Expenditure - Standard											
Governance and administration		822	300	2	295	80	49	–	740	624	674
Executive and council		30	300	–	95	20	20		188	27	29
Budget and treasury office		660	–	1	50	50	19		–	–	–
Corporate services		132		1	150	10	10		553	597	645
Community and public safety		581	1 890	628	275	80	1	–	483	324	350
Community and social services		391	1 700	628		80	–				
Sport and recreation					110	–	1				
Public safety					165	–	–		395	162	175
Housing						–			88	162	175
Health		190	190	–							
Economic and environmental services		13 250	8 723	14 875	1 142	1 062	1 062	–	3 941	4 256	4 596
Planning and development						–			3 941	4 256	4 596
Road transport		13 250	8 723	14 875	1 142	1 062	1 062			–	–
Environmental protection						–					
Trading services		14 618	27 809	8 710	35 692	35 310	35 310	–	26 474	28 591	30 879
Electricity		236		–	8 800	8 800	8 800		5 092	5 499	5 939
Water		350	924	1 306	1 300	1 128	1 128		400	432	467
Waste water management		14 026	24 085	7 403	25 392	25 182	25 182		20 982	22 660	24 473
Waste management		6	2 800	–	200	200	200				
Other		107				–					
Total Capital Expenditure - Standard	3	29 378	38 722	24 215	37 404	36 531	36 422	–	31 638	33 795	36 499
Funded by:											
National Government		13 814	18 117	18 978	26 244	26 244	26 244		24 916	26 909	29 062

Provincial Government						–			–		
District Municipality		4 229	12 000	5 237		–					
Other transfers and grants					8 800	8 800	8 800		5 092	5 499	5 939
Transfers recognised - capital	4	18 043	30 117	24 215	35 044	35 044	35 044	–	30 008	32 408	35 001
Public contributions & donations	5										
Borrowing	6										
Internally generated funds		11 335	9 415		2 360	1 488	1 378		1 630	1 760	1 901
Total Capital Funding	7	29 378	39 532	24 215	37 404	36 531	36 422	–	31 638	34 169	36 902

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Total new assets represent R31 638 000.

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- Community Services – R50 000: Furniture and Equipment
- Internal Audit – R 20 500: Furniture and Equipment
- Traffic – R70 00: AARTO equipment
- Traffic – R 150 000: Vehicle
- IDP – R 6 500: Furniture and Equipment
- Fire – R 50 000: Movable shacks
- Fire – R 100 000: Control Room
- Fire - R25 000: Equipment
- PMS – R7 000 Furniture
- Properties – R3 934 050: Upgrading Arthur Pitso Stadium
- Electricity – R5 000 000: Upgrading of infrastructure
- Electricity – R 92 000: Electrification
- Water – R 300 000: Commission 4 boreholes
- Water – R100 000: Provision of water to farms

- Housing – R 72 960: Ext 5 Erf 2697
- Housing – R15 000:Furniture and Equipment
- Sewerage – R 20 981 600: Bucket Eradication

2.9. 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.

2. Internship programme
   The council is participating in the Municipal Financial Management Internship programme and has employed four interns undergoing training in various divisions of the Financial Services Department. Since the introduction of the Internship programme the municipality has successfully trained and employed 12 interns. Other interns joined other municipalities.

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

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

4. Service Delivery and Implementation Plan
   The detail SDBIP document is at a draft stage and will be finalised after approval of the 2012/13 MTREF directly aligned and informed by the 2013/14 MTREF.

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

2.10. Other supporting documents

FS196 Mantsopa - Supporting Table SA1 Supportinging detail to 'Budgeted Financial Performance'

Description	Ref	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	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
REVENUE ITEMS:											
Property rates	6										
Total Property Rates		9 777	12 647	10 762	11 260	11 260	12 272		15 173	16 386	17 697
less Revenue Foregone											
Net Property Rates		9 777	12 647	10 762	11 260	11 260	12 272	–	15 173	16 386	17 697
Service charges - electricity revenue	6										
Total Service charges - electricity revenue		22 023	19 908	24 600	31 563	31 879	30 505		31 455	33 971	36 689
less Revenue Foregone											
Net Service charges - electricity revenue		22 023	19 908	24 600	31 563	31 879	30 505	–	31 455	33 971	36 689
Service charges - water revenue	6										
Total Service charges - water revenue		15 299	18 007	19 615	23 418	23 935	32 031		32 961	35 598	38 446
less Revenue Foregone											
Net Service charges - water revenue		15 299	18 007	19 615	23 418	23 935	32 031	–	32 961	35 598	38 446
Service charges - sanitation revenue											
Total Service charges - sanitation revenue		35 498	11 956	13 829	16 161	16 161	15 655		21 402	23 114	24 963
less Revenue Foregone											
Net Service charges - sanitation revenue		35 498	11 956	13 829	16 161	16 161	15 655	–	21 402	23 114	24 963
Service charges - refuse revenue	6										
Total refuse removal revenue		8 000	7 028	8 019	9 034	9 017	8 933		12 009	12 970	14 008
Total landfill revenue											

less Revenue Foregone											
Net Service charges - refuse revenue		8 000	7 028	8 019	9 034	9 017	8 933	–	12 009	12 970	14 008
Other Revenue by source											
Fuel levy											
Other revenue		4 624	12 034	14 426	498	504	5 070		590	637	688
Total 'Other' Revenue	31	4 624	12 034	14 426	498	504	5 070	–	590	637	688
EXPENDITURE ITEMS:											
Employee related costs											
Basic Salaries and Wages	2	42 203	47 826	52 989	32 967	32 703	34 619		42 005	45 366	48 995
Pension and UIF Contributions					5 344	5 387	5 655		6 594	7 122	7 692
Medical Aid Contributions					3 598	4 166	4 188		5 410	5 842	6 310
Overtime					3 169	4 061	4 949		4 770	5 152	5 564
Performance Bonus					705	420	361		480	518	560
Motor Vehicle Allowance					2 727	3 033	2 991		3 917	4 230	4 568
Cellphone Allowance					–	–			–		
Housing Allowances					105	170	162		197	213	230
Other benefits and allowances					1 312	1 554	546		618	667	720
Payments in lieu of leave						–					
Long service awards					207	210	229		305	330	356
Post-retirement benefit obligations											
sub-total	45	42 203	47 826	52 989	50 135	51 704	53 700	–	64 296	69 439	74 994

Less: Employees costs capitalised to PPE											
Total Employee related costs	1	42 203	47 826	52 989	50 135	51 704	53 700	–	64 296	69 439	74 994
Contributions recognised - capital											
List contributions by contract											
Total Contributions recognised - capital		–	–	–	–	–	–	–	–	–	–
Depreciation & asset impairment											
Depreciation of Property, Plant & Equipment				24 328	13 999	13 999	13 999		13 210	14 267	15 408
Lease amortisation											
Capital asset impairment											
Depreciation resulting from revaluation of PPE	10										
Total Depreciation & asset impairment	1	–	–	24 328	13 999	13 999	13 999	–	13 210	14 267	15 408
Bulk purchases											
Electricity Bulk Purchases		13 340	19 803	26 226	27 500	30 026	25 780		30 026	32 428	35 023
Water Bulk Purchases		889	720		850	950	1 042		1 100	1 188	1 283
Total bulk purchases	1	14 228	20 523	26 226	28 350	30 976	26 822	–	31 126	33 616	36 306
Transfers and grants											
Cash transfers and grants		–	–	–	–	–	–	–	–	–	–
Non-cash transfers and grants		–	–	–	–	–	–	–	–	–	–
Total transfers and grants	1	–	–	–	–	–	–	–	–	–	–
Contracted services											
DBSA INTEREST		2 033	817	994							
ABSA INTEREST											

sub-total	1	2 033	817	994	–	–	–	–	–	–	–
Allocations to organs of state:											
Electricity											
Water											
Sanitation											
Other											
Total contracted services		2 033	817	994	–	–	–	–	–	–	–
Other Expenditure By Type	-										
Collection costs											
Contributions to 'other' provisions		7 653	37 327	10 694							
Consultant fees											
Audit fees					3 300						
General expenses	3	44 103	54 717	50 756	45 569	62 688	53 586		65 299	70 523	76 165

Total 'Other' Expenditure	1	51 757	92 043	61 450	48 869	62 688	53 586	–	65 299	70 523	76 165
Repairs and Maintenance by Expenditure Item	8										
Employee related costs											
Other materials											
Contracted Services											
Other Expenditure									13 581	14 667	15 841
Total Repairs and Maintenance Expenditure	9	–	–	–	–	–	–	–	13 581	14 667	15 841

Description R thousand	Ref 1	Vote 1 - COUNCIL	Vote 2 - MUNICIPAL MANAGER	Vote 3 - TECHNICAL	Vote 4 - CORPORATE SERVICES	Vote 5 - FINANCIAL SERVICES	Vote 14 - [NAME OF VOTE 14]	Vote 15 - [NAME OF VOTE 15]	Total
<u>Revenue By Source</u>									
Property rates						11 260			11 260
Property rates - penalties & collection charges									–
Service charges - electricity revenue				31 563					31 563
Service charges - water revenue				23 418					23 418
Service charges - sanitation revenue				16 161					16 161
Service charges - refuse revenue				9 034					9 034
Service charges - other									–
Rental of facilities and equipment				985					985
Interest earned - external investments						150			150
Interest earned - outstanding debtors						13 500			13 500
Dividends received						20			20
Fines					100				100
Licences and permits									–
Agency services									–
Other revenue		8 504	7 248	14 948	13 008	28 521			72 229
Transfers recognised - operational		–	–						–
Gains on disposal of PPE									–
Total Revenue (excluding capital transfers and contributions)		8 504	7 248	96 110	13 108	53 450	–	–	178 420
<u>Expenditure By Type</u>	-								
Employee related costs		5 947	4 708	28 312	7 084	8 330			54 381
Remuneration of councillors									–
Debt impairment				15 986		15			16 001
Depreciation & asset impairment		56	57	13 076	300	510			13 999
Finance charges				860					860
Bulk purchases				28 350					28 350
Other materials									–
Contracted services									–

Transfers and grants									–
Other expenditure		2 496	2 483	21 730	5 724	30 017			62 450
Loss on disposal of PPE									–
Total Expenditure		8 499	7 248	108 314	13 108	38 872	–	–	176 040
Surplus/(Deficit)		5	(0)	(12 204)	0	14 578	–	–	2 379
Transfers recognised - capital				35 044					35 044
Contributions recognised - capital									–
Contributed assets									–
Surplus/(Deficit) after capital transfers & contributions		5	(0)	22 839	0	14 578	–	–	37 423

Description	Ref	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	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
ASSETS											
Call investment deposits											
Call deposits < 90 days		1 228	21	34	50	50	50		54	58	63
Other current investments > 90 days		782	476	789	500	500	500		540	583	630
Total Call investment deposits	2	2 010	496	823	550	550	550	–	594	641	692
Consumer debtors											
Consumer debtors		108 360	140 316	110 937	180 000	180 000	180 000		219 600	267 912	289 345
Less: Provision for debt impairment		(28 745)	(136 532)	(56 904)	(168 193)	(170 819)	(170 819)		(190 378)	(210 915)	(227 788)
Total Consumer debtors	2	79 615	3 784	54 034	11 807	9 181	9 181	–	29 222	56 997	61 557
Debt impairment provision											
Balance at the beginning of the year		293 938	136 532	56 904	152 192	152 192	152 192		170 819	190 378	205 609
Contributions to the provision					–	18 628	18 628		19 559	20 537	22 180
Bad debts written off											
Balance at end of year		293 938	136 532	56 904	152 192	170 819	170 819	–	190 378	210 915	227 788
Property, plant and equipment (PPE)											

PPE at cost/valuation (excl. finance leases)		293 938	428 735	735 254	468 475	246 041	246 041		269 700	294 542	318 105
Leases recognised as PPE	3										
Less: Accumulated depreciation									–		
Total Property, plant and equipment (PPE)	2	293 938	428 735	735 254	468 475	246 041	246 041	–	269 700	294 542	318 105
LIABILITIES											
Current liabilities - Borrowing											
Short term loans (other than bank overdraft)			–								
Current portion of long-term liabilities		1 011	2 006	2 298	2 068	2 068	2 068		1 485	1 232	1 331
Total Current liabilities - Borrowing		1 011	2 006	2 298	2 068	2 068	2 068	–	1 485	1 232	1 331
Trade and other payables											
Trade and other creditors		10 036	16 512	26 101	100	100	100		108	117	126
Unspent conditional transfers		5 797		–							
VAT			8 857	10 791							
Total Trade and other payables	2	15 833	25 369	36 892	100	100	100	–	108	117	126
Non current liabilities - Borrowing											
Borrowing	4	3 361	8 564	21 365	6 531	6 531	6 531		5 047	3 814	4 120
Finance leases (including PPP asset element)											
Total Non current liabilities - Borrowing		3 361	8 564	21 365	6 531	6 531	6 531	–	5 047	3 814	4 120
Provisions - non-current											
Retirement benefits											
List other major provision items											
Refuse landfill site rehabilitation				25 520							
Other											
Total Provisions - non-current		–	–	25 520	–	–	–	–	–	–	–
CHANGES IN NET ASSETS											
Accumulated Surplus/(Deficit)											
Accumulated Surplus/(Deficit) - opening balance		321 117	388 694	(2 240)	437 565	239 845	285 764		239 845	276 407	326 754
GRAP adjustments		3 838	32 748		0	(2 626)	(53 547)		49 677	86 788	61 468
Restated balance		324 955	421 442	(2 240)	437 565	237 219	232 217	–	289 522	363 194	388 222
Surplus/(Deficit)		29 551	(9 404)	2 240	37 423	36 562	60 774	–	31 638	34 169	36 902
Appropriations to Reserves											
Transfers from Reserves											
Depreciation offsets											

Other adjustments											
Accumulated Surplus/(Deficit)	1	354 507	412 038	–	474 988	273 780	292 991	–	321 160	397 363	425 124
Reserves	-										
Housing Development Fund											
Capital replacement											
Self-insurance											
Other reserves											
Revaluation											
Total Reserves	2	–	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	2	354 507	412 038	–	474 988	273 780	292 991	–	321 160	397 363	425 124

Total capital expenditure includes expenditure on nationally significant priorities:

Provision of basic services											

Table SA9 – Social, economic and demographic statistics and assumptions

FS196 Mantsopa - Supporting Table SA9 Social, economic and demographic statistics and assumptions

Description of economic indicator	Ref.	Basis of calculation	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
Demographics												
Population		Growth 1.7% p/a	48	53	58	66	71	76	81	87	93	99
Females aged 5 - 14		52% Female	6	7	7	8	9	9	10	11	12	12
Males aged 5 - 14		48% Male	6	6	7	8	8	9	9	10	11	11
Females aged 15 - 34		52% Female	9	9	10	12	13	14	14	15	17	18
Males aged 15 - 34		48% Male	8	9	10	11	12	12	13	14	15	16
Unemployment		36% Unemployed	17	19	21	24	25	27	29	31	33	36
Monthly household income (no. of households)	1, 12	- -										
No income			2 040	3 110	3 657	3 435	3 422	3 388	3 341	3 231	3 078	2 949
R1 - R1 600			6 568	6 500	6 500	6 620	6 620	6 620	6 630	6 650	6 650	6 650
R1 601 - R3 200			956	1 000	1 000	1 050	1 050	1 050	1 050	1 070	1 150	1 200
R3 201 - R6 400			425	425	450	506	536	568	602	638	677	717
R6 401 - R12 800			425	430	435	489	518	549	582	617	654	693
R12 801 - R25 600			213	220	225	253	268	284	301	319	338	359
R25 601 - R51 200				5	7	8	8	9	9	10	11	11
R52 201 - R102 400								3	6	10	12	15
R102 401 - R204 800										1	2	2
R204 801 - R409 600												
R409 601 - R819 200												
> R819 200												
Poverty profiles (no. of households)												
< R2 060 per household per month	13		8 608	9 610	10 157	10055.00	10042.00	10008.00	9971.00	9881.00	9728.00	9599.00
Insert description	2											
Household/demographics (000)												
Number of people in municipal area			47 981	52 782	57 675	66	71	76	81	87	93	99
Number of poor people in municipal area												
Number of households in municipal area												

Number of poor households in municipal area												
Definition of poor household (R per month)												
-												
Housing statistics	3											
Formal												
Informal												
Total number of households			-	-	-	-	-	-	-	-	-	-
Dwellings provided by municipality	4											
Dwellings provided by province/s												
Dwellings provided by private sector	5						50	50	50			
Total new housing dwellings			-	-	-	-	50	50	50	-	-	-
Economic	6											
Inflation/inflation outlook (CPIX)												
Interest rate - borrowing												
Interest rate - investment			-	-	-							
Remuneration increases							13.0%	13.0%	8.0%			
Consumption growth (electricity)							10.0%	10.0%	10.0%			
Consumption growth (water)							10.0%	10.0%	10.0%			
Collection rates	7											
Property tax/service charges							80.0%	80.0%	82.0%			
Rental of facilities & equipment							100.0%	100.0%	100.0%			
Interest - external investments							100.0%	100.0%	100.0%			
Interest - debtors							40.0%	35.0%	35.0%			
Revenue from agency services												

2.11. Municipal manager's quality certificate

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

Print Name ____

Municipal manager of Mantsopa Local Municipality (FS 196)

Signature ____

Date __