SCHEDULE A

AN ANNUAL BUDGET AND SUPPORTING DOCUMENTATION OF INXUBA YETHEMBA MUNICIPALITY

2013/14

ANNUAL BUDGET OF

INXUBA YETHEMBA MUNICIPALITY

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

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- In the foyers of all municipal buildings
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Abbreviations and Acronyms

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

Part 1 – Annual Budget

1.1 Mayor's Report

In his Budget Speech to Parliament on 22 February 2012, the Minister of Finance said: "The budget sets us on a path, that will be neither easy nor uncontested – hard work and difficult choices lies ahead. But the journey is under way. We have embarked on a long way to economic freedom. All South Africans aspire to these freedoms:

Freedom from poverty,

Freedom from need,

Freedom to exercise our talents and thrive as individuals,

Freedom to work together as communities, as organised social formations, as business, as a proud and forward looking nation".

The Minister of Finance further stated "Inclusive growth means efforts to cut back poverty and inequality that continue to blight us".

For us as Inxuba Yethemba Municipality our strategy and approach in ensuring that the new growth path as highlighted by the Finance Minister is inclusive should take these into consideration:

- It must continue to broaden the public investment in infrastructure to make a serious dent in the aging infrastructure that threatens service delivery,
- It must target more labour-absorbing activities both in the capital projects we are undertaking and also the EPWP projects,
- It must also support the rural development through the initiatives with other stake holders like the Sugar beet project.

For the poor the Budget continues to expand spending on housing, LED initiatives and projects, and also to better their lives by ensuring that access to basic services is maintained.

For the workers, our budget emphasises job creation in ensuring that vacant posts are filled and also through initiatives like the EPWP projects, people are able to access the job opportunities,

For the business sector, business opportunities are created through procurement of their services, in the form of capital projects implementation, as well as the operational activities of the municipalities.

For the small business sector, development programs from LED are targeted to ensure that sustainable growth in our economy is achieved.

Our country has suffered great depression in the form of the economic recession that reverberated the entire country.

Unfortunately Inxuba Yethemba region was in no way immune to the harsh economic realities associated with the recession. Among the impacts are the serious cash flow challenges currently being experienced by the municipality due to among other things declining collection rates; historic expenditure patterns and a general lack of “doing business smarter”.
Increases in food prices and fuel prices have indeed pushed the inflation however the inflation is expected to fall back into the target range by the end of this year.

The budget does seem to be more favorable and optimism seems more appropriate taking into account the hardships and difficulties that this municipality has faced over the years. This I say is due to the ever promising signs of a good forecast for the South African economy. Our economy grew by slightly over 2.3% in 2012, and the forecasts of the growth rates between 3.1% and 4.1% for the next two years is reasonably expected as the recovery seems to be realistic. The forecast in the inflation is also expected to be within the target range over the next two years.

In line with the vision of the Inxuba Yethemba Municipality of a coherent developmental municipality putting people first and providing a better life for all its citizens, this municipality has resolutely over the years had to do more with little. Today we mark the beginning of yet another commitment made by this council to deliver on our constitutional and legislative mandate of bettering the lives of our people by providing the basic services.

Essentially the core of our budget has not changed over the last few number of years as we need to do more with less. The recession had a profound impact in the country and Cradock was not immune to this. This affected the collectability of the municipal revenues, due to job losses as well as the adverse economic conditions. These inadvertently has impacted on the municipal cash flows as well as the service delivery action plans. However through all of these challenges, the municipality has against all odds, managed to keep above water.

This municipality has to collect approximately 75% own revenue and the rest comes from the government grants.

Unfortunately we cannot increase the tariffs beyond what is considered reasonable as it would cause considerable strife to our rate payers.

This budget quoting from the words of the our Madam Premier in the Eastern Cape in her 2012 state of the province address speech, “most of our plans and strategies are in place, and now our efforts and resources are focused on accelerating implementation and action”

This indeed must be a period of action. We must forge ahead in implementing our programs that will better the lives of our people.

In tabling this budget our aim is to display transparency on how the Cradock and Middelberg communities will benefit from the municipal programmes and projects as well as demonstrating our revenue sources and how the revenue is actually spent.

For the poor the Budget continues to better their lives by providing some of the basic services for free.

For the workers the budget emphasises job creation and expenditure on “social wage” including municipal infrastructure and various projects.

For the youth there are also initiatives aimed at ensuring that our youth are kept busy and not roaming our streets, and honorable councilors this is aimed to create hope for our youth.

This budget has also taken the high level objectives of the National Development Plan into account in order to make meaningful progress in eliminating poverty and creating economic opportunities in the form of employment in the labour intensive projects. The National Planning Commission envisions a South Africa where opportunity is determined not by birth, but by ability, education and hard work.

Furthermore to briefly highlight some of the key elements of the budget that Council had to consider.

In line with legislative requirements, communities were consulted before tabling of the Draft Budget at the end of March 2013. This culminated from the ward committee meetings that were held early on in the financial year to start the budget process and to get the communities involved. This was done in order to obtain proposals and inputs regarding the budget, and also to explain the process in order to get a buy-in. Some of the inputs from communities have found expression in this draft budget from the IDP road shows. After the tabling of the draft budget to Council, it will then be taken back again to the communities, this time with an indication of the tariffs.

In an ideal world, the budget process would encompass the estimation of the total expenses needed for service delivery and then the tariffs would be determined in order to generate the necessary income needed to cover the expenses. However, the reality today does not conform to this utopian dream. The reality within which we operate suggests that, we first determine potential income and then adjust expenses in line with the anticipated income.

Challenges:

Due to both ESKOM's extraordinary increases recurring on a yearly basis and the limitations placed on the percentage increases in the ESKOM tariffs by NER, the increase on Council's bulk purchase of electricity far exceed the increases which are passed on to the consumer. The subsidisation of electricity tariffs for the indigents also compounded to these challenges. This has seriously hampered Council's ability to generate income from the most reliable source.

The other reality is that areas where ESKOM supplies the electricity the council's capacity for debt collection is seriously compromised. This courses enormous problems as there are also a huge number of indigents in those areas as well. This translates into statistics that indicate 76% of our communities are potentially indigent consumers. All of these factors combined, explain the difficulties we have in maintaining Council's infrastructure that is deteriorating by the day.

The revenue enhancement strategy of Inxuba Yethemba is meant to ensure that this challenge is overcome and thus credit control and debt collection ultimately becomes better managed.

On compliance issues, national government has set 2014, as a target during which all municipalities are expected to achieve clean audits with regard to their Annual Financial statements. Whilst we are very much aware that meeting this target is not going to be easy, however we are confident that with the assistance of the Office of the Auditor General, everything will be done to ensure that IYM complies with the vision of the National Government. Action plans are in place indeed to ensure that this is achieved.

The last year's visit by the Auditor General highlighted some of the key areas that we as the council need to attend to in order to ensure the target of a clean audit by 2014 is realised.

The budget process plan was not adequately followed due to some challenges facing the institution as well as lack of capacity in the Budget and Treasury section. There were also some logistical problems as many budget road shows were cancelled at the last minutes due to logistical problems and poor communication. I am hoping honourable councilors with better planning next time around this will not be repeated.

Also the budget process plan was not followed and the budget steering committee could not sit with sufficient regularity, and thus leading to poor oversight of the budget process.

This has resulted in numerous delays and problems encountered during the budget process not being adequately addressed.

Budget 2013/2014

One of the key issues, we must collectively take note of is that, this budget has prioritised expenditure that is directly linked to service delivery and the IDP. We are very pleased to announce that expenditure on maintenance of infrastructure has been appropriated at R35,5 million rands. This includes water and sewerage services. The actual breakdown of infrastructure maintenance is as follows:

1. Building Admin (Buildings) R0,527 m
2. Electricity Distribution (Including Electricity Street lighting) R5,4 m
3. Water Services R 10 m
4. Sewerage purification R 3,6 m
5. Vehicles R 1m
6. Streets & Storm water drainage R6,8 m
7. Parks & Gardens R 3.8 m
8. Sports fiels & Stadiums R 1.3 m

The budget has been aligned to the IDP prioritized projects.

Infrastructure projects are expected to be rolled out to the community of Rosmead that has no basic services in place. An amount in excess of R 6 million has been set aside by Chris Hani for 2014/15 for sanitation reticulation infrastructure.

The provision of water to the community of Rosmead is another priority and hence an infrastructure roll out to the tune of over R 5 million is expected over the next 3 years and R 2 million of this expected to be spent by Chris Hani District municipality in 2013/14.

Inxuba Yethemba municipality has put aside an amount of R 1 million for the ring feed in Michausdal for the financial year 2013/14.

Provision of electricity to the community of Rosmead has also been planned. This will culminate in the expenditure of R 1.5 million for 2014/15 and R 4.5 million for 2015/16 expenditure on electricity supply in Rosmead.

Inxuba Yethemba has an old and ageing Electricity infrastructure. An amount of R 10 million from INEP Grant funding is expected to be spent on the network upgrade in 2015/16 financial year.

There is also a construction of Phithi stadium that is expected to cost in excess of R 8 million over the next 2 years of the medium term as well as the Cradock hawkers facility and taxi rank expected to cost in the region of R 7 million.

An amount of R 4m has been put aside by Chris Hani District municipality for the Lingelihle pump station over the next 3 years.

Also planned by CHDM is the refurbishment of the Cradock Water Treatment works for an amount of approximately R 7 million over the next 3 years.

An infrastructure project on this refurbishment has been appropriated for R 3.5 million for 2013/14

Other Government Departments have also committed huge capital projects within Inxuba Yethemba.

The department of human settlement is expected to make a provision of low cost houses to Lusaka, Rosmead Midros and Michausdal.

The estimated costs for the construction of these houses are R 48 million for Lusaka, R 23 million for Rosmead, R16 million Midros and R16 million respectively for Michausdal.

Honourable speaker to put this into context, the President of the Republic, President Jacob Zuma in his State of the Nation Address last year, outlined his vision for the future in a clear manner. His vision is to have a country where millions more South Africans have decent employment opportunities, which has a modern infrastructure and where the quality of life is high. His utterances were that we need to do more in order to confront head on the challenges of unemployment, poverty and inequality.

However, as we are aware the challenges facing this municipality are real and the enormous needs from communities are not always made due to the budgetary constraints. But if seen against the background of our constraints, it can be understood as a small step for a man, but a giant leap for human kind.

1.2 Council Resolutions

On 28 May 2013 the Council of Inxuba Yethemba Local Municipality met in the Council Chambers of Inxuba Yethemba 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 Inxuba Yethemba 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) as contained in Table 18 on page 24;
        1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 19 on page 26;
        1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 21 on page 28; and
        1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 22 on page 30.

    1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
        1.2.1. Budgeted Financial Position as contained in Table 23 on page 32;
        1.2.2. Budgeted Cash Flows as contained in Table 24 on page 34;
        1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 25 on page 34;
        1.2.4. Asset management as contained in Table 26 on page 36; and
        1.2.5. Basic service delivery measurement as contained in Table 27 on page 38.

2. The Council of Inxuba Yethemba Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2013:
   2.1. the tariffs for property rates – as set out in Annexure A,
   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 C
   2.4. the tariffs for sanitation services – as set out in Annexure E
   2.5. the tariffs for solid waste services – as set out in Annexure F

3. The Council of Inxuba Yethemba Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2013 the tariffs for other services, as set out in Annexures G1 to G21 respectively.

4. To give proper effect to the municipality's annual budget, the Council of Inxuba Yethemba Local Municipality approves:
   4.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.

1.3 Executive Summary

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

The municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items. This has resulted in savings to the municipality of nearly R 6 million or 2.1 percent of the current financial year's adjusted budget. Key areas where savings were realized were on, telephone, hire of vehicles, printing, workshops, travel, accommodation, and catering.

The municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Price Waterhouse & Coopers were appointed to assist in the revenue enhancement programme of Inxuba Yethemba Municipality to assist the municipality. Furthermore, the municipality will undertake various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 58; 59 and 66 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 ongoing 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 electricity (due to tariff increases from 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 2012/13 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; (it must be stated that the property rates, refuse charges and the rental of municipal property and own revenue had to be increased by 10% because the revenue from these had to reflect the major part of the cost incurred on the respective related activities).
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- An upper limit of R8.5 million was set for the following items and allocations to these items had to be supported by a list and/or motivation setting out the intention and cost of the expenditure which was used to prioritise expenditures:
    - Special Projects;
    - Consultant Fees;
    - Furniture and office equipment;
    - Special Events;
    - Refreshments and entertainment;
    - Ad-hoc travelling; and
    - Subsistence, Travelling & Conference fees (national & international).
    - Departmental Service Charges

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 2012/13 MTREF

R thousand		2013/14 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget 2012/13	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Total Revenue	216 888	235 018	258 775	283 312
Total Expenditure	274 477	244 850	261 477	276 377
Surplus/(Deficit) for the year	(57 589)	(9 431)	(2 435)	6 944
Total Capital Expenditure	15 828	14 104	25 222	36 084

Total operating revenue has grown by 8.36 per cent or R22.975 million for the 2013/14financial year when compared to the 2012/13 Adjustments Budget. For the two outer years, operational revenue will increase by 10.11 and 9.48 per cent respectively, equating to a total revenue growth of R66.4 million over the MTREF when compared to the 2012/13 financial year.

Total operating expenditure for the 2013/14 financial year has been appropriated at R244.9 million and translates into a budgeted deficit of R9.4 million. When compared to the 2012/13 Adjustments Budget, operational expenditure has declined by 10.8 per cent in the 2013/14 budget however it started to increase by 6.8 and 5.7 per cent for each of the respective outer years of the MTREF. The operating deficit for the two outer years steadily decreases to R2.435 million and then things turn around in the 2015/16 financial period and stabilise at R6.944 million surplus. These surpluses will be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

The capital budget of R14.1 million for 2013/14 is 10.9 per cent less than the 2012/13 Adjustment Budget. The decrease is due to various projects from INEP funding that have been taken off the Treasury. The capital programme increases to R25.2 million in the 2014/15 financial year and continues to increase in 2015/16 to R36.1 million. A substantial portion of the capital budget will be funded from MIG & INEP Funding.

1.4 Operating Revenue Framework

For Inxuba Yethemba 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 90 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);

- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the municipality.

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

Table 2 Summary of revenue classified by main revenue source

Description	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
Revenue By Source										
Property rates	2	14 511	15 988	17 637	13 750	15 000	15 000	21 884	23 197	24 589
Property rates - penalties & collection charges						800	800	848	899	953
Service charges - electricity revenue	2	43 521	48 114	58 113	68 750	73 360	73 360	79 229	85 567	92 412
Service charges - water revenue	2	–	–	27 081	15 812	20 758	20 758	22 004	23 324	24 723
Service charges - sanitation revenue	2	–	–	16 020	5 838	5 838	5 838	6 188	6 559	6 953
Service charges - refuse revenue	2	10 560	11 497	11 681	7 152	8 053	8 053	13 831	14 660	15 540
Service charges - other		21	159	163	195	192	192	226	239	254
Rental of facilities and equipment		1 351	1 527	1 612	1 545	1 535	1 535	1 654	1 785	1 927
Interest earned - external investments		135	152	222	76	76	76	80	85	90
Interest earned - outstanding debtors		504	4 923	6 383	5 300	6 500	6 500	6 890	7 303	7 742
Dividends received			0							
Fines		170	160	144	112	112	112	119	127	135
Licences and permits		2 234	2 148	2 631	2 571	2 571	2 571	3 126	3 313	3 512
Agency services		10 606	1 719		18 696	14 696	14 696	15 578	16 513	17 504
Transfers recognised - operational		52 764	45 415	32 907	44 358	49 058	49 058	46 658	47 224	47 972
Other revenue	2	832	545	714	2 496	2 510	2 510	2 600	2 757	2 923
Gains on disposal of PPE		164	1 440	277						
Total Revenue (excluding capital transfers and contributions)		137 373	133 787	175 586	186 652	201 060	201 060	221 315	233 820	247 237

Table 3 Percentage growth in revenue by main revenue source

Description	Ref	Current Year 2013/14		2013/14 Medium Term Revenue & Expenditure Framework					
R thousand	1	Adjusted Budget	%	Budget Year 2013/14	%	Budget Year +1 2014/15	%	Budget Year +2 2015/16	%
Revenue By Source									
Property rates	2	15 000	7%	21 884	10%	23 197	7%	24 589	10%
Service charges - electricity revenue	2	73 360	36%	79 229	36%	85 567	37%	92 412	37%
Service charges - water revenue	2	20 758	10%	22 004	10%	23 324	10%	24 723	10%
Service charges - sanitation revenue	2	5 838	3%	6 188	3%	6 559	3%	6 953	3%
Service charges - refuse revenue	2	8 053	4%	13 831	6%	14 660	6%	15 540	6%
Service charges - other		195	0%	226	0%	239	0%	254	0%
Rental of facilities and equipment		1 535	1%	1 654	1%	1 785	1%	1 927	1%
Interest earned - external investments		76	0%	80	0%	85	0%	90	0%
Interest earned - outstanding debtors		7 300	4%	7 738	4%	8 202	4%	8 695	4%
Fines		112	0%	119	0%	127	0%	135	0%
Licences and permits		2 571	1%	3 126	1%	3 313	1%	3 512	1%
Agency services		14 696	7%	15 578	7%	16 513	7%	17 504	7%
Transfers recognised - operational		49 058	24%	46 658	21%	47 224	20%	47 972	19%
Other revenue	2	2 510	1%	2 600	1%	2 757	1%	2 923	1%
Gains on disposal of PPE									
Total Revenue (excluding capital transfers and contributions)		201 060	100%	221 315	100%	233 820	100%	247 237	100%

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 comprise just under two thirds of the total revenue mix. In the 2012/13 financial year, revenue from rates and services charges totalled R123.2 million or 61 per cent. This increases to R143.3 million, R153.5 million and R164.5 million in the respective financial years of the MTREF. A notable trend is the stability in the percentage revenue generated from rates and services charges which increases to 64.9 per cent in 2013/14 (due to more revenue from Rates revenue base which was under reported) and a further slight increase to 66.5 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. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality. Details in this regard are contained in Table 64 MBRR SA1 (see page 99).

Service charges – Electricity Revenue is the largest revenue source totalling 36 per cent or R73.4 million rand and increases to R92.41 million by 2015/16. The second largest sources is Water Revenue totaling 10 per cent or R20.76 million rand and increases to R24.72 by 2015/16.

Property Rates is the third largest revenue source totalling 7 per cent or R15 million rand and increases to R24.59 million by 2015/16. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R49 million in the 2012/13 financial year and remains relatively the same at R48 million by 2015/16.
Note that the year-on-year growth for the 2013/14 financial year is 10 per cent and then flattens out to 6 per cent in each of the two outer years. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 4 Operating Transfers and Grant Receipts

Description	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:		28 508	36 248	38 060	42 335	43 358	43 358	42 335	43 190	43 756
Local Government Equitable Share		26 658	34 248	35 770	39 545	40 558	40 558	40 356	40 656	41 139
Finance Management		1 250	1 250	1 500	1 500	1 500	1 500	1 550	1 600	1 650
Municipal Systems Improvement		600	750	750	800	800	800	890	934	967
EPWP Incentive					1 000	1 000	1 000	1 000	1 000	1 000
Revenue Enhancement Grant										
Provincial Government:		–	–	–	500	500	500	2 627	2 627	2 510
Sports Recreation, Arts & Culture								2 510	2 510	2 510
LED								117	117	
Revenue Enhancement Grant					500	500	500			
District Municipality:		–	–	–	-	-	-	-	-	-
Water Services										
Other grant providers:		–	–	–	–	–	–	–	–	–
[insert description]										
Total Operating Transfers and Grants	5	28 508	36 248	38 060	44 335	44 358	44 358	46 423	46 817	47 266

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 Eskom are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and in these 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.

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

1.4.1 Property Rates

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

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

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA).
- 30 per cent rebate will be granted on all Public Service Infrastructure properties (including state owned residential properties);
- For pensioners, physically and mentally disabled persons, a maximum/total rebate of 50 per cent (calculated on a sliding scale) will be granted to owners of rate-able property if the total gross income of the applicant and/or his/her spouse, if any, does not to exceed the amount equal to twice the annual state pension as approved by the National Government for a financial year. In this regard the following stipulations are relevant:
  - The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependants without income;
  - The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension;
  - The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
  - The property must be categorized as residential.

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

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2013/14 financial year based on a 7 per cent increase from 1 July 2013 is contained below:

Table 5 Comparison of proposed rates to levied for the 2012/13 financial year

Category	Current Tariff (1 July 2012)	Proposed tariff (from 1 July 2013)
	c	C
Residential properties	0,9983	1,0681
State owned properties	0,2496	0,2670
Business & Commercial	1,1314	1,2105
Agricultural – Bona-fide Farming	0,0726	0,0777
Agricultural – Accomm Establishment	0,0726	0,0777
Agricultural – Game Farming	0,3743	0,4005
Municipal rateable	0,000	0,000
Industrial	1,1314	1,2105
Learning Institutions	1,9965	2,1363
Public benefit organisation properties	-	-

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, new dam construction and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability. However with the revenue sources the municipality has, it is very difficult to envisage the building of the dams from the own revenue. Hence other than outside funding, water scarcity particularly in Middelburg will continue being a challenge.

A tariff increase of 6 per cent from 1 July 2013 for water is proposed. This is based on input cost assumptions of 6 per cent increase in the cost of bulk water, the cost of other inputs increasing by 6 per cent.

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

Table 6.1 Proposed Water Tariffs (Cradock)

CATEGORY	CURRENT TARIFFS 2012/13	PROPOSED TARIFFS 2013/14
	Rand per kℓ	Rand per kℓ
RESIDENTIAL		
(i) 1 to 8 kℓ per 30-day period	3,24	3,44
(ii) 9 to 25 kℓ per 30-day period	3,71	3,93
(iii) 26 to 60 kℓ per 30-day period	4,02	4,26
(iv) More than 60 kℓ per 30-day period:	4,15	4,40
NON-RESIDENTIAL		
(i) 0 – 10 kℓ per 30-day period	3,46	3,67
(ii) 11 – 60 kℓ per 30-day period	3,74	3,96
(iii) More than 60 kℓ per 30-day period	4,02	4,26

Table 7.1 Proposed Water Tariffs (Middelburg – Penalty Tariffs)

CATEGORY	CURRENT TARIFFS 2011/12	PROPOSED TARIFFS 2012/13
	Rand per kℓ	Rand per kℓ
RESIDENTIAL & CHURCHES		
(i) 1 to 8 kℓ per 30-day period	3,24	3,44
(ii) 9 to 25 kℓ per 30-day period	3,71	3,93
(iii) 26 to 40 kℓ per 30-day period	4,02	4,26
(iv) 41 to 60 kℓ per 30-day period	21,87	23,18
(vi) More than 60 kℓ per 30-day period:	29,16	30,91
SCHOOLS & TRANSNET ROSMEAD		
(i) 0 – 10 kℓ per 30-day period	3,46	3,67
(ii) 11 – 60 kℓ per 30-day period	3,74	3,96
(iii) 61 – 370 kℓ per 30-day period	4,02	4,26
(iii) 371 – 400 kℓ per 30-day period	21,87	23,18
(iii) More than 400 kℓ per 30-day period	29,16	30,91
HOSTEL		
(i) 0 – 10 kℓ per 30-day period	3,46	3,67
(ii) 11 – 60 kℓ per 30-day period	3,74	3,96
(iii) 61 – 6200 kℓ per 30-day period	4,02	4,26
(iii) 6201 – 6500 kℓ per 30-day period	21,87	23,18
(iii) More than 6500 kℓ per 30-day period	29,16	30,91

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

It is also important to note that the water tariffs in Middelburg have been lifted and will be applied only to people who consistently use excessive water after being informed to cut the usage. This is meant to curb excessive of water that is avoidable as at times people are overcharged when there have been previous average readings. The council will monitor the usage of water particularly in the area of Middelburg.

Table 8.1 Comparison between current water charges and increases (Domestic) – Cradock

Monthly consumption kℓ	Current amount payable R	Proposed amount payable R	Difference (Increase) R	Percentage change
8	25,95	27,51	1,56	6%
25	89,02	94,36	5,34	6%
40	149,25	158,21	8,96	6%
60	229,57	243,34	13,77	6%
80	309,88	328,47	18,59	6%
100	390,20	413,61	23,41	6%

Table 9.2 Comparison between current water charges and increases (Domestic) – Middelburg (when penalty tariffs have been applied)

Monthly consumption kℓ	Current amount payable R	Proposed amount payable R	Difference (Increase) R	Percentage change
8	25,95	27,51	1,56	6%
25	89,02	94,36	5,34	6%
40	149,25	158,21	8,96	6%
60	586,71	621,91	35,20	6%
80	1 169,84	1 240,03	70,19	6%
100	1 752,98	1 858,16	105,18	6%

The tariff structure of the 2013/14 financial year has not been changed. The tariff structure is designed to charge higher levels of consumption a higher rate, steadily increasing to a rate of R30.91 per kilolitre for consumption in excess of 60 kℓ per 30 day period.

1.4.3 Sale of Electricity and Impact of Tariff Increases

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

Considering the Eskom increases, the consumer tariff had to be increased by 7 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.

The following table shows the impact of the proposed increases in electricity tariffs on the water charges for domestic customers:

Table 10 Comparison between current electricity charges and increases (Domestic)

Monthly consumption kWh	Current amount payable R	Proposed amount payable R	Difference (Increase) R	Percentage change
100	86,32	90,63	4,32	5%
250	242,33	256,78	14,46	5.97%
500	536,56	571,10	34,53	6.44%
750	857,81	914,83	57,02	6.65%
1 000	1 181,84	1 261,55	79,70	6.74%
2 000	2 477,99	2 648,42	170,43	6.88%

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).

The inadequate electricity bulk capacity and the impact on service delivery and development remains a challenge for the municipality. Most of the suburbs and inner city reticulation network was designed or strengthened in the early 1990's with an expected 20-25 year life-expectancy. The upgrading of the municipality's electricity network has therefore become a strategic priority, especially the substations and transmission lines.

1.4.4 Sanitation and Impact of Tariff Increases

A tariff increase of 6 per cent for sanitation from 1 July 2013 is proposed. This is based on the input cost assumptions related to water. The following factors also contribute to the proposed tariff increase:

- Sanitation charges are calculated according to the percentage water discharged as indicated in the table below;
- Free sanitation R91,57 will be applicable to registered indigents; and
- The total revenue expected to be generated from rendering this service amounts to R6,2 million for the 2012/13 financial year.

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

Table 11 Comparison between current sanitation charges and increases, single dwelling-houses

Monthly sanitation consumption	Current amount payable R	Proposed amount payable R	Difference (6% increase) R
	86,39	91,57	5,18

1.4.5 Waste Removal and Impact of Tariff Increases

Currently solid waste removal is operating at a surplus. It is widely accepted that the rendering of this service should at least break even, which is currently the case. The municipality will have to implement a solid waste strategy to ensure that this service can continue to be rendered in a sustainable manner over the medium to long-term. The main expenses that put pressure on the financial sustainability are repairs and maintenance on vehicles, increases in general expenditure such as petrol and diesel and the cost of remuneration.

A 7 per cent increase in the waste removal tariff is proposed from 1 July 2013. This increase is necessary due to the overall impact of higher than inflation increases of other services as well as the cost reflective method of these tariffs. Any increase higher than 10 per cent would be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debt.

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

Table 12 Comparison between current waste removal fees and increases

	2011/2012	2011/2012 VAT EXCL	2012/2013	2012/2013 VAT EXCL
First bin - household and churhes	86.52	75.89	92.57	81.20
First bin - business.industry and government institutions	98.49	86.40	105.39	92.45
First bin -users not included above	98.49	86.40	105.39	92.45
Auto bin	146.41	128.43	156.66	137.42
Bulk container	346.06	303.56	370.28	324.81
Special removal or request	146.41	128.43	156.66	137.42
Re-connection vacuum tank per point	439.23	385.29	469.98	412.26
Vacuum tank service per point	133.10	116.75	142.42	124.93
vacuum tank service per point-rural area				
Refuse bags per packet of 20	15.97	14.01	17.57	15.41

First bin - household and churhes
First bin - business.industry and government institutions
First bin -users not included above
Auto bin
Bulk container
Special removal or request

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.

Note that in all instances the overall impact of the tariff increases on household's bills has been kept at 7 per cent, with the increase for indigent households at 7 per cent.

Table 13 MBRR 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		428.13	470.94	518.03	569.86	569.86	569.86	7%	609.65	652.36	697.99
Electricity: Basic levy											
Electricity: Consumption		889.20	1 020.98	1 200.50	1357.38	1357.38	1357.38	7%	1 465.97	1583.25	1710.00
Water: Basic levy		31.15	33.39	35.39	37.52	37.52	37.52	6%	39.77	42.16	44.69
Water: Consumption		82.23	86.63	91.82	97.20	97.20	97.20	6%	103.20	109.39	115.96
Sanitation		72.50	76.85	81.50	86.39	86.39	86.39	6%	91.57	97.07	102.89
Refuse removal		65.00	71.50	78.65	86.52	86.52	86.52	7%	92.57	98.12	104.01
Other											
sub-total		1 568.21	1 760.29	2 005.89	2 234.87	2 234.87	2 234.87	7.5%	2 402.73	2582.35	2775.54
VAT on Services											
Total large household bill:		1 568.21	1 760.29	1317.04	1475.11	1475.11	1475.11	7.5%	2 402.73	2582.35	2775.54
% increase/-decrease			12.2%	14%	11.4%	11.4%	11.4%		7.5%	7.5%	7.5%
Monthly Account for Household - 'Affordable Range'	2										
Rates and services charges:											
Property rates		303.13	333.44	366.78	403.48	403.48	403.48	7%	431.65	461.87	494.20
Electricity: Basic levy											
Electricity: Consumption		444.60	474.03	520.14	552.51	552.51	552.51	7%	596.71	644.45	696.00
Water: Basic levy		31.15	33.39	35.39	37.52	37.52	37.52	6%	39.77	42.16	44.69
Water: Consumption		68.53	72.19	76.52	81.00	81.00	81.00	6%	86.00	91.16	96.63
Sanitation		72.50	76.85	81.50	86.39	86.39	86.39	6%	91.57	97.07	102.89
Refuse removal		65.00	71.50	78.65	86.52	86.52	86.52	7%	92.57	98.12	104.01
Other											
sub-total		984.91	1 061.40	1 158.98	1 247.42	1 247.42	1 247.42	0.08	1 338.27	1434.83	1538.42
VAT on Services											
Total small household bill:		984.91	1 061.40	1 158.98	1 247.42	1 247.42	1 247.42	0.08	1 338.27	1434.83	1538.42
% increase/-decrease			7.8%	9.2%	7.6%	7.6%	7.6%		7.3%	7.2%	7.2%
Monthly Account for Household - 'Indigent' Household receiving free basic services	3										
Rates and services charges:											
Property rates		178.13	195.94	215.53	237.10	237.10	237.10	7%	253.65	271.41	290.40
Electricity: Basic levy											
Electricity: Consumption		266.76	286.23	323.33	355.69	355.69	355.69	7%	384.15	414.88	448.07
Water: Basic levy											
Water: Consumption											
Sanitation											
Refuse removal											
Other											
sub-total		444.89	482.17	538.86	592.79	592.79	592.79	0.07	637.80	686.29	738.47
VAT on Services											
Total small household bill:		444.89	482.17	538.86	592.79	592.79	592.79	0.07	637.80	686.29	738.47
% increase/-decrease			8.4%	11.8%	10.0%	10.0%	10.0%		7.6%	7.6%	7.6%

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 plan no budget*. If there is no business plan no funding allocation can be made.

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

Table 14 Summary of operating expenditure by standard classification item

Description	Ref	2008/9	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
Expenditure By Type	-									
Employee related costs	2	45 831	47 375	53 047	60 163	63 930	63 930	66 757	71 034	75 240
Remuneration of councillors		4 265	4 907	5 464	5 895	5 895	5 895	6 220	6 537	6 857
Debt impairment	3			--	5 917	39 917	39 917	8 112	10 260	12 429
Depreciation & asset impairment	2	–	–	–	3 179	54 179	54 179	57 686	60 628	63 599
Finance charges		285	538	508	530	530	530	559	587	616
Bulk purchases	2	26 745	36 419	41 526	46 860	46 860	46 860	50 596	54 627	58 979
Other materials	8	434	536	675	1 308	1 974	1 974	1 969	2 070	2 171
Contracted services		1 998	2 222	2 155	11 718	13 768	13 768	4 903	5 185	3 423
Transfers and grants		109	149	(15)	202	202	202	169	177	186
Other expenditure	4, 5	39 025	39 935	40 652	53 293	46 722	46 722	47 879	50 372	52 879
Loss on disposal of PPE										
Total Expenditure		118 803	132 080	144 011	189 064	274 477	274 477	244 850	261 477	276 377

The budgeted allocation for employee related costs for the 2013/14 financial year totals R66,76 million, which equals 27.26 per cent of the total operating expenditure. Based on the inflation rate and the inflation target band of 3-6 percent, salary increases have been factored into this budget at a percentage increase of 6 per cent for the 2013/14 financial year. This has been done taking into account the fact that 2012/13 financial year was a final year of the collective agreement. An annual increase of 6 per cent has been included in the two outer years of the MTREF. As part of the municipality's cost reprioritization and cash management strategy vacancies have been significantly rationalized downwards. As part of the planning assumptions and interventions all vacancies were originally removed from the budget and a report was compiled by the all the departments relating to the prioritization of critical vacancies within the Municipality. The outcome of this exercise was the inclusion of R1,2 million in the 2013/14 financial year relating to critical and strategically important vacancies.

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

The provision of debt impairment was determined based on an annual collection rate of 90 per cent and the Debt Write-off Policy of the municipality. For the 2013/14 financial year this amount equates to R8,1 million and escalates to R12,43 million by 2015/16. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R57,69 million for the 2013/14 financial and equates to 23.56 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. Amongst the significant assets brought in has been the Infrastructure Assets like the Gravel Roads that need maintenance and upgrading in the future, and Electricity Infrastructure that will need to be replaced. Also included are the cemeteries that will eventually cease to have capacity.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 0.23 per cent (R 0.53 million) of operating expenditure excluding annual redemption for 2013/14 and increases to R 0,616 million by 2015/16. As previously noted, the municipality is well within its prudential limits for borrowing – hence the planned borrowing to finance the capital budget does not result in finance charges as a percentage of operational expenditure increasing – rather it is kept under 1 per cent over the MTREF.

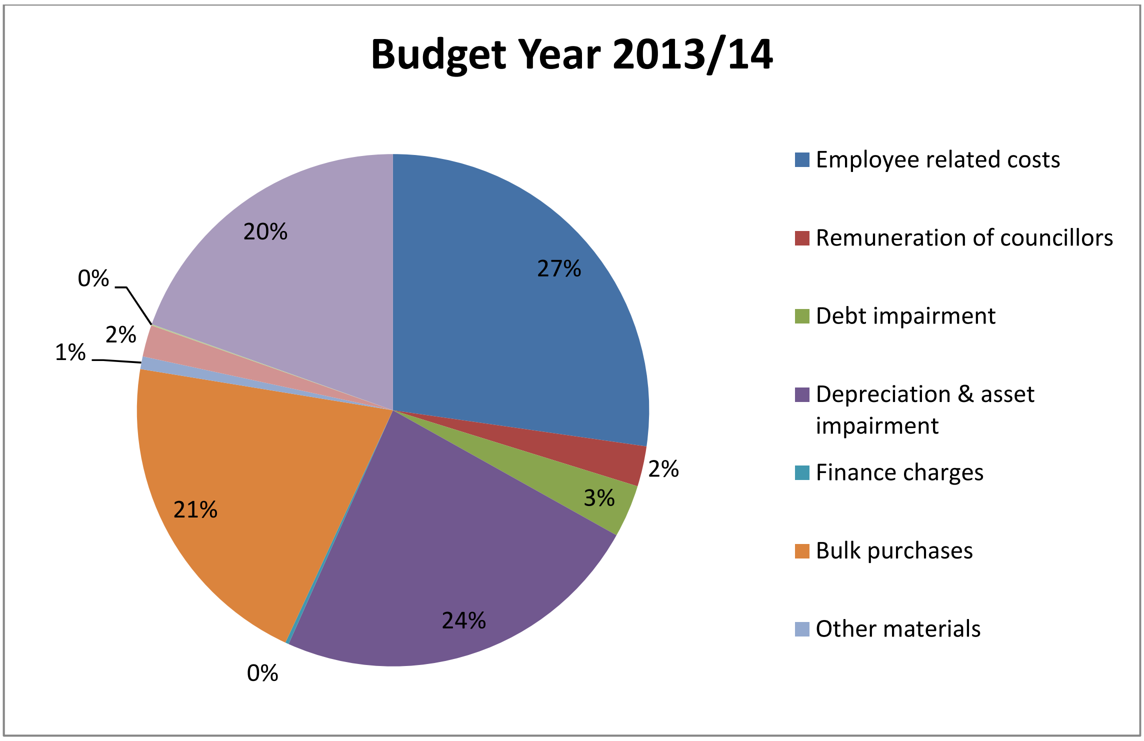
Bulk purchases are directly informed by the purchase of electricity from Eskom and water from Fish River Water Board. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

Other materials comprises 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. For 2013/14 the appropriation against this group of expenditure has decreased by 0.26 per cent R 516 000, however it increases at 5,10 and 4,9 per cent for the two outer years of which budget allocation is in excess of R2.1 million by 2015/16.

Contracted services has 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 R4.9 million and has decreased by just 64.38 per cent, clearly demonstrating the application of cost efficiencies. It must also be stressed that in 2012/13 there was a lot of funding allocated to the valuation roll of Inxuba Yethemba Municipality which was in excess of R 4.5 million as well as the R 0.8 million for the Cradock Spa feasibility studies. For the two outer years growth has been limited to 5.73 and a reduction of 33.98 per cent. As part of the process of identifying further cost efficiencies, a business process reengineering project will commence in the 2013/14 financial year to identify alternative practices and procedures, including building in-house capacity for certain activities that are currently being contracted out. The outcome of this exercise will be factored into the next budget cycle and it is envisaged that additional cost savings will be implemented. Further details relating to contracted services can be seen in Table 64 MBRR SA1 (see page 100).

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 2.48 per cent for 2013/14 and curbed at 5.21 and 4.98 per cent for the two outer years, indicating that significant cost savings have been already realised. Further details relating to contracted services can be seen in Table 64 MBRR SA1 (see page 100).

The following table gives a breakdown of the main expenditure categories for the 2013/14 financial year.



1.5.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the municipality's current infrastructure, the 2013/14 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset 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:

Table 15 Operational repairs and maintenance

Description	2008/9	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
Repairs and maintenance by expenditure Item.									
–									
Employee Related Costs			14 937	17 039	17 168	17 145	18 192	19 374	20 536
Other Materials	3 624	4 559	3 352	10 098	10 074	10 074	10 486	11 021	11 561
Contracted Services									
Total Repairs and Maintenance Expenditure	3 624	4 559	18 289	27 137	27 242	27 242	28 678	30 395	32 097

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 increased by 48.95 per cent in the 2012/13 financial year, from R18.29 million to R27.14 million. During the 2012/13 Adjustment Budget this allocation was adjusted slightly upwards to R27.24 million owing to more employee costs expected to be incurred by the municipality. Notwithstanding this increase, 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 R28.68 million a growth of 5.3 per cent in relation to the Adjustment Budget and continues to grow at 6.0 and 5.6 per cent over the MTREF. In relation to the total operating expenditure, repairs and maintenance comprises of 11.71, 11.62 and 11.61 per cent for the respective financial years of the MTREF.

The table below provides a breakdown of the repairs and maintenance in relation to asset class:

Table 16 Repairs and maintenance per asset class

Description	2008/9	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
Repairs and maintenance expenditure by Asset Class/Sub-class									
Infrastructure - Road transport	3 624	4 559	5 070	6 463	6 470	6 470	6 940	7 366	7 787
Infrastructure - Electricity	–	–	4 172	5 251	5 207	5 207	5 525	5 861	6 193
Infrastructure - Water	–	–	4 672	8 549	8 559	8 559	9 101	9 639	10 172
Infrastructure - Sanitation	–	–	2 885	4 150	4 092	4 092	4 358	4 622	4 883
Infrastructure - Other	–	–	1 490	2 724	2 914	2 914	2 754	2 907	3 062
Total Repairs and Maintenance Expenditure	3 624	4 559	18 289	27 137	27 242	27 242	28 678	30 395	32 097

For the 2013/14 financial year, 90.4 per cent or R25.9 million of total repairs and maintenance will be spent on infrastructure assets. Water Purification infrastructure has received a significant proportion of this allocation totaling 31.74 per cent (R9.1 million), followed by roads infrastructure at 24.2 per cent (R6.94 million), electricity infrastructure at 19.3 per cent (R5.5 million) and sanitation at 15.2 per cent (R4.358 million). Community assets has been allocated R 0.510 million of total repairs and maintenance equating to 1.78 per cent.

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 8 000 or more indigent households during the 2013/14 financial year, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement) on page 38.

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

1.6 Capital expenditure

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

Table 17 2013/14 Medium-term capital budget per vote

Vote Description	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework					
R thousand	Adjusted Budget	%	Budget Year 2013/14	%	Budget Year +1 2014/15	%	Budget Year +2 2015/16	%
Council (Furniture)	50	0.2%						
Halls	100	0.4%						
Admin & IT	400	1.6%						
Refuse	1 500	5.9%						
Sports & Recreation			4 410	31%	2 148	9%		
Cemeteries	1 500	5.9%						
Civil Protection								
Traffic & Licences								
Streets	15 181	59.3%	5 899	41%				
Electricity	3 500	13.7%	1 000	7%	10 000	40%	20 000	55%
Sewerage								
Water	2 841	11.1%						
SMME	547	2.1%	3 090	21%				
MIG Uncommitted Projects					12 612	51%	16 084	45%
Total Capital Expenditure	25 619	100%	14 953	100%	24 760	100%	36 084	100%

For 2013/14 an amount of R14.95 million has been appropriated for the development of infrastructure which represents 100.0 per cent of the total capital budget. In the outer years this amount totals R24.76 million, 100.0 per cent and R36.1 million, 100.0 per cent respectively for each of the financial years. Manana & Gala Streets receive the highest allocation of R5.9 million in 2013/14 which equates to 41 per cent followed by upgrading of Phiti Stadium at 31 per cent, R4.4 million and then Cradock Hawkers Facility at 21 per cent, R3 million.

Total renew assets represent the full 100 per cent or R14.95 million of the total capital budget. Further detail relating to asset classes and proposed capital expenditure is contained in Table 26 MBRR A9 (Asset Management) on page 36. In addition to the MBRR Table A9, MBRR Tables SA34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class (refer to pages 88, 89 and 90). Some of the salient projects to be undertaken over the medium-term includes, amongst others:

- Parks, recreational facilities and swimming pools – R6.6 million;
- Upgrading of Streets – R5.9 million
- Trading stalls for informal hawkers – R3.6 million;
- Refurbishment and renewal electrical network – R3 million;
- Installation of prepaid meters – R6.5 million;
- New electricity infrastructure – R20.5 million;

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

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

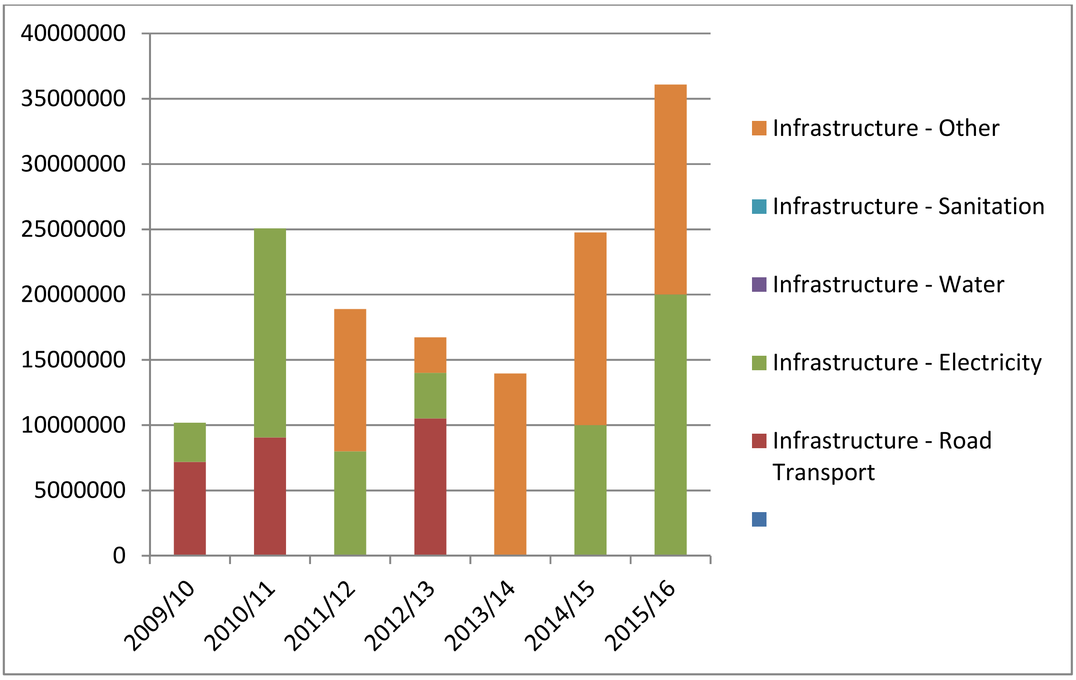


Figure 1 Capital Infrastructure Programme

1.6.1 Future operational cost of new infrastructure

The future operational costs and revenues associated with the capital programme have been included in Table 61 MBRR SA35 on page 91. This table shows that future operational costs associated with the capital programme totals R2.495 million in 2013/14 and escalates to R3.8 million by 2015/16. This concomitant operational expenditure is expected to escalate to R 3 million by 2017/18. It needs to be noted that as part of the 2013/14 MTREF, this expenditure has been factored into the two outer years of the operational budget.

1.7 Annual Budget Tables - Parent Municipality

The following eighteen pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2013/14 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Table 18 MBRR Table A1 - Budget Summary

Description	2008/9	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
R thousands	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
Financial Performance									
Property rates	14 911	15 988	17 637	13 750	15 800	15 800	22 732	24 096	25 542
Service charges	54 102	59 769	113 059	97 747	108 201	108 201	121 477	130 350	139 882
Investment revenue	135	152	222	76	76	76	80	85	90
Transfers recognised - operational	52 764	45 415	32 907	44 358	46 458	46 458	46 423	46 817	47 266
Other own revenue	15 861	12 462	11 761	30 721	30 525	30 525	30 603	32 472	34 456
Total Revenue (excluding capital transfers and contributions)	137 373	133 787	175 586	186 652	201 060	201 060	221 315	233 820	247 237
Employee costs	45 831	47 375	53 047	60 238	64 342	64 342	67 166	71 465	75 691
Remuneration of councillors	4 265	4 907	5 464	5 895	5 895	5 895	6 220	6 537	6 857
Depreciation & asset impairment	–	–	–	3 179	54 679	54 679	57 686	60 628	63 599
Finance charges	285	508	508	530	530	530	559	587	616
Materials and bulk purchases	27 178	36 955	42 201	48 168	48 834	48 834	52 565	56 697	61 150
Transfers and grants	109	149	(15)	202	202	202	169	177	186
Other expenditure	41 134	42 157	42 806	70 853	99 994	99 994	60 486	65 387	68 279
Total Expenditure	118 803	108 236	170 444	189 064	274 477	277 477	244 850	261 477	276 377
Surplus/(Deficit)	18 570	25 705	31 575	(2 412)	(73 417)	(73 417)	(23 535)	(27 657)	(29 140)
Transfers recognised - capital	7 284	10 196	8 000	-	15 828	15 828	14 104	25 222	36 084
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	25 854	15 590	39 575	(2 412)	(57 589)	(57 589)	(9 431)	(2 435)	6 944
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	25 854	15 590	39 575	(2 412)	(57 589)	(57 589)	(9 431)	(2 435)	6 944
Capital expenditure & funds sources									
Capital expenditure	8 915	23 214	22 261	17 228	24 958	24 958	14 399	24 461	35 280
Transfers recognised - capital	8 915	23 214	22 261	17 228	18 008	18 008	13 399	24 461	35 280
Public contributions & donations	–	–	–	–	–	–	–	–	–
Borrowing	–	–	–	–	–	–	–	–	–
Internally generated funds	–	–	–	–	6 950	6 950	1 000	–	–
Total sources of capital funds	8 915	23 214	22 261	17 228	24 958	24 958	14 399	24 461	35 280
Financial position									
Total current assets	46 928	11 247	31 120	17 043	50 620	50 620	23 728	31 274	37 496
Total non current assets	5 999	32 048	327 578	61 634	534 627	534 627	252 174	222 387	194 872
Total current liabilities	70 988	72 424	62 168	32 813	35 944	35 944	26 592	26 570	28 737
Total non current liabilities	27 202	26 968	70 307	40 303	112 974	112 974	121 056	132 550	144 377
Community wealth/Equity	(45 263)	(56 057)	226 223	5 561	436 329	436 329	128 254	94 540	59 254
Cash flows									
Net cash from (used) operating	12 886	14 162	5 032	25 001	24 060	24 060	15 045	26 812	36 173
Net cash from (used) investing	(5 866)	(25 001)	(22 298)	(25 728)	(15 828)	(15 828)	(13 553)	(24 310)	(35 584)
Net cash from (used) financing	(584)	(356)	(302)	(510)	(340)	(340)	(331)	(429)	(482)
Cash/cash equivalents at the year end	6 437	(4 758)	(22 326)	(122)	(3 176)	(3 176)	(2 015)	57	164
Cash backing/surplus reconciliation									
Cash and investments available	1 123	(10 072)	(11 060)	(866)	1 134	1 134	1 231	1 334	1 513
Application of cash and investments	9 472	35 439	10 101	11 097	(11 344)	(11 344)	1 026	(5 687)	(8 374)
Balance - surplus (shortfall)	(8 619)	(45 511)	(21 161)	(11 963)	12 478	12 478	205	7 021	9 887
Asset management									
Asset register summary (WDV)	5 991	32 040	327 570	61 626	534 619	534 619	252 166	222 379	194 864
Depreciation & asset impairment	–	–	–	3 179	54 679	54 679	57 686	60 628	63 599
Renewal of Existing Assets	–	–	–	2 500	7 891	7 891	1 000	8 000	10 000
Repairs and Maintenance	3 624	4 559	18 289	35 512	33 686	33 686	35 531	37 669	39 788
Free services									
Cost of Free Basic Services provided	–	–	–	–	–	–	–	–	–
Revenue cost of free services provided	–	–	–	–	–	–	–	–	–
Households below minimum service level									
Water:	0	0	0	0	0	0	0	–	–
Sanitation/sewerage:	1	1	1	1	1	1	1	–	–
Energy:	–	–	–	–	–	–	–	–	–
Refuse:	–	–	–	–	–	–	–	–	–

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
   a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
   b. Capital expenditure is balanced by capital funding sources, of which
      i. Transfers recognised is reflected on the Financial Performance Budget;
      ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
      iii. Internally generated funds is financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains negative, but is improving indicates that the necessary cash resources are going to be available to fund the Capital Budget in the future.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. This places the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Funding and Reserves Policy. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations. It is anticipated that the goal of having all obligations cash-back will be achieved by 2015/16, when a small surplus is reflected.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs. It is anticipated that by 2014/15 the water backlog will have been very nearly eliminated as the area of Rosmead is the only area where there are backlogs.

Table 19 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	2008/9	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
Revenue - Standard									
Governance and administration	68 168	60 406	53 617	64 159	67 544	67 544	74 420	76 712	79 289
Executive and council	4 568	1 525	–	537	537	537	569	603	639
Budget and treasury office	62 461	58 501	53 521	63 447	66 690	66 690	73 488	75 724	78 242
Corporate services	1 176	380	96	175	327	327	363	385	408
Community and public safety	4 985	6 732	843	2 800	4 095	4 095	4 539	4 632	4 734
Community and social services	519	1 886	125	2 688	3 242	3 242	3 635	3 643	3 651
Sport and recreation	152	138	153	14	168	168	85	90	95
Public safety	21	12	14	98	25	25	27	28	30
Housing	509	536	551	–	660	660	792	871	958
Health	3 785	4 160	–	–	–	–	–	–	–
Economic and environmental services	13 605	20 033	3 292	2 923	16 310	16 310	17 905	19 244	20 223
Planning and development	1 696	4 046	474	272	304	304	454	475	379
Road transport	11 908	15 988	2 818	2 652	16 006	16 006	17 451	18 770	19 844
Environmental protection	–	–	–	–	–	–	–	–	–
Trading services	57 041	59 638	124 831	116 732	128 385	128 385	137 980	157 845	178 428
Electricity	43 896	48 116	66 975	68 825	76 024	76 024	79 298	95 642	112 493
Water	2 580	--	29 104	34 917	36 468	36 468	38 656	40 976	43 434
Waste water management	–	–	17 070	5 838	5 838	5 838	6 188	6 559	6 953
Waste management	10 565	11 522	11 682	7 153	10 056	10 056	13 838	14 668	15 548
Other	861	861	1 003	37	543	543	575	610	646
Total Revenue - Standard	144 657	133 941	183 586	186 652	216 888	216 888	235 419	259 042	283 321
Expenditure - Standard									
Governance and administration	44 975	49 430	49 722	52 115	54 356	54 356	47 386	50 070	50 679
Executive and council	15 482	15 042	11 784	14 849	18 448	18 448	18 591	19 624	20 657
Budget and treasury office	22 395	26 264	28 885	29 430	24 140	24 140	16 944	17 905	16 795
Corporate services	7 099	8 124	9 053	7 835	11 768	11 768	11 852	12 541	13 226
Community and public safety	13 730	12 673	10 099	16 162	13 600	13 600	13 666	14 469	15 260
Community and social services	3 903	4 027	3 484	8 567	5 809	5 809	5 907	6 220	6 528
Sport and recreation	4 972	5 198	5 282	5 449	5 640	5 640	5 736	6 100	6 458
Public safety	482	514	519	742	797	797	695	738	781
Housing	833	949	668	1 045	1 045	1 045	1 012	1 077	1 141
Health	3 541	1 986	146	359	351	351	316	334	351
Economic and environmental services	16 034	17 249	14 518	19 470	70 782	70 782	73 914	77 898	81 883
Planning and development	5 439	7 470	6 026	7 914	9 288	9 288	9 560	10 157	10 736
Road transport	10 595	9 958	8 492	11 557	61 493	61 493	64 354	67 740	71 147
Environmental protection	–	–	–	–	–	–	–	–	–
Trading services	42 330	50 289	67 730	98 879	132 391	132 391	106 456	115 411	124 725
Electricity	33 747	43 883	48 959	56 143	58 113	58 113	62 560	67 331	72 438
Water	2 173	1	8 884	25 797	42 434	42 434	24 864	27 239	29 634
Waste water management	–	7	3 753	10 127	24 362	24 362	11 745	13 104	14 474
Waste management	6 410	6 399	6 133	6 812	7 481	7 481	7 287	7 736	8 180
Other	1 733	2 259	1 942	2 437	3 348	3 348	3 427	3 630	3 831
Total Expenditure - Standard	118 803	132 080	144 011	189 064	274 477	274 477	244 850	261 477	276 377
Surplus/(Deficit) for the year	25 854	15 590	39 575	(2 412)	(57 589)	(57 589)	(9 431)	(2 435)	6 944

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

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

Table 20 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	2008/9	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
Revenue by Vote									
Vote 1 - Council	3 858	1 042	--	407	407	407	432	458	485
Vote 2 - Executive Mayor	70	–	–	51	51	51	54	56	61
Vote 3 - Municipal Manager	640	483	--	78	78	78	83	83	93
Vote 4 - Corporate Services	1 176	380	96	327	327	327	363	353	408
Vote 5 - Finance	62 421	58 501	53 521	63 448	66 690	66 690	73 488	75 724	78 242
Vote 6 - Community Services	17 459	20 007	14 716	11 151	16 167	16 167	20 821	21 860	22 961
Vote 7 - Technical Services	57 672	65 102	114 207	110 582	132 559	132 559	139 417	159 671	180 348
Vote 8 - Local Economic Development	1 361	2 155	1 046	607	607	607	761	799	723
Total Revenue by Vote	144 657	147 670	183 586	186 652	216 888	216 888	235 419	259 042	283 321
Expenditure by Vote *to be appropriated*									
Vote 1 - Council	12 644	11 372	8 384	10 616	13 821	13 821	13 856	14 592	15 332
Vote 2 - Executive Mayor	735	1 100	910	681	1 066	1 066	1 088	1 155	1 223
Vote 3 - Municipal Manager	2 103	2 571	2 490	3 552	3 562	3 562	3 648	3 877	4 102
Vote 4 - Corporate Services	5 959	6 779	7 747	9 660	9 556	9 556	9 640	10 209	10 775
Vote 5 - Finance	23 534	27 609	30 192	30 933	26 352	26 352	19 156	20 236	19 247
Vote 6 - Community Services	20 918	20 084	17 631	21 014	22 413	22 413	22 168	23 497	24 807
Vote 7 - Technical Services	48 395	55 983	71 361	106 299	189 137	189 137	167 116	179 246	191 745
Vote 8 - Local Economic Development	4 514	5 583	5 297	6 308	8 572	8 572	8 180	8 665	9 146
Total Expenditure by Vote	118 803	132 080	144 011	189 064	274 477	274 477	244 850	261 477	276 377
Surplus/(Deficit) for the year	25 854	15 590	39 575	(2 412)	(57 589)	(57 589)	(9 431)	(2 435)	6 944

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

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

Table 21 Surplus/(Deficit) calculations for the trading services

Vote Description	2008/9	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
Electricity									
Total Revenue (Incl Capital & Transfers)	43 896	48 116	66 975	68 825	76 024	76 024	79 298	95 642	112 493
Operating Expenditure	33 747	43 883	48 959	56 143	58 113	58 113	62 560	67 331	72 438
Surplus(deficit) for the year	10 149	4 233	18 016	12 682	17 910	17 910	16 738	28 311	40 055
Percentage Surplus	30%	10%	37%	23%	31%	31%	27%	42%	55%
Water									
Total Revenue (Incl Capital & Transfers)	2 580	--	29 104	34 917	36 468	36 468	38 656	40 976	43 434
Operating Expenditure	2 173	1	8 884	25 797	42 434	42 434	24 864	27 239	29 634
Surplus(deficit) for the year	407	(1)	20 220	9 120	(5 965)	(5 965)	13 793	13 736	13 800
Percentage Surplus	19%	-100%	228%	35%	-14%	-14%	55%	50%	47%
Sanitation									
Total Revenue (Incl Capital & Transfers)	–	–	17 070	5 838	5 838	5 838	6 188	6 559	6 953
Operating Expenditure	–	7	3 753	10 127	24 362	24 362	11 745	13 104	14 474
Surplus(deficit) for the year	–	(7)	13 317	(4 289)	(18 525)	(18 525)	(5 557)	(6 545)	(7 521)
Percentage Surplus	0%	-100%	355%	-42%	-76%	-76%	-47%	-50%	-52%
Refuse									
Total Revenue (Incl Capital & Transfers)	10 565	11 522	11 682	7 153	10 056	10 056	13 838	14 668	15 548
Operating Expenditure	6 410	6 399	6 133	6 812	7 481	7 481	7 287	7 736	8 180
Surplus(deficit) for the year	4 156	5 123	5 548	340	2 574	2 574	6 551	6 932	7 369
Percentage Surplus	65%	80%	90%	5%	34%	34%	90%	90%	90%

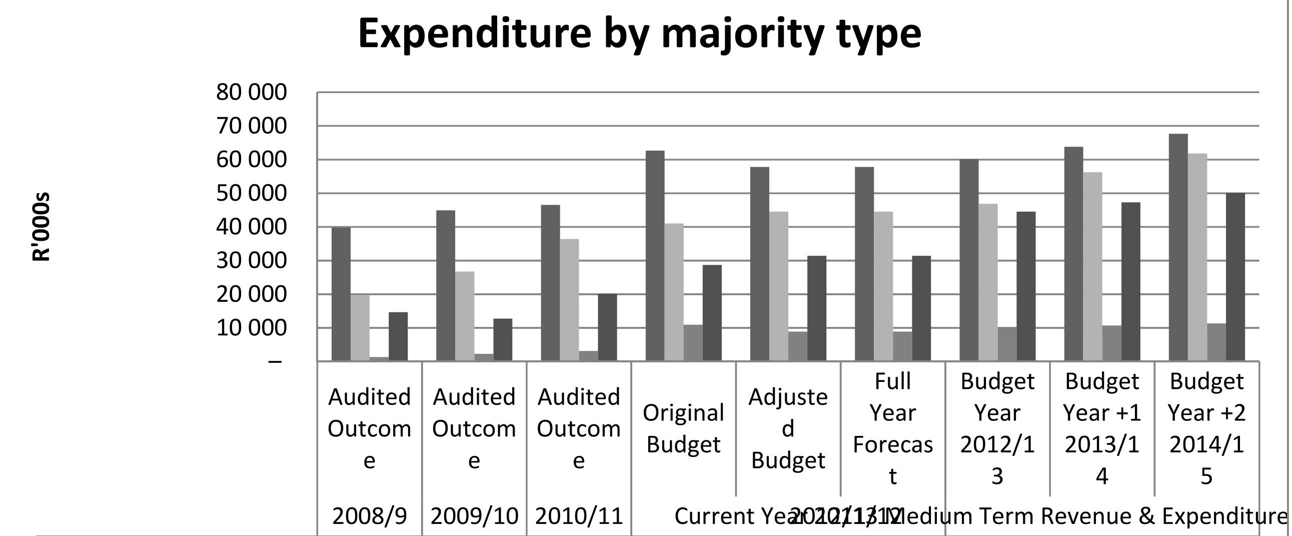
2. The electricity trading surplus is improving over the 2013/14 MTREF from 27 per cent or R16.7 million in 2013/14 to 55 per cent by 2015/16. This is primarily as a result of the high increases in Eskom bulk purchases and the tariff setting policy of the municipality to buffer the impact of these increases on individual consumers.
3. The surplus on the water account remains relatively constant over the first two years of MTREF translating into a surplus of 55 per cent, 50 per cent and 47 per cent for each of the respective financial years. It deteriorates in 2015/16 due to the fact that there will be very minimal capital transfers for water in 2015/16.
4. The sanitation trading deficit remains relatively constant over the first two years of MTREF translating into a trading deficit of 47 per cent, 50 per cent and 52 per cent for each of the respective financial years. It deteriorates in 2015/16 due to the fact that there will be less significant capital transfers for sanitation in 2015/16.
5. The refuse/solid waste trading surplus remains relatively constant over the three years of MTREF translating into a surplus of 90 per cent, for each of the respective financial years.
6. Note that the surpluses on these trading accounts are utilised as an internal funding source for the capital programme for asset renewal, refurbishment and the development of new asset infrastructure, *and are not used to cross-subsidise other municipal services*.

Table 22 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

Description	2008/9	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
Revenue By Source									
Property rates	14 511	15 988	17 637	13 750	15 000	15 000	21 884	23 197	24 589
Property rates - penalties & collection charges					800	800	848	899	953
Service charges - electricity revenue	43 521	48 114	58 113	68 750	72 360	72 360	79 229	85 567	92 412
Service charges - water revenue	–	–	27 081	15 812	20 758	20 758	22 004	23 324	24 723
Service charges - sanitation revenue	–	–	16 020	5 838	5 838	5 838	6 188	6 559	6 953
Service charges - refuse revenue	10 560	11 497	11 681	7 152	8 053	8 053	13 831	14 660	15 540
Service charges - other	21	159	163	195	192	192	226	239	254
Rental of facilities and equipment	1 351	1 527	1 612	1 545	1 535	1 535	1 654	1 785	1 927
Interest earned - external investments	135	152	222	76	76	76	80	85	90
Interest earned - outstanding debtors	504	4 923	6 383	5 300	6 500	6 500	6 890	7 303	7 742
Dividends received	0								
Fines	170	160	144	112	112	112	119	127	135
Licences and permits	2 234	2 148	2 631	2 571	2 571	2 571	3 126	3 313	3 512
Agency services	10 606	1 719		18 696	17 296	17 296	16 214	17 187	18 218
Transfers recognised - operational	52 764	45 415	32 907	44 358	46 458	46 458	46 423	46 817	47 266
Other revenue	832	545	714	2 496	2 510	2 510	2 600	2 757	2 923
Gains on disposal of PPE	164	1 440	277						
Total Revenue (excluding capital transfers and contributions)	137 373	133 787	175 586	186 652	201 060	201 060	221 315	233 820	247 237
Expenditure By Type									
Employee related costs	45 831	47 375	53 047	60 238	64 342	64 342	67 166	71 465	75 691
Remuneration of councillors	4 265	4 907	5 464	5 895	5 895	5 895	6 220	6 537	6 857
Debt impairment				5 917	39 917	39 917	8 112	10 260	12 429
Depreciation & asset impairment	–	–	–	3 179	54 679	54 679	57 686	60 628	63 599
Finance charges	285	538	508	530	530	530	559	587	616
Bulk purchases	26 745	36 419	41 526	46 860	46 860	46 860	50 596	54 627	58 979
Other materials	434	536	675	1 308	1 974	1 974	1 969	2 070	2 171
Contracted services	1 998	2 222	2 155	11 718	13 768	13 768	4 903	5 185	3 423
Transfers and grants	109	149	(15)	202	202	202	169	177	186
Other expenditure	39 025	39 935	40 652	53 218	46 310	46 310	47 470	49 942	52 428
Loss on disposal of PPE									
Total Expenditure	118 803	132 080	144 011	189 064	274 477	274 477	244 850	261 477	276 377
Surplus/(Deficit)	18 570	1 706	31 575	(2 412)	(73 417)	(73 417)	(23 535)	(27 657)	(29 140)
Transfers recognised - capital	7 284	13 883	8 000	--	15 828	15 828	14 104	25 222	36 084
Contributions recognised - capital	–	–	–	–	–	–	–	–	–
Contributed assets	--	--	--	--	--	--	--	--	--
Surplus/(Deficit) after capital transfers & contributions	25 854	15 590	39 575	(2 412)	(57 589)	(57 589)	(9 431)	(2 435)	6 944
Taxation									
Surplus/(Deficit) after taxation	25 854	15 590	39 575	(2 412)	(57 589)	(57 589)	(9 431)	(2 435)	6 944
Attributable to minorities									
Surplus/(Deficit) attributable to municipality	25 854	15 590	39 575	(2 412)	(57 589)	(57 589)	(9 431)	(2 435)	6 944
Share of surplus/ (deficit) of associate									
Surplus/(Deficit) for the year	25 854	15 590	39 575	(2 412)	(57 589)	(57 589)	(9 431)	(2 435)	6 944

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

1. Total revenue is R201.1 million in 2013/14 and escalates to R247.2 million by 2015/16. This represents a year-on-year increase of 5.6 per cent for the 2014/15 financial year and 5.7 per cent for the 2015/16 financial year.
2. Revenue to be generated from property rates is R21.9 million in the 2013/14 financial year and increases to R24.6 million by 2015/16 which represents 7.4 per cent of the operating revenue base of the municipality and therefore remains a significant funding source for the municipality. It remains relatively constant over the medium-term and tariff increases have been factored in at 7 per cent, 6 per cent and 6 per cent for each of the respective financial years of the MTREF.
3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the municipality totalling R121.5 million for the 2013/14 financial year and increasing to R139.9 million by 2015/16. For the 2013/14 financial year service charges amount to 54.9 per cent of the total revenue base and grows by 7.3 per cent per annum over the medium-term. This growth can mainly be attributed to the increase in the bulk prices of electricity and water.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF by 0.8 per cent and 0.9 per cent for the two outer years. The percentage share of this revenue source shows a small increase due to the more inflation, however it also take into account the new formula for equitable share as well as the new census statistics.
5. The following graph illustrates the major expenditure items per type.



	Audited Outcome 2008/9	Audited Outcome 2009/10	Audited Outcome 2010/11	Original Budget (Current Year 2011/12)	Adjusted Budget (Current Year 2011/12)	Full Year Forecast (Current Year 2011/12)	Budget Year 2012/13 (2012/13 Medium Term Revenue & Expenditure)	Budget Year +1 2013/14 (2012/13 Medium Term Revenue & Expenditure)	Budget Year +2 2014/15 (2012/13 Medium Term Revenue & Expenditure)
Employee related costs	39 823	44 960	46 493	62 677	57 795	57 795	60 163	63 802	67 646
Bulk purchases	19 656	26 745	36 419	41 000	44 500	44 500	46 860	56 222	61 822
Other materials	1 343	2 279	3 150	10 931	8 904	8 904	10 098	10 699	11 335
Other expenditure	14 659	12 730	20 079	28 682	31 428	31 428	44 503	47 309	50 139

Figure 2 Expenditure by major type

6. Bulk purchases have significantly increased over the 2009/10 to 2013/15 period escalating from R26.7 million to R59 million. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom.
7. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

Table 23 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

Vote Description	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
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
Capital expenditure - Vote									
Multi-year expenditure *to be appropriated*									
Vote 1 - Council	–	–	–	–	–	–	–	–	–
Vote 2 - Executive Mayor	–	–	–	–	–	–	–	–	–
Vote 3 - Municipal Manager	–	–	–	–	–	–	–	–	–
Vote 4 - Corporate Services	–	–	–	–	–	–	–	–	–
Vote 5 - Finance	–	–	–	–	–	–	–	–	–
Vote 6 - Community Services	–	–	–	–	–	–	–	–	–
Vote 7 - Technical Services	–	–	–	–	–	–	–	–	–
Vote 8 - Local Economic Development	–	–	–	–	–	–	–	–	–
Vote 9 - [NAME OF VOTE 9]	–	–	–	–	–	–	–	–	–
Capital multi-year expenditure sub-total	–	–	–	–	–	–	–	–	–
Single-year expenditure *to be appropriated*									
Vote 1 - Council	–	–	–	–	50	50	–	–	–
Vote 2 - Executive Mayor	–	–	–	–	–	–	–	–	–
Vote 3 - Municipal Manager	–	–	–	–	–	–	–	–	–
Vote 4 - Corporate Services	–	–	–	–	100	100	–	–	–
Vote 5 - Finance	–	–	–	–	400	400	–	–	–
Vote 6 - Community Services	–	561	10 762	1 500	3 000	3 000	3 090	2 148	--
Vote 7 - Technical Services	8 915	22 652	11 500	15 181	20 861	20 861	6 899	22 313	35 280
Vote 8 - Local Economic Development	–	–	–	547	547	547	4 410	--	–
Vote 9 - [NAME OF VOTE 9]	–	–	–	–	–	–	–	–	–
Capital single-year expenditure sub-total	8 915	23 214	22 261	17 228	24 958	24 958	14 399	24 461	35 280
Total Capital Expenditure - Vote	8 915	23 214	22 261	17 228	24 958	24 958	14 399	24 461	35 280
Capital Expenditure - Standard									
Governance and administration	–	–	–	–	550	550	–	–	–
Executive and council					50	50			
Budget and treasury office					400	400			
Corporate services					100	100			
Community and public safety	–	561	10 762	1 500	1 500	1 500	3 090	2 148	--
Community and social services		561	10 762	1500	1500	1500			
Sport and recreation							3 090	2 148	
Public safety									
Housing									
Health									
Economic and environmental services	5 915	6 019	4 463	11 728	15 067	15 067	10 309	12 313	15 280
Planning and development				547	547	547	4 410		
Road transport	5 915	6 019	4 463	11 181	14 520	14 520	5 899	12 313	15 280
Environmental protection									
Trading services	3 000	16 633	16 000	4 000	7 841	7 841	1 000	10 000	20 000
Electricity	3 000	16 633	16 000	4 000	3 500	3 500	1 000	10 000	20 000
Water					2 481	2 481			
Waste water management									
Waste management					1 500	1 500			
Other									
Total Capital Expenditure - Standard	8 915	23 214	22 261	17 228	24 958	24 958	14 399	24 461	35 280
Funded by:									
National Government	8 915	23 214	22 261	17 228	15 167	15 167	14 399	24 461	35 280
Provincial Government									
District Municipality					2 841	2 841			
Other transfers and grants									
Transfers recognised - capital	8 915	23 214	22 261	17 228	18 008	18 008	13 399	24 461	35 280
Public contributions & donations									
Borrowing									
Internally generated funds					6 950	6 950	1 000		
Total Capital Funding	8 915	23 214	22 261	17 228	24 958	24 958	14 399	24 461	35 280

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

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations.
3. Single-year capital expenditure has been appropriated at R14.4 million for the 2013/14 financial year and increases substantially over the MTREF at levels of R24.5 million and R35.3 million respectively for the two outer years. This is due to massive investment on electricity on the two outer years totaling R30 million,
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
5. The capital programme is funded from capital and provincial grants and transfers, public contributions and donations, borrowing and internally generated funds from current year surpluses. For 2013/14, capital transfers totals R13.4 million (93 per cent) and goes up quite substantially to R35.3 million by 2015/16 (100 per cent). Borrowing has not been provided over the MTREF and there is one capital programme from internally generated funding for 2013/14 financial year at R1 million, and there is nothing on the remaining two financial years of the MTREF. The funding sources are further discussed in detail in 2.6 (Overview of Budget Funding).

Table 24 MBRR Table A6 - Budgeted Financial Position

Description	2008/9	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
ASSETS									
Current assets									
Cash	6	6	5	5	5	5	5	5	5
Call investment deposits	5 339	1 442	11 099	1 621	3 621	3 621	3 718	3 821	4 000
Consumer debtors	41 584	9 082	19 251	14 467	46 044	46 044	19 000	26 388	32 391
Other debtors									
Current portion of long-term receivables									
Inventory		757	765	950	950	950	1 005	1 060	1 100
Total current assets	46 928	11 287	31 120	17 053	50 620	50 620	23 728	31 274	37 496
Non current assets									
Long-term receivables									
Investments	8	8	8	8	8	8	8	8	8
Investment property			40 181		40 181	40 181	40 181	46 262	46 262
Investment in Associate									
Property, plant and equipment	5 991	32 035	287 371	40 395	47 395	47 395	211 979	176 111	148 596
Agricultural									
Biological									
Intangible		6	17	6	6	6	6	6	6
Other non-current assets									
Total non current assets	5 999	32 048	327 578	61 634	534 627	534 627	252 174	222 387	194 872
TOTAL ASSETS	54 531	43 335	358 699	78 677	585 247	585 247	275 902	253 661	232 368
LIABILITIES									
Current liabilities									
Bank overdraft	4 229	11 528	22 172	2 500	2 500	2 500	2 500	2 500	2 500
Borrowing	439	294	340	330	331	331	429	482	--
Consumer deposits	846	903	2 034	903	2 034	2 034	2 162	2 288	2 412
Trade and other payables	65 474	59 700	37 621	29 080	31 079	31 079	21 500	21 300	23 825
Provisions									
Total current liabilities	70 988	72 424	62 168	32 813	35 944	35 944	26 592	26 570	28 737
Non current liabilities									
Borrowing	1 854	1 642	1 294	1 256	1 256	1 256	482	--	--
Provisions	25 349	25 325	69 013	39 048	111 718	111 718	120 573	132 550	144 377
Total non current liabilities	27 202	26 968	70 307	40 303	112 974	112 974	121 056	132 550	144 377
TOTAL LIABILITIES	99 905	99 392	132 475	73 116	148 919	148 919	147 647	159 121	173 114
NET ASSETS	(45 374)	(56 057)	226 223	5 561	436 329	436 329	128 254	94 540	59 254
COMMUNITY WEALTH/EQUITY									
Accumulated Surplus/(Deficit)	(45 374)	(56 057)	(173 616)	5 561	436 329	436 329	128 254	94 540	59 254
Reserves	–	–	399 839	–	–	–	--	--	--
Minorities' interests									
TOTAL COMMUNITY WEALTH/EQUITY	(45 374)	(56 057)	226 223	5 561	436 329	436 329	128 254	94 540	59 254

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Table 66 is supported by an extensive table of notes (SA3 which can be found on page 102) providing a detailed analysis of the major components of a number of items, including:
   - Call investments deposits;
   - Consumer debtors;
   - Property, plant and equipment;
   - Trade and other payables;
   - Provisions non current;
   - Changes in net assets; and
   - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 25 MBRR Table A7 - Budgeted Cash Flow Statement

Description	2008/9	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
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Ratepayers and other	91 560	114 173	115 760	107 966	118 882	118 882	128 568	139 449	147 816
Government - operating	49 852	41 528	58 663	60 085	63 154	63 154	46 658	47 224	47 972
Government - capital	10 196	25 066	18 904	25 728	15 828	15 828	13 953	24 760	36 084
Interest	639	5 075		4 085	4 085	4 085	4 330	4 590	4 865
Suppliers and employees	(138 969)	(171 252)	(188 295)	(172 363)	(177 359)	(177 359)	(177 934)	(188 649)	(199 968)
Finance charges	(391)	(427)		(500)	(530)	(530)	(530)	(562)	(596)
Transfers and Grants									
NET CASH FROM/(USED) OPERATING ACTIVITIES	12 887	14 162	5 032	25 001	24 040	24 040	15 045	26 812	36 173
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on disposal of PPE	164	1 440	277				400	450	500
Decrease (increase) in non-current investments	(38)	(398)	(0)						
Payments									
Capital assets	(5 991)	(26 043)	(22 574)	(25 728)	(15 828)	(15 828)	(13 953)	(24 760)	(36 084)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(5 866)	(25 001)	(22 298)	(25 728)	(15 828)	(15 828)	(13 553)	(24 310)	(35 584)
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
Payments									
Repayment of borrowing	(584)	(356)	(302)	(510)	(340)	(340)	(331)	(429)	(482)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(584)	(356)	(302)	(510)	(340)	(340)	(331)	(429)	(482)
NET INCREASE/ (DECREASE) IN CASH HELD	6 437	(11 195)	(17 568)	(1 237)	7 892	7 892	1 161	2 072	107
Cash/cash equivalents at the year begin:		6 437	(4 758)	1 115	(11 068)	(11 068)	(3 176)	(2 015)	57
Cash/cash equivalents at the year end:	3 216	(4 758)	(22 326)	(122)	(3 176)	(3 176)	(2 015)	57	164

Table 26 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

Description	2008/9	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 and investments available										
Cash/cash equivalents at the year end	6 437	(4 758)	(22 326)	(122)	(3 176)	(3 176)	(3 176)	(2 015)	57	164
Other current investments > 90 days	(5 322)	(5 322)	11 258	(752)	4 302	4 302	4 302	3 238	1269	1341
Non current assets - Investments	8	8	8	8	8	8	8	8	8	8
Cash and investments available:	1 123	(10 072)	(11 060)	(866)	1 134	1 134	1 134	1 231	1 334	1 513
Application of cash and investments										
Unspent conditional transfers	9 151	4 083	305	3 000	3 000	3 000	3 000	3 000	3 000	1 000
Unspent borrowing	–	–	–	–	–	–	–	–	–	–
Statutory requirements	–	–	–	–	–	–	–	–	–	–
Other working capital requirements	591	31 335	9 796	8 097	(14 344)	(14 344)	(14 344)	(1 974)	(8 687)	(9 374)
Other provisions										
Long term investments committed	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments										
Total Application of cash and investments:	9 742	(35 439)	10 101	11 097	(11 344)	(11 344)	(11 344)	1 026	(5 687)	(8 374)
Surplus(shortfall)	(8 619)	(45 511)	(21 161)	(11 963)	12 478	12 478	12 478	205	7 021	9 887

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. It can be seen that the cash levels of the municipality fell significantly over the 2009/10 to 2011/12 period owing directly to a net decrease in cash for the 2011/12 financial year of R7.5 million.
4. The approved 2012/13 MTREF provide for an increase in cash of R8 million for the 2012/13 financial year resulting in an overall projected negative cash position of R2.5 million at year end.
5. As part of the 2012/13 mid-year review and Adjustments Budget this unsustainable cash position had to be addressed as a matter of urgency and various interventions were implemented such as the reduction of expenditure allocations and rationalization of spending priorities. Also there is a Revenue enhancement strategy programme that is poised to make a meaningful difference in exploiting all the opportunities available in increasing the revenue base of he municipality.
6. In addition the municipality is undertaking an extensive debt collection drive that is expected to yield cash receipts on arrear debtors of R5 million at least. These interventions have a potential of considerably increasing the net cash position of the municipality for the 2013/14 financial year.
7. The 2013/14 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.
8. Cash and cash equivalents totals R1.2 million as at the end of the 2013/14 financial year and is at least expected to increase slightly to R1.5 million by 2015/16.

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

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. From the table it can be seen that for the period 2009/10 to 2012/13 the deficit improved from R8.6 million to R9.9 million.
6. Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2011/12 MTREF was not funded owing to the significant deficit.
7. As part of the budgeting and planning guidelines that informed the compilation of the 2013/14 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.
8. As can be seen the budget has been modelled to progressively move from a deficit of R45.5 million in 2010/11 to a surplus of R 9.9 million by 2015/16.

Table 27 MBRR Table A9 - Asset Management

Description	2008/9	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
CAPITAL EXPENDITURE									
Total New Assets	8 915	23 214	22 261	14 728	17 067	17 067	13 399	16 461	25 280
Infrastructure - Road transport	5 915	6 019	4 463	10 520	10 520	10 520	5 899	12 313	15 280
Infrastructure - Electricity	3 000	16 633	7 037	1 500	500	500	--	2 000	10 000
Infrastructure - Water	–	–	–	–	–	–	--	--	--
Infrastructure - Sanitation	–	–	–	–	–	–	–	–	–
Infrastructure - Other	–	–	–	1 208	547	547	–	–	–
Infrastructure	*8 915*	*22 652*	*11 500*	*13 228*	*11 567*	*11 567*	*10 309*	*14 313*	*25 280*
Community	–	561	10 762	1 500	1 500	1 500	3 090	2 148	--
Heritage assets	–	–	–	–	–	–	–	–	–
Investment properties	–	–	–	–	–	–	–	–	–
Other Asses	--	--	--	--	4 000	4 000	--	--	--
Agricultural Assets	–	–	–	–	–	–	–	–	–
Biological assets	–	–	–	–	–	–	–	–	–
Intangibles	–	–	–	–	–	–	–	–	–
Total Renewal of Existing Assets	–	–	–	2 500	7 891	7 891	1 000	8 000	10 000
Infrastructure - Road transport	–	–	–	–	–	–	–	–	–
Infrastructure - Electricity	–	–	–	2 500	3 000	3 000	1 000	8 000	10 000
Infrastructure - Water	–	–	–	–	2 841	2 841	--	--	--
Infrastructure - Sanitation	–	–	–	–	–	–	--	--	--
Infrastructure - Other	–	–	–	–	1 500	1 500	–	–	–
Infrastructure	–	–	–	*2 500*	*7 341*	*7 341*	*1000*	*8 000*	*10 000*
Community	–	–	–	–	100	100	–	–	–
Heritage assets	–	–	–	–	–	–	–	–	–
Investment properties	–	–	–	–	–	–	–	–	–
Other Assets	--	--	--	--	450	450	--	--	--
Agricultural Assets	–	–	–	–	–	–	–	–	–
Biological assets	–	–	–	–	–	–	–	–	–
Intangibles	–	–	–	–	–	–	–	–	–
Total Capital Expenditure									
Infrastructure - Road transport	5 915	6 019	4 463	10 520	10 520	10 520	5 899	12 313	15 280
Infrastructure - Electricity	3 000	16 633	7 037	4 000	3 500	3 500	1 000	10 000	10 000
Infrastructure - Water	–	–	–	–	2 841	2 841	--	--	--
Infrastructure - Sanitation	–	–	–	–	–	–	--	--	--
Infrastructure - Other	–	–	–	1 208	2 047	2 047	4 410	–	–
Infrastructure	*8 915*	*22 652*	*11 500*	*15 728*	*18 908*	*18 908*	*10 309*	*22 313*	*35 280*
Community	–	561	10 762	1 500	1 600	1 600	3 090	2 148	--
Heritage assets	–	–	–	–	–	–	–	–	–
Investment properties	–	–	–	–	–	–	–	–	–
Agricultural Assets	–	–	–	–	4 450	4 450	–	–	–
Biological assets	–	–	–	–	–	–	–	–	–
Intangibles	–	–	–	–	–	–	–	–	–
TOTAL CAPITAL EXPENDITURE - Asset class	8 915	23 214	22 261	17 728	24 958	24 958	14 399	24 461	35 280
ASSET REGISTER SUMMARY - PPE (WDV)									
Infrastructure - Road transport		4 306	10 325	9 325	9 325	9 325	19 507	18 507	17 507
Infrastructure - Electricity			16 633	16 130	23 130	23 130	25 627	34 124	48 621
Infrastructure - Water									
Infrastructure - Sanitation									
Infrastructure - Other		1 609	2 171	12 529	13 075	13 075	15 121	29 074	43 834
Infrastructure	–	*5 915*	*29 129*	*37 984*	*45 530*	*45 530*	*60 255*	*81 705*	*109 962*
Community									
Heritage assets									
Investment properties	–	–	–	–	–	–	–	–	–
Other assets		76	2 906	2 412	1 866	1 866	1 366	866	258
Agricultural Assets	–	–	–	–	–	–	–	–	–
Biological assets	–	–	–	–	–	–	–	–	–
Intangibles	–	–	6	6	6	6	6	6	6
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	–	5 991	32 040	40 401	47 401	47 401	61 626	82 576	110 225
EXPENDITURE OTHER ITEMS									
Depreciation & asset impairment	–	–	–	3 179	54 679	54 679	57 686	60 628	63 599
Repairs and Maintenance by Asset Class	3 624	4 559	18 289	35 512	33 686	33 686	35 531	37 669	39 788
Infrastructure - Road transport	2 279	3 150	5 381	6 061	6 068	6 068	6 758	7 175	7 587
Infrastructure - Electricity	–	–	1 798	5 169	5 125	5 125	5 438	5 769	6 097
Infrastructure - Water	–	–	9 535	11 035	9 445	9 445	10 053	10 639	11 222
Infrastructure - Sanitation	–	–	232	3 336	3 429	3 429	3 657	3 885	4 111
Infrastructure - Other	–	–	6	40	69	69	18	19	20
Infrastructure	*2 279*	*3 150*	*16 952*	*25 641*	*24 136*	*24 136*	*25 925*	*27 488*	*29 036*
Community	–	–	462	5 013	5 116	5 116	5 296	5 637	5 973
Heritage assets	–	–	572	–	–	–	–	–	–
Investment properties	–	–	–	–	–	–	–	–	–

Other assets	1 345	1 410	303	4 859	4 435	4 435	5 980	4 545	4 779
TOTAL EXPENDITURE OTHER ITEMS	3 624	4 559	18 289	38 691	88 365	88 365	15 353	98 297	103 387
% of capex on Renewal of Assets	*0.0%*	*0.0%*	*0.0%*	*14.5%*	*31.6%*	*31.6%*	*6.9%*	*32.7%*	*28.3%*
Renewal of Existing Assets as % of deprecn"	*0.0%*	*0.0%*	*0.0%*	*78.6%*	*14.4%*	*14.4%*	*1.7%*	*13.2%*	*15.7%*
R&M as a % of PPE	*60.5%*	*14.2%*	*6.4%*	*57.6%*	*6.8%*	*6.8%*	*16.8%*	*21.4%*	*26.8%*
Renewal and R&M as a % of PPE	*60.0%*	*14.0%*	*6.0%*	*62.0%*	*8.0%*	*8.0%*	*14.0%*	*21.0%*	*26.0%*

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. Due to an old fleet and cash-flow constraints that have seen the municipality only having capital expenditure from outside funding from the government grants it is unable to meet both these recommendations.

Table 28 MBRR Table A10 - Basic Service Delivery Measurement

Description	2008/9	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Household service targets									
Water:									
Piped water inside dwelling									
Piped water inside yard (but not in dwelling)									
Using public tap (at least min.service level)	–	–	–	–	–	–	–	–	–
Other water supply (at least min.service level)	2 190	2 190	2 190	2 190	2 190	2 190	2 190	2 190	2 190
Minimum Service Level and Above sub-total	2 190	2 190	2 190	2 190	2 190	2 190	2 190	2 190	2 190
Using public tap (< min.service level)									
Other water supply (< min.service level)	1	1	1	10	10	10	10	10	10
No water supply	1	1	1	1	1	1	1	1	1
Below Minimum Service Level sub-total	2	2	2	11	11	11	11	11	11
Total number of households	2 192	2 192	2 192	2 201	2 201	2 201	2 201	2 201	2 201
Sanitation/sewerage:									
Flush toilet (connected to sewerage)	870	870	870	870	870	870	1 982	1 982	1 982
Flush toilet (with septic tank)									
Chemical toilet	48	48	48	48	48	48	66	66	66
Pit toilet (ventilated)	23	23	23	23	23	23	1 189	1 189	1 189
Other toilet provisions (> min.service level)									
Using public tap (< min.service level)	941	940	940	940	940	940	3 237	3 237	3 237
Bucket toilet	220	221	221	221	221	221	220	220	220
Other toilet provisions (< min.service level)									
No toilet provisions	880	880	880	880	880	880	880	880	880
Total number of households	1 100	1 100	1 100	1 100	1 100	1 100	1 100	1 100	1 100
Sanitation/sewerage:	2 041	2 041	2 041	2 041	2 041	2 041	4 337	4 337	4 337
Energy:									
Electricity (at least min.service level)									
Electricity - prepaid (min.service level)									
Using public tap (< min.service level)	–	–	–	–	–	–	–	–	–
Electricity (< min.service level)									
Electricity - prepaid (< min. service level)									
Other energy sources									
Total number of households	–	–	–	–	–	–	–	–	–
Sanitation/sewerage:	–	–	–	–	–	–	–	–	–
Refuse:									
Removed at least once a week	1	1	1	1	1	1			
Using public tap (< min.service level)	1	1	1	1	1	1	–	–	–
Removed less frequently than once a week									
Using communal refuse dump									
Using own refuse dump									
Other rubbish disposal									
No rubbish disposal									
Total number of households	–	–	–	–	–	–	–	–	–
Sanitation/sewerage:	1	1	1	1	1	1	–	–	–
Households receiving Free Basic Service									
Water (6 kilolitres per household per month)	16	16	17	18	18	18	19	21	22
Sanitation (free minimum level service)	60	65	72	79	79	79	87	92	97
Electricity/other energy (50kwh per household per month)	34	46	47	49	49	49	52	57	63
Refuse (removed at least once a week)	69	73	77	82	82	82	86	92	97
Cost of Free Basic Services provided (R'000)									
Water (6 kilolitres per household per month)	16	16	17	18	18	18	19	21	22
Sanitation (free sanitation service)	60	65	72	79	79	79	87	92	97
Electricity/other energy (50kwh per household per month)	34	46	47	49	49	49	52	57	63
Refuse (removed once a week)	69	73	77	82	82	82	86	92	97
Total cost of FBS provided (minimum social package)	0	0	0	0	0	0	0	0	0
Highest level of free service provided									
Property rates (R value threshold)	22	24	27	29	29	29	32	34	36
Water (kilolitres per household per month)	16	16	17	18	18	18	19	21	22
Sanitation (kilolitres per household per month)	6	6	6	6	6	6	6	6	6
Sanitation (Rand per household per month)	60	65	72	79	79	79	87	92	97
Electricity (kwh per household per month)	34	46	47	49	49	49	52	57	63
Refuse (average litres per week)	69	73	77	82	82	82	86	92	97
Revenue cost of free services provided (R'000)									
Property rates (R15 000 threshold rebate)	22	24	27	29	29	29	32	34	36

Property rates (other exemptions, reductions and rebates)	16	16	17	18	18	18	19	21	22
Water	6	6	6	6	6	6	6	6	6
Sanitation	60	65	72	79	79	79	87	92	97
Electricity/other energy	34	46	47	49	49	49	52	57	63
Refuse	69	73	77	82	82	82	86	92	97
Municipal Housing - rental rebates									
Housing - top structure subsidies									
Other									
Total revenue cost of free services provided (total social package)	0	0	0	0	0	0	0	0	0

Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. The municipality continues to make good progress with the eradication of backlogs:
    a. Water services – backlog will be reduced by over 200 households in 2013/14 to just 0 households. These households are largely found Rosmead and the problem is that the land there belongs to Transnet and that is why the municipality could not sort out the backlogs.
    b. Sanitation services – backlog will be reduced by over 200 households over the MTREF. The number of households with no toilet provision will be reduced by 200 households in 2014/15.
    c. Electricity services – backlog will be reduced by just over 200 households. As indicated elsewhere, the emphasis in the electricity sector is on addressing urgent network upgrades. Once the most pressing network issues have been addressed, the electrification programme will be prioritised, with 220 households budgeted to be electrified in 2014/15.
    d. Refuse services – backlog will be reduced by over 200 households in 2014/15. However it should be noted that this function is being investigated with a view to realising greater efficiencies, which is likely to translate into a more rapid process to address backlogs.
3. The budget provides for 8 800 households to be registered as indigent in 2013/14, and therefore entitled to receiving Free Basic Services.
4. It is anticipated that these Free Basic Services will cost the municipality R14.1 million in 2013/14, increasing to R17 million in 2015/16. This is covered by the municipality's equitable share allocation from national government.
5. Furthermore the municipality as a Water Services Provider is providing free basic services to the indigents and the cost of providing these is estimated to be R 11.2 m in 2013/14.
6. In addition to the Free Basic Services, the municipality also 'gives' households R 2.5 million in free services in 2013/14, and it increases to R3 million in 2015/16. This 'tax expenditure' needs to be seen within the context of the municipality's overall revenue management strategy – the more the municipality gives away, the less there is available to fund other services. Currently, the 'free services' represent about 1.4 per cent of total operating revenue.

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 is to ensure:

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

2.1.1 Budget Process Overview

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

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

- **26 September 2012** – The municipality and the council undertakes internal strategic consultation process to begin determining and reviewing the strategic objectives and budget for the next 3 years. Ward Committees report back: report back on 11/12 budget and projects and receive prioritization inputs for 2013/14. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2013/14 MTREF;
- **October 2012** – Municipality engages with external stakeholders such as national and provincial departments on sector specific programs for alignment with the IDP. Detail departmental budget proposals (capital and operating) submitted to the CFO for consolidation and assessment against the financial planning guidelines;
- **November 2012** - Consider national and provincial butgets, Dora. Consult other role players such as CHDM. Adjust 3 year indicators & tariff review
- **3 to 7 January 2013** - Departments submit operating budgets with indicators (10/11 as baseline);

- **January 2013** – Multi-year budget proposals are submitted to the Mayoral Committee for endorsement;
- **28 January 2013** - Council considers the 2011/12 Mid-year Review and Adjustments Budget;
- **February 2013** - Recommendations of the departments & IDP forum are communicated to the CFO, and on to the respective departments. The draft 2013/14 MTREF is revised accordingly;
- **29 March 2013** - Tabling in Council of the draft 2013/14 IDP and 2013/14 MTREF for public consultation;
- **April 2013** – Public consultation;
- **10 May 2013** - Closing date for written comments;
- **11 to 21 May 2013** – finalisation of the 2013/14 IDP and 2013/14 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- **28 May 2013** - Tabling of the 2013/14 MTREF before Council for consideration and approval.

There were a number of deviations from the key dates set out in the Budget Time Schedule tabled in Council.
This was due to the set meetings not sitting, information submitted late and also the effect of strike made it difficult to co-ordinate the budget processes.

2.1.2 IDP and Service Delivery and Budget Implementation Plan

This is the second review of the IDP as adopted by Council in May 2013. 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 fifth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of 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, 54, 58 and 59 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 29 March 2013 for community consultation was published on the municipality's noticeboards, 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 from 16 April 2013 to 26 May 2013, and included nine public briefing sessions. The applicable dates and venues were published in all the local newspapers and on average attendance of 30 was recorded per meeting. This is up on the previous year's process. This can be attributed to the additional initiatives that were launched during the consultation process, including the specific targeting of ratepayer associations and the ward meetings also addressing other issues other than the budget. Individual sessions were scheduled with organised business/farmers 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. However it must be stressed that the municipality has only limited capital inflow coming from the central government.
- Several complaints were received regarding poor service delivery, especially street-lighting maintenance, lack of visibility of road law enforcement and stop signs in the township areas, and the state of road infrastructure;
- There were concerns raised about the penalty tariffs as they were becoming counterproductive due to the inefficiency of the meter readers as well as some of the faulty meters; There were questions around water disputes that have been declared and that these should get some immediate attention. There was a call that the penalty tariffs should go towards solving the water problem in Middelburg.
- Issues were raised regarding the ease of getting to the electricity vendors as some were quite far to go and buy prepaid electricity;
- The municipality was criticised in the way it charges tariffs for municipal flats as concerns were raised that these are not meeting their primary objective of providing housing to the low income groups, but were now being occupied by the professionals;
- The affordability of tariff increases, especially Property Rates, was raised on few occasions. This concern was also raised by communities living in the more affluent areas;
- There were complaints about the leaks for the indigents that are causing their accounts to escalate as they are getting charged for anything above 6 kl; and there was a call for the indigent subsidy to be increased to R2 200 in one of the wards as it was considered to be too low, and
- During the community consultation process there were intergovernmental issues raised about housing reparation, lack of transport for kids going to schools that are far and thus their lives being endangered, and a lack of a community clinic in Lusaka township.

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

- The SALGBC parties' settlement regarding the salary dispute resulted in a preliminary amount of R60.1 million being provided for in the 2013/14 financial year;
- The 2011 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 municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the municipality strategically complies with the key national and provincial priorities.

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

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

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

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2013/14 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 29 IDP Strategic Objectives

2011/12 Financial Year	2012/13 MTREF
1. The provision of quality basic services and infrastructure	1. Provision of quality basic services and infrastructure
2. Local Economic Development	2. Create an environment conducive for tapping the economic potential of the area.
3. Institutional development and Transformation	3.1 Ensure the administrative capacity of the municipality s continuously improved;
4. Good Governance and Public Participation	4. Good governance and Public Participation
5. Good governance, Financial viability and institutional governance	5.1 Ensure financial sustainability
	5.2 Management and control
	5.3 Enhance service delivery and administration by using IT to maximise the potential.

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 traffic services and civil protection services;
   - Provide community services like cemeteries, firefighting, sports and recreation facilities;
   - HIV/AIDS Programmes;
   - Disaster Management;
   - Provide municipality planning services; and
   - Maintaining the infrastructure of the municipality.

2. Economic local economic development that leads to an environment conducive to economic growth by:
   - Building the local economy;
   - Poverty alleviation and job creation initiatives;
   - Promote tourism.
   - Maximize agricultural potential

3. Ensure that the Administrative capacity of the municipality is continuously improved through:
   - Institutional and capacity transformation;
   - Working with the provincial department of health to provide primary health care services;

- Extending waste removal services and ensuring effective city cleansing;
- Ensuring all waste water treatment works are operating optimally;
- Working with strategic partners such as SAPS to address crime;
- Ensuring save working environments by effective enforcement of building and health regulations;
- Promote viable, sustainable communities through proper zoning; and
- Promote environmental sustainability by protecting wetlands and key open spaces.

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

4. Ensure good governance and participation by community in the affairs of the municipality by
- Optimising effective community participation in the ward committee system; and
- Ensuring there is a reviewed municipal framework;
- Ensuring that there is a functional audit committee and an internal audit unit;
- Performance agreements are signed within the required timeframes
- Ensure that there is a system of petition management and also declaration of interest by the councilors;
- Ensure IGR structures are working.

5.1 Ensure financial sustainability through:
- Reviewing the financial and budget related policies;
- Improved metering systems;
- Establishment of the customer care system;
- Establishment of the indigent support and support service system;
- Ensuring that there is a complete valuation roll and attending to queries and objections.

5.2 Ensure that the management and control systems required by legislation are in place by October 2012 by and that the operating and reporting standards which comply with legislation by:
- Ensuring improved internal and external reporting;
- Ensuring policy development and implementation;
- Ensuring functioning internal audit function;
- Ensuring a GRAP compliant asset register;
- Ensuring full implementation of GRAP;
- Developing a multi-year based budget based on IDP;
- Ensuring that there is continuous capacity building on finances for staff and councilors;
- Implementation of MFMA;
- Developing a comprehensive audit action plan and that there is continuous reporting and monitoring thereof;
- Sourcing the services of a credible data cleansing and Revenue enhance programme service provider; and
- Staffing the BTO office

5.3 Enhance service delivery and administration by using IT to maximise the potential;

  - Ensuring there is an IT hardware and software with minimal interuption;
  - Developing an IT strategy
  - Ensuring capacitation of staff and councilors on IT

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

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

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

The 2013/14 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

Table 30 MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue

Strategic Objective	Goal	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & 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
Roads	To ensure that 25% of Arterial roads are graded by 2021.	5419	6019			13 228	13 228		14 104	16 084
Stormwater drainage system.	Reduce the effect of stormwater by 50% in 2016							7 653		
Electricity	Ensure Communicties receive adequate and uninterupted supply of electricity by 2016. Provide for the electrification of the Rosmead Community.	3 000	16 633	7 037		2 600	2 600		10 000	20 000
Sports Facilities	Provide adequate and accessible sporting facilities by 2014.	110		119	119	119	119	6 339	2 090	44
Cemetery	Ensure that the cemeteries meet the demand and are conducted in accordance with the applicable legislation by 2012.	107	157	10 463	1 610	1 610	1 610	117	124	131
Waste Management	An environment with clean well kept natural open spaces parks and maintained built environment.	–			49	49	49	45	48	51
Financial Viability	Inrease revenue of total current accounts levied by 85% by June 2013. To collect 25% of the arrear debt by June 2013. Continous monitoring and improvement of the financial recovery plan.									
	Continuous monitoring of the financial recovery plan.	52 583	29 771	22 435	22 565	25 620	25 620	33 157	35 083	37 119
Traffic Control	Render traffic service that is rendered diligently and which is visible and adding value to the crime prevention.	1 199	1 231	--	2 571	2 571	2 571	3 126	3 313	3 512
Sewerage	Complete rehabilitation and repairs to bulk sewerage lines by 2016.									
Basic Household Services	To ensure that each household has access to set of household basic services.	55 086	59 610	110 625	97 747	108 201	108 201	121 477	130 350	139 882
Free Basic Services	To ensure that poor household have access to free basic services.	26 658	34 248	32 907	58 231	55 254	55 254	55 934	57 169	58 643
EPWP					1 000	1 000	1 000	1 000	1 000	1 000
Rental of Municipal Property					1 545	1 535	1 535	1 654	1 785	1 927
Revenue Enhancement					500	500	500			
CHDM Funding & DSRAC					--	4 600	4 600	2 510	2 510	2 510
Other					714			2 407	1 467	2 418
Allocations to other priorities										
Total Revenue		144 657	147 670	183 586	186 652	216 888	216 888	235 419	259 042	283 321

Table 31 MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure

Strategic Objective	Goal	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & 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
SPU	Co-ordinated Youth, Women and the Disabled development, empowerement programmes and the relevant facilities in place by 2012.									
HIV Aids Programme	Reduce HIV % infection and its impact on individuals, families and community on an annual basis.									
Electricity	Ensure Communicties receive adequate and uninterupted supply of electricity by 2016. Provide for the electrification of the Rosmead Community.	26 745	36 419	48 959	56 143	58 113	58 113	62 560	67 331	72 438
Waste Management	An environment with clean well kept natural open spaces parks and maintained built environment.	7 250	8 325	6 133	7 155	10 056	10 056	13 838	14 668	15 548
Water Supply	Provide Metered Erf connections to ensure continous yard supply of portable water.									
Traffic Control	Render traffic service that is rendered diligently and which is visible and adding value to the crime prevention.	1 788		2 233	2 676	2 676	2 676	3 237	3 431	3 637
Developing the Local Economy	Stimulate and grow the local economy. To strengthen partnerships with the business and the labour sectors.	1 865		2 355	3 516	4 860	4 860	4 365	4 625	4 883
Poverty alleviation and Job creation.	Reduce unemploymenr rate and poverty levels in line with the Millenium Development goals.									
Tourism	Increase the number of tourists visting the area and diversify tourism sites.	3 154	3 288	1 942	2 437	3 348	3 348	3 427	3 630	3 831
Agriculture	Maximise agricultural potential of the area mean of visible and viable projects. Improve access to land for the small and emerging farmers.	899		160						
Financial Viability	Inrease revenue of total current accounts levied by 85% by June 2013. To collect 25% of the arrear debt by June 2013. Continous monitoring and improvement of the financial recovery plan.	5 391	3 520	10 942	29 430	24 140	24 140	16 944	17 905	16 795
Management and Control	Management and internal control system to be continually improved in line with the required reporting standards.		801	800	890	890	890	900	934	967
Technology	Continuously improve the IT environment to enhane service delivery and administration.		1 066	1 307	1 503	2 212	2 212	2 212	2 332	2 451

Administrative Capacity and Governance	to have an institution with capacitated officials, councillors and ward committees.	38 792	34 907	32 852	27 636	32 352	32 352	27 915	21 314	22 400
Basic Household Services	To ensure that each household has access to set of household basic services.									
Technical Services and Administration.		3 914	10 026	16 143	40 322	71 224	71 224	41 803	45 876	49 961
Community Services and Administration.		12 526	16 526	8 827	8 567	5 809	5 809	5 907	14 469	15 260
Roads	To ensure that 25% of Arterial roads are graded by 2021.	16 479	17 202	11 359	8 789	58 796	58 796	61 741	64 962	68 206
Allocations to other priorities										
Total Revenue		118 803	132 080	144 011	189 064	274 477	274 477	244 850	261 477	276 377

Table 32 MBRR Table SA7 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure

Strategic Objective	Goal	2008/9	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
Roads	To ensure that 25% of Arterial roads are graded by 2021.	5 915	6 019	4 463	11 181	14 520	14 520	5 899	12 313	15 280
Stormwater drainage system.	Reduce the effect of stormwater by 50% in 2016									
Electricity	Ensure Communicties receive adequate and uninterupted supply of electricity by 2016. Provide for the electrification of the Rosmead Community.	3 000	16 633	7 037	4 000	3 500	3 500	1 000	10 000	20 000
Sports Facilities	Provide adequate and accessible sporting facilities by 2014.							3 090	2 148	
Cemetery	Ensure that the cemeteries meet the demand and are conducted in accordance with the applicable legislation by 2012.			10 762	1 500	1 500	1 500			
Waste Management.	An environment with clean well kept natural open spaces parks and maintained built environment.					1 500	1 500			
Water Supply	Provide Metered Erf connections to ensure continous yard supply of portable water.					2 841	2 841			
	Middelburg Water Provision									
Local Economic Development	Cradock Hawkers Facility & Taxi Rank		561		547	547	547	4 410		
Sports Facilities	Provide adequate and accessible sporting facilities by 2014.									
Projects still to be identified.										
PMU						550	550			
Allocations to other priorities										
Total Capital Expenditure		8 915	23 214	22 261	17 228	24 958	24 958	14 399	24 461	35 280

2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance. However the performance management system has not been cascaded to the lower levels as it focuses on Sectional 57 employees;

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 3 Planning, budgeting and reporting cycle

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

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

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

Figure 4 Definition of performance information concepts

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

Table 33 MBRR Table SA7 - Measurable performance objectives

Strategic Objective	Goal	2008/9	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
Roads	To ensure that 25% of Arterial roads are graded by 2021.	5 915	6 019	4 463	11 181	14 520	14 520	5 899	12 313	15 280
Stormwater drainage system.	Reduce the effect of stormwater by 50% in 2016									
Electricity	Ensure Communicties receive adequate and uninterupted supply of electricity by 2016. Provide for the electrification of the Rosmead Community.	3 000	16 633	7 037	4 000	3 500	3 500	1 000	10 000	20 000
Sports Facilities	Provide adequate and accessible sporting facilities by 2014.							3 090	2 148	
Cemetery	Ensure that the cemeteries meet the demand and are conducted in accordance with the applicable legislation by 2012.			10 762	1 500	1 500	1 500			
Waste Management.	An environment with clean well kept natural open spaces parks and maintained built environment.					1 500	1 500			
Water Supply	Provide Metered Erf connections to ensure continous yard supply of portable water.					2 841	2 841			
	Middelburg Water Provision									
Local Economic Development	Cradock Hawkers Facility & Taxi Rank				547	547	547	4 410		
Sports Facilities	Provide adequate and accessible sporting facilities by 2014.									
Projects still to be identified.										
PMU						550	550			
Allocations to other priorities										
Total Capital Expenditure		5 133	10 196	25 066	11 904	18 904	18 904	25 728	32 853	39 760

The following table sets out the municipalities main performance objectives and benchmarks for the 2013/14 MTREF.

Table 34 MBRR Table SA8 - Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2008/9	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
Borrowing Management											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.7%	0.7%	0.6%	0.5%	0.3%	0.3%	0.3%	0.4%	0.4%	0.4%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	1.0%	1.0%	0.6%	0.7%	0.6%	0.6%	0.6%	0.5%	0.5%	0.5%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Safety of Capital											
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Liquidity											
Current Ratio	Current assets/current liabilities	0.7	0.2	0.5	0.5	1.4	1.4	1.4	0.9	1.2	1.3
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.7	0.2	0.3	(0.7)	0.3	0.3	0.3	0.3	0.4	0.4

Liquidity Ratio	Monetary Assets/Current Liabilities	0.1	0.0	0.2	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Revenue Management											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		108.6%	131.6%	81.4%	75.9%	76.9%	76.9%	76.9%	73.5%	74.6%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)			108.6%	131.6%	81.4%	75.9%	76.9%	76.9%	76.9%	73.5%	74.6%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	30.3%	6.8%	11.0%	7.8%	22.9%	22.9%	22.9%	8.6%	11.3%	13.1%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old				5.0%	5.0%	5.0%	5.0%	10.0%	5.0%	2.0%
Creditors Management											
Creditors System Efficiency	% of Creditors Paid Within Terms (within`MFMA' s 65(e))	30.0%	30.0%	30.0%	35.0%	35.0%	35.0%	35.0%	85.0%	90.0%	95.0%
Creditors to Cash and Investments		710.0%	-910.0%	-114.1%	-15604.8%	-663.7%	-663.7%	-663.7%	-595.6%	19185.6%	8875.0%
Other Indicators											
Electricity Distribution Losses (2)	% Volume (units purchased and generated less units sold)/units purchased and generated	13.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	10.0%	10.0%	8.0%
Water Distribution Losses (2)	% Volume (units purchased and own source less units sold)/Total units purchased and own source	20.0%	25.0%	25.0%	20.0%	20.0%	20.0%	20.0%	15.0%	10.0%	10.0%
Employee costs	Employee costs/(Total Revenue - capital revenue)	33.4%	35.4%	30.2%	32.3%	32.0%	32.0%	32.0%	30.3%	30.6%	30.6%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	38.2%	41.9%	33.3%	34.2%	34.7%	34.7%	34.7%	33.0%	33.2%	33.2%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	2.6%	3.4%	10.4%	19.0%	16.8%	16.8%		16.1%	16.1%	16.1%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	0.2%	0.4%	0.2%	2.0%	27.5%	27.5%	27.5%	26.3%	26.2%	26.0%
IDP regulation financial viability indicators	–										
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	15.6	292.5	31.0	32.2	32.2	32.2	32.2	34.8	35.0	37.4
ii.O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	59.4%	11.8%	14.6%	12.8%	36.7%	36.7%	36.7%	13.0%	16.9%	19.4%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	0.8	(0.5)	(2.3)	(0.0)	(0.2)	(0.2)	(0.2)	(0.2)	0.0	0.0

2.3.1 Performance indicators and benchmarks

2.3.1.1 Borrowing Management

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

- *Capital charges to operating expenditure* is a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing has steadily decreased from 1.2 per cent in 2009/10 to 0.6 per cent in 2012/13. This decrease can be attributed to the repayment of the DBSA loan redeemable in just over 4 years from now. It is estimated that the cost of borrowing as a percentage of the operating expenditure will decrease from 0.6 per cent in previous years to 0.4 per cent in 2013/14 and will then remain at 0.4 per cent at the end of the MTREF. The borrowing is considered a prudent financial instrument in financing capital infrastructure development, and therefore due to lower levels of borrowings this will be explored in financing the capital structure.

- *Borrowing funding of own capital expenditure* measures the degree to which own capital expenditure (excluding grants and contributions) has been funded by way of borrowing. The average over MTREF is 0 per cent which substantiates the above mentioned statement that the municipality is in a very sound financial position as far as the borrowings are concerned.

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

The municipality has not raised any amortising loans over the past five years, and the last loan was 16 years ago. This is reflected in the municipality's debt service profile, which predicts lower debt service costs between 2012 and 2016. Debt service costs may be expected to peak in 2016 due to the redemption of the DBSA long loan held by the municipality.

In summary, various financial risks could have a negative impact on the future borrowing capacity of the municipality. In particular, the lower collection rates of property rates and service charges and also the difficulty in ensuring its forecasted cash flow targets are achieved will be critical in meeting the repayments of the debt service costs. As part of the compilation of the 2013/14 MTREF the potential of smoothing out the debt profile over the longer term will be investigated.

2.3.1.2 Safety of Capital

- *The debt-to-equity ratio* is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors, overdraft and tax provisions as a percentage of funds and reserves. During the 2011/12 financial year the ratio sitting very well a level 0 per cent. As part of the planning guidelines that informed the compilation of the 2013/14 MTREF and it is expected to remain the same until the municipality has ensured proper cash-backing of reserves.

- *The gearing ratio* is a measure of the total long term borrowings over funds and reserves. Between 2009/10 and 2012/13 the gearing ratio was at 0 per cent. This was primarily a result of the sustained budget deficits where the municipality borrowing capacity was severely diminished. While the gearing ratio increases to 83.7 per cent in the 2013/14 financial year, the medium term strategy is to steadily reduce the gearing ratio to a level that does not exceed 50 per cent as a prudential limit, hence, over the 2013/14 MTREF the ratio decreases to 1.5 per cent by 2015/16 as the DBSA loans gets closer to redemption.

2.3.1.3 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the municipality has set a limit of 1, hence at no point in time should this ratio be less than 1. For the 2013/14 MTREF the current ratio is 0.4 in the 2013/14 financial year and 0.7 for the two outer years of the MTREF. Going forward it will be necessary to ensure the liquidity levels are sound. It must be noted that currently the current liabilities includes the amount payable on the CHDM agency account that is expected to be written off in the future.

- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2012/13 financial year the ratio was 0.2 and has decreased to 0.1 in the 2013/14 financial year. Prudent financial control is being implemented as this needs to be considered a pertinent risk for the municipality as any under collection of revenue will translate into serious financial challenges for the municipality. As part of the longer term financial planning objectives this ratio will have to be set at a minimum of 1.

2.3.1.4 Revenue Management

- As part of the financial sustainability strategy, an aggressive revenue enhancement strategy will be 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, good financial systems, credit control and debt collection. The collection of the arrear debt is expected to have an impact of increasing the collection rate to about 98 percent.

2.3.1.5 Creditors Management

- The municipality has not managed to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality will manage to ensure at least 85 per cent compliance rate to this legislative obligation in 2013/14 and over 90% for the two outer years. This will have a favourable impact on suppliers' perceptions of risk of doing business with the municipality, which is expected to benefit the municipality in the form of more competitive pricing of tenders, as suppliers compete for the municipality's business.

2.3.1.6 Other Indicators

- The electricity distribution losses have been sitting at 12 per cent since 2009/10 and have been managed at this level of 12 per cent in the 2012/13 financial year to 10 per cent over the MTREF. The initiatives to ensure these targets are achieved include managing illegal connections and theft of electricity by rolling out smart metering systems, including prepaid meters.

- The water distribution losses have been significantly reduced from 25.6 per cent in 2011/12 to 20 per cent in 2012/13 and a further reduction to 15 per cent in 2012/13. This will be achieved with the introduction of a water leakage report and action centre. It is planned to further reduce distribution losses from 15 per cent in 2013/14 to 8 per cent by 2015/16.

- Employee costs as a percentage of operating revenue continues to decrease over the MTREF. This is primarily owing to the high increase in bulk purchases which directly increase revenue levels, as well as increased allocation relating to operating grants and transfers.

- The repairs and maintenance decreases from 16.8 to 16.1 per cent as per cent of operating revenue when comparing year 2012/13 to 2013/14 and similarly to that of employee costs, repairs and maintenance as percentage of operating revenue it then remains the same over the MTREF owing directly to cost drivers such as bulk purchases increasing far above inflation. In real terms, repairs and maintenance has increased as part of the municipality's strategy to ensure the management of its asset base.

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

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

For the 2013/14 financial year 8 800 registered indigents have been provided for in the budget and it is expected to remain the same over the medium term. 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 equivalent to 85ℓ once a week, as well as a discount on their property rates.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement) on page 38.

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

2.3.3 Providing clean water and managing waste water

The municipality is the Water Services Provider and the Water Services Authority is Chris Hani District Municipality. Cradock is supplied water from the Fish River in the form of purified water, and Middelburg is supplied water from the boreholes.

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.

Fish River Water and the municipality have not been awarded Blue Drop status yet, indicating that the municipality's drinking water is not meeting all the requirements for quality assurance. The Inxuba Yethemba Water Treatment Plant has not yet been awarded the best medium sized drinking water treatment works by the Department of Water Affairs.

The potable water treatment works and waste water treatment works plants will require renewals/upgrading to meet the minimum Blue & Green Drop certification standards. This has been prioritised as part of the 2013/14 medium term capital budget.

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

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

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

- Infrastructure shortcomings are being addressed through the capital budget in terms of a 5-year upgrade plan in collaboration with Chris Hani District Municipality;
- The filling of vacancies has commenced and the Water Department will embark on an in-house training programme, especially for operational personnel;
- The Electricity Division is to install dedicated power supply lines to the plants; and
- The Division is working in consultation with the Department of Water Affairs to address catchment management.

2.4 Overview of budget related-policies

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

2.4.1 Review of credit control and debt collection procedures/policies

The Credit Control & Collection Policy as approved by Council in October 2010 is currently under review. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the amendments 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.

There is a need for a programme that will seek to ensure that all departments as well as external role players are actively involved in the reduction of the number of registered indigent households.

The 2013/14 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 90 per cent on current billings and another 8 per cent coming from the arrear debt. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the municipality's cash levels. In addition, the potential of a payment incentive scheme is being investigated and if found to be viable will be incorporated into the policy.

2.4.2 Asset Management, Infrastructure Investment and Funding Policy

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

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. The Asset Management, Infrastructure and Funding Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

2.4.3 Budget Adjustment Policy

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

2.4.4 Supply Chain Management Policy

The Supply Chain Management Policy was adopted by Council in March 2009. An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on.

2.4.5 Budget Policy

The Budget policies aim to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the municipality's system of delegations. The Budget Policies was approved by Council in August 2009 and was amended on 29 March 2012 in respect of both Operating and Capital Budget Fund Transfers.

2.4.6 Cash Management and Investment Policy

The municipality's Cash Management and Investment Policy was amended by Council in May 2012. The aim of the policy is to ensure that the municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduces time frames to achieve certain benchmarks.

2.4.7 Tariff Policies

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

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

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

2.5 Overview of budget assumptions

2.5.1 External factors

Domestic economy was influence by the recession that took place in the previous years where after years of strong growth, during which about two million jobs were created, our economy shrank by an estimated 1.8 per cent in 2010 and about 900 000 people lost their jobs. The recovery has started in the last 18 months and the growth for 2012 is expected between 3.6 to 4 per cent by 2013. However it must be stated that there are other exogenous factors stifling the growth in the area like drought, fuel and energy costs.

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

2.5.2 General inflation outlook and its impact on the municipal activities

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

- National Government macro economic targets;

- The general inflationary outlook and the impact on municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration. Employee related costs comprise 32.2 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. The wage agreement SALGBC concluded with the municipal workers unions on 31 July 2012 started another 3 year wage curve and the SALGBC sat around the table with the unions and agreed on the increase for the upcoming financial period. Furthermore the categorisation and job evaluation wage curves collective agreement signed on 21 April 2010 must be noted.

2.5.3 Credit rating outlook

Table 35 Credit rating outlook

Security class	Currency	Rating	Annual rating 2010/12	Previous Rating
Short term	Rand	Prime -1	20 April 2011	Prime -1
Long-term	Rand	Aa3	20 April 2011	Aa3
Outlook	Rand	Negative	20 April 2011	Negative

The rating definitions are:

- Short term : Prime – 1
  Short-Term Debt Ratings (maturities of less than one year)
  Prime-1 (highest quality)
- Long-term : Aa3
  Defined as high-grade. "Aa" rated are judged to be of high quality and are subject to very low credit risk.

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 engages in a number of financing arrangements to minimise its interest rate costs and risk. However, for simplicity the 2013/14 MTREF is based on the assumption that all borrowings are undertaken using fixed interest rates for amortisation-style loans requiring both regular principal and interest payments. As part of the compilation of the 2013/14 MTREF the potential of smoothing out the debt profile over the long term will be investigated.

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 (95 per cent) of annual billings. Cash flow is assumed to be 75 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

2.5.6 Growth or decline in tax base of the municipality

Debtors revenue is assumed to increase at a rate that is influenced by the consumer debtors collection rate, tariff/rate pricing, real growth rate of the municipality, household formation growth rate and the poor household change rate.

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

2.5.7 Salary increases

The collective agreement regarding salaries/wages came into operation on 1 July 2009 came to an end in 30 June 2012. This year a new collective agreement regarding salaries is expected to be in place to cover the 2013/14 MTREF.

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;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

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

2.5.9 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 95 per cent is achieved on operating expenditure and 100 per cent on the capital programme for the 2013/14 MTREF of which performance has been factored into the cash flow budget.

2.6 Overview of budget funding

2.6.1 Medium-term outlook: operating revenue

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

Table 36 Breakdown of the operating revenue over the medium-term

Description	2013/14 Medium Term Revenue & Expenditure Framework					
R thousand	Budget Year 2013/14	%	Budget Year +1 2014/15	%	Budget Year +2 2015/16	%
Revenue By Source						
Property rates	22 732	10%	24 096	10%	25 542	10%
Service charges	121 477	55%	130 350	56%	139 882	57%
Investment Revenue	80	0%	85	0%	90	0%
Transfers recognised - operational	46 423	21%	46 817	20%	47 266	19%
Agency services	16 214	7%	17 187	7%	18 218	7%
Other Own Revenue	14 388	7%	15 285	7%	16 238	7%
Gains on disposal of PPE						
Total Revenue (excluding capital transfers and contributions)	221 315	100%	233 820	100%	247 237	100%
Total Operating Expenditure	244 850		261 477		215 892	
Surplus/deficit	(23 535)		(27 657)		(29 140)	

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

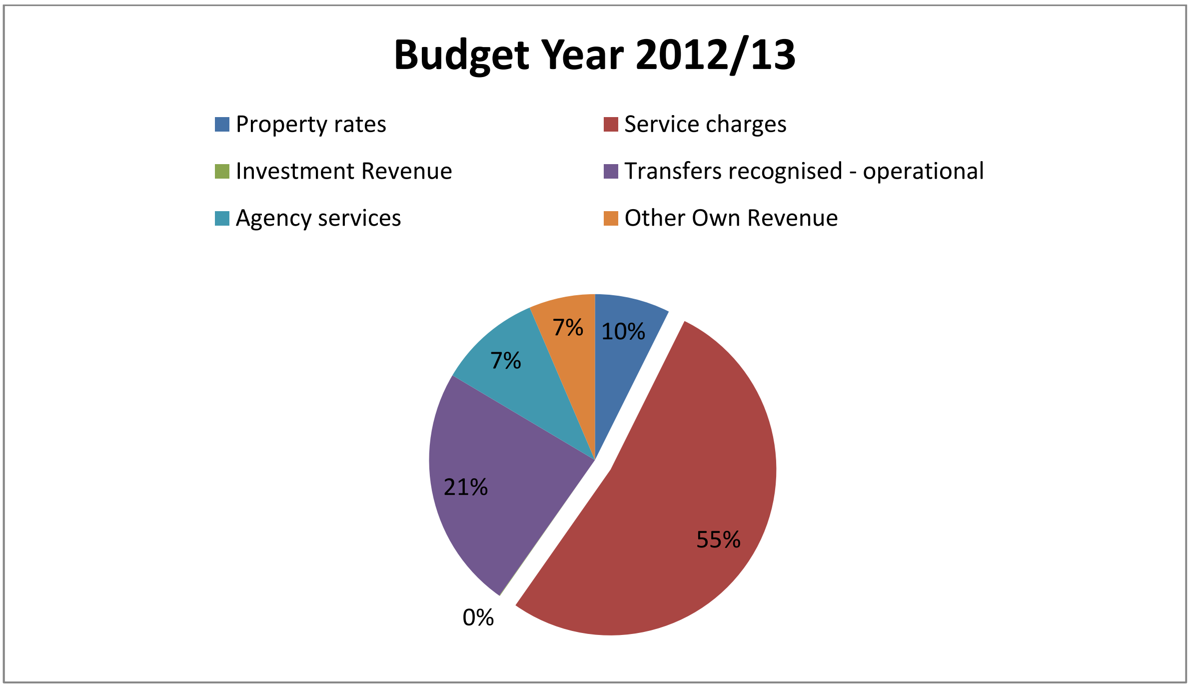


Figure 5 Breakdown of operating revenue over the 2013/14 MTREF

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

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

- Growth in the municipality and economic development;
- Revenue management and enhancement;
- Achievement of a 90 per cent annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Water and sanitation tariffs as approved by CHDM;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.

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

The proposed tariff increases for the 2013/14 MTREF on the different revenue categories are:

Table 37 Proposed tariff increases over the medium-term

Revenue category	2013/14 proposed tariff increase	2014/15 proposed tariff increase	2015/16 proposed tariff increase	2013/14 additional revenue for each 1% tariff increase	2013/14 additional revenue owing to % tariff increases	2013/14 Total Budgeted revenue
	%	%	%	R'000	R'000	R'000
Property rates	7	6	6	125	1 250	13 750
Sanitation	6	6	6	55	330	5 838
Solid Waste	7	6	6	65	650	7152
Water	6	6	6	149	895	15 812
Electricity	7	7	7	625	6 250	68 750
Total				1 019	9 375	111 302

Revenue to be generated from property rates is R22.7 million in the 2013/14 financial year and increases to R25.54 million by 2015/16 which represents 10 per cent of the operating revenue base of the municipality. It remains relatively constant over the medium-term. With the implementation of the Municipal Property Rates Act the basis of rating significantly changed.

The municipality is to undergo a process of data verification and validation relating to the valuation roll and also a process of developing a new general valuation roll is set to begin in 2013. In addition there are still outstanding objections, although significant progress was made in dealing with these objections in the 2012/13 financial year. It is anticipated that the process will be concluded by the end of 2013. As the levying of property rates is considered a strategic revenue source a further supplementary valuation process will be undertaken in the 2nd quarter of the 2013/14 financial year. The outcome of this initiative will be closely monitored and reported on a regular basis as part of the quarterly performance reporting.

Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the municipality totalling R121.5 million for the 2013/14 financial year and increasing to R139.9 million by 2015/16. For the 2013/14 financial year services charges amount to 55 per cent of the total revenue base and grows by 1 per cent per annum over the medium-term. This growth can mainly be attributed to the increase in the bulk prices of electricity and water.

Operational grants and subsidies amount to R46.4 million, R46.8 million and R47.2 million for each of the respective financial years of the MTREF, or 21, 20 and 19.1 per cent of operating revenue. It needs to be noted that in real terms the grants receipts from national government are have remain constant over the MTREF and only increase by 0.8 per cent and 1.0 per cent for the two outer years. The percentage of the total operational grants and transfers in relation to the total operating revenue is distorted owing to the high increases in revenue relating to services charges.

Investment revenue contributes marginally to the revenue base of the municipality with a budget allocation of R80 000, R85 000 and R90 000 for the respective three financial years of the 2013/14 MTREF. It needs to be noted that these allocations have been conservatively estimated and as part of the cash backing of reserves and provisions. The actual performance against budget will be carefully monitored. Any variances in this regard will be addressed as part of the mid-year review and adjustments budget.

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

Table 38 MBRR SA15 – Detail Investment Information

Investment type	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
Parent municipality									
Securities - National Government									
Listed Corporate Bonds	8	8	7	8	8	8	8	8	8
Deposits - Bank	5 339	1 442	11 100	1 621	3 621	3 621	3 718	3 821	4 000
Deposits - Public Investment Commissioners									
Deposits - Corporation for Public Deposits									
Bankers Acceptance Certificates									
Negotiable Certificates of Deposit - Banks									
Guaranteed Endowment Policies (sinking)									
Repurchase Agreements - Banks									
Municipal Bonds									
Municipality sub-total	5 347	1 450	11 107	3 629	3 629	3 629	3 726	3 829	4 000

Table 39 MBRR SA16 – Investment particulars by maturity

Investments by Maturity Name of institution & investment ID	Type of Investment	Capital Guarantee (Yes/ No)	Variable or Fixed interest rate	Interest Rate 3.	Commission Paid (Rands)	Commission Recipient	Expiry date of investment	Monetary value Rand thousand	Interest to be realised
Parent municipality									
First National Bank	Call Account	Yes	Variable	4 - 6%				2 621	121
First National Bank Agency Account	Call Account	Yes	Variable	4 - 6%					
Standard Bank	Call Account	Yes	Variable	4 - 6%				1 105	
ABSA Bank	Call Account	Yes	Variable	4 - 6%					
Nedbank	Call Account	Yes	Variable	4 - 6%					
Municipality sub-total								3 726	–

For the medium-term, the funding strategy has been informed directly by ensuring financial sustainability and continuity. The MTREF therefore provides for a budgeted deficit of R23.5 million in the 2013/14 financial year, and a budget deficit of R27.7 million and a budget deficit of R29.1 million respectively in each of the two outer financial years. This deficit is expected to end after 2016 where a budget surplus will be sought to partly fund capital expenditure from own sources as well as ensure adequate cash backing of reserves and funds post 2015/16 financial period.

2.6.2 Medium-term outlook: capital revenue

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

Table 40 Sources of capital revenue over the MTREF

Description R thousand	Current Year 2013/14 Adjusted Budget	%	2013/14 Medium Term Revenue & Expenditure Framework Budget Year 2013/14	%	Budget Year +1 2014/15	%	Budget Year +2 2015/16	%
National Government	15 167	61%	13 399	93%	24 461	100%	35 280	100%
Provincial Government								
District Municipality	2 841	11%						
Other transfers and grants								
Transfers recognised - capital	18 008	72%	13 399	93%	24 461	100%	35 280	100%
Public contributions & donations								
Borrowing								
Internally generated funds	6 950	28%	1 000	7%		0%		0%
Total Capital Funding	24 958	100%	14 399	100%	24 461	100%	35 280	100%

The above table is graphically represented as follows for the 2013/14 financial year.

Capital grants and receipts equates to 93 per cent of the total funding source which represents R13.4 million for the 2013/14 financial year and steadily increase to R35.3 million or 100 per cent by 2015/16. Growth relating to grant receipts is -11.6, 82.6 and 44.2 per cent over the medium-term.

The municipality has not budgeted for capital expenditure out of own revenue yet. This is due to the fact that as a requirement operating expenditure on basic services takes priority and that any surpluses are re-invested for capital expenditure. Also the municipality is looking at other external sources of funding like borrowing and is gearing itself in making sure that its borrowing capacity is enhanced.

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

Table 41 MBRR Table SA 17 - Detail of borrowings

Borrowing - Categorised by type	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
Parent municipality									
Long-Term Loans (annuity/reducing balance)	2 206	1 936	1 634	1 256	1 256	1 256	482	--	--
Long-Term Loans (non-annuity)									
Local registered stock									
Instalment Credit									
Financial Leases									
PPP liabilities									
Finance Granted By Cap Equipment Supplier									
Marketable Bonds									
Non-Marketable Bonds									
Bankers Acceptances									
Financial derivatives									
Other Securities									
Total Borrowings	2 206	1 936	1 634	1 256	1 256	1 256	482		

The following graph illustrates the growth in outstanding borrowing for the 2009/10 to 2015/16 period.

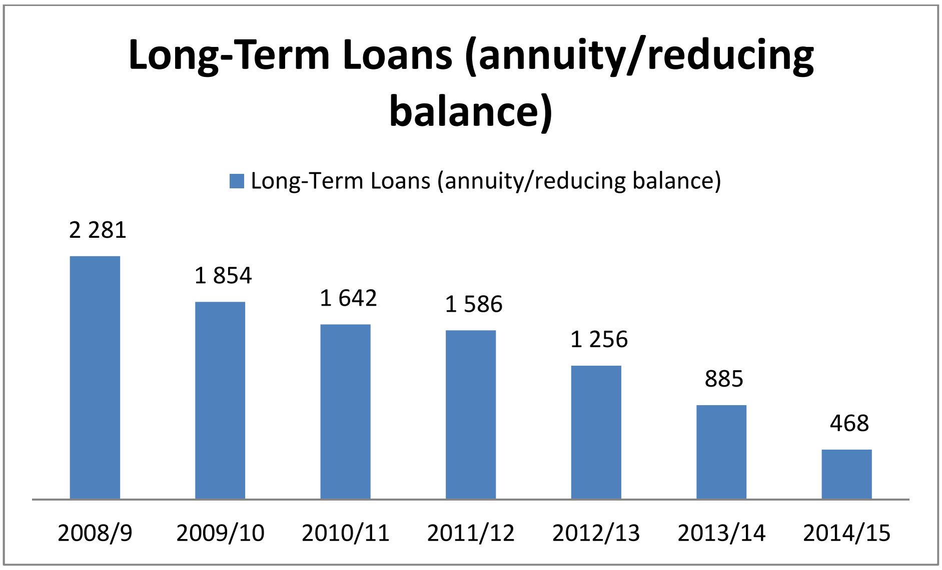


Figure 6 Growth in outstanding borrowing (long-term liabilities)

Internally generated funds consist of a mixture between surpluses generated on the operating statement of financial performance and cash backed reserves. In determining the credibility of this funding source it becomes necessary to review the cash flow budget as well as the cash backed reserves and accumulated funds reconciliation, as discussed below. Internally generated funds consist of have not featured prominently in the operational budget due to the low revenue base the municipality has. Currently the only outside source of revenue is the government grants and there is an existing loan that was incurred years ago. This is reducing and it is expected to be redeemed by 2016. The municipality is however looking at the option of sourcing borrowed funds to finance the renewal of the old and aging infrastructure.

Table 42 MBRR Table SA 18 - Capital transfers and grant receipts

Description	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Capital Transfers and Grants									
National Government	8 915	23 214	22 261	17 228	15 167	15 167	13 399	24 461	35 280
Municipal Infrastructure Grant (MIG)	5 915	6 581	15 224	13 228	15 167	15 167	13 399	14 461	15 280
Regional Bulk Infrastructure	3 000	16 633	7 037	4 000				10 000	20 000
Provincial Government	–	–	–	–	–	–	–	–	–
District Municipality	–	–	–	–	2 841	2 841	--	--	--
Water Services					2 841	2 841			
Total Capital Transfers and Grants	8 915	23 214	22 261	17 228	18 008	18 008	13 399	24 461	35 280

2.6.3 Cash Flow Management

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

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

Table 43 MBRR Table A7 - Budget cash flow statement

Description	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
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
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Ratepayers and other	91 560	114 173	115 760	107 966	118 882	118 882	128 568	139 449	147 816
Government - operating	49 852	41 528	58 663	60 085	63 154	63 154	46 658	47 224	47 972
Government - capital	10 196	25 066	18 904	25 728	15 828	15 828	13 953	24 760	36 084
Interest	639	5 075		4 085	4 085	4 085	4 330	4 590	4 865
Dividends	0								
Payments									
Suppliers and employees	(138 969)	(171 252)	(188 295)	(172 363)	(177 359)	(177 359)	-172 363	-177 934	-188 649
Finance charges	(391)	(427)		(500)	(530)	(530)	-500	-530	-562
Transfers and Grants									
NET CASH FROM/(USED) OPERATING ACTIVITIES	12 886	14 162	5 032	25 001	24 060	24 060	15 045	26 812	36 173
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on disposal of PPE	164	1 440	277				400	450	500
Decrease (Increase) in non-current debtors									
Decrease (increase) other non-current receivables									
Decrease (increase) in non-current investments	(38)	(398)	(0)						
Payments									
Capital assets	(5 991)	(26 043)	(22 574)	(25 728)	(15 828)	(15 828)	(13 953)	(24 760)	(36 084)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(5 866)	(25 001)	(22 298)	(25 728)	(15 828)	(15 828)	(13 953)	(24 310)	(36 084)
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
Payments									
Repayment of borrowing	(584)	(356)	(302)	(510)	(340)	(340)	(331)	(429)	(482)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(584)	(356)	(302)	(510)	(340)	(340)	(331)	(429)	(482)

NET INCREASE/ (DECREASE) IN CASH HELD	6 437	(11 195)	(17 568)	(1 237)	7 892	7 892	1 161	2 072	107
Cash/cash equivalents at the year begin:		6 437	(4 758)	1 115	(11 068)	(11 068)	(3 176)	(2 015)	57
Cash/cash equivalents at the year end:	6 437	(4 758)	(22 326)	(122)	(3 176)	(3 176)	(2 015)	57	164

The above table shows that cash and cash equivalents of the municipality were largely depleted between the 2010/11 and 2012/13 financial year moving from an overdraft balance of R4.8 million to a deficit of R3.2 million with the approved 2013/14 MTREF. With the 2013/14 adjustments budget various cost efficiencies and savings had to be realised to ensure the municipality could meet its operational expenditure commitments. In addition the municipality is going to undertake an extensive debt collection process to boost cash levels. This initiative and interventions are expected to translate into a positive cash position for the municipality and it is projected that cash and cash equivalents deficit will decrease to R3.2 million by the financial year end. For the 2013/14 MTREF the budget has been prepared to ensure high levels of cash and cash equivalents over the medium-term with the budget deficit anticipated to be R 3.2 million by 2013/14 and steadily moving into a positive terrain of a surplus of R57 000 by 2015/16.

2.6.4 Cash Backed Reserves/Accumulated Surplus Reconciliation

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

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

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

Table 44 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation

Description	2008/9	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 and investments available										
Cash/cash equivalents at the year end	6 437	(4 758)	(22 326)	(122)	(3 176)	(3 176)	(3 176)	(2 015)	57	164
Other current investments > 90 days	(5 322)	(5 322)	11 258	(752)	4 302	4 302	4 302	3 238	1 269	1 341
Non current assets - Investments	8	8	8	8	8	8	8	8	8	8
Cash and investments available:	1 123	(10 072)	(11 060)	(866)	1 134	1 134	1 134	1 231	1 334	1 513
Application of cash and investments										
Unspent conditional transfers	9 151	4 083	305	3 000	3 000	3 000	3 000	3 000	3 000	1 000
Unspent borrowing	–	–	–	–	–	–	–	–	–	–
Statutory requirements	591	31 335	9 796	8 097	(14 344)	(14 344)	(14 344)	(1 974)	(8 687)	(9 374)
Other working capital requirements	–	–	–	–	–	–	–	–	–	–
Other provisions										
Long term investments committed	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments										
Total Application of cash and investments:	9 742	(1 421)	10 101	11 097	(11 344)	(11 344)	(11 344)	1 026	(5 687)	(8 374)
Surplus(shortfall)	(8 619)	(45 511)	(21 161)	(11 963)	12 478	12 478	12 478	205	7 021	9 887

From the above table it can be seen that the cash and investments overdraft total R205 000 in the 2013/14 financial year and is expected to increase to R9.9 million by 2015/16, including the projected cash and cash equivalents as determined in the cash flow forecast. The following is a breakdown of the application of this funding:

- Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year. In the past these have been allowed to 'roll-over' and be spent in the ordinary course of business, but this practice has been discontinued. During the 2011/12 financial year the municipality was required to supply National Treasury with a detailed analysis of the unspent grants as well as an action plan of spending the grants. This was not done to the satisfaction of National Treasury and subsequently an amount of R3.4 million has been withheld by the National Treasury. For the 2012/13 financial year no provision has been made for this liability as the conditional grants are expected to be fully spent before the year end.
- There is no unspent borrowing from the previous financial years. In terms of the municipality's Borrowing and Investments Policy, borrowings are only drawn down once the expenditure has been incurred against the particular project. Unspent borrowing is ring-fenced and reconciled on a monthly basis to ensure no unnecessary liabilities are incurred.
- Provisions for statutory requirements include VAT owing to timing differences resulting from year- end obligations. The liability in this regard totalled R9.5 million for the 2013/14 financial year.
- The main purpose of other working capital is to ensure that sufficient funds are available to meet obligations as they fall due. A key challenge is often the mismatch between the timing of receipts of funds from debtors and payments due to employees and creditors. High levels of debtor non-payment and receipt delays will have a greater requirement for working capital, as was experienced by the municipality in 2012/13 resulting in cash flow challenges. For the purpose of the cash backed reserves and accumulated surplus reconciliation a provision equivalent to one month's operational expenditure must be provided for. It needs to be noted that although this can be considered prudent, the

desired cash levels should be 60 days to ensure continued liquidity of the municipality. Any underperformance in relation to collections could place upward pressure on the ability of the municipality to meet its creditor obligations.

- Long term investments consist primarily of the sinking funds for the repayment of a future borrowings. The sinking fund value is held within long term investments and must be 'held to maturity' and is not available for spending.
- Most reserve fund cash-backing is discretionary in nature, but the reserve funds are not available to support a budget unless they are cash-backed. The reserve funds are not fully cash-backed. The level of cash-backing is directly informed by the municipality's cash backing policy. These include the rehabilitation of landfill sites and quarries.

It can be concluded that the municipality has a deficit against the cash backed and accumulated surpluses reconciliation. The level of non cash-backing progressively deteriorated over the years and the municipality owing to a very low revenue base has been unable to have cash backed reserves due to persistent cash flow challenges. The municipality has essentially depleted all cash reserves which is a serious concern and should be considered a strategic risk to the financial stability of the municipality. As part of the planning strategy, this deficit needs to be aggressively managed downwards and as part of the medium term planning objectives. It is aimed that by 2013/15 this deficit would have been significantly reduced translating into a surplus of R1.6 million. It needs to be noted that for all practical purposes the 2013/14 MTREF is unfunded when considering the funding requirements of section 18 and 19 of the MFMA. This is due to the fact that the tariffs for water and sanitation are determined by Chris Hani District Municipality, the electricity tariffs by NERSA and leave the municipality with only the refuse and property rates tariffs that it has the latitude to change. It must be stressed that this budget has had some considerations that needed to be taken into account in an effort to increase the future reserves. The 2013/14 MTREF has been informed by ensuring the financial plan meets the minimum requirements of the MFMA. However, from a practical perspective it would not be possible to eradicate this deficit in one financial year hence the phased approach over the MTREF. Nevertheless from a pure cash flow perspective (cash out flow versus cash inflow) the budget is funded and is therefore credible. The challenge for the municipality will be to ensure that the underlying planning and cash flow assumptions are meticulously managed, especially the performance against the collection rate.

2.6.5 Funding compliance measurement

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

Table 45 MBRR SA10 – Funding compliance measurement

Description	MFMA section	2008/9	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	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Funding measures	–									
Cash/cash equivalents at the year beg - R'000	18(1)b	6 437	(4 758)	(22 326)	(122)	(3 176)	(3 176)	(2 015)	57	164
Cash + investments at the yr end less applications - R'000	18(1)b	(8 619)	(45 511)	(21 161)	(11 963)	12 478	12 478	205	7 021	9 887
Cash year end/monthly employee/supplier payments	18(1)b	0.8	(0.5)	(2.3)	(0.0)	(0.2)	(0.2)	(0.2)	0.0	0.0
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	25 854	15 590	39 575	(2 412)	(57 589)	(57 589)	(9 431)	(2 435)	6 944
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	N.A.	4.4%	66.5%	(20.7%)	5.2%	(6.0%)	10.3%	1.1%	1.1%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	108.6%	131.6%	81.4%	75.9%	76.9%	76.9%	73.5%	74.6%	74.0%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	0.0%	0.0%	0.0%	5.2%	31.8%	31.8%	5.6%	6.6%	7.4%
Capital payments % of capital expenditure	18(1)c;19	67.2%	112.2%	101.4%	149.3%	63.4%	63.4%	96.9%	101.2%	102.3%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a							102.0%	102.1%	101.2%
Current consumer debtors % change - incr(decr)	18(1)a	N.A.	(78.2%)	112.0%	(24.9%)	218.3%	0.0%	(58.7%)	38.9%	22.7%
Long term receivables % change - incr(decr)	18(1)a	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	60.5%	14.2%	6.4%	57.6%	6.8%	6.8%	16.8%	21.4%	26.8%
Asset renewal % of capital budget	20(1)(vi)	0.0%	0.0%	0.0%	14.5%	31.6%	31.6%	6.9%	32.7%	28.3%

2.6.5.1 Cash/cash equivalent position

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

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year. The forecasted cash and cash equivalents for the 2013/14 MTREF shows R 2.015 million (deficit), R0.057 million and R 0.164 million for each respective financial year.

2.6.5.2 Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in Table 25, on page 25. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

2.6.5.3 Monthly average payments covered by cash or cash equivalents

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts. Notably, the ratio has been up and down for the period 2009/10 to 2012/13, moving from 0.8 to (0.2) with the adopted 2012/13 MTREF. As part of the 2013/14 MTREF the municipality's improving cash position causes the ratio to remain at (0.2) and then improves to 0.0 and 0.0 for the outer years. As indicated above the municipality aims to achieve at least one month's cash coverage in the medium term, and then gradually move towards two months coverage. This measure will have to be carefully monitored going forward.

2.6.5.4 Surplus/deficit excluding depreciation offsets

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An ‘adjusted’ surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term. For the 2013/14 MTREF the indicative outcome is a surplus/(deficit) of (R9.4) million, (R2.4) million and R6.9 million.

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.

2.6.5.5 Property Rates/service charge revenue as a percentage increase less macro inflation target

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

The factor is calculated by deducting the maximum macro-economic inflation target increase (which is currently 3 - 6 per cent). The result is intended to be an approximation of the real increase in revenue. From the table above it can be seen that the percentage growth totals 3.2, 2.7 and 2.8 per cent for the respective financial year of the 2013/14 MTREF. Considering the lowest percentage tariff increase in relation to revenue generated from rates and services charges is 6 per cent, with the increase in electricity at 7 per cent it is to be expected that the increase in revenue will exceed the inflation target figures. However, the outcome is lower than it might be due to the slowdown in the economy and a reduction in consumption patterns. This trend will have to be carefully monitored and managed with the implementation of the budget.

2.6.5.6 Cash receipts as a percentage of ratepayer and other revenue

This factor is a macro measure of the rate at which funds are ‘collected’. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 73.5, 74.6 and 74.0 per cent for each of the respective financial years. Given that the assumed collection rate was based on a 90 per cent performance target, the cash flow statement has been conservatively determined. In addition the risks associated with objections to the valuation roll need to be clarified and hence the conservative approach, also taking into consideration the cash flow challenges experienced in the current financial year. This measure and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly.

2.6.5.7 Debt impairment expense as a percentage of billable revenue

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. The provision has been appropriated at 5.6, 6.6 and 7.4 per cent over the MTREF. Considering the probable debt incentive scheme and the municipality’s revenue management strategy’s objective to collect outstanding debtors of 90 days, the provision is well within the accepted leading practice.

2.6.5.8 Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 0 per cent timing discount has been factored into the cash position forecasted over the entire financial year. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that creditors be paid within 30 days.

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

The purpose of this measurement is to determine the proportion of a municipality's 'own-funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers/grants and contributions) has been excluded. It can be seen that borrowing equates to 0.0, 0.0 and 0.0 per cent of own funded capital. Further details relating to the borrowing strategy of the municipality can be found on 66.

2.6.5.10 Transfers/grants revenue as a percentage of Government transfers/grants available

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

2.6.5.11 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.

2.6.5.12 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. It must be stressed for the Inxuba Yethemba municipality this ratio is higher than the rule of thumb 8%, because of the very old infrastructure the municipality has and its' inability to replace this with immediate effect. Due to the age of the infrastructure and the fact that even though these are still in use their book values are very minimal it makes the per cent of the repairs and maintenance to assets very high. Details of the municipality's strategy pertaining to asset management and repairs and maintenance is contained in Table 60 MBRR SA34C on page 90.

2.6.5.13 Asset renewal/rehabilitation expenditure level

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

2.7 Expenditure on grants and reconciliations of unspent funds

Table 46 MBRR SA19 - Expenditure on transfers and grant programmes

Description	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
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
EXPENDITURE:									
Operating Expenditure of Transfers and Grants									
National Government:	28 508	36 248	38 060	42 835	43 858	43 858	43 796	44 190	44 756
Local Government Equitable Share	26 658	34 248	35 770	39 535	40 558	35 770	40 536	40 656	41 139
Finance Management	1 250	1 250	1 500	1 500	1 500	1 500	1 550	1 600	1 650
Municipal Systems Improvement	600	750	790	800	800	800	890	934	967
EPWP Incentive Grant				1 000	1 000	1 000	1 000	1 000	1 000
Provincial Government:	–	–	–	500	500	500	2 627	2 627	2 500
Sports & Recreation							2 510	2 510	2 510
LED Grant							117	117	
Revenue Enhancement Grant				500	500	500			
District Municipality:	–	–	–	--	--	--	--	--	--
Water Services									
Other grant providers:	–	–	–	–	–	–	–	–	–
Total Operating Expenditure of Transfers and Grants	28 508	36 248	38 060	43 335	44 358	44 358	46 423	46 817	47 266
Capital Expenditure of Transfers and Grants									
National Government:	10 196	25 066	18 904	17 228	15 828	15 828	13 953	24 760	36 084
Municipal Infrastructure Grant (MIG)	7 196	9 066	10 904	13 228	13 228	13 228	13 953	14 760	16 084
Regional Bulk Infrastructure	3 000	16 000	8 000	4 000	2 600	2 600		10 000	20 000
Other capital transfers/grants [insert desc]									
Provincial Government:	–	–	–	–	–	–	–	–	–
Other capital transfers/grants [insert description]									
District Municipality:	–	–	–	–	–	–	--	--	--
Water Services									
Other grant providers:	–	–	–	–	–	–	–	–	–
Total Capital Expenditure of Transfers and Grants	10 196	25 066	18 904	17 228	15 828	15 828	13 953	24 760	36 084
TOTAL EXPENDITURE OF TRANSFERS & GRANTS	38 4704	61 314	56 964	60 563	60 186	60 186	60 376	71 577	83 350

Table 47 MBRR SA 20 - Reconciliation between of transfers, grant receipts and unspent funds

Description	2008/9	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
Operating transfers and grants:									
Operating Transfers and Grants									
Balance unspent at beginning of the year	–	–							
Current year receipts	28 508	36 248	38 060	43 858	43 858	43 858	43 796	44 190	44 756
Conditions met - transferred to revenue	28 508	36 248	38 060	43 858	43 858	43 858	43 796	44 190	44 756
Conditions still to be met - transferred to liabilities			750						
Provincial Government:									
Balance unspent at beginning of the year									
Current year receipts	24 256	9 167	(5 153)	500	2 600	2 600	2 627	2 627	2 510
Conditions met - transferred to revenue	24 256	9 167	(5 153)	500	2 600	2 600	2 627	2 627	2 510
Conditions still to be met - transferred to liabilities									
District Municipality:									
Balance unspent at beginning of the year									
Current year receipts									
Conditions met - transferred to revenue	–	–	–	--	--	--	--	--	--
Conditions still to be met - transferred to liabilities									
Other grant providers:									
Balance unspent at beginning of the year									
Current year receipts									
Conditions met - transferred to revenue	–	–	–	–	–	–	–	–	–
Conditions still to be met - transferred to liabilities									
Total operating transfers and grants revenue	52 764	45 415	32 907	44 358	46 458	46 458	46 423	46 817	47 266
Total operating transfers and grants - CTBM	–	–	750	–	–	–	–	–	–
Capital transfers and grants:									
Operating Transfers and Grants									
Balance unspent at beginning of the year			1 786						
Current year receipts	8 915	25 000	18 904	17 228	15 167	15 167	13 399	24 461	35 280
Conditions met - transferred to revenue	8 915	23 214	22 261	17 228	15 167	15 167	13 399	24 461	35 280
Conditions still to be met - transferred to liabilities		1 786	(1 571)						
Provincial Government:									
Balance unspent at beginning of the year									
Current year receipts									
Conditions met - transferred to revenue	–	–	–	–	–	–	–	–	–
Conditions still to be met - transferred to liabilities									
District Municipality:									
Balance unspent at beginning of the year									
Current year receipts					2 841	2 841			
Conditions met - transferred to revenue	–	–	–	–	2 841	2 841	--	--	--
Conditions still to be met - transferred to liabilities									
Other grant providers:									
Balance unspent at beginning of the year									
Current year receipts									
Conditions met - transferred to revenue	–	–	–	–	–	–	–	–	–
Conditions still to be met - transferred to liabilities									
Total capital transfers and grants revenue	8 915	23 214	22 261	17 228	18 008	18 008	13 399	24 461	35 280
Total capital transfers and grants - CTBM	–	1 786	(1 571)	–	–	–	–	–	–
TOTAL TRANSFERS AND GRANTS REVENUE	61 679	68 629	55 168	61 586	64 466	64 466	59 822	71 278	82 546
TOTAL TRANSFERS AND GRANTS - CTBM	–	1 786	(1 571)	–	–	–	–	–	–

2.8 Councillor and employee benefits

Table 48 MBRR SA22 - Summary of councillor and staff benefits

Summary of Employee and Councillor remuneration	2008/9	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
–	A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)									
Basic Salaries and Wages	4 265	4 907	5 464	5 664	5 895	5 895	6 220	6 537	6 857
Pension and UIF Contributions									
Medical Aid Contributions									
Motor Vehicle Allowance									
Cellphone Allowance									
Housing Allowances									
Other benefits and allowances									
Sub Total - Councillors	4 265	4 907	4 907	5 398	5 895	5 895	6 220	6 537	6 857
% increase		15.0%	11.4%	3.7%	4.1%	–	5.5%	5.1%	4.9%
Senior Managers of the Municipality									
Basic Salaries and Wages	3 238	4 476	4 438	4 704	4 704	4 704	5 031	5 358	5 679
Pension and UIF Contributions									
Medical Aid Contributions									
Overtime									
Performance Bonus									
Motor Vehicle Allowance									
Cellphone Allowance									
Housing Allowances									
Other benefits and allowances									
Payments in lieu of leave									
Long service awards									
Post-retirement benefit obligations									
Sub Total - Senior Managers of Municipality	–	4 476	4 438	4 438	4 704	4 704	5 031	5 358	5 679
0		38.2%	(0.9%	6.0%	–	–	6.9%	6.5%	6.0%
Other Municipal Staff									
Basic Salaries and Wages	33 800	34 993	34 328	39 284	42 531	42 531	44 191	47 001	49 765
Pension and UIF Contributions	5 214	5 345	5 340	6 524	6 284	6 284	6 484	6 906	7 320
Medical Aid Contributions	1 885	1 898	3 415	2 284	3 914	3 914	4 328	4 609	4 885
Overtime	1 609	1 756	2 843	1 671	2 657	2 657	2 796	2 978	3 156
Performance Bonus	–	188	--	30	--	--	--	--	--
Motor Vehicle Allowance	1 856	1 871	2 052	2 531	2 793	2 793	2 831	3 015	3 196
Cellphone Allowance	–	0	–	51	42	42	29	30	32
Housing Allowances	176	125	121	158	181	181	197	210	222
Other benefits and allowances	419	505	510	895	824	824	871	927	983
Payments in lieu of leave									
Long service awards									
Post-retirement benefit obligations									
Sub Total - Other Municipal Staff	44 960	46 681	48 610	53 428	59 227	59 227	61 726	65 677	60 032
0		6.9%	4.4%	9.0%	9.5%	–	4.2%	6.4%	5.9%
Total Parent Municipality	52 463	56 064	58 511	63 795	69 826	69 826	72 977	77 571	82 097
		6.9%	4.4%	9.0%	9.5%	–	4.5%	6.3%	5.8%

Table 49 MBRR SA23 - Salaries, allowances and benefits (political office bearers/councillors/ senior managers)

Disclosure of Salaries, Allowances & Benefits 1. Rand per annum	Salary	Contributions 1.	Allowances	Performance Bonuses	In-kind benefits	Total Package 2.
Councillors						
Speaker			568 495			568 495
Chief Whip			282 277			282 277
Executive Mayor			726 510			726 510
Deputy Executive Mayor						–
Executive Committee			846 830			846 830
Total for all other councillors			3 795 398			3 795 398
Total Councillors	–	–	6 219 510			6 219 510
Senior Managers of the Municipality						
Municipal Manager (MM)	949 114					949 114
Chief Finance Officer	767 612					767 612
Manager Corporate Services	767 612					767 612
Manager Community Services	767 612					767 612
Manager Technical Services	767 612					767 612
Manager LED	767 612					767 612
Total Senior Managers of the Municipality	4 787 174	–	–	–		4 787 174

Table 50 MBRR SA24 – Summary of personnel numbers

Summary of Personnel Numbers	2011/12			Current Year 2012/13			Budget Year 2013/14		
Number	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
Municipal Council and Boards of Municipal Entities									
Councillors (Political Office Bearers plus Other Councillors)	18		18	18		18	18		18
Board Members of municipal entities									
Municipal employees									
Municipal Manager and Senior Managers	6		6	6		6	6		6
Other Managers	11		11	11		11	11		11
Professionals	*51*	*48*	*5*	*60*	*46*	*5*	*60*	*55*	*5*
Finance	36	33	5	45	31	5	45	40	5
Spatial/town planning	5	5	–	5	5	–	5	5	–
Information Technology	1	1		1	1	–	1	1	–
Roads	6	6	–	6	6	–	6	6	–
Electricity	2	2	–	2	2	–	2	2	–
Water									
Sanitation	1	1	–	1	1	–	1	1	–
Refuse									
Other									
Technicians	*274*	*250*	*24*	*276*	*250*	*24*	*276*	*252*	*24*
Finance	24	5	19	24	5	19	24	5	19
Spatial/town planning	5	–	5	5	–	5	5	–	5
Information Technology							1	1	–
Roads									
Electricity	13	13	–	13	13	–	13	13	–
Water	14	14	–	15	14	–	15	15	–
Sanitation	12	12	–	12	12	–	12	12	–
Refuse									
Other	206	206	–	206	206	–	206	206	–
Clerks (Clerical and administrative)	18	18	–	19	19	–	21	21	–
Service and sales workers									
Skilled agricultural and fishery workers									
Craft and related trades									
Plant and Machine Operators	6	6	–	6	6	–	6	6	–
Elementary Occupations									
TOTAL PERSONNEL NUMBERS	384	321	64	396	321	64	396	332	64
% increase				3.1%	–	--	--	3.4%	–
Total municipal employees headcount									
Finance personnel headcount									
Human Resources personnel headcount									

2.9 Monthly targets for revenue, expenditure and cash flow

Table 51 MBRR SA25 - Budgeted monthly revenue and expenditure

Description	Budget Year 2013/14												Medium Term Revenue and Expenditure Framework		
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand															
Revenue by Source															
Property rates	21 884											0	21 884	23 197	24 589
Property rates - penalties & collection charges	74	74	74	74	74	74	74	74	74	74	74	34	848	899	953
Service charges - electricity revenue	6 688	6 688	6 888	6 888	6 188	6 188	6 188	6 188	6 188	6 988	7 288	6 866	79 229	85 567	92 412
Service charges - water revenue	1 897	1 897	1 897	1 897	1 897	1 897	1 897	1 897	1 897	1 897	1 397	1 640	22 004	23 324	24 723
Service charges - sanitation revenue	6 188											(1)	6 188	6 559	6 953
Service charges - refuse revenue	1 149	1 149	1 149	1 149	1 149	1 149	1 149	1 149	1 149	1 149	1 149	1 190	13 831	14 660	15 540
Service charges - other	15	20	20	20	20	20	20	20	19	15	15	18	226	239	254
Rental of facilities and equipment	148	148	148	148	148	148	148	148	148	148	148	21	1 654	1 785	1 927
Interest earned - external investments	7	7	7	7	7	7	7	7	6	6	7	7	80	85	90
Interest earned - outstanding debtors	576	576	576	576	576	576	576	576	576	576	576	554	6 890	7 303	7 742
Dividends received	–	–	–	–	–	–	–	–	–	–	–	--	--	--	--
Fines	11	11	11	11	11	11	10	10	10	10	10	8	119	127	135
Licences and permits	261	261	261	261	261	261	261	261	261	261	261	249	3 126	3 313	3 512
Agency services				4 000			4 000			4 000		4 214	16 214	17 187	18 218
Transfers recognised - operational	23 199				13 519				9 940			(235)	46 423	46 817	47 266
Other revenue	219	219	219	219	219	219	219	219	219	219	219	191	2 600	2 757	2 923
Total Revenue (excluding capital transfers and	62 316	11 050	11 250	15 250	24 069	10 550	14 549	10 549	20 487	15 343	11 144	14 758	221 315	233 820	247 237
Expenditure by Type															
Expenditure By Type															
Employee related costs	5 381	5 381	5 381	5 381	5 381	5 381	5 681	5 781	5 781	5 781	5 781	6 075	67 166	71 465	75 691
Remuneration of councillors	498	498	498	498	498	498	539	539	539	539	539	539	6 220	6 537	6 857
Debt impairment													8 112	10 260	12 429
Depreciation & asset impairment													57 686	60 628	63 599
Finance charges	47	47	47	47	47	47	47	47	47	47	47	40	559	587	616
Bulk purchases	4 545	4 545	4 545	4 545	4 145	4 045	3 745	3 545	3 545	4 545	4 545	4 303	50 596	54 627	58 979
Other materials													1 969	2 070	2 171
Contracted services	408	408	408	408	408	408	408	408	408	408	408	421	4 903	5 185	3 423
Transfers and grants	14	14	14	14	14	14	14	14	14	14	14	12	169	177	186
Other expenditure	4 113	4 013	4 013	4 013	4 013	4 013	4 013	4 013	4 013	4 013	4 013	3 224	47 470	49 942	52 428
Loss on disposal of PPE	15 006	14 906	14 906	14 906	14 506	14 406	14 446	14 346	14 346	15 346	15 346	82 383	244 850	261 477	276 377
Surplus/(Deficit)	47 310	(3 856)	(3 656)	344	9 563	(3 856)	102	(3 798)	6 410	(4)	(4 203)	(67 625)	(23 535)	(27 657)	(29 140)
Transfers recognised - capital	1 220	1 224	1 224	1 224	1 224	1 224	1 224	1 224	1 224	1 224	1 224	644	14 104	25 222	36 084
Contributions recognised - capital												–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	48 530	(2 632)	(2 432)	1 568	10 787	(2 632)	1 326	(2 574)	7 364	1 220	(2 979)	(66 981)	(9 431)	22 595	6 944
Surplus/(Deficit)	48 530	(2 632)	(2 432)	1 568	10 787	(2 632)	1 326	(2 574)	7 364	1 220	(2 979)	(66 981)	(9 431)	(2 435)	6 944

Table 52 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)

Description	Budget Year 2013/14												Medium Term Revenue and Expenditure Framework		
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand															
Revenue by Vote												–	–	–	–
Vote 1 - Council												432	432	458	485
Vote 2 - Executive Mayor												54	54	58	61
Vote 3 - Municipal Manager												83	83	88	93
Vote 4 - Corporate Services	13	13	13	13	13	13	13	13	13	13	13	219	363	385	408
Vote 5 - Finance	45 084	355	355	355	14 518	355	355	355	9 992	335	355	1 057	73 488	75 724	78 242
Vote 6 - Community Services	1 849	1 449	1 449	1 449	1 749	1 449	1 449	1 749	1 449	1 449	1 449	3 882	20 821	21 860	22 961
Vote 7 - Technical Services	12 188	10 688	10 688	14 688	10 188	10 188	14 188	10 188	10 188	14 988	10 288	10 954	139 417	159 671	180 348
Vote 8 - Local Economic Development	50	54	54	54	54	54	54	54	54	54	54	169	761	799	723
Total Revenue by Vote	59 184	12 558	12 558	16 558	26 522	12 058	16 058	12 358	21 696	16 858	12 158	16 850	235 419	259 042	283 321
Expenditure by vote to be appropriated															
Vote 1 - Council	1 078	1 178	1 178	1 178	1 178	1 178	1 178	1 178	1 178	1 178	1 178	998	13 856	14 592	15 332
Vote 2 - Executive Mayor	83	83	83	83	83	83	83	83	83	83	83	180	1 088	1 155	1 223
Vote 3 - Municipal Manager	306	306	306	306	306	306	306	306	306	306	306	282	3 648	3 877	4 102
Vote 4 - Corporate Services	802	802	802	802	802	802	802	802	802	802	802	818	9 640	10 209	10 775
Vote 5 - Finance	1 598	1 598	1 598	1 598	1 598	1 598	1 598	1 598	1 598	1 598	1 598	1 578	19 156	20 236	19 247
Vote 6 - Community Services	1 948	1 848	1 848	1 848	1 848	1 848	1 848	1 848	1 848	1 848	1 848	1 740	22 168	23 497	24 807
Vote 7 - Technical Services	8 900	8 900	8 900	8 900	8 900	8 900	8 900	8 900	8 900	8 900	8 900	69 216	167 116	179 246	191 745
Vote 8 - Local Economic Development	644	644	644	644	644	644	644	644	764	764	764	736	8 180	8 665	9 146
Total Expenditure by Vote	15 359	15 359	15 359	15 359	15 359	15 359	15 359	15 359	15 479	15 479	15 479	75 546	244 850	261 477	276 377
Surplus/(Deficit) before assoc.	43 826	(2 800)	(2 800)	1 200	11 163	(3 300)	700	(3 000)	6 217	1 380	(3 320)	(58 696)	(9 431)	(2 435)	6 944
												--	--	--	--
Taxation												–	–	–	–
Surplus/(Deficit) attributable to municipality															
												--	--	--	--
Surplus/(Deficit)	43 826	(2 800)	(2 800)	1 200	11 163	(3 300)	700	(3 000)	6 217	1 380	(3 320)	(58 696)	(9 431)	(2 435)	6 944

Table 53 MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)

Description	Budget Year 2013/14												Medium Term Revenue and Expenditure Framework		
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand															
Revenue - Standard															
Governance and administration	45 097	368	368	368	14 531	368	368	368	10 005	368	368	1 845	74 420	76 712	79 289
Executive and council												569	569	603	639
Budget and treasury office	45 084	355	355	355	14 518	355	355	355	9 992	355	355	1 057	73 488	75 724	78 242
Corporate services	13	13	13	13	13	13	13	13	13	13	13	219	363	385	408
Community and public safety	355	355	355	355	354	354	354	355	355	355	354	640	4 539	4 632	4 734
Community and social services	279	279	279	279	279	279	279	279	279	279	279	565	3 635	3 643	3 651
Sport and recreation	7	7	7	7	6	6	6	7	7	7	6	7	85	90	95
Public safety	2	2	2	2	2	2	2	2	2	2	2	1	27	28	30
Housing	66	66	66	66	66	66	66	66	66	66	66	66	792	871	958
Health												–	–	–	–
Economic and environmental serv	1 459	1 489	1 489	1 489	1 489	1 489	1 489	1 489	1 489	1 489	1 489	1 554	17 905	19 244	20 223
Planning and development	28	28	28	28	28	28	28	28	28	28	28	144	454	475	379
Road transport	1 431	1 461	1 461	1 461	1 461	1 461	1 461	1 461	1 461	1 461	1 461	1 410	17 451	18 770	19 844
Environmental protection												–	–	–	–
Trading services	15 922	9 733	9 933	13 933	9 233	9 233	13 233	9 233	9 233	14 033	9 833	14 425	137 980	157 845	178 428
Electricity	6 688	6 688	6 888	6 888	6 188	6 188	6 188	6 188	6 188	6 988	7 288	6 935	79 298	95 642	112 493
Water	1 897	1 897	1 897	5 897	1 897	1 897	5 897	1 897	1 897	5 897	1 397	6 292	38 656	40 976	43 434
Waste water management	6 188											(1)	6 188	6 559	6 953
Waste Management	1 149	1 149	1 149	1 149	1 149	1 149	1 149	1 149	1 149	1 149	1 149	1 198	13 838	14 668	15 548
Other												575	575	610	646
Total Revenue - Standard	62 833	11 945	12 145	16 145	25 608	11 444	15 444	11 445	21 082	16 245	12 044	19 038	235 419	259 042	283 321
Expenditure - Standard															
Governance and administration	3 958	3 958	3 958	3 958	3 958	3 958	3 958	3 958	3 858	3 858	3 858	4 148	47 386	50 070	50 679
Executive and council	1 578	1 578	1 578	1 578	1 578	1 578	1 578	1 578	1 478	1 478	1 478	1 533	18 591	19 624	20 657
Budget and treasury office	1 398	1 398	1 398	1 398	1 398	1 398	1 398	1 398	1 398	1 398	1 398	1 566	16 944	17 905	16 795
Corporate services	982	982	982	982	982	982	982	982	982	982	982	1 050	11 852	12 541	13 226
Community and public safety	1 132	1 156	1 156	1 156	1 156	1 156	1 156	1 156	1 156	1 156	1 156	979	13 666	14 469	15 260
Community and social services	499	499	499	499	499	499	499	499	499	499	499	417	5 907	6 220	6 528
Sport and recreation	467	487	487	487	487	487	487	487	487	487	487	399	5 736	6 100	6 458
Public safety	59	59	59	59	59	59	59	59	59	59	59	51	695	738	781
Housing	89	84	84	84	84	84	84	84	84	84	84	86	1 012	1 077	1 141
Health	19	27	27	27	27	27	27	27	27	27	27	25	316	334	351
Economic and environmental services	1 631	1 631	1 631	1 631	1 631	1 631	1 631	1 631	1 631	1 631	1 631	55 975	73 914	77 898	81 883
Planning and development	801	801	801	801	801	801	801	801	801	801	801	749	9 560	10 157	10 736
Road transport	830	830	830	830	830	830	830	830	830	830	830	55 226	64 354	67 740	71 147
Environmental protection													–	–	–
Trading services	7 840	7 840	7 840	7 840	7 840	7 840	7 840	7 840	7 840	7 840	7 840	20 815	106 456	115 411	124 725
Electricity	5 245	5 245	5 245	5 245	5 245	5 245	5 245	5 245	5 245	5 245	5 245	5 468	62 560	67 331	72 438
Water	1 364	1 364	1 364	1 364	1 364	1 364	1 364	1 364	1 364	1 364	1 364	9 860	24 864	27 239	29 634
Waste water management	620	620	620	620	620	620	620	620	620	620	620	4 925	11 745	13 104	14 474
Waste management	611	611	611	611	611	611	611	611	611	611	611	563	7 287	7 736	8 180
Other	286	286	286	286	286	286	286	286	286	286	286	286	3 427	3 630	3 830
Total Expenditure - Standard	14 487	14 870	14 870	14 870	14 670	14 670	14 670	14 870	14 770	14 770	14 770	82 203	244 850	261 477	276 377
Surplus/(Deficit)	47 986	(2 925)	(2 725)	1 275	10 938	(3 226)	774	(3 425)	6 312	1 475	(2 726)	(63 165)	(9 431)	(2 435)	6 944

Table 54 MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)

Description	Budget Year 2013/14												Medium Term Revenue and Expenditure Framework		
R thousand	July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Multi-year expenditure *to be appropriated*															
Multi-year expenditure to be appropriated												–	–	–	–
Vote 1 - Council												–	–	–	–
Vote 2 - Executive Mayor												–	–	–	–
Vote 3 - Municipal Manager												–	–	–	–
Vote 4 - Corporate Services												–	–	–	–
Vote 5 - Finance												–	–	–	–
Vote 6 - Community Services												–	–	–	–
Vote 7 - Technical Services												–	–	–	–
Vote 8 - Local Economic Development												–	–	–	–
Capital multi-year expenditure sub-total	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Single-year expenditure *to be appropriated*															
Single-year expenditure to be appropriated												–	–	–	–
Vote 1 - Council												–	–	–	–
Vote 2 - Executive Mayor												–	–	–	–
Vote 3 - Municipal Manager												–	–	–	–
Vote 4 - Corporate Services												–	–	–	–
Vote 5 - Finance			386	386	386	386	386	386	386	386		–	3 090	2 148	–
Vote 6 - Community Services			862	862	862	862	862	862	862	862		–	6 899	22 313	35 280
Vote 7 - Technical Services			490	490	490	490	490	490	490	490	490	--	4 410	--	--
Capital single-year expenditure sub-total			1 739	1 739	1 739	1 739	1 739	1 739	1 739	1 739	490	--	14 399	24 461	35 280
Total Capital Expenditure			1 739	1 739	1 739	1 739	1 739	1 739	1 739	1 739	490	--	14 399	24 461	35 280

Table 55 MBRR SA29 - Budgeted monthly capital expenditure (standard classification)

Description	Budget Year 2013/14												Medium Term Revenue and Expenditure Framework		
R thousand	July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Capital Expenditure - Standard															
Governance and administration	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Executive and council												–	–	–	–
Budget and treasury office												–	–	–	–
Corporate services												–	–	–	–
Community and public safety			386	386	386	386	386	386	386	386	386		3 090	2 148	–
Community and social services												–	--	--	–
Sport and recreation			386	386	386	386	386	386	386	386	386	–	3 090	2 148	–
Public safety												–	–	--	--
Housing												–	–	–	–
Health												–	–	–	–
Economic and environmental services	–	–	1 227	1 227	1 227	1 227	1 227	1 227	1 227	1 227	1 227	490	10 309	12 313	12 612
Planning and development			490	490	490	490	490	490	490	490	490	490	4 410	--	–
Road transport			737	737	737	737	737	737	737	737	737	--	5 899	12 313	15 280
Environmental protection												–			
Trading services	–	–	125	125	125	125	125	125	125	125	125	–	1 000	10 000	20 000
Electricity			125	125	125	125	125	125	125	125	125	–	1000	10 000	20 000
Water												–	--	--	--
Waste water management												–	--	--	--
Waste management												–			
Other												–	–	–	–
Total Capital Expenditure Standard	–	–	1 739	1 739	1 739	1 739	1 739	1 739	1 739	1 739	1 739	490	14 399	24 461	35 280

Table 56 MBRR SA30 - Budgeted monthly cash flow

MONTHLY CASH FLOWS	Budget Year 2013/14												Medium Term Revenue and Expenditure Framework		
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Cash Receipts By Source															
Revenue By Source	1 050	1 050	1 050	1 050	1 050	1 050	1 050	1 050	1 050	1 050	1 050	450	15 000	15 900	16 854
Property rates												–			
Property rates - penalties & collection charges	6 188	6 188	6 188	6 188	6 188	6 188	6 188	6 188	6 188	6 188	6 188	7 688	75 750	81 290	89 913
Service charges - electricity revenue	1 297	1 297	1 297	1 297	1 297	1 297	1 297	1 297	1 297	1 297	1 297	1 097	15 364	16 286	17 263
Service charges - water revenue	515	515	515	515	515	515	515	515	515	515	515	518	6 188	6 559	6 953
Service charges - sanitation revenue	649	649	649	649	649	649	649	649	649	649	649	650	7 790	11 335	11 919
Service charges - refuse revenue	15	15	15	15	15	15	15	15	15	15	15	15	184	196	207
Service charges - other	148	148	148	148	148	148	148	148	148	148	148	148	1 781	1 959	2 155
Rental of facilities and equipment	5	5	5	5	5	5	5	5	5	5	5	5	58	62	66
Interest earned - external investments	344	344	344	344	344	344	344	344	344	344	344	346	4 130	4 378	4 640
Interest earned - outstanding debtors												–			
Fines	10	10	10	10	10	10	10	10	10	10	10	10	114	121	129
Dividends Received															
Licences and permits	261	262	262	262	262	262	262	262	262	262	262	257	3 138	3 326	3 525
Agency Services													15 578	16 513	17 504
				4 000			4 000			4 000					
Transfer receipts - operational	23 199				13 519				9 940			3 578	46 658	47 224	47 972
Transfers recognised - operational	150	150	150	150	150	150	150	150	150	150	150	131	1 776	1 882	1 995
Cash Receipts by Source	33 831	10 633	13 633	14 633	24 152	10 633	14 633	10 633	20 573	14 633	10 633	14 892	193 509	207 031	221 094
Other Cash Flows by Source															
Transfer receipts - capital	6 000				4 000				3 953			–	12 953	24 760	36 084
Transfers recognised - capital & Contributions recognised												–			
Receipts												–			
Proceeds on disposal of PPE												–			
+Decrease (increase) other non-current receivables												–			
Total Cash Receipts by Source	39 831	10 633	13 633	14 633	25 152	10 633	14 633	10 633	24 526	14 633	10 633	14 892	207 462	231 791	257 178
Cash Payments by Type															
Employee related costs	5 381	5 381	5 381	5 381	5 381	5 381	5 681	5 781	5 781	5 781	5 781	5 666	66 757	71 034	75 240
Remuneration of councillors	498	498	498	498	498	498	539	539	539	539	539	539	6 220	6 537	6 857
Finance charges	47	47	47	47	47	47	47	47	47	47	47	40	559	587	616
Bulk purchases - Electricity	4 545	4 545	4 545	4 545	4 145	4 045	3 745	3 545	3 545	4 545	4 545	3 744	50 036	54 039	58 362
Bulk purchases - Water & Sewer												559	559	587	616
Other Materials	170	170	170	170	170	170	170	170	170	170	170	99	1 969	2 070	2 171
Contracted Services	408	408	408	408	408	408	408	408	408	408	408	421	4 903	5 185	3 423
Transfers and grants - other	14	14	14	14	14	14	14	14	14	14	14	12	169	177	186
Other expenditure	4 113	4 013	4 013	4 013	4 013	4 013	4 013	4 013	4 013	4 013	4 013	3 634	47 879	50 372	52 879
Cash Payments by Type	15 176	15 076	15 076	15 076	14 676	14 576	14 616	14 516	14 516	15 516	15 516	14 714	172 863	178 464	189 211
Other Cash Flows/Payments by Type															
Payments			1 512	1 512	1 512	1 512	1 512	1 512	1 512	1 512	785	1 072	13 953	24 760	36 084
Payments			1 80						151			–	331	429	482
Other Cash Flows/Payments												–			
Total Cash Payments by Type	15 176	15 076	16 678	16 588	16 188	16 088	16 128	16 028	16 180	17 028	16 301	15 786	193 335	215 778	236 916
NET INCREASE/(DECREASE) IN CASH HELD	24 655	(4 443)	(3 135)	(1 955)	11 964	(5 455)	(1 496)	(5 396)	8 346	(2 396)	(5 669)	(894)	14 127	16 013	20 263
Cash/cash equivalents at the month/year begin:	(3 176)	21 479	17 036	13 901	11 946	23 910	18 454	16 959	11 563	19 909	17 513	11 845	(3 176)	10 951	26 954
Cash/cash equivalents at the month/year end:	21 479	17 036	13 901	11 946	23 910	18 454	16 959	11 563	19 909	17 513	11 845	10 951	10 951	26 954	47 226

2.10 Annual budgets and SDBIPs – internal departments

2.10.1 Halls Department – Vote 4

The department is primarily responsible for the provision municipal halls for rental within the municipal boundary.

Table 57 Halls Department - operating revenue by source, expenditure by type and total capital expenditure

Description	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Revenue By Source							
Rental of facilities and equipment	96	152	152	152	177	188	199
Other revenue							
Gains on disposal of PPE							
Total Revenue (excluding capital transfers and contributions)	96	152	152	152	177	188	199
Expenditure By Type							
Employee related costs	1 504	1 699	1 690	1 690	1 645	1 752	1 857
Remuneration of councillors							
Debt impairment							
Depreciation & asset impairment		1 059	1 059	1 059	1 117	1 174	1 232
Finance charges							
Bulk purchases							
Other materials	42	5	45	45	47	50	52
Contracted services							
Transfers and grants							
Other expenditure	272	565	343	343	350	367	385
Loss on disposal of PPE							
Total Expenditure	1 818	3 328	3 137	3 137	3 159	3 343	3 526
Surplus/(Deficit)	(1 722)	--	(2 986)	(2 986)	(2 982)	(3 156)	(3 327)
Transfers recognised - capital	--	--	--	--	--	--	--
Contributions recognised - capital	–	–	–	–	–	–	–
Contributed assets	--	--	(100)	(100)	--	--	--
Surplus/(Deficit) after capital transfers & contributions	(1 722)	(3 176)	(3 086)	(3 086)	(2 982)	(3 156)	(3 327)
Taxation							
Surplus/(Deficit) after taxation	(1 722)	(3 176)	(3 086)	(3 086)	(2 982)	(3 156)	(3 327)
Attributable to minorities							
Surplus/(Deficit) attributable to municipality	(1 722)	(3 176)	(3 086)	(3 086)	(2 982)	(3 156)	(3 327)
Share of surplus/ (deficit) of associate							
Surplus/(Deficit) for the year	(1 722)	(3 176)	(3 086)	(3 086)	(2 982)	(3 156)	(3 327)

There is currently no unfilled positions in the management structure of the Halls Department. As part of the performance objectives for the 2013/14 financial year, the optimum utilization of halls and the maintenance there will require spending to maintain the existing equipment.

There are no capital projects to be undertaken over the medium term.

The departmental strategy in ensuring the economic value, quality and optimum usage of the community halls is maintained. However the cash flow is always a challenges.

The departmental revenue base is primarily informed by the rental of municipal halls of which budget appropriation for the 2013/14 financial year is R176,980 and increases to R198,855 by 2015/16.

The departmental strategy needs to ensure the economic value and is enhanced by looking into carefully strategically at the full occupancy of the municipal halls as well as the tariffs reflective of the costs incurred being charged which are very close to the market related, to ensure that it does indeed cover the costs as per the requirement of the funded budget in the MFMA. However it must be stated that the municipality in reality has social responsibility to ensure that this service is accessible to all and that it is affordable and hence the tariffs may not always be cost reflective. To this end, the medium-term expenditure framework provides for operational deficit of R2.6 million, R2.8 million and R2.96 million in each of the respective financial years of the MTREF if we take into account the current capacity.

Clearly there is a big difference between the operating revenue and the operating expenditure. Thus the long term strategy of the municipality will be to close the gap so that a significant portion of the revenue as compared to operating expenditure is generated

2.10.2 Water Services Department – Vote 7

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

Table 58 Water Services & Sanitation Department - operating revenue by source, expenditure by type and total capital expenditure

Description	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Revenue By Source							
Service charges - water revenue		27 081	20 758	20 758	22 004	23 324	24 723
Service charges - sanitation revenue		16 020	5 838	5 838	6 188	6 559	6 953
Service charges – other							
Interest earned - outstanding debtors		3 036					
Agency services		18 696	15 296	15 296	16 214	17 187	18 218
Other revenue		38	414	414	439	465	493
Gains on disposal of PPE							
Total Revenue (excluding capital transfers and contributions)		46 175	42 306	42 306	44 844	47 535	50 387
Expenditure By Type							
Employee related costs		6 720	7 730	7 730	8 267	8 803	9 331
Remuneration of councillors							
Debt impairment		5 917	39 917	39 917	8 112	10 260	12 429
Depreciation & asset impairment							
Finance charges		2	--	--			
Bulk purchases		84	530	530	559	588	616
Other materials		353	1 495	1 495	1 577	1 657	1 739
Contracted services		3 500	1 500	1 500	1 600	1 682	1 764
Transfers and grants							
Other expenditure		5 478	17 119	17 119	18 070	19 011	19 967
Loss on disposal of PPE							
Total Expenditure		12 638	66 796	66 796	36 609	40 344	44 108
Surplus/(Deficit)		33 537	24 490	(24 490)	8 235	7 191	6 279
Transfers recognised - capital							
Surplus/(Deficit) for the year		33 537	24 490	(24 490)	8 235	7 191	6 279

Table 598 Water Services Department – Performance objectives and indicators

Description	Unit of measurement	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Technical Services	% household with							
Basic Services	access to basic							
Sanitation	services.		99.0%	99.0%	99.0%	99.0%	99.0%	100.0%
Insert measure/s description								
Access to basic services								
Water	% household with							
Insert measure/s description	access to basic		99.0%	99.0%	99.0%	99.0%	99.0%	100.0%

There are currently no unfilled positions in the top management structure of the Water Services Department. The top management structure consists of the Water Services Area Manager, three technicians, a senior plumber and two plumbers, sewer purification operator, 2 handymen, 10 general workers and 5 sewerage assistants. As part of the performance objectives for the 2013/14 financial year, the expansion of the functional water demand management unit will require an amendment to the departmental organogram and the subsequent filling of vacancies.

Significant capital projects to be undertaken over the medium term includes, amongst others:

- Refurbishment of bulk water – R1 million;
- Cradock Bulk Water Meters -- R 1 million;
- Investigation on Water Losses -- R 3 million;
- Installation of Standby Generators -- R 2.5 million;
- Security & Fencing of Water Properties -- R 0.5 million;
- Term Tender Operations & Maintenance -- R 3 million;
- Term Tender Supply of Cogulants -- R 0.9 million
- Retrofitting Projects – R3.36 million;

The departmental strategy is ensuring the economic value and useful life of the water reticulation network and infrastructure is maintained. However the old infrastructure is always a problem and these above mentioned projects are placed strategically to deal with those and make some kind of a dent in the infrastructural challenges. To this end, the medium-term expenditure framework provides for operational repairs and maintenance of R3 million, R3.5 million and R3.7 million in each of the respective financial years of the MTREF.

The departmental revenue base is primarily informed by the sale of water of which budget appropriation for the 2013/14 financial year is R20.8 million and increases to R24.7 million by 2015/16 and has been informed by a collection rate of 90 per cent and distribution losses of 15 per cent.

The reduction of distribution losses is considered a priority and hence the departmental objectives and targets provide for a 5 per cent efficiency gain per annum. In relation to this target, past performance has been irregular with a total distribution loss of 25 per cent in 2009/10, and continued at 25 per cent the next two years and then is significantly expected to be decreasing by 5 per cent for the 2012/13 financial year resulting in a total distribution loss of 20 per cent for the year.

Currently the 20% is an estimate as the raw meter reading devices are not working. This is expected to be resolved in due course as water conservation is one of the most critical areas for Inxuba Yethemba municipality. This will be coupled with a system of water demand management.

The establishment of a water demand management unit expected to be extremely successful with the reduction of distribution losses by 2015/16 financial year as at the moment the municipality is faced with numerous challenges in dealing with the distribution losses due to the faulty meters. The further expansion of this unit will inevitably result in the further lowering of the distribution losses, thus paying for the unit itself and effecting additional savings for the municipality.

2.10.3 Finance Department – Vote 5

The department is primarily responsible for the financial administration within the municipal boundary, which includes the Budget and treasury office, Reporting, Revenue and Debt Collection, Supply Chain, Expenditure and Creditors and IT.

Table 609 Finance Department - operating revenue by source, expenditure by type and total capital expenditure

Description	Ref	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Revenue By Source								
Property rates	2	19 456	12 500	12 500	12 500	13 750	14 575	15 450
Property rates - penalties & collection charges								
Service charges - other			131	174	174	195	215	236
Interest earned - external investments		152	65	72	72	76	80	85
Interest earned - outstanding debtors		2 582	4 800	500	500	5 300	5 618	5 955
Dividends received								
Fines		37	178	102	102	112	123	136
Agency services								
Transfers recognised - operational		32 909	39 293	38 813	38 813	44 358	46 875	50 624
Other revenue	2	136	2 477	2 340	2 340	2 496	2 670	2 853
Gains on disposal of PPE		1 440						
Total Revenue (excluding capital transfers and contributions)		55 342	63 448	66 690	66 690	73 504	75 740	78 259
Expenditure By Type	-							
Employee related costs	2	6 927	8 912	8 843	8 843	9 148	9 742	10 326
Remuneration of councillors								
Debt impairment	3							
Depreciation & asset impairment	2		2	2	2	2	2	2
Finance charges								
Bulk purchases	2							
Other materials	8	4	6	6	61	6	6	7
Contracted services		1 235	7 031	9 731	9 731	2 012	2 115	167
Transfers and grants								
Other expenditure	4, 5	22 537	12 481	5 573	5 573	5 791	6 056	6 311
Loss on disposal of PPE								
Total Expenditure		30 704	29 430	24 155	24 155	16 960	17 921	16 813
Surplus/(Deficit)		24 638	34 018	42 532	42 532	56 554	57 819	61 446
Transfers recognised - capital								
Surplus/(Deficit) for the year		24 638	34 018	42 532	42 532	56 554	57 819	61 446

There are currently 3 unfilled key positions in the management structure of the Finance Services Department. The management structure consists of the Chief Finance Officer, Sectional Head

Revenue, Sectional Head Accounting Services, Sectional Head Expenditure and Creditors, and IT Manager. The following are also key positions that are currently vacant. Chief Accountant, IT Manager. As part of the performance objectives for the 2013/14 financial year, the functioning of the finance department will require the subsequent filling of vacancies.

Significant projects to be undertaken over the medium term includes, amongst others:

- Revenue enhancement strategy – R 5.3 million;

The departmental strategy in ensuring the economic value and proper functioning needs to be staffed with highly skilled personnel. The IT section has been filled with a qualified person and this has significantly addressed the constant IT interruptions that have been experienced in the past. However this person is a consultant not an employee of the municipality. There are significant challenges experienced in supply chain and thus delaying expenditure and projects, and hence a qualified dedicated person is needed in the section. There is also a need for the Reporting and the Budget and Treasury Officer as currently all the section 71 reports and council reports are a responsibility of the CFO. There are currently interns that are assisting in this regard and there is a prospect of intergrating some of them if not all of them into the municipality from the internship programme. These position are to be filled in June 2013.

The departmental revenue base is primarily informed by the Equitable Share, and other operational grants as well as the Property Rates and interest earned outstanding debtors of which budget appropriation for the 2013/14 financial year is R73.5 million and increases to R78.3 million by 2015/16 and has been informed by a collection rate of 85 per cent. It must be stressed that this department is not dealing on trading services as the property rates is not an exchanged transaction. Whatever surplus is available will be used to fund the administration and other non-trading services as well as the indigents for electricity and refuse.

The collection of current as well as the arrear debt and revenue enhancement has been considered a priority and hence the departmental objectives and targets provide for a 90 per cent efficiency collections against the budgeted revenue. The 90% being the collection of current debt and aided by 8% of the arrear debt per annum. In relation to this target, past performance has been irregular with the increasing debtors book over the years.

The establishment of a BTO and SCM units are expected to be extremely successful with the reduction of all the bottlenecks and delays in submitting the reports on time as well as the delays on procurement by 2013/14 financial year as at the moment the municipality is faced with numerous challenges in dealing with these using the CFO with the limited amount of resources available. The further expansion of this unit will inevitably result in the further skills the staff at the lower levels.

2.10.4 Library Services Department – Vote 6

The department is primarily responsible for the library services within the municipal boundary on behalf of the Department of Sports Recreation Arts and Culture, which includes the lending of books, provision of reading material and literature, and reading space, of the departmental capital programme. It also promotes reading and literacy within the community.

Table 60 Libraries Department - operating revenue by source, expenditure by type and total capital expenditure

Description	Ref	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Revenue By Source								
Fines		4	3	3	3	3	4	4
Transfers recognised - operational				2 100	2 100	2 510	2 510	2 510
Other revenue	2	2	2	2	2	2	2	2
Gains on disposal of PPE								
Total Revenue (excluding capital transfers and contributions)		6	5	2 105	2 105	2 516	2 516	2 516
Expenditure By Type	-							
Employee related costs	2	1 307	1 562	1 941	1 941	2 076	2 210	2 343
Remuneration of councillors								
Debt impairment	3							
Depreciation & asset impairment	2	–						
Finance charges								
Bulk purchases	2							
Other materials	8	7	9	11	11	11	12	12
Contracted services		2	3	3	3	3	3	3
Transfers and grants								
Other expenditure	4, 5	43	86	171	171	63	67	70
Loss on disposal of PPE								
Total Expenditure		1 359	1 660	2 125	2 125	2 153	2 292	2 429
Surplus/(Deficit)		(1 354)	1 655	20	20	362	224	88
Transfers recognised - capital								
Contributions recognised - capital	6	–	–	–	–	–	–	–
Contributed assets								
Surplus/(Deficit) for the year		(1 354)	1 655	20	20	362	224	88

There are currently no unfilled positions in the management structure of the Libraries Department. The management structure consists of the Librarian and the support staff. As part of the performance objectives for the 2013/14 financial year, the department carries its' mandate from the Department of Sports Recreation Arts and Culture.

There are no significant capital projects to be undertaken over the medium term includes, amongst others:
The departmental strategy is ensuring that there is a functional libraries within the municipal area and draws its programmes from Department of Sports Recreation Arts and Culture.

The departmental revenue base is primarily informed by the claims to be made on all the expenditure incurred by the municipality. The claims expected to be made are as follows for the budget appropriation for the 2013/14 financial year is R2.5 million and remains at R2.5 million over the MTREF up to 2015/16.

2.10.5 Refuse and Street Sweeping Services Department – Vote 6

The department is primarily responsible for the garbage removal and street sweeping within the municipal boundary, which includes the provision of plastic bags, cleanup of the area.

Table 61 Refuse and Street Sweeping Department - operating revenue by source, expenditure by type and total capital expenditure

Description	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Revenue By Source							
Service charges - refuse revenue	11 681	7 150	8 053	8 053	13 830	14 660	15 540
Service charges - other	--	2	0	0	0	0	0
Rental of facilities and equipment	2	2	2	2	7	7	7
Interest earned - external investments							
Interest earned - outstanding debtors							
Dividends received							
Fines							
Licences and permits							
Agency services							
Transfers recognised - operational			2 000	2 000			
Other revenue	(1)	(0)	0	0	1	1	1
Gains on disposal of PPE							
Total Revenue (excluding capital transfers and contributions)	11 682	7 155	10 055	10 055	13 838	14 668	15 548
Expenditure By Type							
Employee related costs	4 941	5 190	5 203	5 203	5 567	5 928	6 284
Remuneration of councillors							
Debt impairment							
Depreciation & asset impairment							
Finance charges							
Bulk purchases							
Other materials	7	8	8	8	1	1	1
Contracted services	--	1	501	501	1	1	1
Transfers and grants							
Other expenditure	1 185	1 613	1 769	1 769	1 718	1 805	1 894
Loss on disposal of PPE							
Total Expenditure	6 133	6 812	7 481	7 481	7 287	7 736	8 180
Surplus/(Deficit)	5 548	343	2 574	(2 182)	6 551	6 932	7 369
Transfers recognised - capital							
Surplus/(Deficit) for the year	5 548	343	2 574	(2 182)	6 551	6 932	7 369

Table 62 Refuse Department – Performance objectives and indicators

Description	Unit of measurement	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework	
		Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15
Waste Management							
Environemnt with clean and well kept natural spaces	Environemnt with clean and well kept natural		99.0%	99.0%	99.0%	99.0%	99.0%

There are currently no unfilled positions in the management structure of the Refuse removal and Street Sweeping Services Department. As part of the performance objectives for the 2013/14 financial year, the number of trees planted and maintained; an establishment of a compliant disposal site; the rehabilitation of the disposal site; the number of jobs created (EPWP), and this will require the subsequent filling of vacancies for the EPWP.

Significant capital projects operational projects to be undertaken over the medium term includes, amongst others:

- EPWP – R1 million;
- Licencing of the disposal site (Capital) – R0.4 million;

- Fencing of the disposal site R0.1 million.

The departmental strategy is ensuring the economic value and useful life of the disposal site and infrastructure is maintained and plans are made to register the disposal site, fence it and rehabilitate the disposal site. However the cash flow has always been problem and these above mentioned projects are placed strategically to at least solve the legal and compliance issues and the maintenance and the operations of the dumping sites. To this end, the medium-term expenditure framework provides for operational repairs and maintenance of R0.27 million, R0.28 million and R0.30 million in each of the respective financial years of the MTREF.

The departmental revenue base is primarily informed by the refuse removal service charges of which budget appropriation for the 2013/14 financial year is R13.8 million and increases to R15.5 million by 2015/16. The municipality has had to increase the tariffs for this to at least make sure that the cost of providing this trading service are indeed covered.

The implementation of the EPWP project for the clean-up campaigns is expected to be extremely successful with the reduction of illegal dumps by 2013/14 financial year as at the moment the municipality is faced with numerous challenges illegal dumping.

2.10.6 Sports and Recreation and Parks – 6

The department is primarily responsible for the Sporting facilities, Swimming pools and Parks and Gardens within the municipal boundary, which includes ensuring that there are adequate, accessible and properly maintained sporting facilities,.

Table 63 Sports and Recreation and Parks - operating revenue by source, expenditure by type and total capital expenditure

Description	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Revenue By Source							
Rental of facilities and equipment	140	154	154	154	67	71	75
Other revenue	13	14	14	14	18	19	20
Gains on disposal of PPE							
Total Revenue (excluding capital transfers and contributions)	153	168	168	168	85	90	95
Expenditure By Type							
Employee related costs	4 474	4 750	4 819	4 819	5 132	5 465	5 793
Depreciation & asset impairment		2	2	2	2	2	3
Other materials	62	84	114	114	55	58	61
Contracted services							
Transfers and grants							
Other expenditure	745	613	705	705	546	574	602
Loss on disposal of PPE							
Total Expenditure	5 282	5 449	5 640	5 640	5 736	6 100	6 458
Surplus/(Deficit)	(5 129)	(5 281)	(5 472)	(5 472)	(5 651)	(6 010)	(6 363)
Transfers recognised - capital							
Surplus/(Deficit) for the year	(5 129)	(5 281)	(5 472)	(5 472)	(5 651)	(6 010)	(6 363)

There are currently no unfilled positions in the management structure of the Sports and Recreation and Parks Department. The management structure consists of the Sports and Recreation and Parks Superintendent and other supporting staff. As part of the performance objectives for the 2013/14 financial year, the renovations and improved conditions of the facilities as well as the upgrading of the stadium will require the subsequent filling of vacancies.

Significant capital projects to be undertaken over the medium term includes, amongst others:
- Upgrading of Phiti Stadium – R 3.0 million;
- Upgrading of Sikulu Sports Facility – R 1.5 million

The departmental strategy is ensuring that there are adequate and accessible sporting facilities for all in the area of Inxuba Yethemba and that the infrastructure is maintained. However the vandalism of the existing infrastructure and the low income generated from these facilities is always a problem and this above mentioned projects are placed strategically to deal with the challenge and make some kind of a dent in the infrastructural challenges. To this end, the medium-term expenditure framework provides for operational repairs and maintenance of R5.3 million, R5.6 million and R6.0 million in each of the respective financial years of the MTREF.

The departmental revenue base is primarily informed by the gate takings and the rental of the facilities by the community of which budget appropriation for the 2013/14 financial year is R 85 000 and increases to R 95 000 by 2015/16. The operating expenditure for the 2013/14 financial year is R5.7 million and increases to R6.45 million by 2015/16

Clearly there is a big difference between the operating revenue and the operating expenditure. Thus the long term strategy of the municipality will be to close the gap so that a significant portion of the revenue as compared to operating expenditure is generated.

2.10.7 Traffic, Fire and Civil Protection Department Services Department – Vote 6

The department is primarily responsible for the traffic control, fire and civil protection within the municipal boundary, which includes the law enforcement, controlled traffic flow and speed humps, increased law enforcement, fire and civil protection and implementation of the departmental capital programme.

Table 64 Traffic, Fire and Civil Protection Services Department - operating revenue by source, expenditure by type and total capital expenditure

Description	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Revenue By Source							
Fines	101	88	88	88	93	99	105
Licences and permits	2 630	2 570	2 570	2 570	3 124	3 311	3 510
Other revenue	25	28	44	44	46	49	52
Total Revenue (excluding capital transfers and contributions)	2 756	2 686	2 701	2 701	3 263	3 549	3 667
Expenditure By Type							
Employee related costs	2 491	2 870	2 798	2 798	2 839	3 023	3 204
Other materials	2	23	23	23	2	3	3
Other expenditure	259	650	843	843	544	572	600
Total Expenditure	2 751	3 543	3 664	3 664	3 386	3 598	3 807
Surplus/(Deficit)	5	(857)	(963)	(963)	(122)	(139)	(141)
Transfers recognised - capital							
Surplus/(Deficit) for the year	5	(857)	(963)	(963)	(122)	(139)	(141)

There is currently one unfilled position in the management structure of the Traffic Control Services Department and that is the one of Superintendent traffic Services. The top management structure consists of the Superintendent Traffic services and the support staff. As part of the performance objectives for the 2013/14 financial year, the increase in law enforcement will require the subsequent filling of vacancies.

There are no capital projects to be undertaken over the medium term.

The departmental strategy needs to ensure the economic value and is enhanced by looking into carefully strategically at the optimization of the economies of scale to ensure that it does indeed cover the costs as per the requirement of the funded budget in the MFMA. To this end, the medium-term expenditure framework provides for operational deficit of R 122 000, R 139 000 and R 141 000 in each of the respective financial years of the MTREF if we take into account the current capacity.

The departmental revenue base is primarily informed by the Revenue from licenses and permits and the traffic fines of which budget appropriation for the 2013/14 financial year is R 3.3 million and increases to R 3.7 million by 2015/16.

Clearly there is a small difference between the operating revenue and the operating expenditure. Thus the long term strategy of the municipality will be to close the gap so that a significant portion of the revenue as compared to operating expenditure is generated and with a possibility of generating a surplus.

2.10.8 Housing Department – Vote 7

The department is primarily responsible for the provision of the low costs housing for rental within the municipal boundary.

Table 65 Housing Department - operating revenue by source, expenditure by type and total capital expenditure

Description	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Revenue By Source							
Rental of facilities and equipment	551	660	660	660	792	871	958
Other revenue							
Gains on disposal of PPE							
Total Revenue (excluding capital transfers and contributions)	551	660	660	660	792	871	958
Expenditure By Type							
Employee related costs	629	930	931	931	967	1 030	1 092
Remuneration of councillors							
Debt impairment							
Depreciation & asset impairment							
Finance charges							
Bulk purchases							
Other materials	0	4	4	4	2	2	2
Contracted services							
Transfers and grants							
Other expenditure	39	111	67	67	43	45	47
Loss on disposal of PPE							
Total Expenditure	668	1 045	1 003	1 003	1 012	1 077	1 141
Surplus/(Deficit)	(117)	(385)	(343)	(343)	(220)	(206)	(183)
Transfers recognised - capital							
Surplus/(Deficit) for the year	(117)	(385)	(343)	(343)	(220)	(206)	(183)

There is currently one unfilled positions in the management structure of the Water Services Department. The vacant position is that of the Head of Housing Development and Admin. As part of the performance objectives for the 2013/14 financial year, the provision of the low cost housing units will require the subsequent filling of vacancies.

Significant capital projects to be undertaken over the medium term includes, amongst others:
- Lusaka Low Cost Housing – R55.7 million;
- Rosmead Low Cost Housing – R20.1 million.

These projects will be undertaken by the Department of Human Settlement.

Note all the expenditure and supply chain will be the responsibility of the department of housing.

The departmental strategy in ensuring the economic value, quality and useful life of the low cost housing and infrastructure is maintained. However the service of the service providers is more often of the poor standard resulting in enomours amount of rectifications and this is always a problem and these above mentioned projects are placed strategically to deal with those and make some kind of a dent in these challenges.

The departmental revenue base is primarily informed by the rental of municipal flats of which budget appropriation for the 2013/14 financial year is R 660 000 and increases to R 958 000 by 2015/16.

The departmental strategy needs to ensure the economic value and is enhanced by looking into carefully strategically at the full occupancy of the municipal flats as well as the tariffs reflective of the costs incurred being charged which are very close to the market related, to ensure that it does indeed cover the costs as per the requirement of the funded budget in the MFMA. To this end, the medium-term expenditure framework provides for operational deficit of R 220 000, R 206 000 and R 183 000 in each of the respective financial years of the MTREF if we take into account the current capacity.

Clearly there is a big difference between the operating revenue and the operating expenditure. Thus the long term strategy of the municipality will be to close the gap so that a significant portion of the revenue as compared to operating expenditure is generated

2.10.9 SMME & Commonage Department

The department is primarily responsible for the increased number of the SMMEs, functional and sustainable projects, attracting investment from outside and supporting emerging farmers within the municipal boundary, which includes the sourcing of funding, providing technical support, liasing with the stakeholders.

Table 62 SMME & Commonage Department - operating revenue by source, expenditure by type and total capital expenditure

R thousand	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Revenue By Source							
Service charges - other	7	26	26	26	27	29	31
Rental of facilities and equipment	35	32	32	32	34	36	38
Other revenue	2	6	6	6	7	7	8
Total Revenue (excluding capital transfers and contributions)	43	64	64	64	68	72	77
Expenditure By Type							
Employee related costs	604	696	710	710	935	995	1 055
Depreciation & asset impairment		2	2	2	2	2	3
Other materials	12	25	25	25	45	47	49
Other expenditure	576	852	1 287	1 287	1 317	1 384	1 452
Total Expenditure	1 193	1 575	2 024	2 024	2 298	2 428	2 558
Surplus/(Deficit)	(1 150)	(1 511)	(1 960)	(1 960)	(2 230)	(2 356)	(2 482)
Transfers recognised - capital	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	(1 150)	(1 511)	(1 960)	(1 960)	(2 230)	(2 356)	(2 482)

There is currently one unfilled key positions in the management structure of the SMME & Commonage Department. The key vacant position is that of the SMME officer. As part of the performance objectives for the 2013/14 financial year, the expansion of the functional SMME unit will require an amendment to the departmental organogram and the subsequent filling of vacancies.

Significant projects to be undertaken over the medium term includes, amongst others:
- Revitalisation of wool and Mohair – R1.3 million;
- Cradock Hawkers Faciltiy (Capital) – R 6.5 miliion.

The departmental strategy is ensuring the economic value and sustainable development is maintained. However the over reliance and dependence on the municipality, and the continuous failures of the projects due to lack of graft is always a problem and these above mentioned projects are placed strategically to deal with the challenges.
The departmental revenue base is primarily informed by the hunting fees, rental of commonages and the sale of land of which budget appropriation for the 2013/14 financial year is R 68 378 and increases to R 76 830 by 2015.

The training is considered a priority and hence the departmental objectives and targets provide for training of the SMMEs. The municipality is also looking at other measures and financial incentives in the future to implement to encourage the SMMEs.

2.10.10 Tourism Department – Vote 14

The department is primarily responsible for the tourism and also includes the provision of the tourism attractions within the municipal boundary, which includes the Cradock spa, Caravan Park, ,Museum and Vusubuntu.

Table 67 Tourism Department - operating revenue by source, expenditure by type and total capital expenditure

Description	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Revenue By Source							
Service charges - other							
Rental of facilities and equipment	774	505	505	505	535	568	602
Other revenue	229	37	37	37	40	42	45
Total Revenue (excluding capital transfers and contributions)	1 003	543	543	543	575	610	646
Expenditure By Type							
Employee related costs	1 660	1 804	1 866	1 866	1 995	2 124	2 252
Depreciation & asset impairment							
Other materials	83	85	104	104	104	109	115
Contracted services	4	21	811	811	211	222	233
Transfers and grants							
Other expenditure	195	538	567	567	1 117	1 174	1 232
Total Expenditure	1 942	2 448	3 348	3 348	3 427	3 630	3 831
Surplus/(Deficit)	(939)	(1 905)	(2 805)	(2 805)	(2 852)	(3 020)	(3 184)
Transfers recognised - capital							
Surplus/(Deficit) for the year	(939)	(1 905)	(2 805)	(2 805)	(2 852)	(3 020)	(3 184)

There are currently no unfilled positions in the management structure of the Tourism Department. The management structure consists of the Tourism Officer and there is also the support staff. As part of the performance objectives for the 2013/14 financial year, promoting and marketing the area, the opening of the tourist information centre, the completion of the conference centre, the lobbying of events, revitalization of the Cradock Spa, and increasing the number of visitors.

Significant capital projects to be undertaken over the medium term includes, amongst others:
- Vusubuntu Conference Facility – R7 million;

The departmental strategy is ensuring the tourism in the area is enhanced so that it can contribute very meaningfully in the economy of the area. Tourism is one of the key strategic areas of economic development and poverty alleviation in the area. However the funding is always a problem and these above mentioned projects are placed strategically to deal with these challenges.

The departmental revenue base is primarily informed by the rental of Cradock Spa and Vusubuntu Village of which budget appropriation for the 2013/14 financial year is R 0.575 million and increases to R0.646 million by 2015/16.

The departmental strategy needs to ensure the economic value and is enhanced by looking into carefully strategically at the full occupancy of the facilities during the tourism season as well as the tariffs reflective of the costs incurred being charged which are very close to the market related, to ensure that it does indeed cover the costs as per the requirement of the funded budget in the MFMA. To this end, the medium-term expenditure framework provides for operational deficit of R 2.9 million, R 3.0 million and R 3.2 million in each of the respective financial years of the MTREF if we take into account the current capacity.

Clearly there is a big difference between the operating revenue and the operating expenditure. Thus the long term strategy of the municipality will be to close the gap so that a significant portion of the revenue as compared to operating expenditure is generated

2.11 Contracts having future budgetary implications

In terms of the municipaliity'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.

2.12 Capital expenditure details

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

Table 63 MBRR SA 34a - Capital expenditure on new assets by asset class

Description	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
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
Capital expenditure on new assets by Asset Class/Sub-class									
–									
Infrastructure	8 915	22 652	11 500	1 000	8 000	8 000	19 020	4 500	9 000
Infrastructure - Road transport	5 915	6 019	4 463	–	–	–	10 520	11 461	15 280
Roads, Pavements & Bridges	5 915	6 019	4 463				5 899	11 461	15 280
Storm water									
Infrastructure - Electricity	3 000	16 633	7 037	1 500	500	500	1 500	2 000	10 000
Generation	3 000	16 633	7 037	1 500	400	400	1 500	2 000	10 000
Transmission & Reticulation									
Street Lighting					100	100			
Infrastructure - Water	–	–	–	–	–	–	--	--	--
Dams & Reservoirs									
Water purification									
Reticulation									
Infrastructure - Sanitation	–	–	–	–	–	–	–	–	–
Reticulation									
Sewerage purification									
Infrastructure - Other	–	–	–	1 208	547	547	5 911	–	–
Waste Management									
Other				1 208	547	547	5 911		
Community	–	561	10 762	1 500	1 500	1 500	2 708	13 953	14 760
Parks & gardens									
Sportsfields & stadia									
Cemeteries		561	10 762	1 500	1 500	1 500			
Social rental housing									
Other									
Heritage assets	–	–	–	–	–	–	–	–	–
Buildings									
Other									
Investment properties	–	–	–	–	–	–	–	–	–
Housing development									
Other									
Other assets	–	–	–	–	4 000	4 000	–	–	–
General vehicles					4 000	4 000			
Specialised vehicles	–	–	–	–	–	–	–	–	–
Other									
Agricultural assets	–	–	–	–	–	–	–	–	–
List sub-class									
Biological assets	–	–	–	–	–	–	–	–	–
List sub-class									
Intangibles	–	–	–	–	–	–	–	–	–
Computers - software & programming									
Other *(list sub-class)*									
Total Capital Expenditure on new assets	8 915	23 214	22 261	14 728	17 067	17 067	11 810	13 461	25 280

Table 64 MBRR SA34b - Capital expenditure on the renewal of existing assets by asset class

Description	2008/9	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
Capital expenditure on renewal of existing assets by Asset Class/Sub-class									
–									
Infrastructure	–	–	–	2 500	7 341	7 341	4 000	14 400	16 000
Infrastructure - Road transport	–	–	–	–	–	–	–	–	–
Roads, Pavements & Bridges									
Storm water									
Infrastructure - Electricity	–	–	–	2 500	3 000	3 000	2 500	8 500	10 000
Generation				2 500	2 600	2 600	2 500	6 500	5 000
Transmission & Reticulation					400	400		2 000	5 000
Street Lighting									
Infrastructure - Water	–	–	–	–	2 841	2 841	500	1 900	1 000
Dams & Reservoirs							500	1 900	1 000
Water purification									
Reticulation					2 841	2 841			
Infrastructure - Sanitation	–	–	–	–	–	–	1 000	4 000	5 000
Reticulation									
Sewerage purification							1 000	4 000	5 000
Infrastructure - Other	–	–	–	–	1 500	1 500	–	–	–
Waste Management					1 500	1 500			
Transportation									
Gas									
Other									
Community	–	–	–	–	100	100	1 500	3 000	–
Sports fields & Stadia							1 500	1 500	
Community Halls					100	100			
Other									
Investment properties	–	–	–	–	–	–	–	–	–
Housing development									
Other									
Other assets	–	–	–	–	450	450	–	–	–
General vehicles									
Specialised vehicles									
Computers – hardware/equipment	–	–	–	–	200	200	–	–	–
Furniture and other office equipment					50	50			
Other Buildings					200	200			
Agricultural assets	–	–	–	–	–	–	–	–	–
List sub-class									
Biological assets	–	–	–	–	–	–	–	–	–
List sub-class									
Intangibles	–	–	–	–	–	–	–	–	–
Computers - software & programming									
Other *(list sub-class)*									
Total Capital Expenditure on renewal of existing assets	–	–	–	2 500	7 891	7 891	2 500	11 000	10 000

Table 65 MBRR SA34c - Repairs and maintenance expenditure by asset class

Description	2008/9	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
Repairs and maintenance expenditure by Asset Class/Sub-class									
Infrastructure	2 279	3 150	16 952	25 641	24 136	24 136	25 925	27 488	29 036
Infrastructure - Road transport	2 279	3 150	5 381	6 061	6 068	6 068	6 758	7 175	7 587
Roads, Pavements & Bridges	2 279	3 150	5 381	6 061	6 068	6 068	6 758	7 175	7 587
Storm water									
Infrastructure - Electricity	–	–	1 798	5 169	5 125	5 125	5 438	5 769	6 097
Generation				5 169	5 125	5 125	5 438	5 769	6 097
Transmission & Reticulation			1 798						
Street Lighting									
Infrastructure - Water	–	–	9 535	11 035	9 445	9 445	10 053	10 639	11 222
Dams & Reservoirs									
Water purification			9 535	11 705	9 445	9 445	10 053	10 639	11 222
Reticulation									
Infrastructure - Sanitation	–	–	232	3 336	3 429	3 429	3 657	3 885	4 111
Reticulation									
Sewerage purification			232	3 336	3 429	3 429	3 657	3 885	4 111
Infrastructure - Other	–	–	6	40	69	69	18	19	20
Waste Management			6	40	69	69	18	19	20
Other									
Community	–	–	462	5 013	5 116	5 116	5 296	5 637	5 973
Parks & gardens			54	3 627	3 654	3 654	3 867	4 118	4 364
Sportsfields & stadia			29	1 222	1 286	1 286	1 323	1 408	1 492
Swimming pools			38	46	36	36	19	20	22
Fire, safety & emergency			0	53	75	75	19	20	21
Security and policing			58	64	65	65	66	70	73
Cemeteries				0	0	0	0	0	0
Other			282						
Heritage assets	–	–	572	–	–	–	–	–	–
Buildings			572						
Other									
Investment properties	–	–	–	–	–	–	–	–	–
Housing development									
Other									
Other assets	1 345	1 410	282	4 735	4 311	4 311	4 169	4 396	4 622
General vehicles				1 279	1 065	1 065	772	811	851
Specialised vehicles	–	–	–	--	250	250	250	263	276
Plant & equipment			83	1 840	1 436	1 436	1 302	1 368	1 435
Furniture and other office equipm				66	64	64	37	39	41
Other Buildings			169	523	533	533	527	554	581
Other	1 345	1 410	30	1 027	962	962	1 281	1 360	1 438
Agricultural assets	–	–	21	124	124	124	142	149	157
List sub-class			21	124	124	124	142	149	157
Biological assets	–	–	–	–	–	–	–	–	–
List sub-class									
Intangibles	–	–	–	–	–	–	–	–	–
Computers - software & programmi									
Total Repairs and Maintenance Expenditure	3 624	4 559	18 289	35 512	33 686	33 686	35 531	37 669	39 788
Specialised vehicles	–	–	–	--	250	250	250	263	276
Refuse					250	250	250	263	276
Ambulances									
R&M as a % of PPE	*60.5%*	*14.2%*	*6.4%*	*57.6%*	*6.8%*	*6.8%*	*16.8%*	*21.4%*	*26.8%*
R&M as % Operating Expenditure	*3.1%*	*3.5%*	*12.7%*	*18.8%*	*12.3%*	*12.3%*	*14.5%*	*14.4%*	*14.4%*

Table 66 MBRR SA35 - Future financial implications of the capital budget

Vote Description	2013/14 Medium Term Revenue & Expenditure Framework			Forecasts			
R thousand	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16	Forecast 2015/16	Forecast 2016/17	Forecast 2017/18	Present value
Capital expenditure							
Multi-year expenditure to be appropriated	–	–	–				
Vote 1 - Council	–	–	–				
Vote 2 - Executive Mayor	–	–	–				
Vote 3 - Municipal Manager	–	–	–				
Vote 4 - Corporate Services	–	–	–				
Vote 5 - Finance	–	–	–				
Vote 6 - Community Services	1 500	3 000	--				
Vote 7 - Technical Services	6 899	21 461	35 280				
Vote 8 - Local Economic Development	547	7 653	–				
Total Capital Expenditure	14 310	24 461	35 280	–	–	–	–
Future operational costs by vote							
Multi-year expenditure to be appropriated							
Vote 1 - Council							
Vote 2 - Executive Mayor							
Vote 3 - Municipal Manager							
Vote 4 - Corporate Services							
Vote 5 - Finance							
Vote 6 - Community Services							
Vote 7 - Technical Services							
Vote 8 - Local Economic Development							
Total future operational costs	–	–	–	–	–	–	–
Future revenue by source							
Revenue By Source							
Property rates							
Property rates - penalties & collection charges							
Service charges - electricity revenue							
Service charges - water revenue							
Service charges - sanitation revenue							
Service charges - refuse revenue							
Service charges - other							
Total future revenue	–	–	–	–	–	–	–
Net Financial Implications	14 310	24 461	35 280	–	–	–	–

Table 67 MBRR SA36 - Detailed capital budget per municipal vote

Municipal Vote/Capital project	Program/Project description	Individually Approved (Yes/No)	Asset Class	Asset Sub-Class	Total Project Estimate	Prior year outcomes		2013/14 Medium Term Revenue & Expenditure Framework			Project information	
R thousand		6	3	3		Audited Outcome 2011/12	Current Year 2012/13 Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16	Ward location	New or renewal
Parent municipality:												
List all capital projects grouped by Municipal Vote												
Electricity												
Electricity	Industrial Area Bulk Supply Line	No	*Infrastructure - Electricity*	*Generation*					6 000		8	Renewal
Electricity	Upgrade Main Substation	No	*Infrastructure - Electricity*	*Generation*		7 037	2 500		500		5	New
Electricity	Upgrade Substation	Yes	*Infrastructure - Electricity*	*Transmission & Reticulat*						9 000		New
Electricity	Michausdal Bulk Supply Line	Yes	*Infrastructure - Electricity*	*Generation*			400	1 000			4	Renewal
Electricity	Bulk Meters for Networks	Yes	*Infrastructure - Electricity*	*Transmission & Reticulat*					2 000		8	Renewal
Electricity	Rosmead Electricity Supply	Yes	*Infrastructure - Electricity*	*Generation*					1 500	4 500	7	Newl
Electricity	Replacement of outdated meters	Yes	*Infrastructure - Electricity*	*Transmission & Reticulat*						5 000		Renewal
Electricity	Rosmead Prepaid Meters	Yes	*Infrastructure - Electricity*	*Transmission & Reticulat*						1 500	7	New
Streets												
Streets	Upgrading of Bakwetheni, Gala, Manana,	No	*Infrastructure - Road transport*	*Roads, Pavements & Bridges*		4 463		5 899			6 8 9	New
Streets	Upgrading of Cetyiwe, Miles, etc		*Infrastructure - Road transport*	*Roads, Pavements & Bridges*			11 181		11 461			
Other												
Cemeteries	Upgradign Central Cemetery	Yes	*Infrastructure - Other*	*Cemeteries*		10 782	1 500				4	New
Community	Uprading of Stadium & Hawkers Facility	Yes	*Community*	*Sportsfields & stadia*			547	5 911			5	Newl
	Upgrading Phiti Stadium	Yes	*Community*	*Sportsfields & Stadia*				1 500	3 000		9	Renewal

2.13 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 even though these were sometimes late. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved.

2. Internship programme
   The municipality is participating in the Municipal Financial Management Internship programme and has employed six interns undergoing training in various divisions of the Financial Services Department. Of the six interns one has been appointed permanently from June 2010. The remaining four have completed their two year contract on 30 November 2012, and extension for one year has been granted by National Treasury. Since the introduction of the Internship programme the municipality has successfully employed and trained 4 interns through this programme and a majority of them are going to be appointed either in the municipality or other Institutions, National Treasury. Four additional interns are to be appointed with effect from 1 August 2013.

3. Budget and Treasury Office
   The Budget and Treasury Office has been established in accordance with the MFMA, however the municipality is in the process of staffing it.

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

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

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

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

8. Policies
   An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009, was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.

2.14 Other supporting documents

Table 68 MBRR Table SA1 - Supporting detail to budgeted financial performance

Description	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
REVENUE ITEMS:									
Property rates									
Total Property Rates	18 308	17 631	19 456	19 493	21 843	21 843	28 900	30 214	32 607
less Revenue Foregone	3 797	1 643	1 818	5 743	6 843	6 843	7 016	7 017	8 017
Net Property Rates	14 511	15 988	17 637	13 750	15 000	15 000	21 884	23 197	24 589
Service charges - electricity revenue									
Total Service charges - electricity revenue	43 521	48 114	58 113	68 750	73 360	73 360	79 229	85 567	92 412
less Revenue Foregone									
Net Service charges - electricity revenue	43 521	48 114	58 113	68 750	73 360	73 360	79 229	85 567	92 412
Service charges - water revenue									
Total Service charges - water revenue			27 081	15 812	20 758	20 758	22 004	23 324	24 723
less Revenue Foregone									
Net Service charges - water revenue	–	–	27 081	15 812	20 758	20 758	22 004	23 324	24 723
Service charges - sanitation revenue									
Total Service charges - sanitation revenue			16 020	5 838	5 838	5 838	6 188	6 559	6 953
less Revenue Foregone									
Net Service charges - sanitation revenue	–	–	16 020	5 838	5 838	5 838	6 188	6 559	6 953
Service charges - refuse revenue									
Total refuse removal revenue	10 560	11 497	11 681	7 152	8 053	8 053	13 831	14 660	15 540
Total landfill revenue									
less Revenue Foregone									
Net Service charges - refuse revenue	10 560	11 497	11 681	7 152	8 053	8 053	13 831	14 660	15 540
Other Revenue by source									
Sundry Fees	832	545	714	2 496	2 510	2 510	2 600	2 757	2 923
Total 'Other' Revenue	832	545	714	2 496	2 510	2 510	2 600	2 757	2 923
EXPENDITURE ITEMS:									
Employee related costs									
Basic Salaries and Wages	33 896	35 029	38 766	45 042	47 235	47 235	49 222	52 359	55 444
Pension and UIF Contributions	4 589	4 672	5 340	6 642	6 707	6 707	6 906	7 349	7 785
Medical Aid Contributions	2 963	3 099	3 415	2 403	3 914	3 914	4 328	4 609	4 885
Overtime	1 609	1 756	2 843	2 380	2 657	2 657	2 796	2 978	3 156
Performance Bonus	122	394	24	–	–	–	24	26	27
Motor Vehicle Allowance	1 856	1 871	2 052	2 681	2 793	2 793	2 831	3 015	3 196
Cellphone Allowance	0	–	–	42	42	42	29	30	32
Housing Allowances	176	125	121	168	181	181	197	210	222
Other benefits and allowances	620	429	486	880	813	813	835	889	943
Post-retirement benefit obligations				–					
sub-total	45 831	47 375	53 047	60 238	64 342	64 342	67 166	71 465	75 691
Less: Employees costs capitalised to PPE									
Total Employee related costs	45 831	47 375	53 047	60 238	64 342	64 342	67 166	71 465	75 691
Contributions recognised - capital									
List contributions by contract									
Total Contributions recognised - capital	–	–	–	–	–	–	–	–	–
Depreciation & asset impairment									

Depreciation of Property, Plant & Equipment			–	3 179	54 679	54 679	57 686	60 628	63 599
Lease amortisation									
Capital asset impairment									
Depreciation resulting from revaluation of PPE									
Total Depreciation & asset impairment	–	–	–	3 179	54 679	54 679	57 686	60 628	63 599
Bulk purchases									
Electricity Bulk Purchases	26 745	36 419	41 442	46 330	46 330	46 330	50 036	54 039	58 362
Water Bulk Purchases			84	530	530	530	559	588	616
Total bulk purchases	26 745	36 419	41 526	46 860	46 860	46 860	50 596	54 627	58 979
Transfers and grants									
Cash transfers and grants	109	149	(15)	202	202	202	169	177	186
Non-cash transfers and grants	–	–	–	–	–	–	–	–	–
Total transfers and grants	109	149	(15)	202	202	202	169	177	186
Contracted services									
Security and Chemicals	419	310	359	3 840	1 890	1 890	1 973	2 074	2 175
Field Workers, Elec- Vendors ,Valua/Property Rates	1 578	1 912	1 796	7 877	11 877	11 877	2 930	3 111	1 247
sub-total	1 998	2 222	2 155	11 718	13 768	13 768	4 903	5 185	3 423
Allocations to organs of state:									
Other									
Total contracted services	1 998	2 222	2 155	11 718	13 768	13 768	4 903	5 185	3 423
Other Expenditure By Type									
Audit fees	2 295	2 836	–	2 700	4 600	4 600	4 853	5 101	5 350
General expenses	1 225	3 077	1 634	4 915	4 926	4 926	4 210	4 423	4 639
Administration Fees				2 000	1 200	1 200	1 266	1 331	1 396
Advertising	178	121	142	320	446	446	407	427	448
Bank Charges	656	489	460	212	450	450	475	499	523
Computer Services	559	651	167	350	1 000	1 000	1 000	1 051	1 102
Departmental Service Levy	2 917	2 131	5 763	3 752	4 432	4 432	4 726	4 967	5 210
FBE	1 050	1 131	1 276	1 320	1 320	1 320	1 426	1 540	1 663
Grant Expenditure	15 324	16 978	18 578	11 880	2 440	2 440	3 247	3 402	3 534
Indigents				2 559	2 559	2 559	2 702	2 843	2 986
Insurance	1 215	1 327	1 161	1 277	1 277	1 277	1 331	1 399	1 468
Levy - Skills Development	436	523	504	583	583	583	615	646	678
Licences	485	709	547	743	758	758	789	829	870
Medical Aid Post Retirement	3 369	–	–						
Postage	603	585	801	692	698	698	799	840	881
Printing & Stationery	367	326	317	406	652	652	597	627	658
Rental Equipment	728	254	907	2 313	1 598	1 598	1 242	1 305	1 369
Telephone	2 052	2 318	2 639	2 137	2 137	2 137	1 943	2 042	2 142
Travel & Subsistence	486	695	564	1 059	1 251	1 251	1 256	1 319	1 383
Vehicle Costs	1 457	1 224	1 839	1 896	1 900	1 900	1 971	2 072	2 173
Supporting Services				2 008	2 008	2 008	2 128	2 256	2 391
Repairs & Maintenance	3 624	4 559	3 352	10 098	10 074	10 074	10 486	11 021	11 561
Total 'Other' Expenditure	39 025	39 935	40 652	53 218	46 310	46 310	47 470	49 942	52 428

Repairs and Maintenance by Expenditure Item									
Employee related costs			14 937	21 915	22 113	22 113	23 445	24 966	26 463
Other materials									
Contracted Services				3 500	1 500	1 500	1 600	1 682	1 764
Other Expenditure	3 624	4 559	3 352	10 098	10 074	10 074	10 486	11 021	11 561
Total Repairs and Maintenance Expenditure	3 624	4 559	18 289	35 512	33 686	33 686	35 531	37 669	39 788

Table 69 MBRR Table SA2 – Matrix financial performance budget (revenue source/expenditure type and department)

Description R thousand	Vote 1 - Council	Vote 2 - Executive Mayor	Vote 3 - Municipal Manager	Vote 4 - Corporate Services	Vote 5 - Finance	Vote 6 - Community Services	Vote 7 - Technical Services	Vote 8 - Local Economic Development	Vote 9- [NAME OF VOTE 9]	Total
Revenue By Source										
Property rates	–	–	–	–	21 884	–	–	–		21 884
Property rates - penalties & collection charges	–	–	–	–	848	–	–	–		848
Service charges - electricity revenue	–	–	–	–	–	–	79 229	–		79 229
Service charges - water revenue	–	–	–	–	–	–	22 004	–		22 004
Service charges - sanitation revenue	–	–	–	–	–	–	6 188	–		6 188
Service charges - refuse revenue	–	–	–	–	–	13 831	–	–		13 831
Service charges - other	–	–	–	–	–	1	198	27		226
Rental of facilities and equipment	–	–	–	177	1	73	833	570		1 654
Interest earned - external investments	–	–	–	–	80	–	–	–		80
Interest earned - outstanding debtors	–	–	–	–	6 890	–	–	–		6 890
Dividends received	–	–	–	–	–	–	–	–		–
Fines	–	–	–	–	5	97	18	–		119
Licences and permits	–	–	–	–	–	3 126	–	–		3 126
Agency services	–	–	–	–	–	–	15 578	–		15 578
Other revenue	432	54	83	186	984	185	630	47		2 600
Transfers recognised - operational	–	–	–	–	42 796	3 226	636	–		46 658
Gains on disposal of PPE										–
Total Revenue (excluding capital transfers and contributions)	432	54	83	363	73 488	20 537	125 313	644	–	220 914
Expenditure By Type										
Employee related costs	2 131	892	3 069	5 577	9 543	18 723	21 960	4 861		66 757
Remuneration of councillors	6 220	–	–	–	–	–	–	–		6 220
Debt impairment	–	–	–	–	–	–	8 112	–		8 112
Depreciation & asset impairment	8	–	–	1 117	4	2	56 553	3		57 686
Finance charges	–	–	–	–	–	–	559	–		559
Bulk purchases	–	–	–	–	–	–	50 596	–		50 596
Other materials	2	–	10	48	6	90	1 647	165		1 969
Contracted services	3	–	–	–	2 012	7	2 669	211		4 903
Transfers and grants	–	–	–	–	–	–	–	169		169
Other expenditure	5 495	–	565	196	10 488	3 345	25 020	2 771		47 879
Loss on disposal of PPE										–
Total Expenditure	13 859	892	3 644	6 939	22 053	22 168	167 116	8 180	–	244 850
Surplus/(Deficit)	(13 427)	(838)	(3 561)	(6 576)	51 435	(1 631)	(41 803)	(7 536)	–	(23 936)
Transfers recognised - capital	–	–	–	–	–	–	14 104	–		14 104
Contributions recognised - capital	–	–	–	–	–	–	–	–		–
Contributed assets	–	–	–	–	–	–	–	–		–
Surplus/(Deficit) after capital transfers & contributions	(13 427)	(838)	(3 561)	(6 576)	51 435	(1 631)	(27 699)	(7 536)	–	(9 832)

Table 70 MBRR Table SA3 – Supporting detail to Statement of Financial Position

Description	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
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	5 339	1 442	11 099	1 621	3 621	3 621	3 621	3 718	3 821	4 000
Other current investments > 90 days										
Total Call investment deposits	5 339	1 442	11 099	1 621	3 621	3 621	3 621	3 718	3 821	4 000
Consumer debtors										
Consumer debtors	65 934	74 882	191 961	108 242	162 170	162 170	162 170	131 947	160 943	180 946
Less: Provision for debt impairment	(24 350)	(65 799)	(172 709)	(93 775)	(116 126)	(116 126)	(116 126)	(112 947)	(134 555)	(148 555)
Total Consumer debtors	41 584	9 082	19 251	14 467	46 044	46 044	46 044	19 000	26 388	32 391
Debt impairment provision										
Balance at the beginning of the year	18 442	24 350	65 799	80 209	80 209	80 209	80 209	97 775	112 947	134 555
Contributions to the provision	5 908	41 449	106 910	17 566	17 566	17 566	17 566	19 412	26 102	19 000
Bad debts written off				(4 000)	(4 000)	(4 000)	(4 000)	(4 240)	(4 494)	(5 000)
Balance at end of year	24 350	65 799	172 709	93 775	93 775	93 775	93 775	112 947	134 555	148 555
Property, plant and equipment (PPE)										
PPE at cost/valuation (excl. finance leases)	5 991	32 035	430 212	67 626	691 941	691 941	691 941	467 185	491 945	528 029
Leases recognised as PPE										
Less: Accumulated depreciation			142 841	6 006	197 520	197 520	197 520	255 206	315 834	379 433
Total Property, plant and equipment (PPE)	5 991	32 035	287 371	61 620	494 421	494 421	494 421	211 979	176 111	148 596
LIABILITIES										
Current liabilities - Borrowing										
Short term loans (other than bank overdraft)										
Current portion of long-term liabilities	439	294	340	330	331	331	331	429	482	–
Total Current liabilities - Borrowing	439	294	340	330	331	331	331	429	482	–
Trade and other payables										
Trade and other creditors	45 751	43 305	25 470	19 080	21 079	21 079	21 079	12 000	11 000	14 580
Unspent conditional transfers	9 151	4 083	305	3 000	3 000	3 000	3 000	3 000	3 000	1 000
VAT	10 572	12 311	11 846	7 000	7 000	7 000	7 000	6 500	7 300	8 245
Total Trade and other payables	65 474	59 700	37 621	29 080	31 079	31 079	31 079	21 500	21 300	23 825
Non current liabilities - Borrowing										
Borrowing	1 854	1 642	1 294	1 256	1 256	1 256	1 256	482		
Finance leases (including PPP asset element)										
Total Non current liabilities - Borrowing	1 854	1 642	1 294	1 256	1 256	1 256	1 256	482	–	–
Provisions - non-current										
Retirement benefits	25 156	25 033	33 244	39 048	39 048	39 048	39 048	41 088	45 990	51 831
List other major provision items										
Refuse landfill site rehabilitation			35 769		72 671	72 671	72 671	79 485	86 560	92 546
Other	193	293								
Total Provisions - non-current	25 349	25 325	69 013	39 048	111 718	111 718	111 718	120 573	132 550	144 377
CHANGES IN NET ASSETS										
Accumulated Surplus/(Deficit)										
Accumulated Surplus/(Deficit) - opening balance	(51 999)	(45 263)	(143 153)	(173 616)	393 695	393 695	393 695	436 329	128 254	94 540
GRAP adjustments										
Restated balance	(51 999)	(45 263)	(143 153)	(173 616)	393 695	393 695	393 695	436 329	128 254	94 540
Surplus/(Deficit)	25 854	15 590	39 575	(2 412)	(57 589)	(57 589)	(57 589)	(9 431)	(2 435)	6 944
Appropriations to Reserves		(25 991)								
Other adjustments	(19 117)	(392)	(70 038)	181 589	100 223	100 223	100 223	(298 643)	(31 279)	(42 230)
Accumulated Surplus/(Deficit)	(45 263)	(56 057)	(173 616)	5 561	436 329	436 329	436 329	128 254	94 540	59 254
Reserves										
Other reserves										
Revaluation			399 839							
Total Reserves	–	–	399 839	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	(45 263)	(56 057)	226 223	5 561	436 329	436 329	436 329	128 254	94 540	59 254

Table 71 MBRR Table SA9 – Social, economic and demographic statistics and assumptions

Description of economic indicator	Basis of calculation	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	Census 2007,2011.								
Females aged 5 - 14	Census 2007,2011.		6	6	6	6	6	6	6
Males aged 5 - 14	Census 2007,2011.		6	6	6	6	6	6	6
Females aged 15 - 34	Census 2007,2011.		11	11	11	11	11	11	11
Males aged 15 - 34	Census 2007,2011.		13	13	13	13	13	13	13
Unemployment	Census 2007,2011.		39	39	39	39	39	39	39
Monthly household income (no. of households)									
No income	Census 2007,2011.		1 764	1 764	1 764	4 764	4 764	4 764	4 764
R1 - R1 600	Census 2007,2011.		756	756	756	2 756	2 756	2 756	2 756
R1 601 - R3 200	Census 2007,2011.		756	756	756	1 756	1 756	1 756	1 756
R3 201 - R6 400	Census 2007,2011.		1 440	1 440	1 440	1 440	1 440	1 440	1 440
R6 401 - R12 800	Census 2007,2011.		1 260	1 260	1 260	1 260	1 260	1 260	1 260
R12 801 - R25 600	Census 2007,2011.		4 410	4 410	4 410	1 410	1 410	1 410	1 410
R25 601 - R51 200	Census 2007,2011.		3 420	3 420	3 420	1 420	1 420	1 420	1 420
R52 201 - R102 400	Census 2007,2011.		2 250	2 250	2 250	1 250	1 250	1 250	1 250
R102 401 - R204 800	Census 2007,2011.		1 440	1 440	1 440	1 440	1 440	1 440	1 440
R204 801 - R409 600	Census 2007,2011.		466	466	466	466	466	466	466
R409 601 - R819 200	Census 2007,2011.		50	50	50	50	50	50	50
> R819 200	Census 2007,2011.		25	25	25	25	25	25	25
Poverty profiles (no. of households)									
< R2 060 per household per month									
Insert description									
Household/demographics (000)									
Number of people in municipal area	Census 2007,2011.		66	66	66	66	66	66	66
Number of poor people in municipal area	Census 2007,2011.		17	17	17	17	17	17	17
Number of households in municipal area	Census 2007,2011.		19	19	19	19	19	19	19
Number of poor households in municipal area	Census 2007,2011.		9	9	9	9	9	9	9
Definition of poor household (R per month)	Census 2007,2011.		1 700	1 700	1 700	1 700	1 700	1 700	1 700
Housing statistics									
Formal	Census 2007,2011.						14 901	14 901	14 901
Informal	Census 2007,2011.						910	910	910
Total number of households		-	-	-	-	-	15 811	15 811	15 811
Dwellings provided by municipality	Census 2007,2011.								
Dwellings provided by province/s	Census 2007,2011.								
Dwellings provided by private sector	Census 2007,2011.						5 400	5 400	5 400
Total new housing dwellings		-	-	-	-	-	5 400	5 400	5 400
Economic									
Inflation/inflation outlook (CPIX)			5.6%	5.6%	5.6%	5.6%	5.6%	5.4%	5.4%
Interest rate - borrowing			9.5%	9.5%	950.0%	9.5%	9.0%	9.0%	9.0%
Interest rate - investment			5.0%	5.0%	5.0%	5.0%	4.5%	4.5%	4.5%
Remuneration increases			6.8%	6.8%	6.8%	6.8%	6.0%	6.0%	6.0%
Consumption growth (electricity)			3.0%	3.0%	3.0%	3.0%			
Consumption growth (water)									
Collection rates									
Property tax/service charges			75.0%	75.0%	75.0%	75.0%	80.0%	80.0%	80.0%
Rental of facilities & equipment			100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Interest - external investments			5.0%	5.0%	5.0%	5.0%	4.5%	4.5%	4.5%
Interest - debtors			9.5%	9.5%	9.5%	9.5%	9.0%	9.0%	9.0%
Revenue from agency services									

Table 72 MBRR SA32 – List of external mechanisms

External mechanism	Yrs/ Mths	Period of agreement 1.	Service provided	Expiry date of service delivery agreement or contract	Monetary value of agreement 2.
Name of organisation		Number			R thousand
Price Waterhouse Coopers	Yrs	3	Revcenue Enhancement Solution	15 June 2015	6 033

2.15 Municipal manager's quality certificate

I …………………………………, municipal manager of Inxuba Yethemba 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 Inxuba Yethemba Municipality (EC131)

Signature ____

Date ____________________________