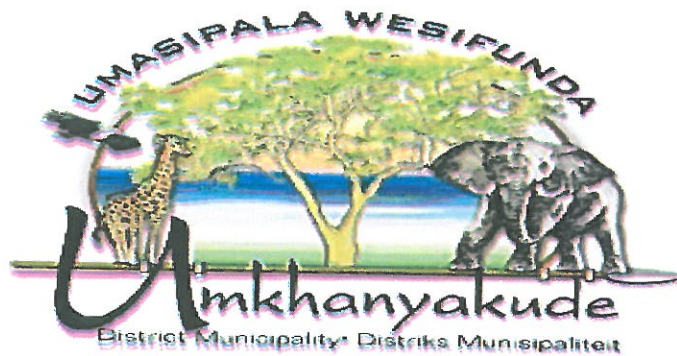


**DRAFT BUDGET OF**

**UMKHANYAKUDE DISTRICT**

**MUNICIPALITY**



**2013-2014 TO 2015-2016**

**MEDIUM TERM REVENUE AND**

**EXPENDITURE FRAMEWORK**

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## Abbreviations and Acronyms

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

## Part 1 – Annual Budget

### 1.1 Mayor's Report

In his State of the Nation Address on the 09 February 2012 by , His Excellency Jacob G Zuma, President of the Republic of South Africa on the occasion of the Joint Sitting of Parliament said "the solution of the country therefore is higher growth and job creation to reduce and ultimately eradicate poverty and inequality". Also in the State of the Province Address by KZN Premier Dr. Zweli Mkhize on top of the agenda was improvement on service delivery and improvement of the through economic development and job creation in the province. Therefore the budget of uMkhanyakude District municipality is striving to ensure that we as the municipality we contribute meaningfully as to the achievement of the President of the Republic of South Africa and the Premier of Kwa-Zulu Natal.

It is well understood that the financial resources are so limited to satisfy the unlimited needs of the people. Therefore as the municipality we need to use wisely such limited financial resources by eliminating all none- priority items in our budget.

We have a high mountain to climb as the Council of uMkhanyakude District Municipality to eradicate huge service delivery backlogs particularly on infrastructure such as water and sanitation in all areas within our district.

An attention will be put on the aging of our infrastructure which results in huge water losses and interrupted service delivery to our community. Therefore we cannot expect to do the same old things and expect different results, therefore we need to do things differently.

Our municipality is faced with a challenge of high unemployment rate with a high rate of indigents. This affects our district negatively in respect of debts collections. Therefore a portion of equitable share will be allocated to fund free basic services to cater for the poor. However the investment in the infrastructure will continue to ensure that potential investors are attracted to uMkhanyakude District Municipality.

The district will strengthen its economic sectors especially tourism sector by developing uMkuze Airport. The programme of rehabilitating small towns within the district will be implemented during 2013/2014 financial year also to attract potential investors. The development of the SMMEs, Cooperatives, Emerging Contractors etc will form part of the priorities of the district municipality.

The good governance will be ensured in the district to enhance accountability and transparency. The governance structures shall include among other things, Audit Committee, Municipal Public Accounts Committee, Internal Audit, Risk Management etc. The district will work hand in hand with COGTA, Provincial Treasury and Auditor-General to ensure good governance and financial management. The target of 2013/2014 operation clean is taken very seriously to ensure that it becomes a reality for clean administration purposes. The compliance with all laws and regulations will serve as paramount important. The organizational structure of the municipality will be refined to achieve service delivery targets as outlined in the Integrated Development Plan (IDP). The placing of existing staff to appropriate positions will be explored to ensure that each staff member is performing duties whereby he or she has expertise.

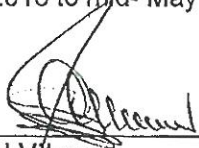


In order to capacitate the administration capacity of the municipality in respect of service delivery the municipality will implement the programme of developing artisans and plumbers within the district.

The performance management system during 2013/2014 will be implemented fully to ensure that performance of each and every employee is monitored and evaluated with an objective of improving performance within the municipality.

The level of communicating the activities and the affairs of the municipality to the community will be improved to ensure that our community participate in all activities of the municipality. This will include among other things communicating to the community the IDP, Budget, SDBIP, Setting of targets, performance reports / annual report, reasons for none performance etc. The inputs of the community will be taken into consideration in all material respects.

All of us within the municipality will subscribe to the principles of Batho Pele. Therefore this 2013/2014 draft budget will be taken to the community for inputs and comments with effect from April 2013 to mid- May 2013 for final adoption of the budget on or before 31 May 2013.



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Cllr SJ Vlane  
The Mayor for uMkhanyakude District Municipality  
Date: 22 March 2013

## **1.3 EXECUTIVE SUMMARY**

### **1.1.1 Introduction**

The 2013/2014 draft budget proposed a total consolidated budget of R508.124 million which has been developed with an overall planning framework and includes programme and projects to achieve the municipality's strategic objectives. This draft budget is working towards appearing to the reality of the need of water in the community, addressing issues of unemployment, poverty, inequality and ensuring of rendering the sustainable services delivery to UMkhanyakude District.

An amount of R207.7 has been allocated to the operational budget and the capital budget for the infrastructure is R 222.196 million. The projections for the service charges and other income is R78 million.

The draft Medium-Term Revenue and Expenditure Frame Work is released for the consultation of the community, business, internal and external stakeholders, so they can have the influence in the area of UMkhanyakude. The budget enables the implementation of our goals as set out on the Integrated Development Plan and translated to 2030 vision and mission.

### **1.3.2 Strategic priorities for 2013/2014**

This budget will be considering the Government key priorities area in general, which are:

- Creation of decent work and sustainable livelihood
- Education
- Health
- Rural Development, food security and land reform
- The fight against crime and corruption
- Local government

The municipality has identified all of the above priorities and these other priorities that needs to be addressed:

- Service delivery backlogs
- Water crisis
- Youth and women development
- Poverty alleviation programme

#### *Creation of decent work and sustainable livelihood*

The Municipality have set aside the projection of R500 000 for the Tourism Development and marketing programme. This projection will cover all Local Municipalities within UMkhanyakude District family of Municipality. An estimated of 100 opportunities jobs will be created during the development of these projects. R300 000 is budget for the Local Economic Development.

### *Education*

The municipality have budgeted for the bursary an amount of R300 000 that will assist the youth of UMkhanyakude that cannot afford to further their studies. It is in municipality's attentiveness to train the students on the courses that will assist them to work for the municipality. The bursary will be given for the courses such as artisan, plumbing etc. Youth development R500 000, women R500 000 and senior citizen R700 000 of UMkhanyakude are budgeted an amount R1.5 million

### *Health*

The municipality have budget for the municipal health an amount of R8.4million which will accommodate the staff that will be absorbed by the municipality from Department of health. This staff will be dealing with promoting good health to the community. The HIV/AIDS programme has an allocation of R2.5 million. Disability allocation is R1 million.

### *Rural Development, food security and land reform*

An amount of R2.9 million have been set aside for the Mkuze town upgrade, and R1 million for the District Development, Land use management R 350 000, R1 million for business development. During all this development the population of UMkhanyakude will be in a position of able to bring food on the table since there will be job opportunities.

### *The fight against crime and corruption*

The budget for the community participation of R 300 000 will be used for the awareness campaign in the community.

The main basic service for UMkhanyakude is to render water to the community. The municipality budgeted R 4.1 million for the free basic services. The provision for water has been made for R 197.7 and sanitation for R37 million

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

### **1.1.2 Challenges**

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

- The on-going difficulties in the national and local economy;
- The high rate of unemployment with UMkhanyakude
- The high rate of indigent within UMkhanyakude
- 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 Rand 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; and



- 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

**1.3.4 Budget principles and guidelines that directly informed the compilation of the 2013/14 draft 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 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;

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'000	Adjustment budget 2012-2013	Budget year 2013-2014	Budget year 2014-2015	Budget year 2015-2016
Total Operating Revenue	292 226 000	285 927 000	317 682 000	350 974 000
Total Operating expenditure	292 226 000	285 927 000	317 682 000	350 974 000
<i>Surplus/Deficit</i>	-	-	-	-
Total Capital Expenditure	299 792 000	215 297 000	206 156 000	218 963 000

Total operating revenue has decrease with 2 per cent or R6.2 million for the 2013/14 financial year when compared to the 2012/13 Adjustments Budget. For the two outer years, operational revenue will increase by 11 per cent and 10 per cent respectively, equating to a total revenue growth of R31.7 million and R33.2 respectively over the MTREF

Total operating expenditure for the 2013/14 financial year has been appropriated at 2 per cent decrease when compared to the 2012/13 Adjustments Budget and by 11 per cent and 10 per cent for each of the respective outer years of the MTREF.

The capital budget of R215.2 million for 2013/14 is 28 per cent less 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. The capital programme decreases to R9.1 million in the 2014/15 financial year and then increased in 2015/16 with R12 8 million.



## 1.4 Operating Revenue Framework

In order for UMkhanyakude District municipality to continue improving the quality of services provided to the 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
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the municipality.

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

**Table 2 Summary of revenue classified by main revenue source**

DC27 Umkhanyakude - Table A1 Consolidated Budget Summary

Description	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Financial Performance</b>										
Property rates	744	-	-	-	-	-	-	-	-	-
Service charges	31 618	44 627	45 793	48 226	19 618	19 618	19 618	20 310	22 525	24 752
Investment revenue	809	4 799	11 155	2 300	5 143	5 143	5 143	8 000	10 000	12 000
Transfers recognised - operational	111 265	144 876	201 496	195 360	205 100	205 100	205 100	207 765	233 680	267 746
Other own revenue	703	597	6 264	5 426	62 365	62 365	62 365	49 853	50 588	53 475
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>145 141</b>	<b>194 898</b>	<b>264 708</b>	<b>251 312</b>	<b>292 226</b>	<b>292 226</b>	<b>292 226</b>	<b>285 928</b>	<b>316 793</b>	<b>357 974</b>

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

Revenue generated from services charges forms a significant percentage of the revenue basket for the municipality. Service charge revenues comprise of 7 per cent of the total revenue mix. In the 2012/13 financial year, revenue from services charges totalled R19.6 million after the adjustment budget. In 2013/14 budget it increases to R20.3 million, R22.5 million and R24.7 million in the respective financial years of the MTREF. A notable trend is the increase in the total percentage revenue generated from services charges which increases with 4 per cent in 2013/14, 11 per cent in 2014/15 and 11 per cent in 2015/16. This growth can be mainly attributed to the increased share that the sale of electricity

contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity.

Operating grants and transfers totals R207.7 million in the 2013/14 financial year and steadily increases to R233.6 million by 2014/15 and R267.7 million by 2015/16. Note that the year-on-year growth for the 2014/15 financial year is 12 per cent and then flattens out to 14 per cent in 2015/16 years. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

**Table 3 Operating Transfers and Grant Receipts**

<b>Operating Transfers and Grant Receipts</b>			
	<b>2013-2014</b>	<b>2014-2015</b>	<b>2015-2016</b>
Equitable Share	196 603 000	225 596 000	260 529 000
FMG	1 250 000	1 250 000	1 250 000
MSIG	890 000	934 000	967 000
Water services operating subsidy	9 022 000	5 900 000	5 000 000
	<b>207 765 000</b>	<b>233 680 000</b>	<b>267 746 000</b>

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

National Treasury continues to encourage municipalities to keep increases in tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 8 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

It must also be appreciated that the consumer price index, as measured by CPI, is 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.

#### **1.4.1 Sale of water and impact on 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 will ensure that the supply challenges are managed in future to ensure sustainability. A tariff increase of 5 per cent from 1 July 2013 for water is proposed for the residential and 5.6 per cent. This is based on the CPI inflation rate of 5.6 per cent for 2013/2014. In addition 6 kℓ water per 30-day period will again be granted free of charge to all residents.

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

**Table 4 Proposed Water Tariffs**

<b>Proposed Water Tariffs for 2013-2014</b>			
<b>Area</b>	<b>Description</b>	<b>Current Tariffs 2012/2013</b>	<b>Proposed Tarrifs 2013/2014</b>
	Water		
<b>All area in DC27</b>	<b>RESIDENTIAL</b>		
	0-6kl	Free	Free
	7-20kl	6.04	6.34
	21-30kl	9.36	9.83
	31-40kl	11.33	11.90
	40-50kl	13.89	14.58
	<51kl	18.02	18.92
	<b>COMMERCIAL</b>		
	0-20kl	10.53	11.12
	0-30kl	12.81	13.53
	0-40kl	13.57	14.33
	0-50kl	15.08	15.92
	<51kl	18.1	19.11
	<b>GOVERNMENT</b>		
	0-20kl	10.53	11.12
	0-30kl	12.81	13.53
	0-40kl	13.57	14.33
	0-50kl	15.08	15.92
	<51kl	18.1	19.11

#### **1.4.2 Sale of electricity and impact on tariff increases**

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

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.

The draft budget for the Electricity purchases can only be utilised for certain committed upgrade projects and to strengthen critical infrastructure (e.g. water schemes without back-



up supply). It is estimated that special funding for electricity bulk infrastructure to the amount of R 24.6 million for 2013/14 financial year.

### 1.4.3 Sanitation and impact on tariff increases

A tariff increase of 5 per cent for sanitation from 1 July 2013 is proposed. This is based on the input cost assumptions related to water. It should be noted that electricity costs contributes approximately 20 per cent of waste water treatment input costs, therefore the higher than CPI increase of 5.6 per cent for sanitation tariffs. The following factors also contribute to the proposed tariff increase:

- Sanitation charges are calculated according to the percentage water discharged as indicated in the table below;
- The total revenue expected to be generated from rendering this service amounts to R1.2 million for the 2013/14 financial year.

The following table compares the current and proposed tariffs:

**Table 5 Comparison between current sanitation charges and increases**

Proposed Sanitation Tariffs for 2013/2014			
Area	Description	Current Tariffs 2012/2013	Proposed Tariffs 2013/2014 (R)
All Area on sewer mains	per flat/Dwelling	R1.43kl	1.5015
	Conservancy tanks where service available	R 358	R 375.38
	Conservancy tanks weekends/PH	539	R 565.95
Discharges of sewer By tanker into sewer system	Per kl	R22	R 23.10

### 1.4.4 Overall impact tariff increases on the household

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.

Note that in all instances the overall impact of the tariff increases on household's bills has been kept to 5 per cent, with the increase for indigent households closer.

## 1.5 Operating Expenditure Framework

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

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

- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- The following table is a high level summary of the 2011/12 budget and MTREF (classified per main type of operating expenditure):

**Table 6 Summary of operating expenditure by standard classification item**

DC27 Umkhanyakude - Table A1 Consolidated Budget Summary

Description	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14
<b>Expenditure By Type</b>											
Employee related costs	2	49 258	60 481	66 380	72 427	87 656	87 656	87 656	81 235	86 432	91 964
Remuneration of councillors		2 471	3 419	2 556	4 966	5 239	5 239	5 239	10 354	10 923	11 524
Debt impairment	3	37 099	-	-	23 254	23 254	23 254	23 254	18 557	18 073	18 617
Depreciation & asset impairment	2	47 999	28	47 673	2 408	30 000	30 000	30 000	40 000	41 620	43 327
Finance charges		2 009	1 159	1 283	1 771	843	843	843	890	938	989
Bulk purchases	2	52 227	46 705	55 920	53 637	25 754	25 754	25 754	51 098	55 185	59 600
Other materials	8	5 096	1 221	7 215	9 684	17 072	17 072	17 072	26 032	26 322	27 527
Contracted services		120	14 063	16 818	2 800	6 155	6 155	6 155	21 660	22 848	24 126
Transfers and grants		-	-	-	-	-	-	-	6 100	6 200	6 300
Other expenditure	4, 5	43 704	11 148	60 554	80 365	96 250	96 250	96 250	30 004	46 381	46 702
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>		<b>239 983</b>	<b>138 224</b>	<b>258 397</b>	<b>251 312</b>	<b>292 223</b>	<b>292 223</b>	<b>292 223</b>	<b>285 928</b>	<b>314 921</b>	<b>330 676</b>

The budgeted allocation for employee related costs for the 2011/11 financial year totals R81 million, which equals 28 per cent of the total operating expenditure. Based on the three year collective SALGBC agreement, salary increases have been factored into this budget at a percentage increase of 6.85 per cent for the 2013/14 financial year. An annual increase of 6.4 per cent has been included in the two outer years of the MTREF. As part of the UMkhanyakude cost reprioritization and cash management strategy vacancies have been significantly rationalized downwards. As part of the planning assumptions and interventions all vacancies were originally removed from the budget and a report was compiled by the Corporate Services Department relating to the prioritization of critical vacancies within the Municipality.

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 UMkhanyakude district budget.

The provision of debt impairment was determined based on an annual collection rate of 95 per cent. For the 2013/14 financial year this amount equates to R18 million. 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.

Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R40 million for the 2013/14 financial and equates to 14 per cent of the total operating expenditure. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up R 890 170 of operating expenditure for 2013/14 Bulk purchases are directly informed by the purchase of electricity from Eskom and water from DWA. 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 repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the UMkhanyakude's infrastructure. For 2013/14 the appropriation against this group of expenditure has grown by 17 per cent (R2.9 million)

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up R890 170 million of operating expenditure for 2013/2014.

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

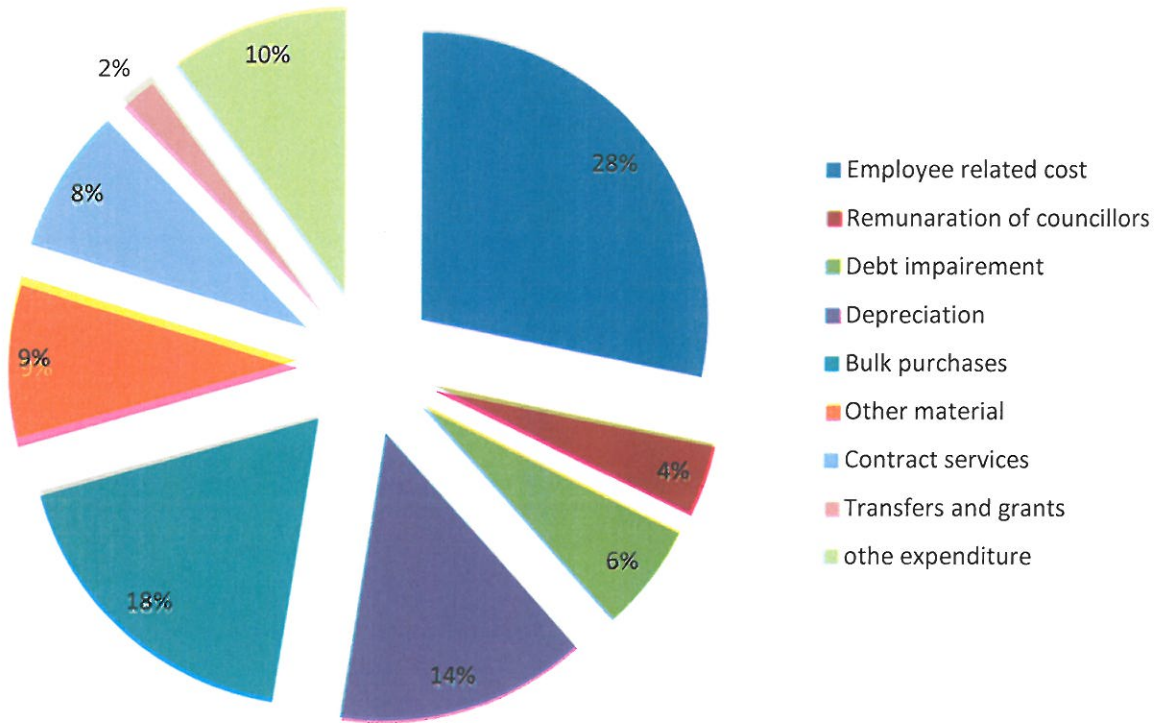
Other materials comprise of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. In line with the municipality's repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the UMkhanyakude infrastructure. For 2013/14 the appropriation against this group of expenditure has allocated 9 per cent of the operating expenditure budget 2013/14.

Contracted services have been identified as a cost saving area for the municipality. As part of the compilation of the 2013/14 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. In the 2013/14 financial year, this group of expenditure totals R21.6 million which equates 8 per cent, clearly demonstrating the application of cost efficiencies.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. Growth has been limited to 10 per cent for 2013/14



## Operating Expenditure



## 1.6 Capital expenditure

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

**Table 7 2013/14 Capital budget per vote**

DC27 Umkhanyakude - Table A5 Consolidated Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Capital expenditure - Vote</b>											
<b>Multi-year expenditure to be appropriated</b>	2										
Vote 1 - COUNCIL SUPPORT		-	-	-	-	-	-	-	-	-	-
Vote 2 - BOARD & GENERAL		-	-	-	-	-	-	-	-	-	-
Vote 3 - FINANCIAL SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 4 - CORPORATE SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 5 - COMMUNITY SERVICES		-	-	-	-	3 843	3 843	3 843	14 000	-	-
Vote 6 - THUSONG SERVICE CENTRE (MPCC)		-	-	-	-	-	-	-	-	-	-
Vote 7 - SOCIAL ECONOMIC DEVELOPMENT		-	-	-	-	-	-	-	-	-	-
Vote 8 - WATER SERVICES		85 985	109 264	-	175 286	173 636	173 636	173 636	168 707	148 308	184 281
Vote 9 - SANITATION DEPARTMENT		-	-	-	40 204	37 550	37 550	37 550	52 000	77 000	80 000
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	7	85 985	109 264	-	215 490	215 029	215 029	215 029	234 707	225 308	264 281
<b>Single-year expenditure to be appropriated</b>	2										
Vote 1 - COUNCIL SUPPORT		-	-	-	-	-	-	-	-	-	-
Vote 2 - BOARD & GENERAL		-	-	-	-	-	-	-	-	-	-
Vote 3 - FINANCIAL SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 4 - CORPORATE SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 5 - COMMUNITY SERVICES		-	-	-	-	3 843	3 843	3 843	14 000	-	-
Vote 6 - THUSONG SERVICE CENTRE (MPCC)		-	-	-	-	-	-	-	-	-	-
Vote 7 - SOCIAL ECONOMIC DEVELOPMENT		-	-	-	-	-	-	-	-	-	-
Vote 8 - WATER SERVICES		85 985	109 264	-	175 286	173 636	173 636	173 636	168 707	148 308	184 281
Vote 9 - SANITATION DEPARTMENT		-	-	-	40 204	37 550	37 550	37 550	52 000	77 000	80 000
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>		85 985	109 264	-	215 490	215 029	215 029	215 029	234 707	225 308	264 281
<b>Total Capital Expenditure - Vote</b>		171 970	218 528	-	430 980	430 058	430 058	430 058	469 414	450 616	528 562

For 2013/14 an amount of R234.7 million has been appropriated for the development of infrastructure which is the total capital budget. In the outer years this amount totals R225.3 million, and R264.2 billion respectively for each of the financial years. Water receives the highest allocation