

# ELUNDINI LOCAL MUNICIPALITY



## 2013/14 – 2015/16 BUDGET



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## **PART 1 – ANNUAL BUDGET**

### **1.1 Executive Mayor's Report**

The Municipality reaffirms its commitment to the achievement of the goals enshrined within the Integrated Development Plan, namely:

- Meeting basic service delivery needs of communities to improve their lives;
- Building a clean, efficient, responsive and accountable Municipality;
- Strengthening oversight over the Municipality's service delivery and financial performance;
- Changing the socio- economic landscape by investing in Infrastructure, human resource development and promoting enterprise development;
- Strengthening partnerships between the Municipality, communities and civil society.

In the year ahead, the Municipality will further strengthen its capacity to implement the adopted Budget, so as to positively impact on the lives of residents.

**COUNCILLOR N.LENGS  
MAY 2013**

## 1.2 **Budget Resolutions**

(a) The Mayor recommends that the Council resolves that:

1. That in terms of section 24 of the Municipal Finance Management Act, 56 of 2003, the annual budget of the Elundini Municipality for the financial year 2013/14, and indicative allocations for the two projected outer years 2014/2015 and 2015/2016, and the multi-year and single year capital appropriations be approved as set out in the following tables:
  - a. Budgeted Financial Performance( Revenue and Expenditure by Standard Classification);[Pg 41]
  - b. Budgeted Financial Performance( Revenue and Expenditure by Municipal Vote);[Pg 43]
  - c. Budgeted Financial Performance( Revenue by Source and Expenditure by Type); and[Pg44]
  - d. Multi-year and single year capital appropriations by municipal vote and standard classification and associated funding by source.[Pg47]
2. That the financial position, cashflow, cash backed reserves/accumulated surplus, asset management and basic service delivery targets be adopted as set out in the following tables:
  - a. Budgeted Financial Position;[Pg49]
  - b. Budgeted Cash Flows;[Pg51]
  - c. Cash Backed Reserves and accumulated surplus reconciliation;[Pg48]
  - d. Asset Management; and[Pg53]
  - e. Basic Service Delivery Measurement.[Pg59]
3. That in terms of section 24(2)(c)(i) and (ii) of the Municipal Finance Management Act, Act 56 of 2003 and sections 74 and 75A of the Local Government Municipal Systems Act, Act 32 of 2000 as amended, the tariffs for the supply of electricity, waste services, sundry services and property rates as set out in the tariff book( Annexure "A"), that were used to prepare the estimates of revenue by source, are approved effective from 1 July 2013.
4. That in terms of section 5 of the Municipal Property Rates Act, 6 of 2004, the rates policy as set out in (Annexure "B") be approved.
5. That in terms of section 24(2)(c)(iii) of the Municipal Finance Management Act 56 of 2003, the measurable performance objectives for capital and operating expenditure by vote for each year of the medium term revenue and expenditure framework as set out in supporting table SA7 are approved [pg92]

6. That in terms of section 24(2)(c)(iv) of the Municipal Finance Management Act, 56 of 2003, the amendments to the integrated development plan as set out elsewhere in the agenda be approved.

### 1.3 Executive Summary

The 2013/2014 to 2015/16 Budget preparation commenced in August 2012 after Council approved a timetable for the IDP and Budget preparation process.

The Budget comprises both Operating and Capital Budgets, which is a requirement of the Constitution and the Municipal Finance Management Act (MFMA). The capital budget generally contain new or replacement assets such as roads, vehicles, buildings, etc. The Operating Budget, which is by far the largest component of the Budget, includes the provision of services, such as electricity, refuse collection ,road functioning etc.

One of the objectives of the budget timetable is to ensure integration between the development of the Integrated Development Plan (IDP) and the Budget. The IDP is the strategic plan of the Municipality and it is critical that the Budget enables the achievement of the IDP objectives. The Table in section 1.3.5 illustrates the link between the IDP and Budget.

The assumptions and principles applied in the development of this Budget are mainly based upon guidelines received from National Treasury (expenditure growth) and other external bodies such as the National Electricity Regulator of South Africa (NERSA), South African Local Government Bargaining Council, major service providers, etc. The IDP's strategic focus areas informed the development of the Budget, in addition to assessing the relative capacity to implement the Budget, taking affordability considerations into account. The aforementioned guidelines were considered appropriate to inform the development of the Budget.

The Operating Budget totals R 160.4 Million, which funds the continued provision of services provided by the Municipality.

The major expenditure items are employee costs (33.8%), Remuneration of Councillors (5.7%) bulk electricity purchases (16.1%), general expenses (39%), repairs and maintenance (5.4%)

Funding is obtained from various sources, the major sources being service charges such as electricity, refuse collection (13.4%), property rates (8.6%), sundry related income eg. Hire of plant, agency services, interest on investments (22%), grants and subsidies received from National and Provincial Governments (56.%).

In order to support the 2013/14 Operating Budget, the following increase in rates and service charges have been proposed, with effect from 1 July 2013:

Property rates	-	8.0 %
Electricity	-	12.0 %
Refuse	-	8.0 %
Sundry Income	-	8.0%

A provision of R 40.8 million has been set aside to cover potential bad debts arising from property rates and service charges not collected. This is based upon a level of payment of debtors' accounts averaging 80%.

In the past as a result of limited funds, a number of important issues such as addressing maintenance backlogs, making adequate contributions to provision and reserves, staffing requirements, etc. were not fully covered. However strategies to address these issues were undertaken and as at 30 June 2012 all of the provisions were at their required levels. In relation to staffing requirements, budget provisions are set aside on an annual basis, in order to fill vacant positions critical to service delivery. The 2013/2014 Budget does make provision for increased allocations to deal with the maintenance of infrastructure.

The Assistance to the Poor Programme currently, provides the following monthly benefits to poor households in the municipality:

- Free 50 kwh Electricity
- Free basic refuse removal
- Property rates subsidy

The Elundini Local municipality has prioritized spending on the free services program and as such has prioritized allocations for the MTEF 2013/2014 in the sum of R 4.83 million increasing to R 5.3 Million in 2015/2016. The increased allocations are in alignment with the service delivery targets established aimed at accelerating access to alternative energy sources in Eskom subserviced areas, as well as Council's resolve to significantly enhance the level of households participating on the formal indigent support program.

The Capital Budget totals R 40.6 million and this is funded primarily through revenue from operations (20%), Government grants (80%). Grants and subsidies are mainly earmarked road and electrical infrastructural projects.

Annexure "A" provides a summary of the capital projects included in the Capital Budget.

The Budget related policies as have been adhered to in the development of the Budget, whilst continuous monitoring of budget performance is possible through Key Performance Indicators as contained within the Service Delivery and Budget Implementation Plan.





### 1.3.1 TOTAL SERVICE DELIVERY PACKAGE OF THE MUNICIPALITY AND ASSOCIATED FINANCIAL IMPLICATIONS

The Municipality provides the following services:

EC141 Elundini - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Revenue - Standard</b>										
<i>Governance and administration</i>		73 529	79 707	-	116 147	136 139	136 139	121 380	133 601	166 582
Executive and council		98	7 250	-	281	281	281	296	311	326
Budget and treasury office		56 746	72 370	-	115 768	135 858	135 858	121 084	133 289	166 256
Corporate services		16 685	87	-	98	-	-	-	-	-
<i>Community and public safety</i>		3 046	932	-	1 168	1 063	1 063	3 216	3 380	3 545
Community and social services		3 024	930	-	1 166	985	985	1 029	1 081	1 134
Sport and recreation		4	2	-	2	78	78	-	-	-
Public safety		-	-	-	-	-	-	2 187	2 298	2 411
Housing		18	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		11 514	32 423	-	50 105	43 516	43 516	47 752	47 258	50 418
Planning and development		25	1 667	-	3 637	3 637	3 637	3 525	-	-
Road transport		11 489	30 756	-	46 468	39 879	39 879	44 226	47 258	50 418
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		26 710	33 252	-	38 634	18 013	18 013	28 752	33 790	23 897
Electricity		10 416	10 927	-	14 300	14 300	14 300	24 742	29 540	19 392
Water		11 023	11 969	-	11 708	-	-	-	-	-
Waste water management		-	4 777	-	6 362	-	-	-	-	-
Waste management		5 271	5 580	-	6 264	3 713	3 713	4 010	4 250	4 505
<i>Other</i>	4	-	120	-	-	-	-	-	-	-
<b>Total Revenue - Standard</b>	2	114 799	146 434	-	206 054	198 731	198 731	201 099	218 028	244 442

### 1.3.2 EFFECT OF THE ANNUAL BUDGET

In this section the operating and capital budget are discussed.

#### 1.3.2.1 Operating Budget

The assumptions and principles applied in the development of this Budget are mainly based upon guidelines received from National Treasury (expenditure growth) and other external bodies such as the National Electricity Regulator of South Africa (NERSA), South African Local Government Bargaining Council, major service providers, etc.

The IDP's strategic focus areas informed the development of the Budget, in addition to assessing the relative capacity to implement the Budget, taking affordability considerations into account. The aforementioned guidelines were considered appropriate to inform the development of the Budget.

The Operating Budget totals R 160.4 Million, which funds the continued provision of services provided by the Municipality.

The table below reflects the MTREF allocations towards expenditures per type.

EC141 Elundini - Table A2 Budgeted Financial Performance  
(revenue and expenditure by standard classification)

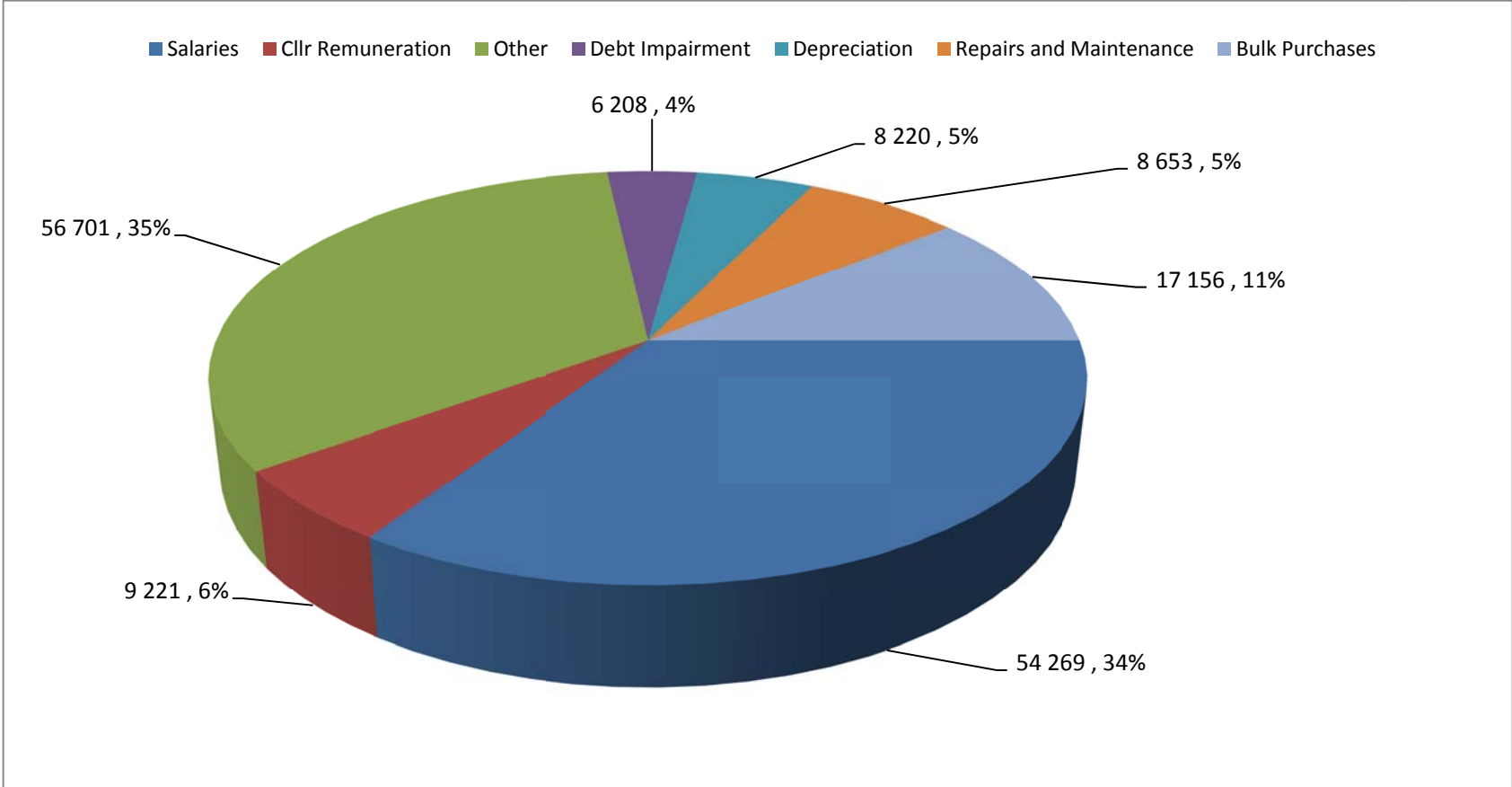
Standard Classification Description	R e f	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
		Audit ed Outco me	Audit ed Outco me	Audit ed Outco me	Origi nal Budg et	Adjus ted Budg et	Full Year Forec ast	Budg et Year 2013/14	Budg et Year +1 2014/15	Budg et Year +2 2015/16
R thousand	1									

| Expenditure - Standard | . | | | | | | | | | |

<i>Governance and administration</i>		74 451	53 650	-	77 840	80 364	80 364	84 536	87 721	92 568
Executive and council		11 749	15 800	-	23 373	25 046	25 046	26 773	28 349	29 997
Budget and treasury office		44 760	22 343	-	30 833	30 943	30 943	34 571	35 274	37 105
Corporate services		17 942	15 507	-	23 634	24 375	24 375	23 193	24 098	25 467
<i>Community and public safety</i>		8 021	6 584	-	8 651	11 537	11 537	13 315	14 163	15 063
Community and social services		4 756	2 630	-	3 159	3 478	3 478	3 282	3 487	3 704
Sport and recreation		2 687	3 423	-	4 966	2 922	2 922	4 833	5 147	5 480
Public safety		-	-	-	-	4 598	4 598	4 614	4 909	5 221
Housing		578	531	-	526	539	539	584	620	658
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		3 124	19 072	-	31 988	26 639	26 639	27 711	37 250	31 058
Planning and development		491	2 560	-	5 002	3 359	3 359	8 672	9 171	9 688
Road transport		2 633	16 512	-	26 986	23 280	23 280	19 038	28 079	21 370
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		13 025	37 225	-	47 007	32 743	32 743	34 866	36 718	71 249
Electricity		12 200	13 474	-	25 010	24 077	24 077	27 333	28 759	62 848
Water	004)	(2	11 961	-	8 054	-	-	-	-	-
Waste water management		-	3 203	-	3 467	-	-	-	-	-
Waste management		2 829	8 588	-	10 476	8 666	8 666	7 533	7 959	8 401
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
<b>Total Expenditure - Standard</b>	<b>3</b>	<b>98 621</b>	<b>116 531</b>	<b>-</b>	<b>165 486</b>	<b>151 283</b>	<b>151 283</b>	<b>160 428</b>	<b>175 852</b>	<b>209 938</b>

The graph below reflects the componentization of the operating budget in the sum of R 160.4 Million as denoted within the budgeted statement of financial performance by expenditure type.

**2013/2014 Statement of Financial Performance- Budget Expenditure**



Below is a discussion of the main expenditure components:

### **Employee Costs**

National Treasury no longer prescribes a norm for salary expenditure and instead requires Municipalities to develop a personnel expenditure ratio that is based on the nature of its functions, organizational structure, labour intensity of intensity of its operations, extent to which labour intensive components of its operations are outsourced and the composition of non personnel components of its operational expenditure. The 2013/2014 budget reflects that 34% of the operational budget is allocated to salary expenditure.

### **Bulk Purchases**

Eskom has increased bulk tariffs to Municipalities by 8% as relates to the 2013/2014 financial year. The 2013/14 budget accordingly allows for a concomitant increase for bulk power purchases from Eskom. It has been estimated, however, that energy consumption levels will reflect a negative growth of approximately 2%, attributable to the following:

- Significant increases in electricity prices;
- Consumer awareness of the need to conserve energy;
- The implementation of energy conservation measures; and
- The down turn in the economy and its consequential impact on industry.

## ***Operational Sources of Funding***

The Municipality receives its funding from many sources including property rates, services charges and government grants. The following table identifies the sources of funding for the current financial year 2013/2014 and the projected outer year budgets for 2014/15 to 2015/16.

Importantly the revenue streams have been linked to CPI as defined with the headline inflation forecasts as defined within the National Budget with Electricity being aligned to NERSA proposed IBT tariff increase parameters, :  
Below is a graph reflecting the revenue components of the budgeted statement of financial performance

### **2013/2014 Statement of Financial Performance- Budget Revenue**

The graph below reflects the componentization of the operating revenue in the sum of R 163.2 Million as denoted within the budgeted statement of financial performance revenue by source.

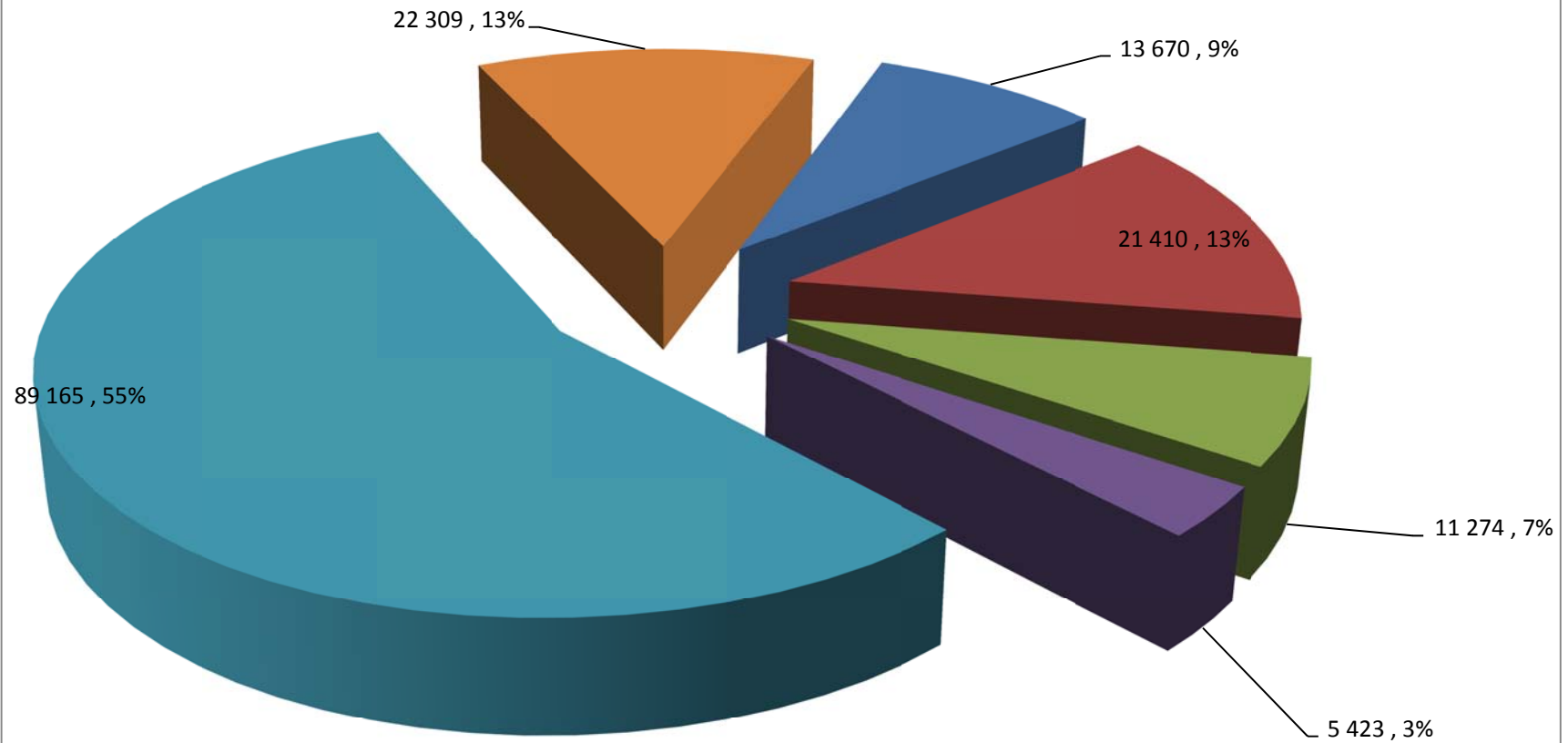
### **2013/2014 Statement of Financial Performance- Revenue By Source**

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>R thousand</b>	1										
<b><u>Revenue By Source</u></b>											
Property rates	2	10 890	4 915	12 050	13 548	13 548	13 548	-	13 670	14 521	15 611
Property rates - penalties & collection charges								-			
Service charges - electricity revenue	2	10 890	9 503	11 735	13 300	13 300	13 300	-	17 400	18 287	19 183
Service charges - water revenue	2	6 180	6 968	5 736	6 110	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	353	958	1 380	-	-	-	-	-	-
Service charges - refuse revenue	2	5 135	5 580	6 641	6 264	3 713	3 713	-	4 010	4 250	4 505
Service charges - other								-		-	-
Rental of facilities and equipment		735	8 671	9 678	9 899	2 869	2 869	-	11 274	11 849	12 429

Interest earned - external investments		3 420	2 500	2 077	2 812	1 752	1 752		1 848	1 942	2 038
Interest earned - outstanding debtors		5 916	150	4 721	3 496	3 388	3 388		3 575	3 757	3 941
Dividends received		609	-			-				-	-
Fines			73		1	84	84		54	56	59
Licences and permits			2 001	1 703	1 009	1 745	1 745		2 133	2 242	2 352
Agency services			9 326	9 903	11 810	-			1 397	1 468	1 540
Transfers recognised - operational		64 065	52 021	72 499	76 766	76 766	76 766		89 165	105 271	136 630
Other revenue	2	9 116	18 557	11 903	30 043	53 311	53 311	-	18 447	7 580	6 669
Gains on disposal of PPE									280	294	309
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>116 956</b>	<b>120 616</b>	<b>149 604</b>	<b>176 438</b>	<b>170 476</b>	<b>170 476</b>	<b>-</b>	<b>163 251</b>	<b>171 517</b>	<b>205 266</b>



■ Rates ■ Service Charges ■ Rental equipment ■ Interest ■ Operational Transfers ■ Sundry Income



Below is a discussion of the main revenue components:

### **Operational Transfers**

Growth within the Equitable Share of Nationally raised revenue as gazetted with the Division of Revenue Act has increased 13.7%, as compared with 2013/2014 fiscal year; with outer year adjustments increasing 18.25%, and 30% respectively; the above mentioned revenue correction is a second attempt by National Government to realign the funding formula to Local Government aimed at enhancing the resource base to Local Municipalities that are rural in nature and hence have limitation within their revenue raising capacity, and to counter the effect of the cost of Governance related costs in relation to revenue raising ability.

### **Service Charges**

Electricity service charges have increased 12%, as opposed to the General Price increase advocated by NERSA of 8%, the above-mentioned increases are primarily attributed to a claw back approach adopted to ensure break even ability of the trading service, coupled with the introduction of depreciation related charges for the 2013/2014 financial year; importantly as per the IBT's adopted the tariff increases have been limited to 6.6% for the 20 amp users( poor), 8.04% for domestic 60 amp users, 8.0% for single phase business and 19.4% for three phase and large industry.

Solid waste tariffs have increased by 8%, the above mentioned increase has been necessitated by the introduction of a PPP agreement that will effectively culminate in the outsourcing of the three landfill sites within Elundini LM, at an annualized cost of R 2 million per annum.

### **Comparative Rates and Tariffs**

In order to support the Operating Budget, the following increases in rates and service charges have been proposed, compared to the 2013/2014 financial year:

	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
	%	%	%	%
Property rates Increase	6.0	8.0	5.1	4.9
Electricity Increase	11.03	12.0	5.1	4.9
Refuse Increase	6.0	8.0	5.1	4.9

### **1.3.2.2 Capital Budget**

The three year capital budget presented below has been prepared to give effect to the service delivery objectives as contained within the Integrated Development Plan.

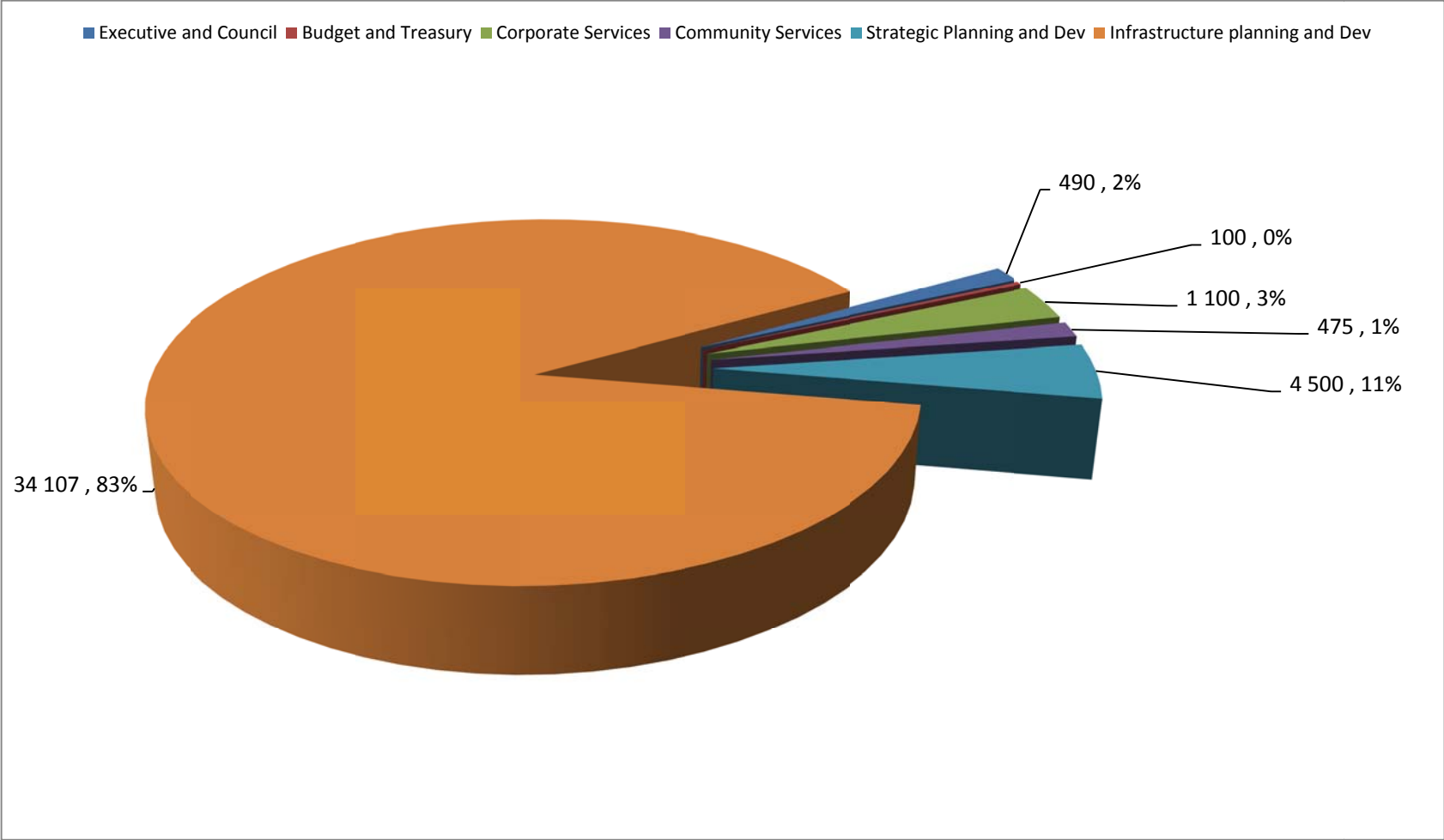
Importantly, R 115.3 million will be invested over the 2013/2014-2015/16 MTREF in capital expansion programmes, with R 34.4 Million of opex being invested into repairs and maintenance initiatives aimed at maintaining all assets in good operational order to maximise ROI .(See Asset Management commentary elsewhere in this report for detailed analysis around % benchmark indicators)

EC141 Elundini - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

<b>Capital Expenditure - Standard</b>											
<i>Governance and administration</i>		4 237	8 107	2 240	-	2 850	2 850	-	1 690	1 776	1 863
Executive and council		2 365	6 977	692	-	800	800		490	515	540
Budget and treasury office		958	80	1 417	-	1 750	1 750		100	105	110
Corporate services		914	1 050	131	-	300	300		1 100	1 156	1 213
<i>Community and public safety</i>		5 102	1 061	282	540	473	473	-	375	394	413
Community and social services		3 825	1 040	174	480	420	420		150	158	165
Sport and recreation		475	21	108	60	53	53		50	53	55
Public safety		803							175	184	193
Housing											
Health											
<i>Economic and environmental services</i>		11 727	18 179	30 962	36 528	37 789	37 789	-	31 207	29 900	32 118
Planning and development			717	420	3 637	5 107	5 107		4 500	105	110
Road transport		11 727	17 462	30 542	32 891	32 682	32 682		26 707	29 795	32 007
Environmental protection											
<i>Trading services</i>		13 463	19 294	4 862	2 300	6 335	6 335	-	7 400	10 106	110
Electricity		3 687	19 294	4 862	2 150	4 426	4 426		7 300	10 001	-
Water											
Waste water management		41									
Waste management		9 735			150	1 909	1 909		100	105	110
<i>Other</i>											
<b>Total Capital Expenditure - Standard</b>	<b>3</b>	<b>34 529</b>	<b>46 641</b>	<b>38 346</b>	<b>39 368</b>	<b>47 447</b>	<b>47 447</b>	<b>-</b>	<b>40 672</b>	<b>42 176</b>	<b>34 505</b>
<b>Funded by:</b>											
National Government		17 565	17 746	19 711	26 890	26 890	26 890		32 507	38 567	33 323
Provincial Government											
District Municipality											
Other transfers and grants				13 086	3 637	3 637	3 637				
Transfers recognised - capital	4	17 565	17 746	32 797	30 527	30 527	30 527	-	32 507	38 567	33 323
Public contributions & donations	5		16 887								
Borrowing	6										
Internally generated funds		16 964	12 008	5 549	10 041	16 920	16 920		8 165	3 609	1 182
<b>Total Capital Funding</b>	<b>7</b>	<b>34 529</b>	<b>46 641</b>	<b>38 346</b>	<b>40 568</b>	<b>47 447</b>	<b>47 447</b>	<b>-</b>	<b>40 672</b>	<b>42 176</b>	<b>34 505</b>

The graph below reflects the 2013/14 Capital Budget by Vote.

**CAPITAL EXPENDITURE BY VOTE R'000**



## Capital Source of Financing

The table denoted below provides Council with an understanding as to the basis under which the Capital expansion programmes of Council are to be financed, importantly the funding is primarily driven through the Division of Revenue Act, as well as funding agreements concluded through the Donor funding policy, which as per the 2013/2014 fiscal year netted R 5 million in public contributions towards infrastructural upgrades.

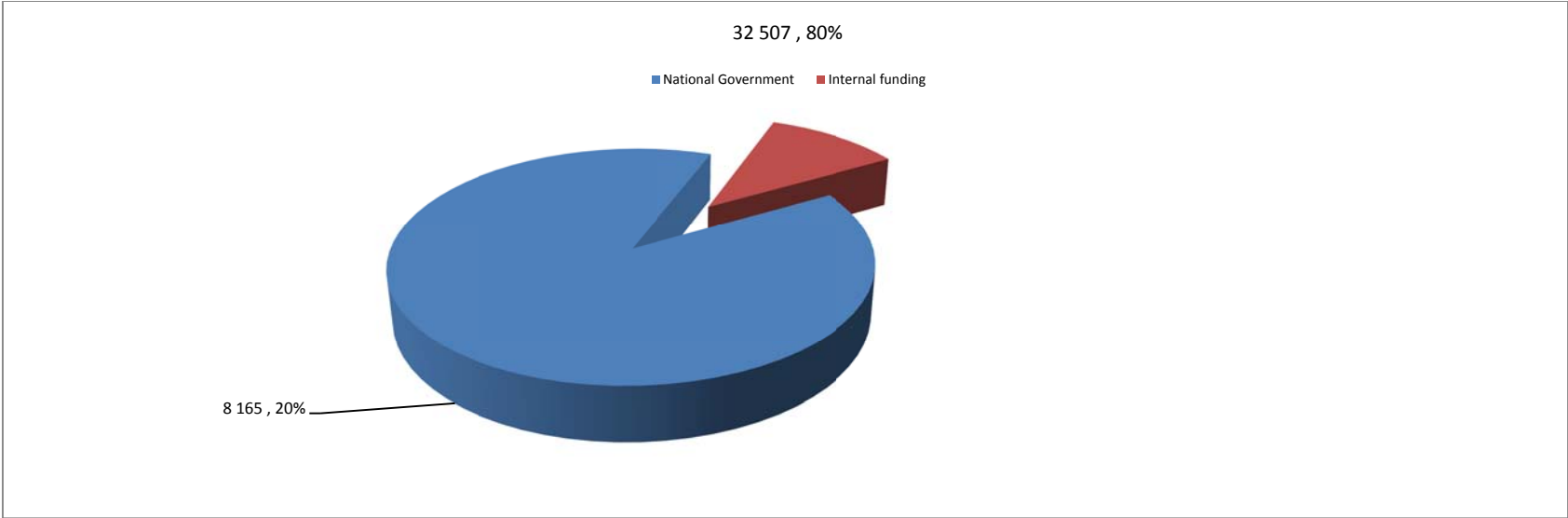
Councils contribution of retained earnings towards Capital expansion programs have been curtailed within the MTREF to allow for reserves to be adequately resourced(cashback) based on the funding compliance assessment undertaken to ensure alignment with industry standards.

EC141 Elundini - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description R thousand	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Funded by:</b>											
National Government		17 565	1 7 746	19 711	26 890	26 890	26 890		32 507	38 567	33 323
Provincial Government							-				
District Municipality							-				
Other transfers and grants				13 086	3 637	3 637	3 637				
Transfers recognised - capital	4	17 565	17 746	32 797	30 527	30 527	30 527	-	32 507	38 567	33 323
Public contributions & donations	5		16 887				-				
Borrowing	6						-				
Internally generated funds		16 964	12 008	5 549	10 041	16 920	16 920		8 165	3 609	1 182
<b>Total Capital Funding</b>	<b>7</b>	<b>34 529</b>	<b>46 641</b>	<b>38 346</b>	<b>40 568</b>	<b>47 447</b>	<b>47 447</b>	<b>-</b>	<b>40 672</b>	<b>42 176</b>	<b>34 505</b>

The Graph below denotes the capital sources of funding

**2013/2014 Capital Sources of Financing**



### **1.3.3 Funding of the Budget**

#### ***Fiscal Overview***

##### **1.3.3.1 2012/13 Actual and 2013/14 Projected Financial Performance**

The municipality's financial performance and position appears to be as evidenced by the following:

- Budgets are balanced, being funded from the current financial year's revenues.
- The municipality operates within its annual budget, as approved by Council.
- The municipality maintains a positive cash and investments position.
- Higher than expected/modelled collection rates are being achieved.

##### **1.3.3.1.1 Operating Budget**

In the 2013/2014 financial year expenditure in the amount of R 160.4 million was fully funded from the municipality's revenues. A similar performance is projected for 2013/14 with R 175.8 million of expenditure being funded by revenue of R 209.9 million leaving a budgeted surplus of R 40.6 million which is appropriated in the Statement of Changes in Net Assets. For both financial years, the current financial year's revenues were sufficient to cover the operating expenditures.

In February 2013 it was reported to the Budget and Treasury Standing Committee that the average revenue collection rate was 75% of the current financial year's billings. The collection rate of 80% on which the 2013/14 Operating Budget is premised, is in line with the IDP target. It will assist the municipality in maintaining its financial position to support the mid-term plan in this Budget.

The Municipality has developed and implemented a Revenue enhancement strategy, it is anticipated that the gains made to date improving the collection rate from 28% in 2009/2010 to 95% by June 2012, will continue and result in the achievement of a consistent collection rate of 80+% within the MTREF.

##### **1.3.3.1.2 Capital Budget**

The actual capital budget projected spend in 2013/2014 amounted to R40.6 Million, of which R 32.5 million was funded from National and Provincial Government grants, and the remaining

R 8.1million was funded from Council's internal sources

The projected spending level over the 2013/14-2015/16 MTREF will result in a significant reduction within Capital expenditure, with a capital budget allocation of R40.6 million being proposed for 2013/2014, financed through National Government in the sum of R 32.5 Million, and internal reserves of R 8.1 Million.



The above-mentioned decline is attributable to the completion of significant investment within the Ugie area financed through external grant allocation secured as part of the Steinhoff infrastructure rollout plan

It is anticipated that in the two outer years of the MTEF 2014/15 and 2015/2016, the Capital budgets have been modeled primarily around gazette Municipal Infrastructure Grant allocations, which will see net decline in the level of infrastructure investment to match available resources.

### **1.3.3.2 Mid Term Outlook – 2013/14 to 2015/2016**

#### ***Operating Budget***

The operating budget amounts to R 159.1 million for the 2013/14 financial year. It then increases to R 170.2 Million in 2014/2015, and finally to R 205.0 Million in 2015/16. This growth is mainly in the following areas:

- Increased spending attributable to addressing maintenance backlogs in infrastructure;
- Increased spending on employee related costs;
- Increased spending attributable to bulk purchasing costs for electricity;
- Increased spending on Loss Management;
- Increased spending on Job Creation;
- Provisioning of Free Basic Services;
- Increased spending on Solid Waste Functioning;
- Increased spending special programmes of Council- youth, women development and HIV/AIDS;
- Entrenchment of Public Consultation;
- Strengthening of Ward Based Committees;
- SMME Development and support

#### ***Capital Budget***

Over the next three financial years, 2013/2014 to 2015/16, capital spending is projected at R 40.6 million in 2013/14, R 42.1 million in 2014/15 and R 34.5 million in 2015/16

Councils contribution of retained earnings towards Capital expansion programs have been curtailed within the MTREF to allow for reserves to be adequately resourced(cashback) based on the funding compliance assessment undertaken to ensure alignment with industry standards.

This situation has been brought about by an accelerated drive over the last 4 years towards the eradication of backlogs that has seen a cumulative investment of over R 57 million of retained earnings being invested into Property Plant and Equipment.

Due to limitations imposed on the financing model, the provisions of the Donor Support policy will be invoked to ensure that all available funding streams outside of the DORA and internal reserves are explored and maximized to sustain the commitment to eradicate service delivery related backlogs; the focus on MTREF will be Road and Stormwater networks, considering that the Electricity Distribution networks within Elundini LM's service jurisdiction have been comprehensively upgraded and rehabilitated.

The Municipality will likewise be engaging in a PPP option, and as such will be investing significantly in the waste transportation sector of operations with an estimated R 2 Million escalated with CPI per annum over the MTREF .

## ***Financial Ratios***

The table below provides Council with the assurance that the financial modelling, under pinning the IDP is aligned to Best Operating Practice insofar as financial sustainability is concerned; the information presented also provides Council with an understanding as to the fundamental modelling provisions used to ensure a credible and implementable IDP; the analysis also aligns the IDP and Budget to National IDP regulation on financial viability.

In terms of the Measurable performance objectives and indicators presented, careful consideration and oversight must be given to the management of liquidity and the cost cover ratio of Council monthly over the MTREF to ensure alignment to industry norms.

**On the whole the financial positioning of Council is stable as reflective within the Performance indicators and benchmarks**

## ***Ongoing issues requiring monitoring and evaluation***

The municipality is closely monitoring certain issues that could have a significant financial impact on future budgets. If one or more of them require substantial resources beyond what is included in the mid-term budget, the municipality will have to adjust its spending plans to maintain its financial position. Many of the items listed below could have major and permanent impacts on the operating budget, and would therefore require permanent increases in revenue, or commensurate reductions in other services. Consequently, they should be carefully monitored and evaluated:

- Maintenance backlogs in respect of Council's assets – adequacy of budgetary provisions alignment of benchmark indicator to 8% of net book value of asset base;
- Staffing requirements and the impact on the personnel expenditure target;
- Improvement of current collection rates;
- Electricity Distribution Losses;
- Unpaid Water and Sanitation Operating Subsidies;
- Discontinued operations- Water Service Provisioning

A8 Performance indicators and benchmarks

Basis of calculation	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Interest & Principal Paid /Operating Expenditure	2.2%	0.1%	0.5%	0.1%	0.2%	0.2%	0.0%	0.2%	0.2%	0.1%
Finance charges & Repayment of borrowing /Own Revenue	4.1%	0.2%	1.0%	0.2%	0.3%	0.3%	0.0%	0.3%	0.4%	0.4%
Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	-1.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
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%
Current assets/current liabilities	1.2	1.3	1.7	2.8	8.9	8.9	-	1.3	1.3	1.3
Current assets less debtors > 90 days/current liabilities	1.2	1.3	1.7	2.8	8.9	8.9	-	1.3	1.3	1.3
Monetary Assets/Current Liabilities	1.0	0.8	0.9	1.2	0.4	0.4	-	0.8	0.8	0.8
Last 12 Mths Receipts/Last 12 Mths Billing		64.8%	51.7%	57.0%	102.8%	135.4%	135.4%	0.0%	107.2%	120.8%
		64.8%	51.7%	57.0%	102.8%	135.4%	135.4%	0.0%	107.2%	120.8%
Total Outstanding Debtors to Annual Revenue	9.0%	15.8%	16.4%	17.6%	11.0%	11.0%	0.0%	16.2%	16.2%	14.2%
Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
% of Creditors Paid Within Terms (within 'MFMA' s 65(e))	100.0%	100.0%	100.0%					100.0%	100.0%	100.0%
	34.7%	44.1%	83.3%	61.8%	0.0%	0.0%	0.0%	55.9%	48.3%	29.0%

Total Volume Losses (kW)								3366000	2574000	1980000
Total Cost of Losses (Rand '000)								4 914	4 059	3 339
Total Volume Losses (kℓ)										
Total Cost of Losses (Rand '000)										
Employee costs/(Total Revenue - capital revenue)	31.1%	36.6%	26.7%	31.2%	29.8%	29.8%	0.0%	33.2%	33.7%	30.0%
Total remuneration/(Total Revenue - capital revenue)	41.4%	42.7%	0.0%	0.0%	0.0%	0.0%		38.9%	39.4%	35.1%
R&M/(Total Revenue excluding capital revenue)	3.8%	2.5%	0.0%	0.0%	0.0%	0.0%		5.3%	5.3%	4.6%
FC&D/(Total Revenue - capital revenue)	1.8%	4.3%	23.2%	1.9%	4.7%	4.7%	0.0%	5.2%	5.2%	4.5%
Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	6.4	9.9	1 182.7	1 533.4	1 533.4	1 533.4	–	36.8	31.3	32.5
Total outstanding service debtors/annual revenue received for services	31.0%	53.0%	52.3%	61.5%	56.2%	56.2%	0.0%	57.1%	56.9%	56.4%
Available cash + Investments)/monthly fixed operational expenditure	5.6	3.7	5.7	2.1	2.8	2.8	–	4.1	4.7	7.2

### 1.3.4 Medium Term Revenue and Expenditure

The Projected Financial Results over the MTREF are depicted within the table below:

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>R thousand</b>	1										
<u>Revenue By Source</u>											
Property rates	2	10 890	4 915	12 050	13 548	13 548	13 548	-	13 670	14 521	15 611
Property rates - penalties & collection charges								-			
Service charges - electricity revenue	2	10 890	9 503	11 735	13 300	13 300	13 300	-	17 400	18 287	19 183
Service charges - water revenue	2	6 180	6 968	5 736	6 110	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	353	958	1 380	-	-	-	-	-	-
Service charges - refuse revenue	2	5 135	5 580	6 641	6 264	3 713	3 713	-	4 010	4 250	4 505
Service charges - other								-		-	-
Rental of facilities and equipment		735	8 671	9 678	9 899	2 869	2 869		11 274	11 849	12 429
Interest earned - external investments		3 420	2 500	2 077	2 812	1 752	1 752		1 848	1 942	2 038
Interest earned - outstanding debtors		5 916	150	4 721	3 496	3 388	3 388		3 575	3 757	3 941
Dividends received		609	-			-				-	-
Fines			73		1	84	84		54	56	59
Licences and permits			2 001	1 703	1 009	1 745	1 745		2 133	2 242	2 352
Agency services			9 326	9 903	11 810	-			1 397	1 468	1 540
Transfers recognised - operational		64 065	52 021	72 499	76 766	76 766	76 766		89 165	105 271	136 630
Other revenue	2	9 116	18 557	11 903	30 043	53 311	53 311	-	18 447	7 580	6 669
Gains on disposal of PPE									280	294	309
<b>Total Revenue (excluding capital transfers and contributions)</b>		116 956	120 616	149 604	176 438	170 476	170 476	-	163 251	171 517	205 266
<u>Expenditure By Type</u>	-										
Employee related costs	2	36 379	44 086	39 926	55 076	50 742	50 742	-	54 269	57 796	61 553

Remuneration of councillors		7 461	7 427	7 738	8 711	8 622	8 622		9 221	9 821	10 459
Debt impairment	3	23 920	12 945	10 613	9 583	3 853	3 853		6 208	6 525	6 845
Depreciation & asset impairment	2	-	5 011	34 113	3 171	7 792	7 792	-	8 220	8 639	9 062
Finance charges		2 098	159	616	179	179	179		188	198	208
Bulk purchases	2	7 374	9 065	13 378	16 362	15 885	15 885	-	17 156	18 031	18 914
Other materials	8		6 709		11 850	9 825	9 825		8 653	9 094	9 540
Contracted services		-	2 852	-	7 035	2 278	2 278	-	2 246	2 361	2 476
Transfers and grants		-	-	-	-	-	-	-	-	-	-
Other expenditure	4, 5	21 364	28 276	37 247	53 519	52 106	52 106	-	54 266	63 388	90 881
Loss on disposal of PPE		25		55					-	-	-
<b>Total Expenditure</b>		<b>98 619</b>	<b>116 530</b>	<b>143 686</b>	<b>165 486</b>	<b>151 282</b>	<b>151 282</b>	<b>-</b>	<b>160 428</b>	<b>175 852</b>	<b>209 938</b>
<b>Surplus/(Deficit)</b>		<b>18 337</b>	<b>4 086</b>	<b>5 918</b>	<b>10 952</b>	<b>19 194</b>	<b>19 194</b>	<b>-</b>	<b>2 824</b>	<b>(4 335)</b>	<b>(4 671)</b>
Transfers recognised - capital			18 680	32 798	29 616	28 253	28 253		37 848	46 511	39 176
Contributions recognised - capital	6	-	-	-	-	-	-	-	-	-	-
Contributed assets		-									
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>18 337</b>	<b>22 766</b>	<b>38 716</b>	<b>40 568</b>	<b>47 447</b>	<b>47 447</b>	<b>-</b>	<b>40 672</b>	<b>42 176</b>	<b>34 505</b>
Taxation											
<b>Surplus/(Deficit) after taxation</b>		<b>18 337</b>	<b>22 766</b>	<b>38 716</b>	<b>40 568</b>	<b>47 447</b>	<b>47 447</b>	<b>-</b>	<b>40 672</b>	<b>42 176</b>	<b>34 505</b>
Attributable to minorities											
<b>Surplus/(Deficit) attributable to municipality</b>		<b>18 337</b>	<b>22 766</b>	<b>38 716</b>	<b>40 568</b>	<b>47 447</b>	<b>47 447</b>	<b>-</b>	<b>40 672</b>	<b>42 176</b>	<b>34 505</b>
Share of surplus/ (deficit) of associate	7										
<b>Surplus/(Deficit) for the year</b>		<b>18 337</b>	<b>22 766</b>	<b>38 716</b>	<b>40 568</b>	<b>47 447</b>	<b>47 447</b>	<b>-</b>	<b>40 672</b>	<b>42 176</b>	<b>34 505</b>





### **1.3.5 Priorities and linkages to the IDP**

The Integrated Development Plan (IDP) determines and prioritizes the needs of the community.

The 2013/14 to 2015/16 Operating and Capital Budgets were prepared in accordance with the IDP. The key strategic focus areas of the IDP are as follows:

- Municipal transformation and development
- Service delivery and infrastructure development
- Local economic development
- Financial sustainability and viability
- Good governance and public participation

The abovementioned strategic focus areas informed the preparation of the Budget.

After the tabling of the budget, a series of meetings was held throughout the municipal area to consult with the elected public representatives, Ward Committees, employees of the Municipality, Civil Society, business, labour, National and Provincial Governments on how the draft budget addresses the IDP priorities and objectives. The feedback flowing from these meetings were positive and no material amendments to the budget were undertaken.

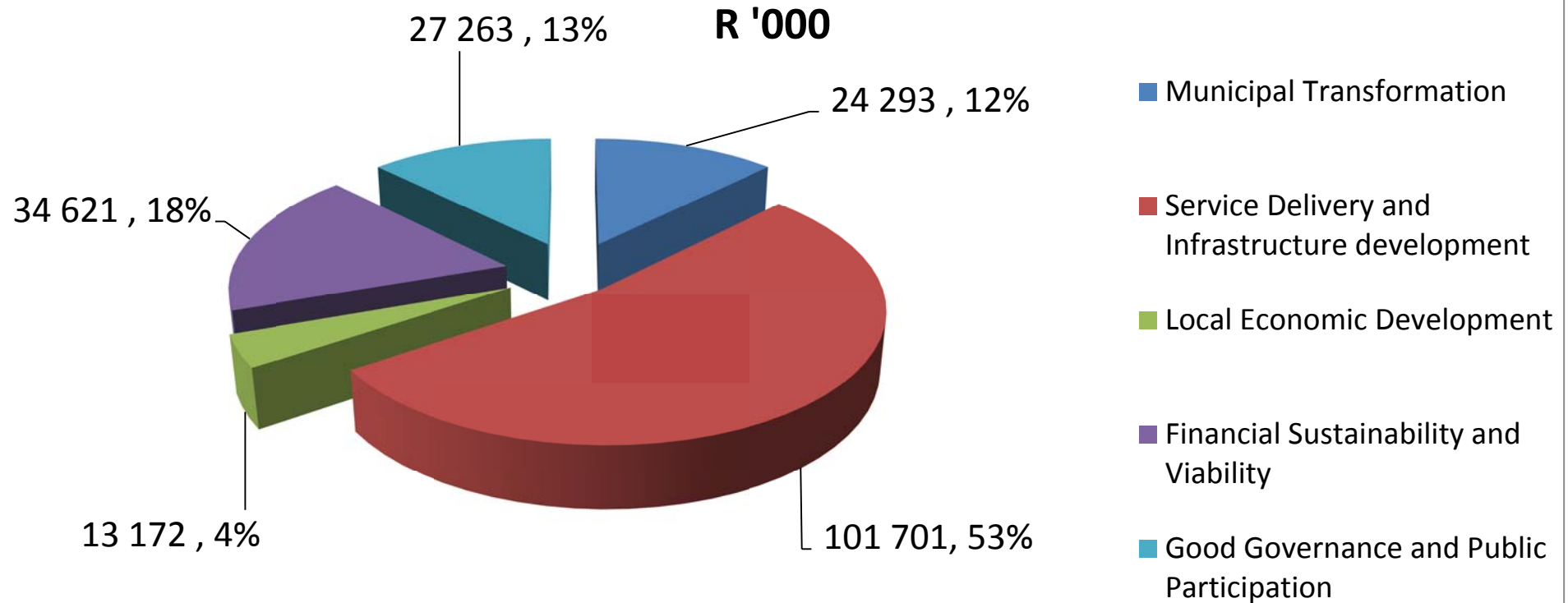
The linking of capital projects to the IDP priorities has been relatively simple, whilst the difficulty in the past has been to link the Operating budget to the IDP. This is now facilitated through the Service Delivery and Budget Implementation Plan (SDBIP).

Below is a table, which illustrates the link between the Budget and the IDP.

## BUDGET ALLOCATION ACCORDING TO IDP PRIORITIES

	Municipal Transformation and Development	Service Delivery and Infrastructure Development	Local Economic Development	Financial Sustainability and Viability	Good Governance and Public Participation	Total
	R '000	R '000	R '000	R '000	R '000	R '000
<b>2013/14 Budget</b>						
Capital Expenditure	1 100	34 482	4 500	100	490	40 672
Operating Expenditure	23 193	67 219	8 672	34 571	26 773	160 428
<b>Total</b>	<b>24 293</b>	<b>101 701</b>	<b>13 172</b>	<b>34 621</b>	<b>27 263</b>	<b>201 050</b>
<b>2014/15 Budget</b>						
Capital Expenditure	1 156	40 295	105	105	515	42 176
Operating Expenditure	24 098	78 960	9 171	35 274	28 349	175 852
<b>Total</b>	<b>25 254</b>	<b>119 255</b>	<b>9 276</b>	<b>35 379</b>	<b>28 864</b>	<b>218 028</b>
<b>2015/16 Budget</b>						
Capital Expenditure	1 213	32 530	110	110	540	34 503
Operating Expenditure	25 467	107 681	9 798	37 105	29 997	209 938
<b>Total</b>	<b>26 680</b>	<b>140 211</b>	<b>9 908</b>	<b>37 215</b>	<b>30 537</b>	<b>244 551</b>
	<b>76 227</b>	<b>361 167</b>	<b>24 613</b>	<b>107 215</b>	<b>86 664</b>	<b>665 679</b>

### 2013/2014 Expenditure by IDP Priority



#### Key amendments to IDP

The review of the Integrated Development Plan (IDP) in terms of the Municipal Systems Act has been guided and informed by the following principles:

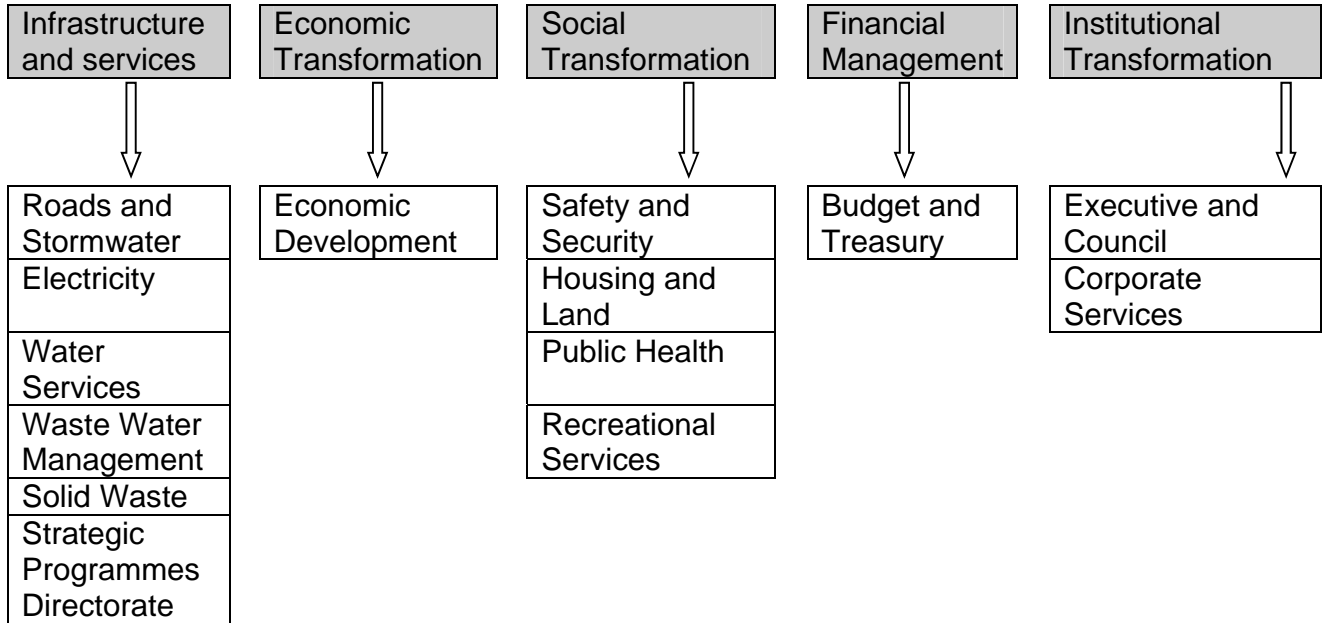
- It must support the achievement of the five strategic priorities of the Elundini LM.
- Focus on service delivery and the maintenance of infrastructure.
- Address community priorities (needs) as identified in the IDP.

The review of the IDP focused on establishing measurable performance indicators and targets. These targets informed the preparation of the multi-year budget, as well as the SDBIP.

**Alignment with National and Provincial Priorities**

The Municipality’s priorities are aligned to those of the National and Provincial Governments.

The matrix below shows the alignment with National and Provincial Government priorities:



The above is an indication of Elundini Local Municipality alignment to the National and Provincial Key Performance Areas and how Directorates are aligned thereto. It should, however, be noted that in terms of implementation all Directorates are focusing on the five areas. In order to monitor and evaluate service delivery and financial performance, key performance indicators are included in all Directors’ performance agreements.

### 1.3.8 Amendments to Budget Related Policies

The MFMA and the Budget and Reporting Regulations require budget related policies to be reviewed, and where applicable, be updated on an annual basis.

A review of the existing budget related policies indicated that no significant changes are required at this stage given significant changes brought about during the course of 2011/2012. The following amended budget related policies are submitted herewith for final adoption:

- Rates Policy;

### 1.3.9 Budget Assumptions

The following key assumptions underpinned the preparation of the multi-year budget:

	2013/14	2014/2015	2015/2016
<b>Income</b>	%	%	%
Refuse Tariff Increase	8.0	5.1	4.9
Property Rates Increase	8.0	5.1	4.9
Electricity Tariff Increase	12.0	5.1	4.9
Revenue collection rates	80	85	90
<b>Expenditure</b>			
Total Expenditure Increase allowed (excluding repairs and maintenance)	5.9	5.1	4.9
Salary increase	6.95	5.1	4.9
Increase in repairs and maintenance	5.9	5.1	4.9
Increase in bulk purchase of power costs	8	8	8

## 1.4 Annual Budget Tables

The annual budget tables are included in this section.

### 1.4.1 Budget Summary

The aim of the Budget Summary is to 'provide a concise overview of the proposed budget from all of the major financial perspectives (operating expenditure, capital expenditure, financial position and cash flow, and MFMA funding compliance). The table provides a 'snapshot view' of the amounts to be approved by Council within the context of operating performance, resources utilised for capital expenditure, financial position, cash and funding compliance.

Taking the aforementioned budget strategy, assumptions and principles into consideration the 2013/14 to 2015/16 Budget was  
EC141 Elundini - Table A1 Budget Summary

Description	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework			
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	P r e - a u d i t o u t c o m e	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16	
<u>Financial Performance</u>											
Property rates	10 890	4 915	12 050	13 548	13 548	548	13	-	13 670	14 521	15 611
Service charges	22 205	22 404	25 070	27 054	17 013	013	17	-	21 410	22 537	23 688
Investment revenue	3 420	2 500	2 077	2 812	1 752	752	1	-	1 848	1 942	2 038
Transfers recognised - operational	64 065	52 021	72 499	76 766	76 766	766	76	-	89 165	105 271	136 630
Other own revenue	16 376	38 777	37 908	56 258	61 397	397	61	-	37 159	27 246	27 299

Total Revenue (excluding capital transfers and contributions)	116 956	120 616	149 604	176 438	170 476	170 476	-	163 251	171 517	205 266
Employee costs	36 379	44 086	39 926	55 076	50 742	742	50	54 269	57 796	61 553
Remuneration of councillors	7 461	7 427	7 738	8 711	8 622	622	8	9 221	9 821	10 459
Depreciation & asset impairment	-	5 011	34 113	3 171	7 792	792	7	8 220	8 639	9 062
Finance charges	2 098	159	616	179	179	179	-	188	198	208
Materials and bulk purchases	7 374	15 774	13 378	28 212	25 710	710	25	25 809	27 125	28 454
Transfers and grants	-	-	-	-	-	-	-	-	-	-
Other expenditure	45 309	44 074	47 915	70 137	58 237	237	58	62 721	72 273	100 202
Total Expenditure	98 619	116 530	143 686	165 486	151 282	282	151	160 428	175 852	209 938
Surplus/(Deficit)	18 337	4 086	5 918	10 952	19 194	194	19	2 824	(4 335)	(4 671)
Transfers recognised - capital	-	18 680	32 798	29 616	28 253	253	28	37 848	46 511	39 176
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	18 337	22 766	38 716	40 568	47 447	447	47	40 672	42 176	34 505
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	18 337	22 766	38 716	40 568	47 447	447	47	40 672	42 176	34 505
<u>Capital expenditure &amp; funds sources</u>										
Capital expenditure	34 529	46 641	38 346	40 568	47 447	447	47	40 672	42 176	34 505

Transfers recognised - capital	17 565	17 746	32 797	30 527	30 527	527	30	-	32 507	38 567	33 323
Public contributions & donations	-	16 887	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-	-
Internally generated funds	16 964	12 008	5 549	10 041	16 920	920	16	-	8 165	3 609	1 182
<b>Total sources of capital funds</b>	<b>34 529</b>	<b>46 641</b>	<b>38 346</b>	<b>40 568</b>	<b>47 447</b>	<b>447</b>	<b>47</b>	<b>-</b>	<b>40 672</b>	<b>42 176</b>	<b>34 505</b>
<b>Financial position</b>											
Total current assets	54 850	47 904	73 651	57 291	21 146	146	21	-	66 355	69 739	73 156
Total non current assets	52 239	97 673	348 415	167 624	28 056	056	28	-	348 334	366 099	384 038
Total current liabilities	44 860	36 163	43 989	20 354	2 382	382	2	-	49 980	52 529	55 103
Total non current liabilities	12 958	9 260	9 315	8 301	-	-	-	-	8 001	8 409	8 821
Community wealth/Equity	49 270	100 154	368 762	196 260	384 536	536	384	-	356 708	374 900	393 270
<b>Cash flows</b>											
Net cash from (used) operating	20 561	37 167	51 486	40 468	47 447	447	47	-	36 432	50 737	70 532
Net cash from (used) investing	(34 006)	(49 520)	(38 235)	(43 981)	(47 447)	447	(47)	-	(40 672)	(42 176)	(34 505)
Net cash from (used) financing	(65)	(67)	(127)	(65)	(65)	(65)	(65)	-	(69)	(73)	(76)
Cash/cash equivalents at the year end	40 315	27 896	41 020	21 332	24 845	845	24	2 4 9 1 0	39 500	47 989	83 941



<u>Cash backing/surplus reconciliation</u>											
Cash and investments available	40 316	27 897	41 020	24 845	1 000	000	1	-	39 500	41 514	43 548
Application of cash and investments	28 550	17 781	20 215	(14 046)	(25 434)	434)	(25	-	14 617	11 582	15 497
Balance - surplus (shortfall)	11 766	10 115	20 805	38 891	26 434	434	26	-	24 883	29 932	28 051
<u>Asset management</u>											
Asset register summary (WDV)	52 202	94 410	348 150	164 360	28 056	056	28	3 3 8 1 6 0	338 160	260 769	273 547
Depreciation & asset impairment	-	5 011	34 113	3 171	7 792	792	7	8 2 2 0	8 220	8 639	9 062
Renewal of Existing Assets	-	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	4 421	2 974	-	11 850	-	-	-	8 6 5 3	8 653	9 094	9 539
<u>Free services</u>											
Cost of Free Basic Services provided	-	5 239	5 930	5 930	5 930	500	1	6 1 5 6	6 156	6 571	7 011
Revenue cost of free services provided	-	9 063	9 233	9 233	9 233	967	10	8 8	8 863	9 417	9 996

								6 3			
<u>Households below minimum service level</u>											
Water:	-	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-	-	-
Energy:	29	29	30	30	30	30	30	3 0	30	29	29
Refuse:	-	22	22	27	27	27	27	2 6	26	26	26

#### 1.4.2 Consolidated Financial Performance 2013/14 to 2015/16

The 'standard classification' refers to a modified Government Finance Statistics (GFS) reporting structure. The aim of the standard classification approach is to ensure that all municipalities approve a budget in one common format, to facilitate comparison across all municipalities.

EC141 Elundini - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Revenue - Standard</b>										
<i>Governance and administration</i>		73 529	79 707	-	116 147	136 139	136 139	121 380	133 601	166 582
Executive and council		98	7 250	-	281	281	281	296	311	326
Budget and treasury office		56 746	72 370	-	115 768	135 858	135 858	121 084	133 289	166 256
Corporate services		16 685	87	-	98	-	-	-	-	-
<i>Community and public safety</i>		3 046	932	-	1 168	1 063	1 063	3 216	3 380	3 545
Community and social services		3 024	930	-	1 166	985	985	1 029	1 081	1 134

Sport and recreation		4	2	-	2	78	78	-	-	-
Public safety		-	-	-	-	-	-	2 187	2 298	2 411
Housing		18	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		11 514	32 423	-	50 105	43 516	43 516	47 752	47 258	50 418
Planning and development		25	1 667	-	3 637	3 637	3 637	3 525	-	-
Road transport		11 489	30 756	-	46 468	39 879	39 879	44 226	47 258	50 418
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		26 710	33 252	-	38 634	18 013	18 013	28 752	33 790	23 897
Electricity		10 416	10 927	-	14 300	14 300	14 300	24 742	29 540	19 392
Water		11 023	11 969	-	11 708	-	-	-	-	-
Waste water management		-	4 777	-	6 362	-	-	-	-	-
Waste management		5 271	5 580	-	6 264	3 713	3 713	4 010	4 250	4 505
<i>Other</i>	4	-	120	-	-	-	-	-	-	-
<b>Total Revenue - Standard</b>	<b>2</b>	<b>114 799</b>	<b>146 434</b>	<b>-</b>	<b>206 054</b>	<b>198 731</b>	<b>198 731</b>	<b>201 099</b>	<b>218 028</b>	<b>244 442</b>
<b><u>Expenditure - Standard</u></b>	<b>-</b>									
<i>Governance and administration</i>		74 451	53 650	-	77 840	80 364	80 364	84 536	87 721	92 568
Executive and council		11 749	15 800	-	23 373	25 046	25 046	26 773	28 349	29 997
Budget and treasury office		44 760	22 343	-	30 833	30 943	30 943	34 571	35 274	37 105
Corporate services		17 942	15 507	-	23 634	24 375	24 375	23 193	24 098	25 467
<i>Community and public safety</i>		8 021	6 584	-	8 651	11 537	11 537	13 315	14 163	15 063
Community and social services		4 756	2 630	-	3 159	3 478	3 478	3 282	3 487	3 704
Sport and recreation		2 687	3 423	-	4 966	2 922	2 922	4 833	5 147	5 480
Public safety		-	-	-	-	4 598	4 598	4 614	4 909	5 221
Housing		578	531	-	526	539	539	584	620	658
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		3 124	19 072	-	31 988	26 639	26 639	27 711	37 250	31 058
Planning and development		491	2 560	-	5 002	3 359	3 359	8 672	9 171	9 688
Road transport		2 633	16 512	-	26 986	23 280	23 280	19 038	28 079	21 370
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		13 025	37 225	-	47 007	32 743	32 743	34 866	36 718	71 249
Electricity		12 200	13 474	-	25 010	24 077	24 077	27 333	28 759	62 848
Water		(2 004)	11 961	-	8 054	-	-	-	-	-
Waste water management		-	3 203	-	3 467	-	-	-	-	-
Waste management		2 829	8 588	-	10 476	8 666	8 666	7 533	7 959	8 401
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
<b>Total Expenditure - Standard</b>	<b>3</b>	<b>98 621</b>	<b>116 531</b>	<b>-</b>	<b>165 486</b>	<b>151 283</b>	<b>151 283</b>	<b>160 428</b>	<b>175 852</b>	<b>209 938</b>
<b>Surplus/(Deficit) for the year</b>		<b>16 178</b>	<b>29 904</b>	<b>-</b>	<b>40 568</b>	<b>47 448</b>	<b>47 448</b>	<b>40 672</b>	<b>42 176</b>	<b>34 505</b>

The purpose of the format in which the budget is presented below, is to enable the Council to enforce a vote in accordance with the municipality's organisational structure, so as to assign responsibility for the revenue and expenditure recorded against these votes to the Municipal Manager and Directors concerned.

Below is a classification of operating revenue and expenditure by 'vote'. A 'vote' is defined as one of the main segments into which a budget of a municipality is divided into, for the appropriation of funds.

EC141 Elundini - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Revenue by Vote</b>	1									
Vote 1 - EXECUTIVE & COUNCIL		98	7 250	–	281	281	281	296	311	326
Vote 2 - BUDGET & TREASURY OFFICE		56 746	72 370	–	115 768	135 858	135 858	121 084	133 289	166 256
Vote 3 - CORPORATE SERVICES		16 684	87	–	98	–	–	–	–	–
Vote 4 - COMMUNITY SERVICES		8 317	8 587	–	9 310	6 461	6 461	7 226	7 630	8 050
Vote 5 - STRATEGIC DEVELOPMENT & PLANNING		25	1 667	–	3 637	3 714	3 714	3 525	–	–
Vote 6 - INFRASTRUCTURE DEVELOPMENT & PLANNING		32 928	56 473	–	76 960	52 414	52 414	68 968	76 798	69 810
<b>Total Revenue by Vote</b>	2	<b>114 799</b>	<b>146 434</b>	<b>–</b>	<b>206 054</b>	<b>198 728</b>	<b>198 728</b>	<b>201 099</b>	<b>218 028</b>	<b>244 442</b>
<b>Expenditure by Vote to be appropriated</b>	1									
Vote 1 - EXECUTIVE & COUNCIL		11 749	15 800	–	23 373	25 046	25 046	26 773	28 349	29 997
Vote 2 - BUDGET & TREASURY OFFICE		44 760	22 343	–	30 833	30 943	30 943	34 571	35 274	37 105
Vote 3 - CORPORATE SERVICES		17 942	15 507	–	23 634	24 375	24 375	23 193	24 098	25 467
Vote 4 - COMMUNITY SERVICES		10 850	18 276	–	22 931	21 519	21 519	20 848	22 122	23 464
Vote 5 - STRATEGIC DEVELOPMENT & PLANNING		491	2 560	–	5 002	6 286	6 286	8 672	9 170	9 689

Vote 6 - INFRASTRUCTURE DEVELOPMENT & PLANNING		12 829	42 045	-	59 713	43 113	43 113	46 372	56 838	84 217
Total Expenditure by Vote	2	98 620	116 531	-	165 486	151 282	151 282	160 428	175 852	209 938

The Financial Performance Budget is required to be approved concurrently by revenue source and expenditure type, so as to ensure consistency with annual reporting format requirements. A key aim is to facilitate comparison between the annual results and the original budget, so as to assess performance.

The following table reflect the budgeted financial performance by expenditure and income categories:

EC141 Elundini - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Revenue By Source</b>											
Property rates	2	10 890	4 915	12 050	13 548	13 548	13 548	-	13 670	14 521	15 611
Property rates - penalties & collection charges								-			
Service charges - electricity revenue	2	10 890	9 503	11 735	13 300	13 300	13 300	-	17 400	18 287	19 183
Service charges - water revenue	2	6 180	6 968	5 736	6 110	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	353	958	1 380	-	-	-	-	-	-
Service charges - refuse revenue	2	5 135	5 580	6 641	6 264	3 713	3 713	-	4 010	4 250	4 505
Service charges - other								-			
Rental of facilities and equipment		735	8 671	9 678	9 899	2 869	2 869		11 274	11 849	12 429
Interest earned - external investments		3 420	2 500	2 077	2 812	1 752	1 752		1 848	1 942	2 038
Interest earned - outstanding debtors		5 916	150	4 721	3 496	3 388	3 388		3 575	3 757	3 941
Dividends received		609	-			-				-	-
Fines			73		1	84	84		54	56	59
Licences and permits			2 001	1 703	1 009	1 745	1 745		2 133	2 242	2 352
Agency services			9 326	9 903	11 810	-			1 397	1 468	1 540
Transfers recognised - operational		64 065	52 021	72 499	76 766	76 766	76 766		89 165	105 271	136 630
Other revenue	2	9 116	18 557	11 903	30 043	53 311	53 311	-	18 447	7 580	6 669
Gains on disposal of PPE									280	294	309

Total Revenue (excluding capital transfers and contributions)		116 956	120 616	149 604	176 438	170 476	170 476	-	163 251	171 517	205 266
<b>Expenditure By Type</b>											
-											
Employee related costs	2	36 379	44 086	39 926	55 076	50 742	50 742	-	54 269	57 796	61 553
Remuneration of councillors		7 461	7 427	7 738	8 711	8 622	8 622		9 221	9 821	10 459
Debt impairment	3	23 920	12 945	10 613	9 583	3 853	3 853		6 208	6 525	6 845
Depreciation & asset impairment	2	-	5 011	34 113	3 171	7 792	7 792	-	8 220	8 639	9 062
Finance charges		2 098	159	616	179	179	179		188	198	208
Bulk purchases	2	7 374	9 065	13 378	16 362	15 885	15 885	-	17 156	18 031	18 914
Other materials	8		6 709		11 850	9 825	9 825		8 653	9 094	9 540
Contracted services		-	2 852	-	7 035	2 278	2 278	-	2 246	2 361	2 476
Transfers and grants		-	-	-	-	-	-	-	-	-	-
Other expenditure	4, 5	21 364	28 276	37 247	53 519	52 106	52 106	-	54 266	63 388	90 881
Loss on disposal of PPE		25		55					-	-	-
<b>Total Expenditure</b>		98 619	116 530	143 686	165 486	151 282	151 282	-	160 428	175 852	209 938
<b>Surplus/(Deficit)</b>		18 337	4 086	5 918	10 952	19 194	19 194	-	2 824	(4 335)	(4 671)
Transfers recognised - capital			18 680	32 798	29 616	28 253	28 253		37 848	46 511	39 176
Contributions recognised - capital	6	-	-	-	-	-	-	-	-	-	-
Contributed assets		-									
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		18 337	22 766	38 716	40 568	47 447	47 447	-	40 672	42 176	34 505
Taxation											
<b>Surplus/(Deficit) after taxation</b>		18 337	22 766	38 716	40 568	47 447	47 447	-	40 672	42 176	34 505
Attributable to minorities											
<b>Surplus/(Deficit) attributable to municipality</b>		18 337	22 766	38 716	40 568	47 447	47 447	-	40 672	42 176	34 505
Share of surplus/ (deficit) of associate	7										
<b>Surplus/(Deficit) for the year</b>		18 337	22 766	38 716	40 568	47 447	47 447	-	40 672	42 176	34 505

### **1.4.3 Capital Budget Summary**

The three year capital budget presented below has been prepared to give effect to the service delivery objectives as contained within the Integrated Development Plan.

Importantly, R 115.4 million will be invested over the 2013/2014-2015/16 MTREF in capital expansion programmes, with R 34.4Million of opex being invested into repairs and maintenance initiatives aimed at maintaining all assets in good operational order to maximise ROI .(See Asset Management commentary elsewhere in this report for detailed analysis around % benchmark indicators)

Importantly in terms of the audited outcome for 2011/2012, the capital budget was 75% spent; the projected level of Capital spend for 2012/2013 is anticipated to be 100%, based on indicative levels of spend contained within the section 71 in year reporting conducted to Council and Treasury.

#### **Table A5 Budgeted Capital Expenditure by vote, standard classification and funding**

Table A5 seeks to meet three requirements, namely it shows:

- capital expenditure by municipal vote;
- capital expenditure by standard classification; and
- the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial governments that fund the capital budget.

EC141 Elundini - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre - audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand	1										
<b>Capital expenditure - Vote</b>											
<b>Multi-year expenditure to be appropriated</b>	2										
Capital multi-year expenditure sub-total	7	-	-	-	-	-	-	-	-	-	-
<b>Single-year expenditure to be appropriated</b>	2										
Vote 1 - EXECUTIVE & COUNCIL		2 365	6 977	692	-	800	800	-	490	515	540
Vote 2 - BUDGET & TREASURY OFFICE		958	80	1 417	100	1 750	1 750	-	100	105	110
Vote 3 - CORPORATE SERVICES		914	1 050	131	1 100	300	300	-	1 100	1 156	1 213
Vote 4 - COMMUNITY SERVICES		14 837	1 061	282	690	2 332	2 332	-	475	499	524
Vote 5 - STRATEGIC DEVELOPMENT & PLANNING		-	717	-	3 637	5 157	5 157	-	4 500	105	110
Vote 6 - INFRASTRUCTURE DEVELOPMENT & PLANNING		15 455	36 756	35 823	35 041	37 108	37 108	-	34 007	39 795	32 007
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		34 529	46 641	38 345	40 568	47 447	47 447	-	40 672	42 176	34 505
Total Capital Expenditure - Vote		34 529	46 641	38 345	40 568	47 447	47 447	-	40 672	42 176	34 505
<b>Capital Expenditure - Standard</b>											
<i>Governance and administration</i>		4 237	8 107	2 240	1 200	2 850	2 850	-	1 690	1 776	1 863
Executive and council		2 365	6 977	692	1 200	800	800	-	490	515	540
Budget and treasury office		958	80	1 417	1 200	1 750	1 750	-	100	105	110
Corporate services		914	1 050	131	-	300	300	-	1 100	1 156	1 213
<i>Community and public safety</i>		5 102	1 061	282	540	473	473	-	375	394	413
Community and social services		3 825	1 040	174	480	420	420	-	150	158	165
Sport and recreation		475	21	108	60	53	53	-	50	53	55
Public safety		803						-	175	184	193
Housing								-			
Health								-			



<i>Economic and environmental services</i>		11 727	18 179	30 962	36 528	37 789	37 789	-	31 207	29 900	32 118
Planning and development			717	420	3 637	5 107	5 107		4 500	105	110
Road transport		11 727	17 462	30 542	32 891	32 682	32 682		26 707	29 795	32 007
Environmental protection							-				
<i>Trading services</i>		13 463	19 294	4 862	2 300	6 335	6 335	-	7 400	10 106	110
Electricity		3 687	19 294	4 862	2 150	4 426	4 426		7 300	10 001	-
Water							-				
Waste water management		41					-				
Waste management		9 735			150	1 909	1 909		100	105	110
<i>Other</i>							-				
<b>Total Capital Expenditure - Standard</b>	<b>3</b>	<b>34 529</b>	<b>46 641</b>	<b>38 346</b>	<b>40 568</b>	<b>47 447</b>	<b>47 447</b>	<b>-</b>	<b>40 672</b>	<b>42 176</b>	<b>34 505</b>
<b>Funded by:</b>											
National Government		17 565	17 746	19 711	26 890	26 890	26 890		32 507	38 567	33 323
Provincial Government							-				
District Municipality							-				
Other transfers and grants				13 086	3 637	3 637	3 637				
Transfers recognised - capital	4	17 565	17 746	32 797	30 527	30 527	30 527	-	32 507	38 567	33 323
Public contributions & donations	5		16 887				-				
Borrowing	6						-				
Internally generated funds		16 964	12 008	5 549	10 041	16 920	16 920		8 165	3 609	1 182
<b>Total Capital Funding</b>	<b>7</b>	<b>34 529</b>	<b>46 641</b>	<b>38 346</b>	<b>40 568</b>	<b>47 447</b>	<b>47 447</b>	<b>-</b>	<b>40 672</b>	<b>42 176</b>	<b>34 505</b>

#### **1.4.4 Budgeted Financial Statements**

The financial statements below identify the financial viability of the Municipality. It is evident from this statement that value of the Municipality is increasing and liquidity although appropriate at this point of time, will require monitoring.

##### **1.4.4.1 Table A6 Budgeted Financial Position**

The table below presents Assets less Liabilities as Community Wealth. The order of items within each group is also aligned to the convention of showing items in order of liquidity ie. Assets readily converted to cash or liabilities immediately required to be met from cash appears first.

The financial viability of the Organisation is deemed sound as evidenced by the Statement of Financial Performance, although the cost cover within the short term remains a relative challenge, it would be evident that the planned performance has been structured to ensure a progressive alignment of liquidity to international norms; please see further commentary on ratio's under section Financial Ratio's and benchmarking.

EC141 Elundini - Table A6 Budgeted Financial Position

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>ASSETS</b>											
<b>Current assets</b>											
Cash		2 804	5 455	3 435	1 000	1 000	1 000	-	713	749	786
Call investment deposits	1	41 406	22 442	37 585	23 845	-	-	-	38 787	40 765	42 763
Consumer debtors	1	8 215	19 064	22 552	12 300	-	-	-	14 306	15 036	15 772
Other debtors		2 280	-	1 926	18 779	18 779	18 779	-	12 166	12 787	13 413
Current portion of long-term receivables				-	-	-	-	-	-	-	-
Inventory	2	145	943	8 153	1 367	1 367	1 367	-	383	402	422
<b>Total current assets</b>		<b>54 850</b>	<b>47 904</b>	<b>73 651</b>	<b>57 291</b>	<b>21 146</b>	<b>21 146</b>	<b>-</b>	<b>66 355</b>	<b>69 739</b>	<b>73 156</b>
<b>Non current assets</b>											
Long-term receivables		-	-	-	-	-	-	-	-	-	-
Investments		-	-	-	-	-	-	-	-	-	-
Investment property		-	3 227	28 094	3 227	28 019	28 019	-	28 094	29 527	30 974
Investment in Associate		-	-	-	-	-	-	-	-	-	-
Property, plant and equipment	3	52 203	94 410	320 194	164 360	-	-	-	320 113	336 439	352 924
Agricultural		-	-	-	-	-	-	-	-	-	-
Biological		-	-	-	-	-	-	-	-	-	-
Intangible		36	36	127	37	37	37	-	127	134	140
Other non-current assets		-	-	-	-	-	-	-	-	-	-
<b>Total non current assets</b>		<b>52 239</b>	<b>97 673</b>	<b>348 415</b>	<b>167 624</b>	<b>28 056</b>	<b>28 056</b>	<b>-</b>	<b>348 334</b>	<b>366 099</b>	<b>384 038</b>
<b>TOTAL ASSETS</b>		<b>107 089</b>	<b>145 577</b>	<b>422 066</b>	<b>224 915</b>	<b>49 202</b>	<b>49 202</b>	<b>-</b>	<b>414 689</b>	<b>435 838</b>	<b>457 194</b>
<b>LIABILITIES</b>											
<b>Current liabilities</b>											
Bank overdraft	-	3 894	-	-	-	-	-	-	-	-	-
Borrowing	4	73	114	-	69	-	-	-	170	179	187
Consumer deposits		151	206	159	410	410	410	-	198	208	218
Trade and other payables	4	35 353	30 127	34 176	17 903	-	-	-	47 681	50 113	52 568

Provisions		5 389	5 716	9 654	1 972	1 972	1 972		1 931	2 030	2 129
Total current liabilities		44 860	36 163	43 989	20 354	2 382	2 382	-	49 980	52 529	55 103
Non current liabilities											
Borrowing		337	182	147	139	-	-	-	147	154	162
Provisions		12 621	9 078	9 168	8 162	-	-	-	7 854	8 255	8 659
Total non current liabilities		12 958	9 260	9 315	8 301	-	-	-	8 001	8 409	8 821
TOTAL LIABILITIES		57 819	45 423	53 304	28 655	2 382	2 382	-	57 981	60 938	63 924
NET ASSETS	5	49 270	100 154	368 762	196 259	46 820	46 820	-	356 708	374 900	393 270
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		49 270	100 154	368 762	196 260	384 536	384 536		356 708	374 900	393 270
Reserves	4	-	-	-	-	-	-	-	-	-	-
Minorities' interests										-	-
TOTAL COMMUNITY WEALTH/EQUITY	5	49 270	100 154	368 762	196 260	384 536	384 536	-	356 708	374 900	393 270

**1.4.4.2 Table A7 Budgeted Cash Flows**

The table below depicts the projected cashflows emanating from operating activities, investing activities and financing activities and the extent to which these activities contribute to the overall increase in cash held within the organization over the 2013/2014- 2015/16 MTREF.

The budget statement presented is of particular interest to the Organization considering that the entire Organizational Service Delivery mandate is premised on ensuring that sufficient cash resources are maintained by the Organization at all times to meet obligations imposed.

The Cashflow Statement presented clearly defines that the Municipality’s revenue inflows are stable, furthermore Division of Revenue Act allocations are transferred in 3 tranches per annum in advance, and as such contributes significantly in providing a stable revenue resource platform from which to settle obligations.

EC141 Elundini - Table A7 Budgeted Cash Flows

Description	R e f	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
Receipts											
Ratepayers and other		31 673	34 199	42 793	99 573	124 549	124 549		77 172	77 345	72 499
Government - operating	1	50 197	54 606	67 145	76 766	77 466	77 466		88 464	104 615	135 974
Government - capital	1	17 565	38 435	22 687	29 616	28 253	28 253		26 183	29 795	32 007
Interest		9 336	8 274	6 799			-		1 848	1 942	2 038
Dividends							-				
Payments											
Suppliers and employees		(88 100)	(98 053)	(87 322)	(165 374)	(182 642)	(182 642)		(157 047)	(162 762)	(171 778)
Finance charges		(110)	(293)	(616)	(113)	(179)	(179)		(188)	(198)	(208)
Transfers and Grants	1	-	-	-	-	-	-				
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>20 561</b>	<b>37 167</b>	<b>51 486</b>	<b>40 468</b>	<b>47 447</b>	<b>47 447</b>	<b>-</b>	<b>36 432</b>	<b>50 737</b>	<b>70 532</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
Receipts											

Proceeds on disposal of PPE		-	347		100	-	-				
Decrease (Increase) in non-current debtors		-	-		-	-	-				
Decrease (increase) other non-current receivables		-	-		-	-	-				
Decrease (increase) in non-current investments		-	(3 226)		-	-	-				
Payments											
Capital assets		(34 006)	(46 641)	(38 235)	(44 081)	(47 447)	(47 447)		(40 672)	(42 176)	(34 505)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(34 006)</b>	<b>(49 520)</b>	<b>(38 235)</b>	<b>(43 981)</b>	<b>(47 447)</b>	<b>(47 447)</b>	-	<b>(40 672)</b>	<b>(42 176)</b>	<b>(34 505)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
Receipts											
Short term loans		-	-		-	-	-		-	-	-
Borrowing long term/refinancing		-	(121)		-	-	-		-	-	-
Increase (decrease) in consumer deposits		-	54		-	-	-		-	-	-
Payments											
Repayment of borrowing		(65)	-	(127)	(65)	(65)	(65)		(69)	(73)	(76)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>(65)</b>	<b>(67)</b>	<b>(127)</b>	<b>(65)</b>	<b>(65)</b>	<b>(65)</b>	-	<b>(69)</b>	<b>(73)</b>	<b>(76)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>(13 511)</b>	<b>(12 419)</b>	<b>13 124</b>	<b>(3 578)</b>	<b>(65)</b>	<b>(65)</b>	-	<b>(4 309)</b>	<b>8 489</b>	<b>35 952</b>
Cash/cash equivalents at the year begin:	2	53 826	40 315	27 896	24 910	24 910	24 910	24 910	43 809	39 500	47 989
Cash/cash equivalents at the year end:	2	40 315	27 896	41 020	21 332	24 845	24 845	24 910	39 500	47 989	83 941

**1.4.4.3 Table A8 Cash backed reserves/accumulated surplus reconciliation**

The underlying purpose of the table is to reflect the predicted cash and investments that are available at the end of a particular budget year and how those funds were used. A surplus would indicate that sufficient cash and investments is available to meet commitments, whilst a shortfall would indicate inadequate cash and investments was available to meet commitments.

EC141 Elundini - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	R e f	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b><u>Cash and investments available</u></b>											
Cash/cash equivalents at the year end	1	40 315	27 896	41 020	21 332	24 845	24 845	24 910	39 500	47 989	83 941
Other current investments > 90 days		1	1	0	3 513	(23 845)	(23 845)	(24 910)	(0)	(6 475)	(40 393)
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
<b>Cash and investments available:</b>		<b>40 316</b>	<b>27 897</b>	<b>41 020</b>	<b>24 845</b>	<b>1 000</b>	<b>1 000</b>	<b>-</b>	<b>39 500</b>	<b>41 514</b>	<b>43 548</b>
<b><u>Application of cash and investments</u></b>											
Unspent conditional transfers		21 358	15 333	-	4 713	-	-	-	20 947	22 015	23 094
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	7 192	2 448	20 215	(18 759)	(25 434)	(25 434)	-	(6 330)	(10 433)	(7 597)
Other provisions											
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
<b>Total Application of cash and investments:</b>		<b>28 550</b>	<b>17 781</b>	<b>20 215</b>	<b>(14 046)</b>	<b>(25 434)</b>	<b>(25 434)</b>	<b>-</b>	<b>14 617</b>	<b>11 582</b>	<b>15 497</b>
<b>Surplus(shortfall)</b>		<b>11 766</b>	<b>10 115</b>	<b>20 805</b>	<b>38 891</b>	<b>26 434</b>	<b>26 434</b>	<b>-</b>	<b>24 883</b>	<b>29 932</b>	<b>28 051</b>

#### **1.4.5 Table A9 Asset Management**

The below mentioned table is design to provide a clear guidance to the Organization of the extent to which the investment choice effected/planned, address backlog eradication, versus the replacement of existing assets within the organization, and the extent to which the organization is investing in maintenance programmes aimed at maximizing the useful of the asset.

Notably, the Organization has successfully rehabilitated/ and or replaced the entire Maclear and Ugie Electricity distribution networks over the last three financial years; the focus for the 2013/2014 MTREF is on Roads and Storm water Infrastructure to create the enabling environment to promote economic development within the region.

The Water Service Authority, Joe Gqabi DM is responsible for direct infrastructural investment within the water services infrastructure within the region, the Local Municipalities investment is critically linked to the Spatial Development Plan, that includes all sector investment nodals.

EC141 Elundini - Table A9 Asset Management

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand										
<b>CAPITAL EXPENDITURE</b>										
<u>Total New Assets</u>	1	34 529	46 641	-	40 568	-	-	40 672	42 176	34 505
<i>Infrastructure - Road transport</i>		11 727	17 462	-	32 890	-	-	26 707	29 795	32 007
<i>Infrastructure - Electricity</i>		3 687	19 294	-	2 300	-	-	7 300	10 000	-
<i>Infrastructure - Water</i>		-	-	-	-	-	-	-	-	-
<i>Infrastructure - Sanitation</i>		-	-	-	-	-	-	-	-	-
<i>Infrastructure - Other</i>		-	-	-	-	-	-	100	105	110
Infrastructure		15 413	36 756	-	35 190	-	-	34 107	39 900	32 118
Community		2 325	1 052	-	3 698	-	-	2 700	105	110
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	16 790	8 833	-	1 680	-	-	3 865	2 170	2 277
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
<u>Total Renewal of Existing Assets</u>	2	-	-	-	-	-	-	-	-	-
<i>Infrastructure - Road transport</i>		-	-	-	-	-	-	-	-	-
<i>Infrastructure - Electricity</i>		-	-	-	-	-	-	-	-	-
<i>Infrastructure - Water</i>		-	-	-	-	-	-	-	-	-
<i>Infrastructure - Sanitation</i>		-	-	-	-	-	-	-	-	-
<i>Infrastructure - Other</i>		-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-
Community	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-	-
Other assets	6	-	-	-	-	-	-	-	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
<u>Total Capital Expenditure</u>	4									
<i>Infrastructure - Road transport</i>		11 727	17 462	-	32 890	-	-	26 707	29 795	32 007
<i>Infrastructure - Electricity</i>		3 687	19 294	-	2 300	-	-	7 300	10 000	-



<i>Infrastructure - Water</i>		-	-	-	-	-	-	-	-	-
<i>Infrastructure - Sanitation</i>		-	-	-	-	-	-	-	-	-
<i>Infrastructure - Other</i>		-	-	-	-	-	-	100	105	110
Infrastructure		15 413	36 756	-	35 190	-	-	34 107	39 900	32 118
Community		2 325	1 052	-	3 698	-	-	2 700	105	110
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets		16 790	8 833	-	1 680	-	-	3 865	2 170	2 277
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>	<b>2</b>	<b>34 529</b>	<b>46 641</b>	<b>-</b>	<b>40 568</b>	<b>-</b>	<b>-</b>	<b>40 672</b>	<b>42 176</b>	<b>34 505</b>
<b>ASSET REGISTER SUMMARY - PPE (WDV)</b>	<b>5</b>									
<i>Infrastructure - Road transport</i>		13 030	30 492	193 711	88 160	-	-	219 894	231 109	242 433
<i>Infrastructure - Electricity</i>		3 687	22 980	59 448	27 857	-	-	64 536	-	-
<i>Infrastructure - Water</i>		-	-	-	-	-	-	-	-	-
<i>Infrastructure - Sanitation</i>		-	-	-	-	-	-	-	-	-
<i>Infrastructure - Other</i>		-	-	-	-	-	-	-	-	-
Infrastructure		16 716	53 472	253 160	116 017	-	-	284 430	231 109	242 433
Community		3 893	5 161	44 926	9 611	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	3 227	28 094	3 227	28 019	28 019	28 094	29 527	30 974
Other assets		31 557	32 514	21 843	35 469	-	-	25 508	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		36	36	127	37	37	37	127	134	140
<b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>	<b>5</b>	<b>52 202</b>	<b>94 410</b>	<b>348 150</b>	<b>164 360</b>	<b>28 056</b>	<b>28 056</b>	<b>338 160</b>	<b>260 769</b>	<b>273 547</b>
<b>EXPENDITURE OTHER ITEMS</b>										
<u>Depreciation &amp; asset impairment</u>		-	5 011	34 113	3 171	7 792	7 792	8 220	8 639	9 062
<u>Repairs and Maintenance by Asset Class</u>	<b>3</b>	4 421	2 974	-	11 850	-	-	8 653	9 094	9 539
<i>Infrastructure - Road transport</i>		4 421	2 974	-	5 069	-	-	5 820	6 117	6 417
<i>Infrastructure - Electricity</i>		-	-	-	2 714	-	-	1 161	1 220	1 280
<i>Infrastructure - Water</i>		-	-	-	738	-	-	-	-	-
<i>Infrastructure - Sanitation</i>		-	-	-	718	-	-	-	-	-
<i>Infrastructure - Other</i>		-	-	-	296	-	-	563	592	621
Infrastructure		4 421	2 974	-	9 535	-	-	7 544	7 929	8 317
Community		-	-	-	265	-	-	51	54	57
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	<b>6, 7</b>	-	-	-	2 050	-	-	1 057	1 112	1 165

TOTAL EXPENDITURE OTHER ITEMS		4 421	7 985	34 113	15 021	7 792	7 792	16 872	17 733	18 601
<i>Renewal of Existing Assets as % of total capex</i>		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<i>Renewal of Existing Assets as % of deprechn"</i>		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<i>R&amp;M as a % of PPE</i>		8.5%	3.2%	0.0%	7.2%	0.0%	0.0%	2.7%	2.7%	2.7%
<i>Renewal and R&amp;M as a % of PPE</i>		8.0%	3.0%	0.0%	7.0%	0.0%	0.0%	3.0%	3.0%	3.0%

#### **1.4.6 Table A10 Basic service delivery measurement**

The table below denotes the Service delivery measurement as adopted by Council, the importance of this table signifies the impact that the Budget has on Service Delivery, considering the Organization's vested interest in gauging the effectiveness of the investment choices and the extent to which the investment choices have promote access to basic services, the migration of households on a progressive approach to enhanced service level offerings, as well as providing an understanding on what investments are being effected in the provision of alternative service delivery options eg. Solar Systems.

Similarly, the table also provides Council with an understanding as to how the policy choices made translate into the commitment of resources as part of the overall poverty alleviation programme of Council, from the analysis it would be evident that the Organization has committed R 19.73 Million over the 2013/2014- 2015/2016 towards this initiative to an estimated 7000 qualifying households within the Serviced Region.

The Elundini Local Municipality provides a basket of services to households based on the following thresholds:

- Rates R 15 000.00 rebate on rateable valuation imposed per households( all Households);
  - 100% Rebate on Rates to all Registered Indigent households;
- Electricity- a 50kwh allocation to all households earning less than R 2360.00 per month;
  - Eskom rebate structure to all indigents registered within Eskom supplied areas within region- 50 kwh;
  - Provision of a R 34 per month subsidy per household earning less than R 2360 per month( Non-Grid);
- Refuse 100% rebate to all Indigents registered as per the Indigent Support policy;

EC141 Elundini - Table A10 Basic service delivery measurement

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Household service targets</b>	1									
<u>Water:</u>										
Piped water inside dwelling										
Piped water inside yard (but not in dwelling)										
Using public tap (at least min.service level)	2									
Other water supply (at least min.service level)	4									
<i>Minimum Service Level and Above sub-total</i>		-	-	-	-	-	-	-	-	-
Using public tap (< min.service level)	3									
Other water supply (< min.service level)	4									
No water supply										
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
<b>Total number of households</b>	5	-	-	-	-	-	-	-	-	-
<u>Sanitation/sewerage:</u>										
Flush toilet (connected to sewerage)										
Flush toilet (with septic tank)										
Chemical toilet										
Pit toilet (ventilated)										
Other toilet provisions (> min.service level)										
<i>Minimum Service Level and Above sub-total</i>		-	-	-	-	-	-	-	-	-
Bucket toilet										
Other toilet provisions (< min.service level)										
No toilet provisions										
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
<b>Total number of households</b>	5	-	-	-	-	-	-	-	-	-
<u>Energy:</u>										
Electricity (at least min.service level)		0	0	1	1	1	1	1	1 308	1 334
Electricity - prepaid (min.service level)		5	5	2	2	2	2	2	3 236	3 307
<i>Minimum Service Level and Above sub-total</i>		4 <sup>4</sup>	4 825	542 <sup>3</sup>	3 542	3 612	3 683	3 757	4 544	4 641
Electricity (< min.service level)		1	1	1	1	4	7	9	11 169	11 072

Electricity - prepaid (< min. service level)		-	-	-	-	-	-	-	-
Other energy sources		28	27	29	29	26	23	21	17 927
<i>Below Minimum Service Level sub-total</i>		28	28 728	230	30 230	30 483	29 957	29 883	29 096
Total number of households	5	33	33 553	772	33 772	34 095	33 640	33 640	33 640
<u>Refuse:</u>									
Removed at least once a week		12	12	7	7	7	7	8	7 896
<i>Minimum Service Level and Above sub-total</i>		11	11 564	154	7 154	7 297	7 442	7 590	7 741
Removed less frequently than once a week			-	-	-	-	-		
Using communal refuse dump			-						
Using own refuse dump			-	22	27	27	27	26	26
Other rubbish disposal			-						
No rubbish disposal			22						
<i>Below Minimum Service Level sub-total</i>		-	21 989	989	27 000	27 000	27 000	26 050	25 899
Total number of households	5	11	33 553	143	34 154	34 297	34 442	33 640	33 640
<u>Households receiving Free Basic Service</u>	7								
Water (6 kilolitres per household per month)									
Sanitation (free minimum level service)									
Electricity/other energy (50kwh per household per month)			8	9	9	9	6	8	8
Refuse (removed at least once a week)			7	7	7	7	6	6	6
<u>Cost of Free Basic Services provided (R'000)</u>	8								
Water (6 kilolitres per household per month)									
Sanitation (free sanitation service)									
Electricity/other energy (50kwh per household per month)			5 239	930	5 930	5 930	1 500	3 535	4 122
Refuse (removed once a week)								2 621	2 889
Total cost of FBS provided (minimum social package)		-	5 239	930	5 930	5 930	1 500	6 156	7 011
<u>Highest level of free service provided</u>									
Property rates (R value threshold)			15	15	15	15	15	15	15
Water (kilolitres per household per month)									
Sanitation (kilolitres per household per month)									

Sanitation (Rand per household per month)										
Electricity (kwh per household per month)		50	50	50	50	50	50	50	50	
Refuse (average litres per week)		40	40	40	40	40	40	40	40	
<b>Revenue cost of free services provided (R'000)</b>	9									
Property rates (R15 000 threshold rebate)		1 307	390 <sup>1</sup>	1 390	1 390	1 922	2 147	2 257	2 367	
Property rates (other exemptions, reductions and rebates)		4 935	940 <sup>3</sup>	3 940	3 940	1 845	561	589	618	
Water		2 021	800 <sup>1</sup>	1 800	1 800	2 800				
Sanitation		-	-	-	-	2 800				
Electricity/other energy		779	695 <sup>1</sup>	695	695	1 500	3 535	3 817	4 122	
Refuse		21	407 <sup>1</sup>	1 407	1 407	100	2 621	2 754	2 889	
Municipal Housing - rental rebates	6	-								
Housing - top structure subsidies		-								
Other		-								
<b>Total revenue cost of free services provided (total social package)</b>		-	9 063 <sup>9</sup>	233	9 233	9 233	10 967	8 863	9 417	9 996

## **PART 2 – SUPPORTING DOCUMENTATION**

### **2.1 Overview of annual budget process**

The Budget process started in September 2012 after the approval of a timetable and strategy to guide the preparation of the 2013/14 to 2015/16 Operating and Capital Budgets.

The timetable provided broad timeframes for the IDP and Budget preparation process. It allows for consultation with stakeholders, such as the elected public representatives, Ward Committees, employees of the Municipality, Civil Society, State departments, other municipalities, business and labour, during March/April/May 2013. The main aims of the timetable are to ensure that a revised IDP and a balanced Budget are tabled in March 2013. The Budget was tabled by the Mayor at a Council meeting held on 28/03/2013, following which it was submitted to National Treasury as well as being subjected to a consultation process with stakeholders, such as the elected public representatives, employees of the Municipality, Civil Society, other municipalities, business, labour, National and Provincial Governments.

The consultation took place in the form of a series of public meetings in the various wards (clustering certain wards) under the direction and leadership of the Mayor and her Executive Committee. Taking the inputs of the aforementioned consultations into account, the Mayor will table the IDP and Budget for final approval at a Council meeting to be held on 31 May 2013.

The Service Delivery and Budget Implementation Plan is the mechanism that ensures that the IDP and the Budget is aligned.

The draft budget was also considered by the Budget Task Team. The Task Team consists of Councillors of the Budget and Treasury Committee, whilst being chaired by the Portfolio Councillor. The main objective of the Budget Task Team was to ensure that the budget is maintained within the affordability levels, taking the IDP deliverables into account.

The deliberations of the Budget Task Team were considered by the IDP and Budget Steering Committee under the direction of the Mayor. The purpose of the aforementioned Committee is to co-ordinate the review of the IDP and ensuring that the key service delivery priorities are addressed in the Budget.

## **2.1.1 IDP & Budget Timetable 2013/14 to 2015/16**

The preparation of the 2013/14 to 2015/16 IDP and Budget was guided by following schedule of key deadlines as approved by Council on 17 August 2012.

### **1. INTRODUCTION**

Elundini Local Municipality is geographically the second largest Municipality, behind Senqu LM, within the Joe Gqabi District Municipality with an area of 5064 km<sup>2</sup> and has 17 wards. It is located in the East of the Joe Gqabi DM and shares the boundaries with the following LMs:

- Umzimvubu to the Northeast,
- Matatiele to the North,
- Mhlontlo to the southeast,
- Sakhisizwe to the southwest and,
- Senqu to the West.

According to the revised population estimates based on the Community Survey 2007 (Statistics SA, 2007), ELM has a population of approximately 123 634 (compared to the Census 2001 estimates of 137 580) people residing in 35 553 households (compared to 33 248 households).

According to the 2001 Census 77% of households are rural in nature, this includes rural villages and farm households. This dynamic is shifting with the phenomenon of urban in-migration occurring in ELM. This is especially evident in the town of Ugie, where the town's population has increased from 8 344 in 2001 to approximately 16 355 in 2004.

### **LEGAL CONTEXT**

An Integrated Development Plan (IDP), adopted by the Municipal Council, is a key strategic planning tool for the municipality. It is described in the Municipal Systems Act (MSA) 32 of 2000 as:

35(1) (a) *"...the principal strategic planning instrument which guides and informs all planning and development, and all decisions with regard to planning, management and development, in the municipality";*  
(b) *"...binds the municipality in the exercise of its executive authority...;*

In accordance with legislation, Elundini Local Municipality's IDP sets out the long-term vision of the Municipality:

***"...a better quality life for all citizens."***

Elundini Local Municipality's IDP also details the:

- development priorities and objectives, which contribute towards achieving this vision, over the Council's elected term;
- strategies, which are the means by which these objectives will be achieved;
- IDP programmes and projects which link to the strategies and contribute to the achievement of the objectives.



Elundini Local Municipality will review and further develop its IDP and Budget in accordance with the requirements as set out in the Local Government: Municipal Systems Act (MSA) 32 of 2000, the Local Government: Municipal Planning and Performance Management Regulations 2001 and the Municipal Finance Management Act 56 of 2003.

In terms of the MSA, a municipality is required to review its IDP annually. Annual reviews allow the municipality to expand upon or refine plan and strategies, to include additional issues and to ensure that these plans and strategies inform institutional and financial planning.

The review and amendment of the IDP thus, further develops the IDP and ensures that it remains the principal management tool and strategic instrument for the Municipality.

*MSA 34 - A Municipal Council-*  
*(a) must review its IDP-*  
*(i) annually in accordance with an assessment of its performance measurements ... ; and*  
*(ii) to the extent that changing circumstances so demand; and*  
*(b) may amend its IDP in accordance with a prescribed process.*

## **PROCESS PLAN**

It is required by legislation that a municipal council prepares and adopts a process to guide the planning, drafting and adoption of its IDP.

*MSA 28(1) each municipal council ... must adopt a process set out in writing to guide the planning, drafting, adoption and review of its IDP.*

This Process Plan outlines the programme to be followed and provides details on issues specified in the Act. A Process Plan is required to include:

- a programme specifying time-frames for different steps;
- outline mechanisms, processes and procedures for consultation of the community, organs of state, traditional authorities and other role players;
- identify all plans and planning requirements binding on the municipality;
- be consistent with other matters prescribed by legislation.

*MSA 29(1) the process followed by a municipality to draft its IDP, including its consideration and adoption of the draft plan, must –*  
*(a) be in accordance with a predetermined programme specifying time-frames for the different steps;*  
*(b) through appropriate mechanisms, processes and procedures establish in terms Chapter 4, allow for –*  
*(i) the local community to be consulted on its development needs and priorities;*  
*(ii) the local to participate in the drafting of the IDP; and*  
*(iii) organs of state, including traditional authorities, and other role players to be identified and consulted on the drafting of the IDP;*  
*(c) provide for the identification of all plans and planning requirements binding on the municipality in terms of national and provincial legislation; and*  
*(d) be consistent with any other matters that may be prescribed by*

## **IDP INFORMANTS**

In reviewing the 2012/2013 IDP, consideration has been given to:

- an assessment of implementation performance and the achievement of IDP targets and strategic objectives, considering the impact of success and the corrective measures necessary to address problems;
- issues raised by communities;
- changing internal and external circumstances, that impact on the priority issues, objectives and strategies;
- comments received from the MEC;
- issues raised by the Auditor-General;
- the powers and functions of the municipality;
- recent research, surveys, studies and new information arising out of Elundini Local Municipality Sector Plans and from other institutions;
- National and Provincial studies, plans and policies.

## **BINDING PLANS & LEGISLATION**

The Local Government: Municipal Structures Act 117 of 1998, Municipal Systems Act 32 of 2000 and Municipal Finance Management Act 56 of 2003 are specific to municipalities and are the key important legislations for the development of the IDP. Further, national sector legislations contain various kinds of requirements for municipalities to undertake planning.

A list National and Provincial legislation impacting on the development and review of the IDP and Budget is attached as an **Annexure**.

Some important National and Provincial guiding plans and policy documents for the IDP include the Medium-term Strategic Framework, the National Development Perspective (NSDP), the Eastern Cape Provincial Spatial Development Plan (ECPSP), the Eastern Cape Provincial Growth and Development Plan (ECPGDP) and recently the Joe Gqabi District Growth and Development Summit (GDS).

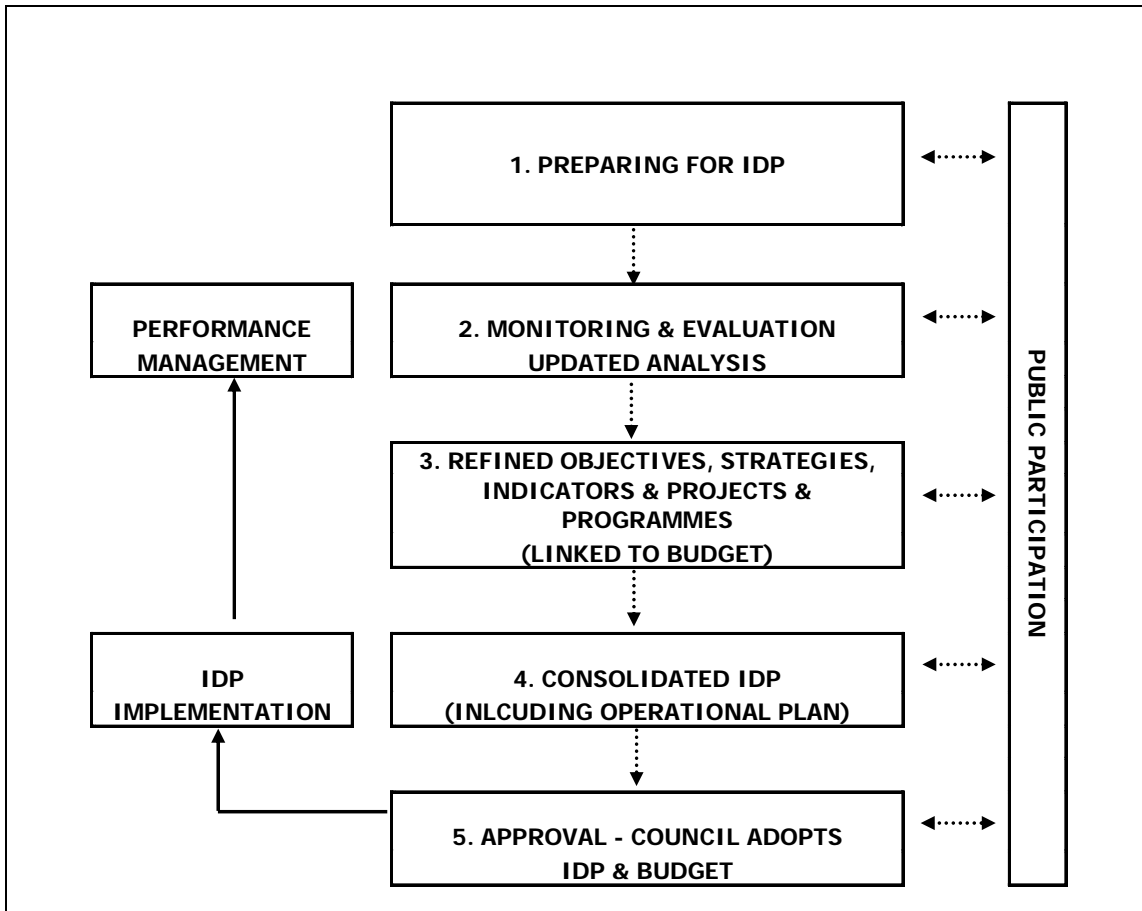
## **ELUNDINI LOCAL MUNICIPALITY: KEY FOCUS FOR IDP 2013 – 2014**

It is imperative that the IDP explicitly articulates the priorities and objectives of the Council and that the resources of the Council are effectively utilized to achieve these. To this end ELM's IDP and Budget are developed as part of a coherent integrated process. One of the key focuses this year will be to enhance the effective utilisation of Elundini's resources through the further development of a project prioritisation application and the Capital Expenditure Framework Plan.



## 1. IDP PROCESS

The IDP Process as depicted in the figure below is a continuous cycle of planning, implementation and evaluation.



All municipalities are required by law to prepare a Process Plan for their integrated development planning. The preparation of the planning process has been regulated in the Municipal Systems Act, 2000 (Chapter 4, Section 29). This document identifies the roles and responsibilities for everyone involved in the process; it also sets out mechanisms and procedures for community participation, timeframe and costs estimates. It is this Process Plan which will be a guide to the actual Integrated Development Planning Process.

### 2.1. PROGRAMME AND TIME FRAMES

Below is a table of the Programme that summarizes the overall time frames for various phases and highlights some of the key events and activities.

<b>PHASES</b>	<b>PERIOD</b>	<b>KEY EVENTS/ACTIVITIES</b>
Preparation	July 2012 – Aug 2012	<ul style="list-style-type: none"> <li>• Submit SDBIP to the Mayor</li> <li>• Review of performance plans/agreements</li> <li>• Prepare Process Plan</li> <li>• Presentation and submission of draft Process Plan to the EXCO</li> <li>• Submit the Process Plan to for adoption</li> <li>• Attend District IDP Rep Forum</li> </ul>
Monitoring, Evaluation & Updated Analysis	Aug 2012 – Nov 2012	<ul style="list-style-type: none"> <li>• IDP &amp; Budget Rep Forum</li> <li>• IDP &amp; Budget Steering Committee</li> <li>• Ward Surveys</li> <li>• Public Consultation (Mayoral Outreach)</li> <li>• IDP &amp; Budget Steering Committee</li> <li>• Attend District IDP Rep Forum</li> </ul>
Objectives, Strategies, Projects & Programmes	Nov 2012 – Jan 2013	<ul style="list-style-type: none"> <li>• Mayoral Strategic Planning Workshop:</li> <li>• IDP &amp; Budget Steering Committee</li> <li>• Review of performance plans/agreements</li> <li>• Attend District IDP Rep Forum</li> <li>• 1<sup>st</sup> Mayoral Strategic Planning Workshop</li> </ul>
Consolidate IDP	Jan 2013 – April 2013	<ul style="list-style-type: none"> <li>• IDP &amp; Budget Rep Forum</li> <li>• Attend District IDP Rep Forum</li> <li>• IDP &amp; Budget Steering Committee</li> <li>• Council approve draft IDP &amp; Budget</li> <li>• Advertise for comments &amp; public participation</li> <li>• Submit the draft IDP &amp; Budget to MEC for Local Government and to National &amp; Provincial Treasury for commenting</li> <li>• Public Consultation (Mayoral Outreach)</li> <li>• Attend District IDP Rep Forum</li> </ul>
Approval	April 2013 – Jun 2013	<ul style="list-style-type: none"> <li>• Public Consultation on Draft IDP &amp; Budget</li> <li>• 2<sup>nd</sup> Mayoral Strategic Planning Workshop</li> <li>• IDP &amp; Budget Rep Forum</li> <li>• Final IDP &amp; Budget submitted to Council for adoption</li> <li>• Submit the final IDP &amp; Budget to MEC for Local Government and to National &amp; Provincial Treasury for commenting</li> <li>• Develop draft SDBIP</li> </ul>

## **2.2. PHASE 1: PREPARING FOR IDP REVIEW**

During this phase all institutional preparations and arrangements are made to ensure that the process runs smoothly. This include among others:

- Designing an action plan/programme (**attached as an Annexure**) for the process indicating main activities and time framed;
- Assigning roles and responsibilities;
- Putting in place organizational arrangements and the procedures and mechanisms for public participation.

The key “output” of this phase is a Process Plan to be approved by Council.

## **2.3. PHASE 2: MONITRING, EVALUATION & UPDATED ANALYSIS**

The purpose of this phase is to find out “what is happening” and to ensure that decisions will be based on:

- people’s priority needs and problems;
- knowledge of available and accessible resources;
- proper information and understanding of the dynamics influencing the development in the municipality.

The process will involve gathering and collecting relevant information, including:

- identification of what has been achieved and the gaps with respect to previous IDPs;
- progress with the internal and external sources, for example:
  - (i) new policy legislation;
  - (ii) budget information from other spheres of government and Senqu Municipality – identifying potential and available funding from all sources;
  - (iii) more or improve in-depth information about the existing situation and priority issue, information about new development and trends – including information arising out of sector plans;
  - (iv) input from stakeholder organizations and constituencies.

Since all Ward Committees are now in place and where they are not functioning, their revival will then have to be effected, a ward survey using Ward Plans, will be undertaken to clarify the key issues for each of the 17 wards. Consideration will need to be given as to how all of the information impacts on the priority issues, objectives and strategies.

The output of this phase will be a draft updated Analysis Report, wherein the prioritized/key issues for ELM, are identified, elaborated and discussed. This report will port will then be given to both the IDP & Budget Steering Committee and IDP & Budget Representative Forum Meetings.

## **2.4. PHASE 3: OBJECTIVES, STRATEGIES, PROJECTS & PROGRAMMES**

The knowledge generated by the previous phase will inform this phase. The objectives, strategies, projects and programmes, within the existing IDP, will be evaluated in the light of the 'Analysis' and thereafter, appropriate changes and adjustments will be made.

It will therefore be proposed that the prioritisation undertaken during this phase be informed by both geographical areas and critical issues.

The Mayoral Strategic Workshop/Meeting will have to be held with the Executive Committee, Ward Councillors and the IDP & Budget Technical Committee to discuss among other, the following:

- the draft analysis report, including the ward survey;
- key issues will be presented for discussion and debate;
- the proposed broad areas of geographic focus will be presented for discussion and debate;
- IDP objectives and strategies;
- consideration will be given to the draft operational budget, in the light of the key issues;
- discussions will be held on broad budget allocations and the project evaluation application.

## **2.5. PHASE 4: CONSOLIDATE**

It is anticipated that during this phase:

- the IDP programmes and projects will be further refined through the work of both the IDP & Budget Steering and IDP & Budget Technical Committees;
- the draft IDP & Budget will be presented to the IDP & Budget Rep Forum; and
- the IDP & Budget Report will be consolidated, ready for submission to the Council for approval.

Once the draft IDP and Budget 2012 - 16 have been approved by the Council, they will be advertised for public comments and reviewed.

## **2.6. PHASE 5: APPROVAL**

During this phase consideration will be given to the comments arising out of the public participation process and the draft IDP will be submitted, together with the budget, to the Council for adoption.

## **2. INSTITUTIONAL ARRANGEMENTS AND ROLES & RESPONSIBILITIES**

The development of the IDP and Budget involves Municipal Officials, Councillors as well as stakeholders/actors outside the Municipality.

The proposed distribution of roles and responsibilities of structures is described overleaf:

<b>ROLE PLAYERS</b>	<b>ROLES AND RESPONSIBILITIES</b>
Local Municipality	<ul style="list-style-type: none"> <li>• Prepare, decide and adopt a Process Plan</li> <li>• Overall management and co-ordination of plan</li> <li>• Co-ordinate public participation</li> <li>• Review sector plans</li> <li>• Adopt and approve the IDP</li> <li>• Adjust IDP in accordance with MEC's proposals</li> <li>• Align IDP with key performance indicators developed by DPLG.</li> </ul>
Executive Committee	<p>As the Senior Governing Body of the municipality, it has to:</p> <ul style="list-style-type: none"> <li>• Decide on the Process Plan.</li> <li>• Manage, co-ordinate and monitor the process and draft the IDP (or delegate to the MM)</li> <li>• Approve nominated persons to be in charge of the different roles, activities and responsibilities</li> </ul>
Municipal Council	<ul style="list-style-type: none"> <li>• Political decision making body</li> <li>• Consider, adopt and approve process plan and IDP</li> <li>• Ensure the annual business plans and budget are linked to and based on the IDP.</li> <li>• Adjust IDP in accordance with the MEC's proposals</li> </ul>
Ward Councillors/Ward Committees (assisted by CDWs)	<ul style="list-style-type: none"> <li>• Major link between municipality and residents</li> <li>• Link the planning process to their wards or constituencies</li> <li>• Organize public consultation and participation</li> <li>• Represent the ward at the IDP &amp; Budget representative forum</li> <li>• Analyze ward-based issues, determine priorities, negotiate and reach consensus.</li> </ul>
Municipal Manager/ IDP Manager (Mr. K. Gashi)	<p>The Municipal Manager or IDP Manager has to manage and co-ordinate the IDP process. This includes:</p> <ul style="list-style-type: none"> <li>• Preparing the Process Plan</li> <li>• Undertake the overall management and co-ordination of the planning process</li> <li>• Ensure that all relevant actors are appropriately involved</li> <li>• Nominate persons in charge of different roles</li> <li>• Responsible for day-to-day management of the drafting process</li> <li>• Responds to comments on the draft IDP from public and other spheres of government to the satisfaction of the municipal council</li> <li>• Ensure that the planning process is participatory, strategic and implementation oriented and is aligned</li> </ul>



	<p>with and satisfies sector planning process.</p> <ul style="list-style-type: none"> <li>• Ensure proper documentation of the results of the planning of the IDP document</li> <li>• Adjust IDP in accordance with MEC's proposals</li> </ul> <p>The Municipal Manager can and may delegate a some of his/her functions to the Municipality's top management or any other municipal official in terms of Section 79 (1) (b) (i) and (ii) of the MFMA but the ultimate responsibility and accountability still rests with him.</p>
<p>Heads of Department and Officials</p>	<p>As people in charge for the implementation of IDP, they have to be fully involved in the planning process to:</p> <ul style="list-style-type: none"> <li>• Provide relevant technical, sector and financial information for analyzing and determining priority issues,</li> <li>• Contribute technical expertise in the consideration and finalization of strategies and identification of projects,</li> <li>• Provide departmental operational and capital budgetary information,</li> <li>• Be responsible for the preparation of project proposal, the integration of projects and sector programmes,</li> <li>• Review sector plans</li> <li>• Attend IDP &amp; Budget Steering Committee and all other IDP &amp; Budget related engagements, and</li> <li>• Be responsible for preparing amendments to the draft IDP for submission to the Municipal Council for approval and the MEC for Local Government for alignment.</li> </ul>
<p>Community at Large</p>	<ul style="list-style-type: none"> <li>• Represents interests, contribute knowledge and ideas to the Representative Forum</li> <li>• Inform interest groups, communities and organizations</li> <li>• Analyze issues, determine priorities, negotiate and reach consensus</li> <li>• Participate in designing project proposals</li> <li>• Discuss and comment on the draft IDP</li> <li>• Monitor performance in implementation</li> <li>• Conduct meetings with groups, communities, etc to prepare for and follow-up on relevant planning activities.</li> </ul>

The proposed institutional arrangement for the IDP & Budget is described as follows:

<b>STRUCTURE</b>	<b>MEMBERS</b>	<b>TERMS OF REFERENCE</b>
IDP & Budget Steering Committee	<p>Chair: Mr. K. Gashi (Municipal Manager)</p> <p>Secretariat: IDP Unit</p> <p>Composition: EXCO: Mayor, Cllrs Mvumvu, Mqamelo, Baduza, Nkalitshana and Lehata.</p> <p>All HODs and Assistant Managers</p>	<ul style="list-style-type: none"> <li>• Provide ToR for various planning activities</li> <li>• Commissions research studies</li> <li>• Considers and comments on: <ul style="list-style-type: none"> <li>- inputs from sub-committee study teams and Service Providers</li> <li>- inputs from national and provincial sector departments and support providers</li> </ul> </li> <li>• Processes, summaries and documents inputs.</li> <li>• Makes content recommendations</li> <li>• Prepares, facilitates and documents meetings</li> </ul>
Finance Sub-committee	Chair: Mr. S. Goodall (CFO)	Considers budget proposals
IDP & Budget Rep Forum	<p>Chair: Mayor: Cllr Lengs</p> <p>Secretariat: IDP Unit</p> <p>Composition:</p> <ul style="list-style-type: none"> <li>• All councillors</li> <li>• HODs and Assistant Managers</li> <li>• 2 Reps from Ward Committees</li> <li>• All CDWs</li> <li>• 2 Reps from Traditional Leaders</li> <li>• 1 Rep from Stakeholder representatives of organized groups</li> <li>• 2 Reps from Community representatives</li> <li>• Reps from Sector Depts.</li> <li>• 2 Reps from Advocates for unorganized groups</li> </ul>	<ul style="list-style-type: none"> <li>• Represents interests of their constituencies in the IDP processes</li> <li>• Provide an organizational mechanism for discussion, negotiation and decision making between stakeholders including the municipal government.</li> <li>• Monitor performance of the planning and implementation processes</li> <li>• Participates in the process of setting up and monitoring KPIs</li> </ul>
Assistant Manager: IDP/PMS	IDP Unit	<ul style="list-style-type: none"> <li>• Responsible for preparing the Process Plan</li> <li>• Responsible for the day-to-day management of the planning process</li> </ul>
IDP & Budget Technical Committee	<p>Chair: Mr. K. Gashi</p> <p>Composition: All HODs;</p>	<ul style="list-style-type: none"> <li>• Must provide relevant technical, sector and</li> </ul>

	Assistant Managers and officials reporting directly to the HODs	financial information for analysis for determining priority issues <ul style="list-style-type: none"> <li>• Must contribute technical expertise in the consideration and finalization of strategies and identification of projects</li> <li>• Must provide departmental operational and capital budgetary information</li> <li>• Must be responsible for the preparation of project proposals, the integration of projects and sector programmes</li> <li>• Must be responsible for preparing amendments to the draft IDP for submission to Municipal Council for approval</li> </ul>
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### **3. MECHANISMS AND PROCEDURES FOR COMMUNITY AND STAKEHOLDER PARTICIPATION**

One of the main features about IDP and Budget Processes is the involvement of community and stakeholder organizations in the process. This ensures that the IDP addresses the real issues that are being experienced by the citizens. Both the Constitution of the Republic of South Africa, 1996 and the Municipal Systems Act of 2000 stipulate that one of the objectives of municipalities is “To encourage the involvement of communities and community organizations in the matters of local government”. The White Paper on Local Government also put emphasis on public participation.

Through the Municipal Systems Act, participation in the decision-making processes of the municipality, participation of communities, residents and ratepayers is determined to be a right. IDP is, therefore, also emphasized as a special field of public participation.

#### **4.1. Participation Mechanism**

Provisions of MSA Chapter 4 Section 17 provide for mechanisms for participation:

- IDP Rep Forum to verify and add data
- District Municipality's Rep Forum to ensure that local priorities are adequately reflected on the District's IDP
- Use Ward Councillors to call meetings to keep communities informed on IDP progress (including Ward Committees and CDWs)
- Publish annual reports on municipal progress
- Advertise on local news papers and community radios on the progress
- Develop pamphlets and booklets on IDP where necessary
- Making the IDP document available to all units and public places for public comments
- Making use of municipal website.

#### **4.2. Appropriate Language Use**

English will be used as a medium language; however, in community meetings languages that are spoken in that community will also be used.

#### **4.3. Appropriate Venues and Transport**

- Officials will be responsible for arranging venues and transport for all wards;
- Transport will be arranged for Traditional Leaders, Designated Groups and Ward Committees;
- ELM will be responsible for the costs of these meetings
- ELM will prepare a budget outline for IDP & Budget meetings
- Refreshments will be provided at the discretion of the Municipal Manager.

#### **4.4. Mechanisms and Procedures for Alignment**

The IDP Manager (Municipal Manager) and the Assistant Manager IDP/PMS of ELM will be responsible for ensuring smooth co-ordination of the IDP process and its alignment with the District's IDP through bilateral discussions with affected sector departments and neighbouring Municipalities. Inter-Governmental Forums will also be used to ensure that beneficial alignment of programmes and projects do occur.

## 4. ANNEXURES

### 5.1. Binding Legislation

### 5.2. Action Plan

## ANNEXURE 5.1

### BINDING LEGISLATION

The Elundini Local Municipality's IDP & Budget formulation and implementation processes will be bound by the following set of legislations (the inventory in the table below is not exclusive of other applicable legislation that may be omitted for lack of information or other reasons):

<b>NATIONAL LEGISLATION</b>	<b>SUMMARY/SCOPE OF LEGISLATION</b>
<b>GENERAL MANAGEMENT</b>	
Constitution of the Republic of South Africa, 1996	<ul style="list-style-type: none"> <li>To introduce the constitution and to provide for matters incidental thereto</li> </ul>
Local Government: Municipal Systems Act, 2000	<ul style="list-style-type: none"> <li>To give effect to "developmental local government"</li> <li>To set principles, mechanisms and processes to promote social and economic upliftment of communities and to ensure access to affordable services for all</li> <li>To set a framework for planning, performance management, resource mobilization and organizational change and community participation</li> </ul>
Local Government: Municipal Structures Act, 1998 as amended	<ul style="list-style-type: none"> <li>To provide for the establishment of municipalities in accordance with the requirements relating to the categories and types of municipalities, the division of functions and powers between municipalities and appropriate electoral systems</li> <li>To regulate internal systems, structures and office-bearers</li> </ul>
Local Government: Municipal Demarcation Act, 1998	<ul style="list-style-type: none"> <li>To provide for the demarcation of boundaries of municipalities for the establishment of new municipalities</li> </ul>
Local Government: Cross-Boundary Municipalities Act, 2000	<ul style="list-style-type: none"> <li>To authorize the establishment of cross-boundary municipalities</li> <li>To provide for the re-demarcation of the boundaries of such municipalities under certain circumstances and to provide for matters connected therewith.</li> </ul>
Consumer Affairs (Unfair Business Practices) Act, 1996	<ul style="list-style-type: none"> <li>To provide for the investigation, prohibition and control of unfair business practices in the interest of consumers.</li> </ul>
Municipal Electoral Act, 2000	<ul style="list-style-type: none"> <li>To regulate municipal elections</li> <li>To amend certain laws and to provide for matters connected therewith</li> </ul>
Organized Local Government Act,	<ul style="list-style-type: none"> <li>To provide for the recognition of national and</li> </ul>

1997	provincial organizations representing the different categories of municipalities and the designation of representatives to participate in the National Council of Provinces
Promotion of Local Government Affairs Act, 1983	<ul style="list-style-type: none"> <li>To provide for the co-ordination of functions of general interest to local authorities and of those functions of local authorities which should in the national interest be co-ordinated.</li> </ul>
Local Government Transition Act, 1983	<ul style="list-style-type: none"> <li>To provide for matters relating to municipalities in the interim phase, powers and functions of municipalities and actions of officials and councillors</li> </ul>
Occupational Health and Safety Act, 1993	<ul style="list-style-type: none"> <li>To provide for occupational health and safety in the work place and the protection of persons outside the work place against hazards to health and safety arising from activities of persons at the work place</li> </ul>
Promotion of Access to Information Act, 2000	<ul style="list-style-type: none"> <li>To control and regulate the right of all persons to access to information</li> </ul>
Promotion of Fair Administrative Justice Act, 2000	<ul style="list-style-type: none"> <li>To give effect to the right to administrative action that is lawful, reasonable and procedurally fair in terms of the Constitution of the Republic of South Africa</li> </ul>
Promotion of Equality and Prevention of Unfair Discrimination Act, 2000	<ul style="list-style-type: none"> <li>To give effect to Section 9 read with Item 23(1) of Schedule 6 to the Constitution of the Republic of South Africa, 1996, to prevent and prohibit unfair discrimination and harassment.</li> <li>To promote equality and to eliminate unfair discrimination and to prevent and prohibit hate speech and to provide for matters connected therewith</li> </ul>
<b>FINANCE</b>	
Appropriation of Revenue Act, 2000	<ul style="list-style-type: none"> <li>To provide for a fair division of revenue to be collected nationally between national, provincial and local government spheres</li> </ul>
Business Act, 1991	<ul style="list-style-type: none"> <li>To repeal certain laws regarding the licensing of businesses.</li> <li>To provide for the licensing and operation of certain businesses, shop hours and related matters</li> </ul>
Debt Collection Act, 1998	<ul style="list-style-type: none"> <li>To provide for controlled debt collecting</li> </ul>
Income Tax Act, 1962	<ul style="list-style-type: none"> <li>To provide for the payment of taxes on incomes of persons and taxes on donations</li> </ul>
Insolvency Act, 1936	<ul style="list-style-type: none"> <li>To consolidate and amend the law relating to insolvent persons and their estates</li> </ul>
Local Authorities Capital Development Fund Ordinance, 1978 READ WITH Local Government Affairs Second Amendment Act, 1993	<ul style="list-style-type: none"> <li>To provide for the establishment and management of a Capital Development Fund and for matters incidental thereto</li> </ul>

Municipal Accountants' Act, 1988	<ul style="list-style-type: none"> <li>To provide for the establishment of a Board for Municipal Accountants and for the registration of Municipal Accountants and the control of their profession</li> </ul>
Local Government: Municipal Finance Management Act, 2003	<ul style="list-style-type: none"> <li>To regulate financial management in the local sphere of government to require that all revenue, expenditure, assets and liabilities of municipalities and municipal entities are managed efficiently and effectively.</li> <li>To determine responsibilities of persons entrusted with local sphere financial management and to determine certain conditions and to provide for matters connected therewith</li> </ul>
Public Finance Management Act, 1999	<ul style="list-style-type: none"> <li>To regulate financial management in the national and provincial government and, inter alia, provincial public entities</li> </ul>
Local Government: Municipal Property Rates Act, 2004	<ul style="list-style-type: none"> <li>To regulate the power of a municipality to impose rates on property</li> <li>To make provision for fair and equitable valuation methods on properties.</li> </ul>
Pension Benefits for Councillors of Local Authorities Act, 1987	<ul style="list-style-type: none"> <li>To provide pension benefits for councillors</li> </ul>
Reporting by Public Entities Act, 1992	<ul style="list-style-type: none"> <li>To provide for the reporting to Parliament by public entities</li> </ul>
Prescribed Rate of Interest Act, 1975	<ul style="list-style-type: none"> <li>To prescribe and regulate the levying of interest from debtors</li> </ul>
Value-Added Tax Act, 1991	<ul style="list-style-type: none"> <li>To provide for the taxation in respect of the supply of goods and services.</li> </ul>
<b>ADMINISTRATION/CORPORATE AND LEGAL SERVICES</b>	
Electoral Act, 1998	<ul style="list-style-type: none"> <li>To manage and regulate elections on national, provincial and local government level</li> </ul>
Expropriation Act, 1975	<ul style="list-style-type: none"> <li>To provide for the expropriation of land and other property for public and certain other purposes and matters connected thereto</li> </ul>
Rental Housing Act, 1999	<ul style="list-style-type: none"> <li>To define the regulation of Government in respect of rental housing</li> </ul>
Residential Landlord and Tenant Act, 1997	<ul style="list-style-type: none"> <li>To provide for the regulation of landlord-tenant relations in order to promote stability in the residential rental sector in the province.</li> </ul>
<b>TOWN PLANNING AND SPATIAL DEVELOPMENT</b>	
Development Facilitation Act, 1995	<ul style="list-style-type: none"> <li>To provide for IDPs, reflecting current planning and to institutionalise development tribunals for evaluation applications</li> </ul>
Land Use Management Bill, 2002	<ul style="list-style-type: none"> <li>To establish a uniform land use management system.</li> </ul>
Physical Planning Act, 1991	<ul style="list-style-type: none"> <li>To provide guidelines for the drafting of urban development plans.</li> </ul>
Planning Professions Act, 1998	<ul style="list-style-type: none"> <li>To provide for the training and registration of professional planners.</li> </ul>
<b>ENVIRONMENT</b>	

Environmental Conservation Act, 1989	<ul style="list-style-type: none"> <li>• To provide for environmental impact assessments and exemptions, noise control areas etc.</li> <li>• To provide for the effective protection and controlled utilisation of the environment and for matters incidental therewith</li> </ul>
National Environmental Management Act, 1998	<ul style="list-style-type: none"> <li>• To provide for co-operative environmental governance by establishing principles for decision making on matters affecting the environment and to provide for matters connected therewith.</li> </ul>
<b>ENGINEERING/TECHNICAL SERVICES</b>	
National Water Act, 1998	<ul style="list-style-type: none"> <li>• To provide for fundamental reform of the laws relating to water resources</li> </ul>
Water Services Act, 1997	<ul style="list-style-type: none"> <li>• To provide for the rights of access to basic water supply and sanitation, national standards and norms for tariffs and services development plans.</li> </ul>
Regulations on Advertisements on or Visible from National Roads, 1998	<ul style="list-style-type: none"> <li>• To control all advertising on national and regional roads</li> </ul>
<b>SAFETY AND SECURITY</b>	
South African Police Service Act, 1995	<ul style="list-style-type: none"> <li>• To provide, inter alia, for a municipal police</li> </ul>
Criminal Procedure Act, 1977	<ul style="list-style-type: none"> <li>• To consolidate and regulate procedure and evidence in criminal proceedings</li> </ul>
Road Traffic Management Corporation Act, 1999	<ul style="list-style-type: none"> <li>• To provide, in the public interest, for co-operative and co-ordinated strategic planning, regulation, facilitation and law enforcement in respect of road traffic matters and to provide for matters connected therewith</li> </ul>
Prevention of Illegal Eviction from and Unlawful Occupation of Land Act, 1998	<ul style="list-style-type: none"> <li>• To provide for the eviction of unlawful occupants of land the protection of the rights of such occupants under certain conditions</li> </ul>
National Road Traffic Act, 1996	<ul style="list-style-type: none"> <li>• To regulate traffic on public roads, the registration and licensing of motor vehicles and drivers, including fitness requirements and incidental matters</li> </ul>
National Land Transport Interim Arrangements Act, 1998	<ul style="list-style-type: none"> <li>• To make arrangements relevant to transport planning and public road transport services.</li> </ul>
Disaster Management Act, 2002	<ul style="list-style-type: none"> <li>• To provide for an integrated, co-ordinated and common approach to disaster management by all spheres of government and related matters</li> </ul>
Fire Brigade Services Act, 1987	<ul style="list-style-type: none"> <li>• To provide for the rendering of fire brigade services and certain conditions to the rendering of the service</li> </ul>
<b>HEALTH AND WELFARE</b>	
Hazardous Substance Act, 1973	<ul style="list-style-type: none"> <li>• To control matters relating to gas, petrol and liquids</li> </ul>
Health Act, 1977	<ul style="list-style-type: none"> <li>• To provide for the promotion of health of the inhabitants of the Republic of South Africa, for the rendering of health service</li> </ul>



	<ul style="list-style-type: none"> <li>To define the duties, powers and responsibilities of certain authorities which render such services and for the co-ordination of the services</li> </ul>
National Policy for Health Act, 1990	<ul style="list-style-type: none"> <li>To provide for control measures to promote the health of the inhabitants of the Republic of South Africa and for matters connected thereto</li> </ul>
<b>HUMAN RESOURCES</b>	
Employment Equity Act, 1998	<ul style="list-style-type: none"> <li>To promote the constitutional right of equality and the exercise of true democracy</li> <li>To eliminate unfair discrimination in employment</li> <li>To redress the effect of unfair discrimination in the work place to achieve a workforce representative of the population</li> </ul>
Basic Conditions of Employment Act, 1997	<ul style="list-style-type: none"> <li>To give effect to the right to fair labour practices</li> <li>To provide for the regulation of basic conditions of employment.</li> </ul>
Labour Relations Act, 1995	<ul style="list-style-type: none"> <li>To regulate the organizational rights to trade unions, the right to strike and lock-outs</li> <li>To promote and facilitate collective bargaining and employee participation in decision making</li> <li>To provide simple procedures for labour disputes</li> </ul>
Skills Development Act, 1998	<ul style="list-style-type: none"> <li>To provide for the implementation of strategies to develop and improve the skills of South African workforce</li> <li>To provide for Learnerships</li> <li>To regulate the employment services and the financing of skills development</li> </ul>
Compensation of Occupational Injuries and Diseases Act, 1993	<ul style="list-style-type: none"> <li>To regulate the categories of persons entitled to compensation for occupational injuries and diseases, and to determine the degree of disabled employees</li> </ul>
Skills Development Levies Act, 1999	<ul style="list-style-type: none"> <li>To provide for the imposition of a skills development levy and for matters connected therewith</li> </ul>
South African Qualifications Authority Act, 1995	<ul style="list-style-type: none"> <li>To provide for the establishment of a National Qualifications Framework and the registration of National Standards Bodies and Standard Generating Bodies and the financing thereof</li> </ul>
Unemployment Insurance Act, 1966	<ul style="list-style-type: none"> <li>To provide for the payment of benefits to certain persons and the dependants of certain deceased persons and to provide for the combating of unemployment</li> </ul>
<b>ELECTRICITY</b>	
Electricity Act, 1987	<ul style="list-style-type: none"> <li>To provide for and regulate the supply of electricity and matters connected thereto.</li> </ul>

## ANNEXURE 5.2

### ACTION PLAN

<b>ANALYSIS PHASE</b>		<b>JULY '12 TO NOVEMBER '12</b>		
	<b>PURPOSE</b>	<b>ACTIVITIES</b>	<b>OUTCOME</b>	<b>DATE</b>
IDP & Budget Steering Committee (Internal)	To outline the IDP Process Plan	<ol style="list-style-type: none"> <li>1. Deal with Powers &amp; Functions</li> <li>2. Deal with current IDP projects &amp; Budget</li> <li>3. Discuss the Process Plan</li> </ol>	<ul style="list-style-type: none"> <li>• Clarified LM's powers &amp; functions</li> <li>• Clarified IDP projects, expenditure &amp; progress</li> <li>• Finalized IDP Process Plan &amp; budget.</li> </ul>	September 2012
IDP Information for Analysis	To capture community priorities & projects	<ol style="list-style-type: none"> <li>1. Conduct ward visits.</li> <li>2. Collection of facts and figures.</li> </ol>	<ul style="list-style-type: none"> <li>• Understanding ward priorities and projects</li> </ul>	September 2012 – October 2012
IDP & Budget Steering Committee (Sector Dept's)		<ol style="list-style-type: none"> <li>1. Presentation of the IDP Process Plan.</li> <li>2. Presentation of priorities &amp; projects</li> </ol>		October 2012
IDP & Budget Rep Forum	To convene IDP Forum and set out the process to be followed on the formulation of IDP	<ol style="list-style-type: none"> <li>1. Presentation of 3 Priorities &amp; 3 Projects per Ward.</li> <li>2. Presentation of IDP Process Plan</li> </ol>	<ul style="list-style-type: none"> <li>• Finalized Process Plan</li> </ul>	November 2012
IDP & Budget Steering Committee Meeting		Presentation of draft budget & projects	<ul style="list-style-type: none"> <li>• Draft budget &amp; projects</li> </ul>	November 2012
<b>STRATEGIES PHASE</b>		<b>DECEMBER '12 TO FEBRUARY '13</b>		
IDP & Budget Steering Committee	To discuss activities indicated	<ol style="list-style-type: none"> <li>1. Vision &amp; Mission</li> <li>2. Strategies (Linked to KPA's)</li> <li>3. Projects</li> <li>4. Budget/MTEF</li> </ol>		December 2012
IDP & Budget Rep Forum		<ol style="list-style-type: none"> <li>1. Vision &amp; Mission</li> <li>2. Strategies (Linked to KPA's)</li> </ol>		December 2012

		3. Projects 4. Budget/MTEF		
Municipal Workshop on IDP	Projects & Budget Workshop	Projects & Budget	<ul style="list-style-type: none"> <li>To finalise IDP Projects &amp; Budgets</li> </ul>	January 2013
IDP & Budget Rep Forum		Projects & Budget		February 2013
<b>INTEGRATION &amp; APPROVAL</b>		<b>MARCH '13 TO MAY '13</b>		
IDP & Budget Steering Committee		1. First Draft IDP & Budget  2. Publicise draft IDP & Budget for comments	<ul style="list-style-type: none"> <li>(allow 21 days for the public to comment on the document)</li> </ul>	March 2013
IDP & Budget Rep Forum		Presentation of draft IDP & Budget		March 2013
Council	To Adopt & approve of draft IDP & Budget	Council approves the draft IDP & Budget document.	Approved draft IDP & Budget Document	March 2013
Municipal Manager	To submit draft IDP & Budget to MEC for comments	The MEC to comment on the draft IDP & Budget document	Confirmed receipt of the draft IDP & Budget document	30 March 2013
IDP & Budget Steering Committee	To discuss comments from the MEC	Prepare final IDP & Budget	Comments from the MEC incorporated	16 April 2013
IDP & Budget Rep Forum	To prepare & present final IDP & Budget documents	Presentation of the final IDP & Budget IDP	Prepared and final IDP & Budget documents	30 April 2013
Council	To adopt & approve the final IDP & Budget documents	Approve & adopt the final IDP & Budget Document	Adoption & approve of the final IDP & Budget Document	31 May 2013
Municipal Manager	To submit to the <b>Mayor</b> a draft SDBIP & annual performance agreements (not later than 14 days) for approval	Submission of draft SDBIP & annual performance agreements	Submitted draft SDBIP & annual performance agreements.	14 June 2013
Mayor	To approve SDBIP	Approval of the SDBIP	Approved SDBIP	28 June 2013

## **2.1 Alignment of Annual Budget with Integrated Development Plan**

The Integrated Development Plan (IDP) determines and prioritises the needs of the community.

The review of the Integrated Development Plan (IDP) in terms of the Municipal Systems Act was guided and informed by the following principles:

- Achievement of the five strategic priorities of Elunidini Local Municipality.
- Focus on service delivery of backlogs and the maintenance of infrastructure.
- Address community priorities (needs) as identified in the IDP.

The 2012/13 to 2014/15 Operating and Capital Budgets were prepared in accordance with the IDP. The key strategic focus areas of the IDP are as follows:

- Municipal transformation and development
- Service delivery and infrastructure development
- Local economic development
- Financial sustainability and viability
- Good governance and public participation

The abovementioned strategic focus areas informed the preparation of the Budget.

After the tabling of the budget, a series of meetings will be held throughout the municipal area to consult with the elected public representatives, Ward Committees, employees of the Municipality, Civil Society, business, labour, National and Provincial Governments on how the draft budget addresses the IDP priorities and objectives. The feedback flowing from these meetings will be referred to the relevant Directorates for their attention.

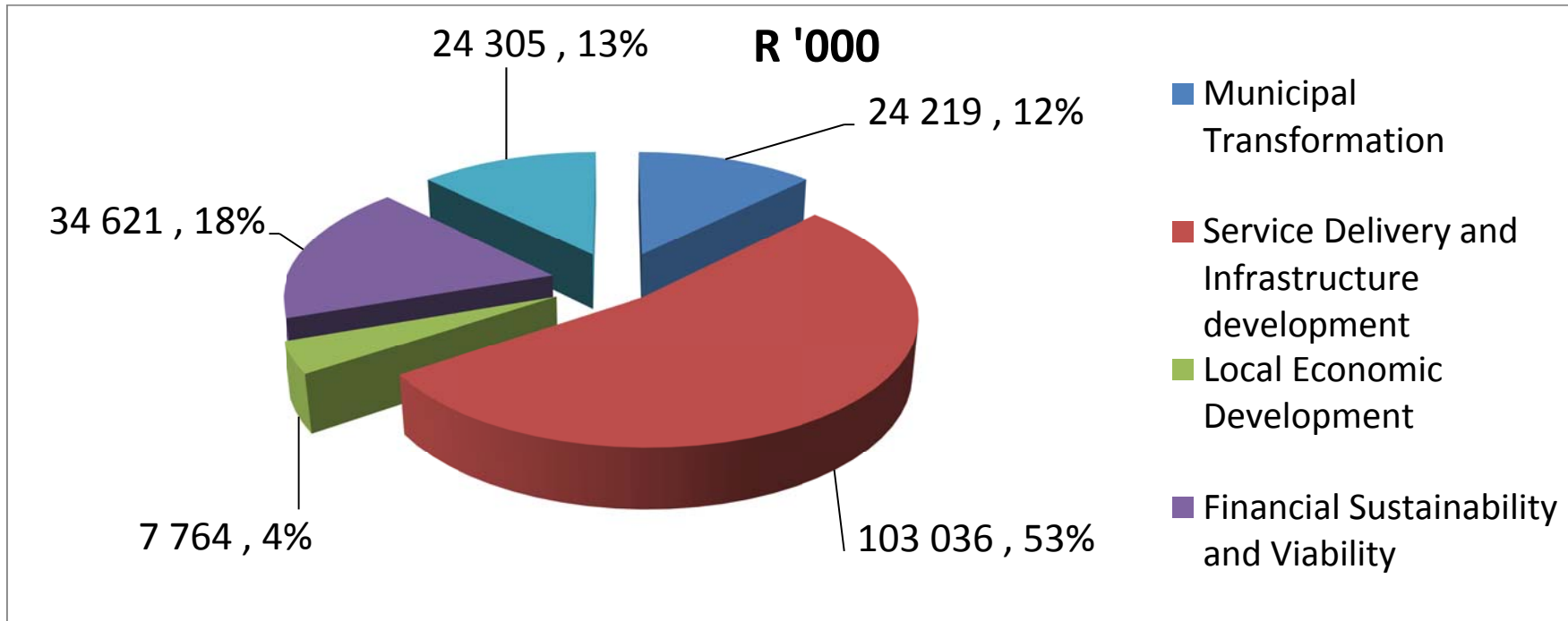
The linking of capital projects to the IDP priorities has been relatively simple, whilst the difficulty in the past has been to link the Operating budget to the IDP. This is now facilitated through the Service Delivery and Budget Implementation Plan (SDBIP).

Below is a table, which illustrates the link between the Budget and the IDP.

## BUDGET ALLOCATION ACCORDING TO IDP PRIORITIES

	Municipal Transformation and Development	Service Delivery and Infrastructure Development	Local Economic Development	Financial Sustainability and Viability	Good Governance and Public Participation	Total
	R '000	R '000	R '000	R '000	R '000	R '000
<b>2013/14 Budget</b>						
Capital Expenditure	1 100	31 746	1 700	100	490	35 136
Operating Expenditure	23 119	71 290	6 064	34 521	23 815	158 809
<b>Total</b>	<b>24 219</b>	<b>103 036</b>	<b>7 764</b>	<b>34 621</b>	<b>24 305</b>	<b>193 945</b>
<b>2014/15 Budget</b>						
Capital Expenditure	1 156	39 066	1 787	105	515	42 629
Operating Expenditure	24 024	80 560	6 413	35 224	25 243	171 464
<b>Total</b>	<b>25 180</b>	<b>119 626</b>	<b>8 200</b>	<b>35 329</b>	<b>25 758</b>	<b>214 093</b>
<b>2015/16 Budget</b>						
Capital Expenditure	1 213	33 847	1 874	110	540	37 584
Operating Expenditure	25 393	109 389	6 775	37 054	26 740	205 352
<b>Total</b>	<b>26 606</b>	<b>143 236</b>	<b>8 649</b>	<b>37 164</b>	<b>27 280</b>	<b>242 936</b>
	<b>76 005</b>	<b>365 898</b>	<b>24 613</b>	<b>107 114</b>	<b>77 343</b>	<b>650 974</b>

**2013/2014 Expenditure by IDP Priority**



## 2.2 Measurable performance objectives and indicators

This section contains the key performance indicators.

EC141 Elundini - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)

Strategic Objective	Goal	Goal Code	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16	
R thousand													
To provide a secure ICT infrastructure which delivers appropriate levels of data confidentiality, integrity and availability	To ensure the provision of efficient, effective and transformed human capital and sound labour relations										23 193	25 327	24 150
% of households earning less than R 1100 with access to basic services	To ensure that all citizens of ELM have access to basic services										114 759	129 988	146 766
Promotion of economic development within the Region	To promote economic development through the creation of sustainable jobs, support of local business and the attraction of investors										11 272	9 171	9 688
To improve financial management and financial viability linked to LG financial benchmarks by 2018	An organisation that subscribes to the attainment of benchmark standards on profitability										34 571	35 274	37 105

		and financial viability set for Local Government										
Obtaining fo a clean audit by 2014		An organisation that is committed to sound financial management practices and the attainment of a clean audit by 2015								1 583	1 663	1 745
To promote participation and effective communication with communities and stakeholders		To be a municipality that is responsive, effecient, transparent, accountable and compliant to legislation								15 722	16 606	24 989
Allocations to other priorities			2									
Total Revenue (excluding capital transfers and contributions)			1	-	-	-	-	-	-	201 099	218 029	244 442

EC141 Elundini - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

Strategic Objective	Goal	Goal Code	Ref	2009/10	2010/11	2011/12	Current Year 2012/13	2013/14 Medium Term Revenue & Expenditure Framework
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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
To provide a secure ICT infrastructure which delivers appropriate levels of data confidentiality, integrity and availability	To ensure the provision of efficient, effective and transformed human capital and sound labour relations									23 193	24 098	25 467
% of households earning less than R 1100 with access to basic services	To ensure that all citizens of ELM have access to basic services									67 220	78 960	107 682
Promotion of economic development within the Region	To promote economic development through the creation of sustainable jobs, support of local business and the attraction of investors									8 672	9 171	9 688
To improve financial management and financial viability linked to LG financial benchmarks by 2018	An organisation that subscribes to the attainment of benchmark standards on profitability and financial viability set for Local Government									32 988	33 611	35 360
Obtaining fo a clean audit by 2014	An organisation that is committed to sound financial management practices and the attainment of a clean audit by 2015									1 583	1 663	1 745







Municipal Manager										
To promote participation and effective communications with communities and stakeholders	No of public participaton events organised on a quarterly basis							4	4	4
	Annual schedule of ward cllr community meetings							1	1	1
	Number of community meetings conducted on a quaterly basis							4	4	4
	No of ward committee members trained							70	0	0
	No of community meetings convened							608	608	608
	No of public participation forums organised on a quarterly basis							4	4	4
	No of community based plans developed							17	17	17
	No of Mayors conversations convened on a quarterly basis							8	8	8
	Attainment fo clean audit by 2014							1	1	1
Corporate Services										
Human Resources										
To ensure provision of efficient, effective and transformed human capital and sound labour relations	% of strategic outcomes implemented as per the talent management strategy							20.00%	40.00%	60.00%

	Number of people from employment equity target groups employed in the three highest levels of management							50.00%	50.00%	50.00%
	% of planned training interventions completed as per the WSP							100.00%	100.00%	100.00%
<b>Information Technology</b>										
To provide a secure ICT infrastructure which delivers appropriate levels of data confidentiality, integrity and availability	% of master system plan implemented							30%	50%	70%
	% of file plan implemented							30.00%	60.00%	80.00%
	No of HR Policies reviewed							10	15	10
<b>Budget and Treasury</b>										
To improve financial management and viability linked to LG financial benchmarks standards by 2018	Current assets to current liabilities							1.65:1	1.7:1	1.8:1
	Cost cover ratio							5 months	5 months	6 months
	Debt cover ratio							95 times	0	0
	Outstanding service debtors to income ratio							60.00%	50.00%	45.00%
	% implementation of the demand management plan							100.00%	100.00%	100.00%
	% Households earning less than R 1100 accessing FBS							100.00%	100.00%	100.00%
Revenue collection rate							80	85	90	

<b>Strategic development and planning</b>	% of formal and informal businesses compliant with the Business act of 1995							50.00%	60.00%	70.00%
<b>LED</b>	No of street trader facilities provided							20	20	20
To promote economic development through the creation of sustainable jobs, support of local business and attraction of investors	No of green initiatives started							1	0	1
	No of jobs created							6600	13200	19800
	No of townships formalised							4	1	1
<b>Trading Services</b>										
<b>Roads</b>										
To ensure that all citizens of ELM have access to basic services	Km's of road constructed							24km	24km	24km
	Km of road resurfaced							1km	3km	6km
	Km's of DR road maintained							6km	6km	6km
	No of km of access roads maintained							240km	300km	300km
<b>Electricity</b>										
To ensure that all citizens of ELM have access to basic services	No of new connections							0	625	650
	No of new street lights erected							200	80	50
	No of highmast lights erected							5	5	5

1. Include a measurable performance objective for each revenue source (within a relevant function) and each vote (MFMA s17(3)(b))

2. Include all Basic Services performance targets from 'Basic Service Delivery' to ensure Table SA7 represents all strategic responsibilities
3. Only include prior year comparative information for individual measures where relevant activity occurred in that year/s

### EC141 Elundini - Entities measureable performance objectives

The municipality does not have entities

### EC141 Elundini - Supporting Table SA8 Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b><u>Borrowing Management</u></b>											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	2.2%	0.1%	0.5%	0.1%	0.2%	0.2%	0.0%	0.2%	0.2%	0.1%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	4.1%	0.2%	1.0%	0.2%	0.3%	0.3%	0.0%	0.3%	0.4%	0.4%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	-1.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b><u>Safety of Capital</u></b>											
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b><u>Liquidity</u></b>											
Current Ratio	Current assets/current liabilities	1.2	1.3	1.7	2.8	8.9	8.9	-	1.3	1.3	1.3
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	1.2	1.3	1.7	2.8	8.9	8.9	-	1.3	1.3	1.3
Liquidity Ratio	Monetary Assets/Current Liabilities	1.0	0.8	0.9	1.2	0.4	0.4	-	0.8	0.8	0.8
<b><u>Revenue Management</u></b>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		64.8%	51.7%	57.0%	102.8%	135.4%	135.4%	0.0%	107.2%	120.8%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)			64.8%	51.7%	57.0%	102.8%	135.4%	135.4%	0.0%	107.2%	120.8%

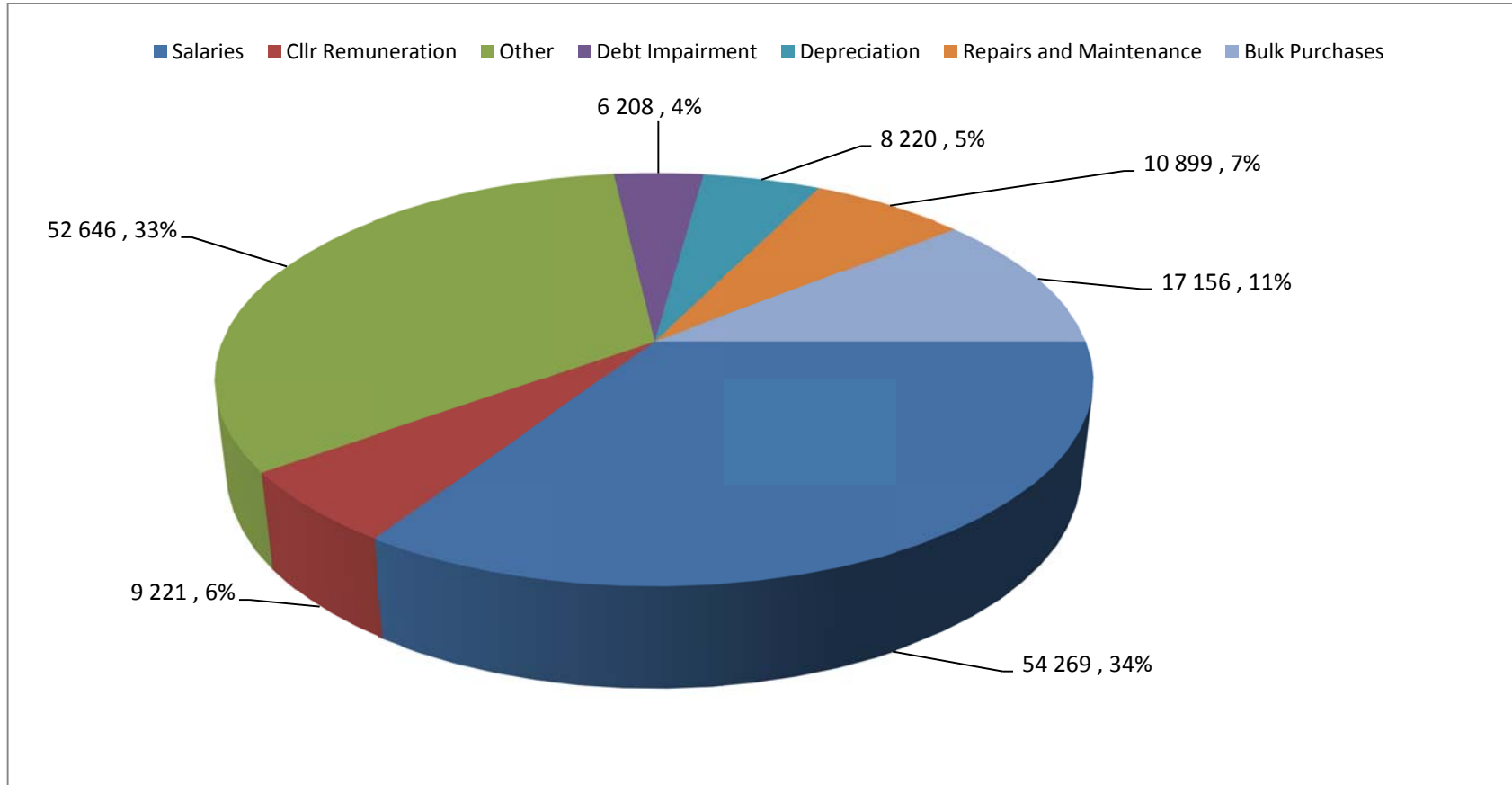


Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	9.0%	15.8%	16.4%	17.6%	11.0%	11.0%	0.0%	16.2%	16.2%	14.2%	
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old											
<b><u>Creditors Management</u></b>												
Creditors System Efficiency	% of Creditors Paid Within Terms (within 'MFMA' s 65(e))	100.0%	100.0%	100.0%					100.0%	100.0%	100.0%	
Creditors to Cash and Investments		34.7%	44.1%	83.3%	61.8%	0.0%	0.0%	0.0%	55.9%	48.3%	29.0%	
<b><u>Other Indicators</u></b>												
Electricity Distribution Losses (2)	Total Volume Losses (kW)											
	Total Cost of Losses (Rand '000)								3366000	2574000	1980000	
	Total Volume Losses (kℓ)								4 914	4 059	3 339	
Water Distribution Losses (2)	Total Cost of Losses (Rand '000)											
Employee costs	Employee costs/(Total Revenue - capital revenue)	31.1%	36.6%	26.7%	31.2%	29.8%	29.8%	0.0%	33.2%	33.7%	30.0%	
Remuneration	Total remuneration/(Total Revenue - capital revenue)	41.4%	42.7%	0.0%	0.0%	0.0%	0.0%	0.0%	38.9%	39.4%	35.1%	
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	3.8%	2.5%	0.0%	6.7%	0.0%	0.0%	0.0%	5.3%	5.3%	4.6%	
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	1.8%	4.3%	23.2%	1.9%	4.7%	4.7%	0.0%	5.2%	5.2%	4.5%	
<b><u>IDP regulation financial viability indicators</u></b>												
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year	6.4	9.9	1 182.7	1 533.4	1 533.4	1 533.4	1	-	36.8	31.3	32.5
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	31.0%	53.0%	52.3%	61.5%	56.2%	56.2%	0.0%	57.1%	56.9%	56.4%	
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	5.6	3.7	5.7	2.1	2.8	2.8	-	4.1	4.7	7.2	

### **2.3.1 The Mix of Expenditure Types**

The graph below reflects the expenditure components of the budgeted statement of financial performance.

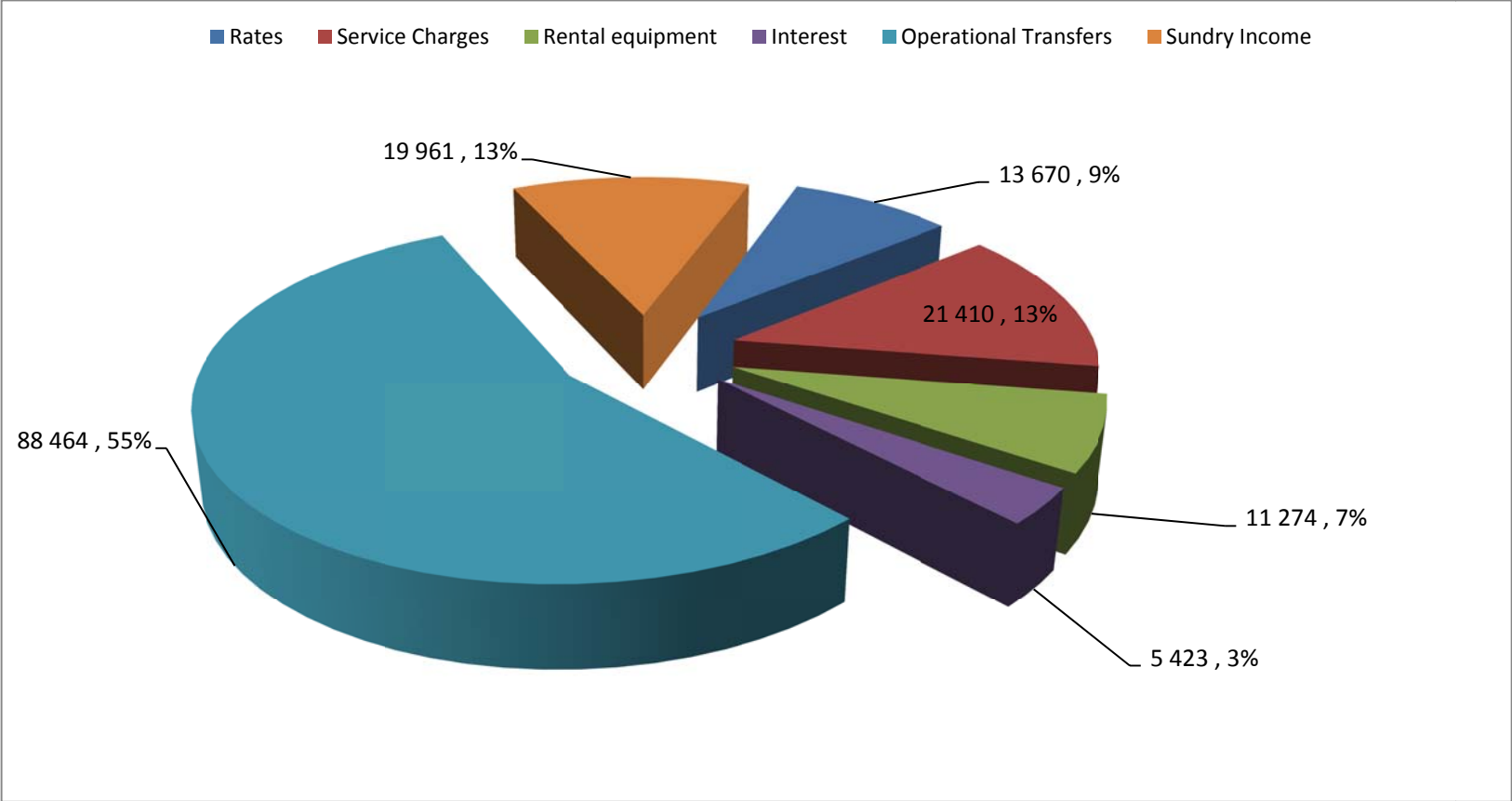
#### **2013/2014 Statement of Financial Performance- Budget Expenditure**



**2.3.2 The Mix of Revenue Sources**

Below is a graph reflecting the revenue components of the budgeted statement of financial performance.

**2013/2014 Statement of Financial Performance- Budget Revenue**



## **2.4 Overview of Budget Related Policies**

The MFMA and the Budget and Reporting Regulations require budget related policies to be reviewed, and where applicable, be updated on an annual basis.

In terms of policies that have been reviewed and updated the following policies will be tabled at the Council meeting in May 2013:

- Rates Policy;

### **Policies reviewed and authorized as appropriate to inform budget framework**

- Borrowing Policy;
- Funding and Reserves Policy;
- Policy related to long term financial plan;
- Policy relating to infrastructural investment and capital projects;
- Budget Implementation Plan;
- Policies related to Management of losses;
- Policy on Pauper Burials;
- Policy on Lease of Property;
- Policy on Unauthorized/irregular and wasteful expenditure;
- Policy on Contingent Liabilities;
- Policy on Related Party Disclosures;
- Policy on VAT;
- Policy on GRAP Disclosures;
- Policy on journal Entries;
- Tariff Policy
- Fleet Management
- Indigent Support
- SCM Policy
- Subsistence and Travelling Policy
- Policy on Capital Commitments.

Budget related policy frameworks are accessible to the public through the municipal website or available at the Budget and Treasury Office during normal office hours.

## 2.5 Overview of Budget Assumptions

Budget assumptions/parameters are determined in advance of the budget process to allow budgets to be constructed to support the achievement of the longer-term financial and strategic targets.

The municipal fiscal environment is influenced by a variety of macro- economic control measures. National Treasury provides guidelines on the ceiling of year-on-year increases in the total Operating Budget, whilst the National Electricity Regulator of South Africa (NERSA) regulates bulk electricity tariff increases and the Department of Water Affairs (DWA) regulates bulk water tariff increases. Various government departments also affect municipal service delivery through the level of grants and subsidies.

The following principles and guidelines directly informed the compilation of the Budget:

- The priorities and targets in relation to the key strategic focus areas as determined in the IDP.
- The level of property rates and tariff increases to take into account the need to address maintenance and infrastructural backlogs, including the expansion of services.
- An assessment of the relative capacity to implement the Budget.
- The need to enhance the municipality's revenue base.

The multi-year budget is therefore underpinned by the following assumptions:

	2013/14	2014/2015	2015/2016
<b>Income</b>	%	%	%
Refuse Tariff Increase	8.0	5.1	4.9
Property Rates Increase	8.0	5.1	4.9
Electricity Tariff Increase	12.0	5.1	4.9
Revenue collection rates	80	85	90
<b>Expenditure</b>			
Total Expenditure Increase allowed (excluding repairs and maintenance)	5.9	5.1	4.9
Salary increase	6.95	5.1	4.9
Increase in repairs and maintenance	5.9	5.1	4.9
Increase in bulk purchase of power costs	8	8	8

## 2.6 Overview of Budget Funding

### 2.6.1 Funding the Budget

#### 2.6.1.1 Funding of operating expenditure

The Municipality's operating expenditure is mainly funded from sources such as property rates, service charges and government grants. The table below reflects the funding sources:

EC141 Elundini - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Revenue By Source</b>											
Property rates	2	10 890	4 915	12 050	13 548	13 548	13 548	-	13 670	14 521	15 611
Property rates - penalties & collection charges								-			
Service charges - electricity revenue	2	10 890	9 503	11 735	13 300	13 300	13 300	-	17 400	18 287	19 183
Service charges - water revenue	2	6 180	6 968	5 736	6 110	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	353	958	1 380	-	-	-	-	-	-
Service charges - refuse revenue	2	5 135	5 580	6 641	6 264	3 713	3 713	-	4 010	4 250	4 505
Service charges - other								-			
Rental of facilities and equipment		735	8 671	9 678	9 899	2 869	2 869		11 274	11 849	12 429
Interest earned - external investments		3 420	2 500	2 077	2 812	1 752	1 752		1 848	1 942	2 038
Interest earned - outstanding debtors		5 916	150	4 721	3 496	3 388	3 388		3 575	3 757	3 941
Dividends received		609	-			-				-	-
Fines			73		1	84	84		54	56	59
Licences and permits			2 001	1 703	1 009	1 745	1 745		2 133	2 242	2 352
Agency services			9 326	9 903	11 810	-			1 397	1 468	1 540
Transfers recognised - operational		64 065	52 021	72 499	76 766	76 766	76 766		89 165	105 271	136 630
Other revenue	2	9 116	18 557	11 903	30 043	53 311	53 311	-	18 447	7 580	6 669
Gains on disposal of PPE									280	294	309

Total Revenue (excluding capital transfers and contributions)		116 956	120 616	149 604	176 438	170 476	170 476	-	163 251	171 517	205 266
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### 2.6.1.2 Funding of capital expenditure

EC141 Elundini - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description R thousand	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Funded by:</b>											
National Government		17 565	17 746	19 711	26 890	26 890	26 890		32 507	38 567	33 323
Provincial Government							-				
District Municipality							-				
Other transfers and grants				13 086	3 637	3 637	3 637				
Transfers recognised - capital	4	17 565	17 746	32 797	30 527	30 527	30 527	-	32 507	38 567	33 323
Public contributions & donations	5		16 887				-				
Borrowing	6						-				
Internally generated funds		16 964	12 008	5 549	10 041	16 920	16 920		8 165	3 609	1 182
<b>Total Capital Funding</b>	<b>7</b>	<b>34 529</b>	<b>46 641</b>	<b>38 346</b>	<b>40 568</b>	<b>47 447</b>	<b>47 447</b>	<b>-</b>	<b>40 672</b>	<b>42 176</b>	<b>34 505</b>





### 2.6.3 Particulars of Property Valuations, Tariffs and other Charges

#### 2.6.4 Estimated Collection Levels

The collection rate has been modeled around 80 for the 2013/2014 financial year, increasing to 85% for 2014/15 and 90% for the 2015/2016 financial year respectively..

EC141 Elundini - Supporting Table SA13a Service Tariffs by category

Description	Ref	Provide description of tariff structure where appropriate	2009/10	2010/11	2011/12	Current Year 2012/13	2013/14 Medium Term Revenue & Expenditure Framework		
							Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<u>Property rates (rate in the Rand)</u>	1								
Residential properties						1	1	1	1
Residential properties - vacant land						1	1	1	1
Formal/informal settlements								-	-
Small holdings								-	-
Farm properties - used						-	0	0	0
Farm properties - not used								-	-
Industrial properties						2	1	1	1
Business and commercial properties						1	1	1	1
Communal land - residential								-	-
Communal land - small holdings								-	-
Communal land - farm property								-	-
Communal land - business and commercial								-	-
Communal land - other								-	-
State-owned properties						2	1	1	1
Municipal properties								-	-
Public service infrastructure						-	0	0	0
Privately owned towns serviced by the owner								-	-
State trust land								-	-
Restitution and redistribution properties								-	-
Protected areas								-	-
National monuments properties							1	1	1



Life-line tariff - prepaid		(describe structure)				66	70	74	77
Flat rate tariff - meter (c/kwh)						82	88	92	97
Flat rate tariff - prepaid (c/kwh)						109	118	124	130
Meter - IBT Block 1 (c/kwh)		(fill in thresholds)				129	131	138	144
Meter - IBT Block 2 (c/kwh)		(fill in thresholds)				66	70	74	77
Meter - IBT Block 3 (c/kwh)		(fill in thresholds)				82	88	92	97
Meter - IBT Block 4 (c/kwh)		(fill in thresholds)				109	118	124	130
Meter - IBT Block 5 (c/kwh)		(fill in thresholds)				129	131	138	144
Prepaid - IBT Block 1 (c/kwh)		(fill in thresholds)				113	118	124	130
Prepaid - IBT Block 2 (c/kwh)		(fill in thresholds)				114	108	114	119
Prepaid - IBT Block 3 (c/kwh)		(fill in thresholds)				100	80	84	88
Prepaid - IBT Block 4 (c/kwh)		(fill in thresholds)				101	87	91	96
Prepaid - IBT Block 5 (c/kwh)		(fill in thresholds)						-	-
<i>Other</i>	2							-	-
<u>Waste management tariffs</u>									
<i>Domestic</i>									
Street cleaning charge		Townships				83	37	39	41
Basic charge/ fixed fee		Households				83	89	94	98
80l bin - once a week		Businesses				164	177	186	196
250l bin - once a week		Building rubble per load				455	500	526	551

## **2.6.5 Particulars of Monetary Investments held**

EC141 Elundini - Supporting Table SA15 Investment particulars by type

Investment type	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
R thousand										
<u>Parent municipality</u>										
Securities - National Government										
Listed Corporate Bonds										
Deposits - Bank		41 406	22 442	37 585	23 910	23 910	23 910	38 787	40 765	42 763
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	1	41 406	22 442	37 585	23 910	23 910	23 910	38 787	40 765	42 763
<u>Entities</u>										
Securities - National Government										
Listed Corporate Bonds										
Deposits - Bank										
Deposits - Public Investment Commissioners										
Deposits - Corporation for Public Deposits										
Bankers Acceptance Certificates										
Negotiable Certificates of Deposit - Banks										
Guaranteed Endowment Policies (sinking)										
Repurchase Agreements - Banks										
Entities sub-total		-	-	-	-	-	-	-	-	-
Consolidated total:		41 406	22 442	37 585	23 910	23 910	23 910	38 787	40 765	42 763

## 2.7 Expenditure on allocations and grant programmes

## GRANTS RECEIVED

EC141 Elundini - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
		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
R thousand										
<b>RECEIPTS:</b>	1, 2									
- <u>Operating Transfers and Grants</u>										
National Government:		50 197	52 021	-	76 766	-	-	88 464	104 615	135 974
Local Government Equitable Share		48 462	50 021		73 466			84 626	102 081	133 357
Finance Management		735	750		800			1 550	1 600	1 650
Municipal Systems Improvement		1 000	1 250		1 500			890	934	967
EPWP Incentive					1 000			1 398		
Integrated National Electrification Programme		-			-			-	-	-
Other transfers/grants [insert description]										
Provincial Government:		-	-	-	-	-	-	701	656	656
Other transfers/grants [insert description]								701	656	656
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
<b>Total Operating Transfers and Grants</b>	5	50 197	52 021	-	76 766	-	-	89 165	105 271	136 630
<u>Capital Transfers and Grants</u>										
National Government:		17 565	18 680	-	28 253	-	-	37 848	46 511	39 176
Municipal Infrastructure Grant (MIG)		12 565	18 680		27 253			32 048	36 511	39 176

Intergrated National Electrification Programme		5 000			1 000			5 800	10 000	-
Provincial Government:		-	-	-	-	-	-	-	-	-
Other capital transfers/grants [insert description]										
District Municipality:		-	-	-	-	-	-	-	-	-
<i>[insert description]</i>										
Other grant providers:		-	-	-	-	-	-	-	-	-
<i>[insert description]</i>										
Total Capital Transfers and Grants	5	17 565	18 680	-	28 253	-	-	37 848	46 511	39 176
TOTAL RECEIPTS OF TRANSFERS & GRANTS		67 762	70 701	-	105 019	-	-	127 013	151 782	175 806

## **EXPENDITURE INCURRED AGAINST GRANTS**

EC141 Elundini - Supporting Table SA19 Expenditure on transfers and grant programme





Other capital transfers/grants [insert description]										
District Municipality: [insert description]		-	-	-	-	-	-	-	-	-
Other grant providers: [insert description]		-	-	-	-	-	-	-	-	-
Total capital expenditure of Transfers and Grants		12 565	18 680	-	27 253	-	-	37 848	46 511	39 176
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		67 762	70 701	-	105 019	-	-	127 013	151 782	175 806

## GRANTS RECONCILIATION

EC141 Elundini - Supporting Table SA20 Reconciliation of transfers, grant receipts and unspent funds

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13	2013/14 Medium Term Revenue & Expenditure Framework
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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		12 026	10 113							
Current year receipts		14 349	28 679							
Conditions met - transferred to revenue		16 261	23 500	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities		10 114	15 292							
<b>Total capital transfers and grants revenue</b>		<b>28 826</b>	<b>51 133</b>	<b>-</b>	<b>28 253</b>	<b>-</b>	<b>-</b>	<b>37 848</b>	<b>46 511</b>	<b>39 176</b>
<b>Total capital transfers and grants - CTBM</b>	<b>2</b>	<b>24 108</b>	<b>15 333</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL TRANSFERS AND GRANTS REVENUE</b>		<b>79 023</b>	<b>103 154</b>	<b>-</b>	<b>105 019</b>	<b>-</b>	<b>-</b>	<b>127 013</b>	<b>151 782</b>	<b>175 806</b>
<b>TOTAL TRANSFERS AND GRANTS - CTBM</b>		<b>24 108</b>	<b>15 333</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 2.8 Allocations or Grants made by the Municipality

No grant allocations are made by the municipality

## 2.9 Councillors and board members allowances and employee benefits provide the following information

EC141 Elundini - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration R thousand	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14
		A	B	C	D	E	F	G
<b>Councillors (Political Office Bearers plus Other)</b>	1							
Basic Salaries and Wages		214	5 226		6 130			6 127
Pension and UIF Contributions		49			64			21
Medical Aid Contributions		2						-
Motor Vehicle Allowance		480	1 747		2 048			1 903
Cellphone Allowance		343	400		413			58
Housing Allowances								-
Other benefits and allowances			54		56			59
<b>Sub Total - Councillors</b>		8	7 427	-	8 711	-	-	9 227
% increase	4		(8.1%)	(100.0%)	-	(100.0%)	-	-
<b>Senior Managers of the Municipality</b>	2							
Basic Salaries and Wages		358	3 095		3 489			3 667
Pension and UIF Contributions					9			154
Medical Aid Contributions		5						68
Overtime		273	902					-
Performance Bonus			60		554			76
Motor Vehicle Allowance	3		334		902			1 832
Cellphone Allowance	3	336	496		48			-
Housing Allowances	3		5		334			38
Other benefits and allowances	3							39
Payments in lieu of leave								
Long service awards								
Post-retirement benefit obligations	6							
<b>Sub Total - Senior Managers of Municipality</b>		3	4 892	-	5 336	-	-	7 250
% increase	4		23.2%	(100.0%)	-	(100.0%)	-	-
<b>Other Municipal Staff</b>								
Basic Salaries and Wages		742	26 745		30 263			24 217
Pension and UIF Contributions		919	2 060		5 148			1 675
Medical Aid Contributions		919	4 233		2 412			2 741
Overtime		756	1 579		60			-
Performance Bonus		309	489					74
Motor Vehicle Allowance	3	932	677		2 569			1 181
Cellphone Allowance	3	-	-					19
Housing Allowances	3	894			885			615

Other benefits and allowances	3	908 <sup>2</sup>	3 411		8 404			16 180
Payments in lieu of leave								299
Long service awards								238
Post-retirement benefit obligations	6							
<b>Sub Total - Other Municipal Staff</b>		36	39 194	-	49 740	-	-	47 018
% increase	4		7.7%	(100.0%)	-	(100.0%)	-	-
<b>Total Parent Municipality</b>		48	51 513	-	63 787	-	-	63 490
			6.4%	(100.0%)	-	(100.0%)	-	-
<b><u>Board Members of Entities</u></b>								
Basic Salaries and Wages								
Pension and UIF Contributions								
Medical Aid Contributions								
Overtime								
Performance Bonus								
Motor Vehicle Allowance	3							
Cellphone Allowance	3							
Housing Allowances	3							
Other benefits and allowances	3							
Board Fees								
Payments in lieu of leave								
Long service awards								
Post-retirement benefit obligations	6							
<b>Sub Total - Board Members of Entities</b>		-	-	-	-	-	-	-
% increase	4		-	-	-	-	-	-
<b><u>Senior Managers of Entities</u></b>								
Basic Salaries and Wages								
Pension and UIF Contributions								
Medical Aid Contributions								
Overtime								
Performance Bonus								
Motor Vehicle Allowance	3							
Cellphone Allowance	3							
Housing Allowances	3							
Other benefits and allowances	3							
Payments in lieu of leave								
Long service awards								
Post-retirement benefit obligations	6							
<b>Sub Total - Senior Managers of Entities</b>		-	-	-	-	-	-	-
% increase	4		-	-	-	-	-	-
<b><u>Other Staff of Entities</u></b>								
Basic Salaries and Wages								
Pension and UIF Contributions								
Medical Aid Contributions								
Overtime								
Performance Bonus								
Motor Vehicle Allowance	3							
Cellphone Allowance	3							
Housing Allowances	3							
Other benefits and allowances	3							
Payments in lieu of leave								
Long service awards								
Post-retirement benefit obligations	6							
<b>Sub Total - Other Staff of Entities</b>		-	-	-	-	-	-	-
% increase	4		-	-	-	-	-	-

Total Municipal Entities		-	-	-	-	-	-	-
TOTAL SALARY, ALLOWANCES & BENEFITS		48 437	51 513	-	63 787	-	-	63 490
% increase	4		6.4%	(100.0%)	-	(100.0%)	-	-
TOTAL MANAGERS AND STAFF	5,7	40 351	44 086	-	55 076	-	-	54 260

## 2.9.1 Composition of Municipal Personnel Employed

Choose name from list - Supporting Table SA24 Summary of personnel numbers

Summary of Personnel Numbers Number	Ref 1,2	2010/11			Current Year 2011/12			Pos
		Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	
Municipal Council and Boards of Municipal Entities								
Councillors (Political Office Bearers plus Other Councillors)	4	32		32	32		32	
Board Members of municipal entities	5							
Municipal employees								
Municipal Manager and Senior Managers	3	5	-	5	5		5	
Other Managers	7	9	1	4	9	5	4	
Professionals		12	7	5	12	7	5	
Finance		3	1	2	3	1	2	
Spatial/town planning								
Information Technology		1		1	1		1	
Roads		1	1	-	1	1		
Electricity		1		1	1		1	
Water								
Sanitation								
Refuse								
Other		6	5	1	6	5	1	
Technicians		44	36	6	44	42	2	
Finance		5	3	1	5	4	1	
Spatial/town planning		1	1	-	1	1		
Information Technology		2	1	1	2	2		
Roads		6	3	3	6	6		
Electricity		6	6	-	6	6		
Water								
Sanitation								
Refuse								
Other		24	22	1	24	23	1	
Clerks (Clerical and administrative)		40	34	6	40	40		
Service and sales workers								
Skilled agricultural and fishery workers		3	2	1	3	3		
Craft and related trades		27	12	15	27	27		
Plant and Machine Operators								
Elementary Occupations		120	111	9	79	79		
<b>TOTAL PERSONNEL NUMBERS</b>		<b>292</b>	<b>203</b>	<b>83</b>	<b>251</b>	<b>203</b>	<b>48</b>	
% increase					(14.0%)	-	(42.2%)	
Total municipal employees headcount	6							
Finance personnel headcount	8	38	28	8	38	30	8	
Human Resources personnel headcount	8	9	5	4	9	5	4	













Total Capital Expenditure on new assets	1	34 529	46 641	-	40 568	-	-	40 672
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## **2.13 Municipal Manager's Quality Certification**

### **Quality Certificate**

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

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

**Municipal Manager of Elundini Local Municipality Municipality (EC41)**

**Signature** \_\_\_\_\_

**Date**