

# **JOE GQABI DISTRICT MUNICIPALITY**



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

**(Annual Budget for Approval by Council)**

**30 May 2013**

## Table of Contents

1.1	MAYOR’S REPORT.....	4
1.2	COUNCIL RESOLUTIONS .....	5
1.3	EXECUTIVE SUMMARY .....	6
1.4	OPERATING REVENUE FRAMEWORK .....	7
1.5	OPERATING EXPENDITURE FRAMEWORK .....	10
1.6	CAPITAL EXPENDITURE.....	13
1.7	ANNUAL BUDGET TABLES .....	14
2.1	OVERVIEW OF THE ANNUAL BUDGET PROCESS .....	26
2.2	BUDGET PROCESS OVERVIEW .....	26
2.3	OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP.....	27
2.4	MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS.....	28
2.5	PERFORMANCE INDICATORS AND BENCHMARKS.....	31
2.6	OVERVIEW OF BUDGET RELATED-POLICIES .....	32
2.7	OVERVIEW OF BUDGET ASSUMPTIONS.....	33
2.8	OVERVIEW OF BUDGET FUNDING .....	34
2.9	EXPENDITURE ON GRANTS AND RECONCILIATIONS OF UNSPENT FUNDS.....	43
2.10	CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS .....	44
2.11	CAPITAL EXPENDITURE DETAILS .....	44
2.12	LEGISLATION COMPLIANCE STATUS .....	46
2.13	MUNICIPAL MANAGER’S QUALITY CERTIFICATE.....	47

## List of tables

Table 1	Consolidated Overview of the 2013/14 MTREF .....	6
Table 2	Summary of revenue classified by main revenue source .....	7
Fig 1:	Revenue by main revenue source .....	8
Table 4	Operating Transfers and Grant Receipts.....	9
Table 5	Summary of operating expenditure by standard classification item.....	10
Table 6	Percentage growth in expenditure by main expenditure type .....	11
Fig 2:	Expenditure by major type .....	11
Fig 3:	Expenditure by major type – 2013/14 .....	12
Table 7	2013/14 Medium-term capital budget per vote .....	13
Table 8	MBRR NT A1 - Budget Summary .....	14
Table 8	MBRR NT A1 - Budget Summary .....	15
Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification) .....		16
Table 10	MBRR NT A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote).....	18
Table 11	MBRR NT A4 - Budgeted Financial Performance (revenue and expenditure).....	19
Table 12	MBRR NT A5 - Budgeted Capital Expenditure by vote, standard classification and funding source .....	21
Table 13	MBRR NT A6 - Budgeted Financial Position .....	22
Table 14	MBRR NT A7 - Budgeted Cash Flow Statement.....	23
Table 15	MBRR NT SA8 – Performance indicators and benchmarks.....	30
Table 16	Breakdown of the operating revenue over the medium-term .....	34
Fig 5:	Breakdown of the operating revenue - 2013/14.....	35
Fig 6:	Breakdown of the operating revenue - 2013/14.....	35

<b>Table 17</b>	<b>Sources of capital revenue over the MTREF .....</b>	<b>36</b>
<b>Table 18</b>	<b>MBRR NT A7 - Budget cash flow statement.....</b>	<b>37</b>
<b>Table 19</b>	<b>MBRR NT A8 - Cash backed reserves/accumulated surplus reconciliation .....</b>	<b>38</b>
<b>Table 20</b>	<b>MBRR NT SA10 - Funding compliance measurement.....</b>	<b>40</b>
<b>Table 21</b>	<b>MBRR SA19 - Expenditure on transfers and grant programmes .....</b>	<b>43</b>
<b>Table 22</b>	<b>2013/14 Capital expenditure by asset class.....</b>	<b>44</b>
<b>Fig 7:</b>	<b>Total capital expenditure per category .....</b>	<b>45</b>

## **Part 1 – Annual Budget**

### **1.1 Mayor’s Report**

To be distributed during the Council meeting.

## 1.2 Council Resolutions

1. The Council of Joe Gqabi District Municipality, acting in terms of section 16 of the Local Government: Municipal Finance Management Act (MFMA), (Act 56 of 2003) approves and adopts:
  - 1.1. The annual budget of the municipality for the financial year 2013/14 and indicative allocations for the two projected outer years 2014/15 and 2015/16; and the multi-year and single-year capital appropriations as set out in the following tables:
    - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 12;
    - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 13;
    - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 14; and
    - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 15.
  - 1.2. The financial position, cash flow budget and cash-backed reserve/accumulated surplus are approved as set out in the following tables:
    - 1.2.1. Budgeted Financial Position as contained in Table 16;
    - 1.2.2. Budgeted Cash Flows as contained in Table 17; and
    - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 23;
2. The revised Integrated Development Plan (IDP) is approved as reflected in the agenda.
3. The Council of Joe Gqabi District Municipality, acting in terms of section 24(2)(c)(i) and (ii) of the MFMA, sections 74 and 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts the tariffs for the provision of water and sanitation.
4. 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 be noted.
5. The Budget related policies including any amendments are approved for the budget year 2013/14.
6. The Department of Roads allocation of R32.3 million and R17.8 million on Water Working for Water will only be spend once it has been gazetted or the money has been transferred to the primary bank account of Joe Gqabi District Municipality:

### 1.3 Executive Summary

This section contains an Executive Summary of the Joe Gqabi District Municipality's (JGDM) Budget followed by a more detailed explanation of its Operating and Capital components over the next three years.

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

National Treasury's MFMA Circular No. 66 was used to guide the compilation of the 2013/14 MTREF.

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

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the backlog in infrastructure maintenance;
- Wage increases is anticipated to exceed consumer inflation; and
- Affordability of capital projects – only Municipal Infrastructure Grant funding was allocated towards developing of new capital infrastructure assets; and

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

- The 2012/13 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2013/14 annual budget;
- Tariff increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water, employee related costs and other costs drivers. In addition, tariffs need to move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- Working for Water and Department of Roads and Transports grants are not gazetted but have been included in the budget. All other grant funding, allocated has been gazetted as required by the annual Division of Revenue Act;

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

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

	<b>Adjustments Budget 2012/13 R'000</b>	<b>Budget Year 2013/14 R'000</b>	<b>Budget Year +1 2014/15 R'000</b>	<b>Budget Year +2 2015/16 R'000</b>
Total Revenue	481 572	461 096	479 106	522 745
Total Operating Expenditure	458 127	425 489	440 037	456 139
Total Capital Expenditure	85 935	106 519	113 202	140 348
(Surplus) Deficit for the year	62 490	70 912	74 133	73 742

Total Revenue has declined by 4.25 percent or R20.476 million for the 2013/14 financial year when compared to the 2012/13 Adjustments Budget.

Total operating expenditure for the 2013/14 financial year has been appropriated at R425.489 million. When compared to the 2012/13 Adjustments Budget, operational expenditure has increased by 7.12 percent in the 2012/13.

The capital budget of R106.519 million for 2013/14 is 23.95 percent more when compared to the 2012/13 Adjustment Budget. The increase is due to higher allocation on Municipal Infrastructure Grant, Municipal Water Infrastructure Grant and Orio Grant .

## 1.4 Operating Revenue Framework

JGDM is heavily reliant on grants. The service charges are not making meaningful contribution to the revenue.

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

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

DC14 Joe Gqabi - Table A4 Consolidated 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	-	-	-	-	-	-	-	-	-	-
Property rates - penalties & collection charges		-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	-	-	-	-	32 034	32 034	32 034	5 625	6 469	7 439
Service charges - sanitation revenue	2	-	-	-	-	22 657	22 657	22 657	18 055	20 764	23 878
Service charges - refuse revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - other		-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		-	-	15	5	-	-	-	-	-	-
Interest earned - external investments		4 964	2 901	1 403	1 000	2 515	2 515	2 515	2 666	2 826	2 995
Interest earned - outstanding debtors		-	-	-	-	1 333	1 333	1 333	1 533	1 763	2 028
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines		0	0	-	-	-	-	-	-	-	-
Licences and permits		-	-	-	-	-	-	-	-	-	-
Agency services		-	-	(2 108)	3 158	3 158	3 158	3 158	-	-	-
Transfers recognised - operational		174 927	227 154	209 648	238 528	241 328	241 328	241 328	244 382	261 967	281 907
Other revenue	2	28 442	24 299	2 707	1 050	3 918	3 918	3 918	3 540	3 742	3 966
Gains on disposal of PPE											
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>208 333</b>	<b>254 354</b>	<b>211 664</b>	<b>243 741</b>	<b>306 943</b>	<b>306 943</b>	<b>306 943</b>	<b>275 802</b>	<b>297 531</b>	<b>322 213</b>

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

Fig 1: Revenue by main revenue source

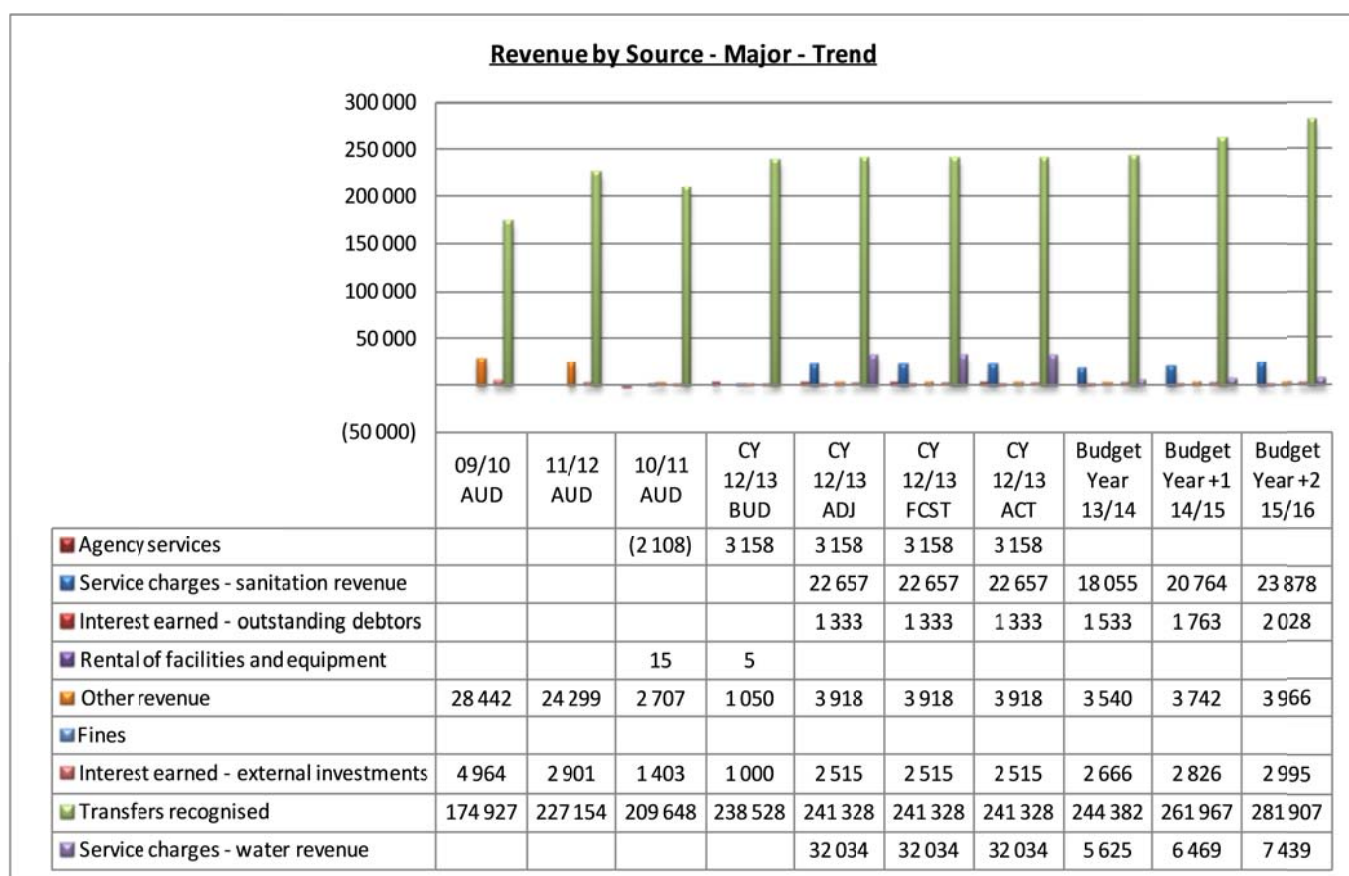


Table 3 Percentage growth in revenue by main revenue source

Description	2013/14 Medium Term Revenue & Expenditure Framework					
	Budget Year 2013/14		Budget Year +1 2014/15		Budget Year +2 2015/16	
<b>Financial Performance</b>						
Service charges - sanitation revenue	18 055	100%	20 764	15%	23 878	15%
Interest earned - outstanding debtors	1 533	100%	1 763	15%	2 028	15%
Other revenue	3 540	-16%	3 742	6%	3 966	6%
Interest earned - external investments	2 666	167%	2 826	6%	2 995	6%
Transfers recognised	244 382	2%	261 967	7%	281 907	8%
Service charges - water revenue	5 625	100%	6 469	15%	7 439	15%
	275 802	13%	297 531	8%	322 213	8%

Operating grants and transfers totals R238.53 million in the 2012/13 Adjustment Budget and increases to R244.3825 million in 2013/14. Note that the year-on-year growth for the 2013/14 financial year is 2 percent. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:



**Table 4 Operating Transfers and Grant Receipts**

DC14 Joe Gqabi - 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
<b>RECEIPTS:</b>	1, 2									
<b>Operating Transfers and Grants</b>										
National Government:		144 722	144 722	151 071	181 850	181 850	181 850	193 876	208 660	225 878
Local Government Equitable Share		125 943	125 943	149 031	166 056	166 056	166 056	178 958	194 392	211 537
Municipal Drought Relief		14 106	14 106		11 604	11 604	11 604			
Municipal Systems Improvement		750	750	790	1 000	1 000	1 000	890	934	967
Finance Management		1 000	1 000	1 250	1 250	1 250	1 250	1 250	1 250	1 250
Water Services Operating Subsidy								10 000	10 000	10 000
EPWP Incentive		2 924	2 924		1 940	1 940	1 940	1 000		
Rural Roads Asset Management Grant								1 778	2 084	2 124
Provincial Government:		84 046	84 046	30 434	56 678	36 447	36 447	50 506	53 307	56 329
								380	411	-
								13 826	14 656	15 385
								4 000	4 240	4 944
Capacity Building		84 046	84 046	30 434	56 678	36 447	36 447	32 300	34 000	36 000
District Municipality:		-	-	-	-	-	-	-	-	-
<i>[insert description]</i>										
Other grant providers:		-	-	19 043	-	334	334	-	-	-
<i>INVOICE BASED FINANCE</i>				19 043		334	334			
<b>Total Operating Transfers and Grants</b>	5	228 768	228 768	200 548	238 528	218 631	218 631	244 382	261 967	282 207
<b>Capital Transfers and Grants</b>										
National Government:		94 694	94 694	143 957	174 629	174 629	174 629	180 794	171 575	185 532
Municipal Infrastructure Grant (MIG)		94 694	94 694	143 957	174 629	174 629	174 629	165 792	151 566	160 521
Municipal Water Infrastructure Grant								15 002	20 009	25 011
Provincial Government:		-	-	-	-	-	-	-	-	-
Other capital transfers/grants <i>[insert description]</i>										
District Municipality:		-	-	-	-	-	-	-	-	-
<i>[insert description]</i>										
Other grant providers:		-	-	-	-	-	-	4 500	10 000	15 000
<i>INVOICE BASED FINANCE</i>								4 500	10 000	15 000
<i>Orio</i>										
<b>Total Capital Transfers and Grants</b>	5	94 694	94 694	143 957	174 629	174 629	174 629	185 294	181 575	200 532
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>		323 462	323 462	344 505	413 157	393 260	393 260	429 676	443 542	482 739

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

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

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

## 1.5 Operating Expenditure Framework

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

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

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

**Table 5 Summary of operating expenditure by standard classification item**

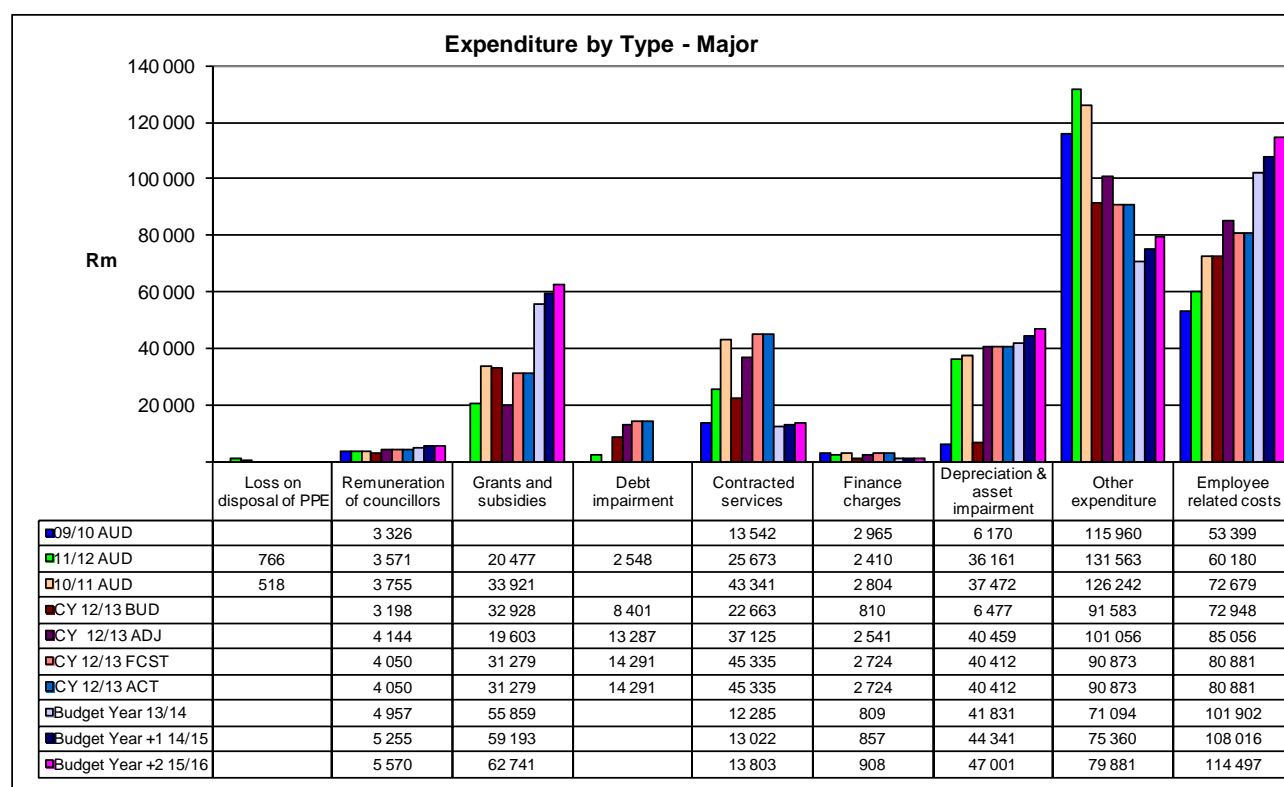
DC14 Joe Gqabi - Table A4 Consolidated Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2008/9	2009/10	2010/11	Budget Year 2011/12				2012/13 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Expenditure By Type</b>											
Employee related costs	2	60 180	72 679	78 594	101 902	120 907	120 907	120 907	124 458	132 423	140 368
Remuneration of councillors		3 571	3 755	4 086	4 957	4 418	4 418	4 418	5 352	5 695	6 036
Debt impairment	3	2 548	-	548	-	26 716	26 716	26 716	8 386	9 644	11 091
Depreciation & asset impairment	2	36 161	37 472	41 617	41 831	42 276	42 276	42 276	44 812	47 501	50 351
Finance charges		2 410	2 804	2 575	809	3 086	3 086	3 086	3 272	3 468	3 702
Bulk purchases	2	-	-	-	-	-	-	-	-	-	-
Other materials	8	-	-	-	-	-	-	-	-	-	-
Contracted services		25 673	43 341	35 003	12 285	45 146	45 146	45 146	47 013	49 834	52 824
Transfers and grants		20 477	33 921	89 408	55 859	105 673	105 673	105 673	56 100	48 262	40 195
Other expenditure	4, 5	131 563	126 242	80 180	71 094	109 911	109 911	109 911	135 785	142 881	151 222
Loss on disposal of PPE		766	518	155	-	-	-	-	311	329	349
<b>Total Expenditure</b>		<b>283 348</b>	<b>320 732</b>	<b>332 164</b>	<b>288 737</b>	<b>458 131</b>	<b>458 131</b>	<b>458 131</b>	<b>425 489</b>	<b>440 037</b>	<b>456 139</b>

**Table 6 Percentage growth in expenditure by main expenditure type**

Description R thousand	2013/14 Medium Term Revenue & Expenditure Framework					
	Budget Year 2013/14		Budget Year +1		Budget Year +2	
<b>Financial Performance</b>						
Employee related costs	124 458	46%	132 423	6%	140 368	6%
Remuneration of councillors	5 352	29%	5 695	6%	6 036	6%
Debt impairment	8 386	100%	9 644	15%	11 091	15%
Depreciation & asset impairment	44 812	11%	47 501	6%	50 351	6%
Finance charges	3 272	29%	3 468	6%	3 702	7%
Contracted services	47 013	100%	49 834	6%	52 824	6%
Transfers and grants	56 100	186%	48 262	-14%	40 195	-17%
Other expenditure	135 785	-10%	142 881	5%	151 222	6%
Loss on disposal of PPE	311	100%	329	6%	349	6%
	<b>425 489</b>	<b>40%</b>	<b>440 037</b>	<b>3%</b>	<b>456 139</b>	<b>4%</b>

**Fig 2: Expenditure by major type**



The budgeted allocation for employee related costs for the 2013/14 financial year totals R124.458 million, which equals 29.25 percent of the total operating expenditure. The SALGBC has agreed on the 6.85 percent salary increment for 2013/14. The municipality has budget 6.85 percent for the 2013/14 financial year. As part of the Municipality's cost reprioritization and cash management strategy uncritical vacancies have been frozen until adequate funding has been sourced.

The cost associated with the remuneration of Councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget and was also incremented by 6 percent for the 2013/14 financial year.

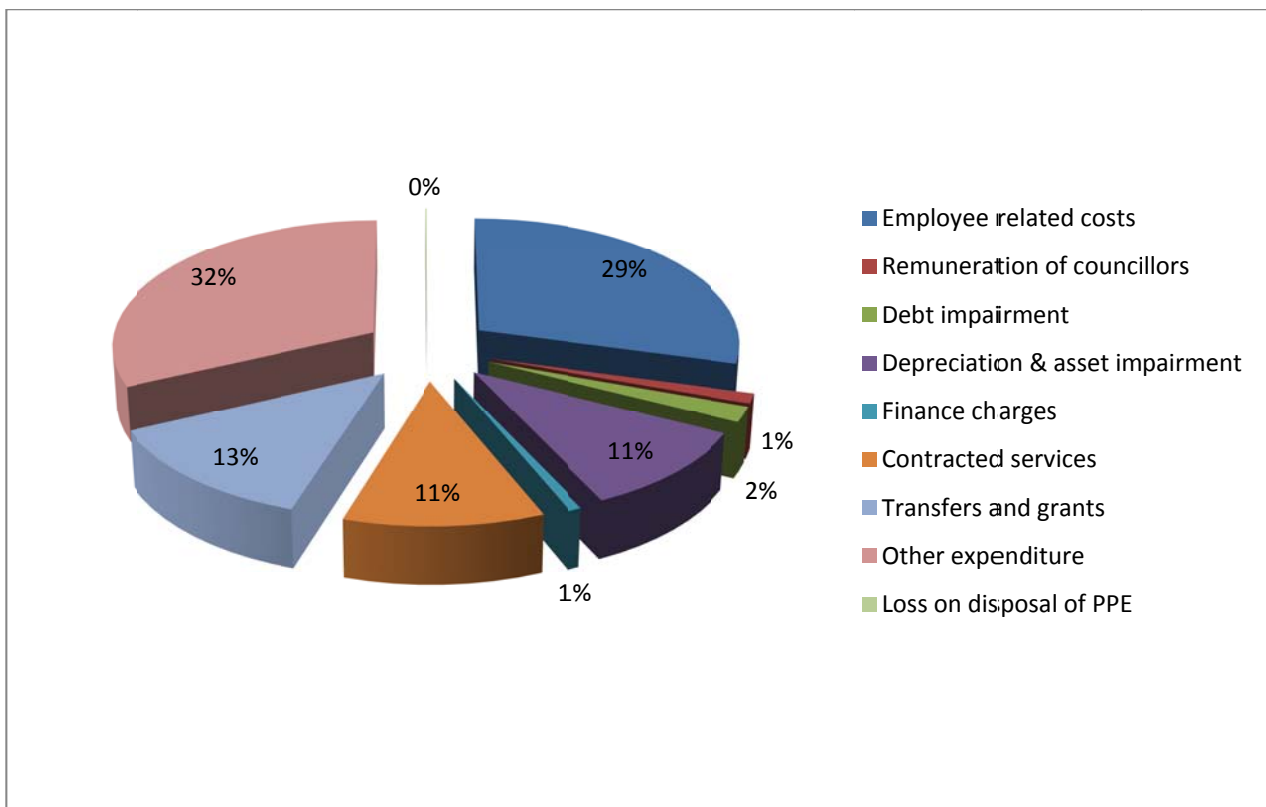
The provision of debt impairment was determined based on Annual Financial Statements for the year ended June 2012 and the Debt Write-off Policy of the Municipality. For the 2013/14 financial year this amount equates to R7.943 million. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality’s realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality’s Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R44.812 million for the 2013/14 financial year and equates to 10.53 percent of the total operating expenditure.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 7.19 percent (R3.272 million) of operating expenditure excluding annual redemption for 2013/14 financial year.

Repairs and Maintenance allocation has increase to R259.94 million (including the employee costs of departments responsible for repairs and maintenance) financial year.

**Fig 3: Expenditure by major type – 2013/14**



**Free Basic Services: Basic Social Services Package**

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality’s Indigent Policy. The qualifying indigents will be provided with 6kl of water per month

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

## 1.6 Capital expenditure

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

**Table 7 2013/14 Medium-term capital budget per vote**

DC14 Joe Gqabi - Table A5 Consolidated Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Capital expenditure - Vote</b>											
<i>Multi-year expenditure to be appropriated</i>	2										
Vote 1 - MANAGEMENT SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 2 - FINANCIAL SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 3 - CORPORATE SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 4 - TECHNICAL SERVICES		-	-	-	-	-	-	-	56 368	108 552	134 268
Vote 5 - COMMUNITY SERVICES		-	-	-	-	-	-	-	-	2 500	3 000
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	7	-	-	-	-	-	-	-	56 368	111 052	137 268
<i>Single-year expenditure to be appropriated</i>	2										
Vote 1 - MANAGEMENT SERVICES		-	-	-	42	892	892	892	-	-	750
Vote 2 - FINANCIAL SERVICES		-	-	-	-	-	-	-	395	370	395
Vote 3 - CORPORATE SERVICES		2 468	2 329	2 329	-	495	495	495	348	100	200
Vote 4 - TECHNICAL SERVICES		87 450	86 234	86 234	171 813	83 938	83 938	83 938	49 308	1 530	1 535
Vote 5 - COMMUNITY SERVICES		-	8 044	8 044	610	610	610	610	100	150	200
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>		89 918	96 606	96 606	172 465	85 935	85 935	85 935	50 151	2 150	3 080
<b>Total Capital Expenditure - Vote</b>		89 918	96 606	96 606	172 465	85 935	85 935	85 935	106 519	113 202	140 348

For 2013/14 an amount of R102.646 million has been appropriated for the development of infrastructure within Technical Services which represents 96.36 percent of the total capital budget. Water and Sanitation infrastructure receives the highest allocation.

## 1.7 Annual Budget Tables

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

### Table 8 MBRR NT A1 - Budget Summary

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

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
  - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
  - b. Capital expenditure is balanced by capital funding sources, of which
    - i. Transfers recognised is reflected on the Financial Performance Budget;
    - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
    - iii. Internally generated funds is financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality successfully managed to restore its financial viability and consequently its obligations are cash-backed.

**Table 8 MBRR NT A1 - Budget Summary**

DC14 Joe Gqabi - Table A1 Consolidated Budget Summary

Description	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Financial Performance</b>										
Property rates	-	-	-	-	-	-	-	-	-	-
Service charges	-	-	-	-	54 690	54 690	54 690	23 680	27 232	31 317
Investment revenue	4 964	2 901	1 403	1 000	2 515	2 515	2 515	2 666	2 826	2 995
Transfers recognised - operational	174 927	227 154	209 648	238 528	241 328	241 328	241 328	244 382	261 967	281 907
Other own revenue	28 442	24 299	613	4 213	8 409	8 409	8 409	5 073	5 505	5 993
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>208 333</b>	<b>254 354</b>	<b>211 664</b>	<b>243 741</b>	<b>306 943</b>	<b>306 943</b>	<b>306 943</b>	<b>275 802</b>	<b>297 531</b>	<b>322 213</b>
Employee costs	60 180	72 679	78 594	101 902	120 907	120 907	120 907	124 458	132 423	140 368
Remuneration of councillors	3 571	3 755	4 086	4 957	4 418	4 418	4 418	5 352	5 695	6 036
Depreciation & asset impairment	36 161	37 472	41 617	41 831	42 276	42 276	42 276	44 812	47 501	50 351
Finance charges	2 410	2 804	2 575	809	3 086	3 086	3 086	3 272	3 468	3 702
Materials and bulk purchases	-	-	-	-	-	-	-	-	-	-
Transfers and grants	20 477	33 921	89 408	55 859	105 673	105 673	105 673	56 100	48 262	40 195
Other expenditure	160 550	170 101	115 885	83 379	181 772	181 772	181 772	191 496	202 689	215 486
<b>Total Expenditure</b>	<b>283 348</b>	<b>320 732</b>	<b>332 164</b>	<b>288 737</b>	<b>458 131</b>	<b>458 131</b>	<b>458 131</b>	<b>425 489</b>	<b>440 037</b>	<b>456 139</b>
<b>Surplus/(Deficit)</b>	<b>(75 015)</b>	<b>(66 378)</b>	<b>(120 500)</b>	<b>(44 996)</b>	<b>(151 188)</b>	<b>(151 188)</b>	<b>(151 188)</b>	<b>(149 688)</b>	<b>(142 506)</b>	<b>(133 926)</b>
Transfers recognised - capital	100 751	97 592	123 954	175 489	174 629	174 629	174 629	185 294	181 575	200 532
Contributions recognised - capital & contributed	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>25 735</b>	<b>31 215</b>	<b>3 454</b>	<b>130 493</b>	<b>23 441</b>	<b>23 441</b>	<b>23 441</b>	<b>35 606</b>	<b>39 069</b>	<b>66 606</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>25 735</b>	<b>31 215</b>	<b>3 454</b>	<b>130 493</b>	<b>23 441</b>	<b>23 441</b>	<b>23 441</b>	<b>35 606</b>	<b>39 069</b>	<b>66 606</b>
<b>Capital expenditure &amp; funds sources</b>										
Capital expenditure	89 918	96 606	96 606	172 465	85 935	85 935	85 935	106 519	113 202	140 348
Transfers recognised - capital	86 234	94 277	94 277	171 729	84 471	84 471	84 471	106 519	113 202	140 348
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	3 684	2 329	2 329	736	1 464	1 464	1 464	-	-	-
<b>Total sources of capital funds</b>	<b>89 918</b>	<b>96 606</b>	<b>96 606</b>	<b>172 465</b>	<b>85 935</b>	<b>85 935</b>	<b>85 935</b>	<b>106 519</b>	<b>113 202</b>	<b>140 348</b>
<b>Financial position</b>										
Total current assets	119 433	83 779	83 779	21 592	44 885	44 885	44 885	49 130	54 209	60 142
Total non current assets	1 126 378	1 184 622	1 184 622	1 292 297	1 292 957	1 292 957	1 292 957	1 287 645	1 364 859	1 458 273
Total current liabilities	109 775	103 508	103 508	80 314	114 290	114 290	114 290	59 128	62 676	63 380
Total non current liabilities	22 890	22 467	22 467	21 527	29 883	29 883	29 883	20 106	21 313	22 591
Community wealth/Equity	1 113 146	1 142 427	1 142 427	1 212 049	1 193 670	1 193 670	1 193 670	1 232 480	1 306 428	1 399 658
<b>Cash flows</b>										
Net cash from (used) operating	92 263	38 146	119 021	172 324	133 139	133 139	133 139	80 419	86 570	116 957
Net cash from (used) investing	(92 377)	(100 679)	(99 850)	(172 465)	(154 510)	(154 510)	(154 510)	(107 519)	(114 202)	(141 348)
Net cash from (used) financing	(396)	(356)	(356)	(339)	(320)	(320)	(320)	161	640	1 119
Cash/cash equivalents at the year end	224 236	161 347	180 162	21 212	(16 691)	(16 691)	(16 691)	(5 248)	(32 240)	(55 512)
<b>Cash backing/surplus reconciliation</b>										
Cash and investments available	68 139	7 547	7 547	24 048	(35 099)	(35 099)	(35 099)	28 967	30 905	32 975
Application of cash and investments	40 721	74 361	24 634	68 599	(165 752)	(165 752)	(165 752)	13 635	12 322	7 447
Balance - surplus (shortfall)	27 419	(66 814)	(17 087)	(44 551)	130 654	130 654	130 654	15 332	18 583	25 528
<b>Asset management</b>										
Asset register summary (WDV)	1 125 128	1 181 076	1 181 076	1 288 449	1 288 352	1 288 352	1 282 645	1 282 645	1 359 359	1 452 443
Depreciation & asset impairment	36 161	37 472	41 617	41 831	42 276	42 276	44 812	44 812	47 501	50 351
Renewal of Existing Assets	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	125 546	265 526	225 798	128 177	231 299	231 299	259 940	259 940	279 621	301 304
<b>Free services</b>										
Cost of Free Basic Services provided	-	-	-	-	-	-	-	-	-	-
Revenue cost of free services provided	-	-	-	-	-	-	-	-	-	-
<b>Households below minimum service level</b>										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-

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

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under Finance and Asset Management.



**Table 9 MBRR NT A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

DC14 Joe Gqabi - Table A2 Consolidated 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
R thousand										
<b>Revenue - Standard</b>										
<i>Governance and administration</i>		162 833	185 415	276 954	344 800	348 318	348 318	357 596	364 710	396 236
Executive and council		16 720	19 039	1 581	3 923	3 923	3 923	4 166	5 074	5 264
Budget and treasury office		19 444	22 140	151 930	165 383	168 898	168 898	186 718	207 095	229 417
Corporate services		126 669	144 235	123 443	175 494	175 497	175 497	166 712	152 541	161 555
<i>Community and public safety</i>		12 458	14 186	143	-	-	-	-	-	-
Community and social services		-	-	-	-	-	-	-	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		119	136	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		12 339	14 050	143	-	-	-	-	-	-
<i>Economic and environmental services</i>		51 684	58 851	56 605	62 827	65 327	65 327	53 284	55 391	58 153
Planning and development		13 047	14 857	8 574	371	371	371	380	411	-
Road transport		22 772	25 930	29 395	37 716	40 216	40 216	35 078	36 084	38 124
Environmental protection		15 864	18 064	18 637	24 739	24 739	24 739	17 826	18 896	20 029
<i>Trading services</i>		82 108	93 495	1 916	11 604	67 928	67 928	50 216	59 005	68 356
Electricity		-	-	-	-	-	-	-	-	-
Water		64 080	72 967	1 916	11 604	44 845	44 845	31 670	37 677	43 829
Waste water management		18 028	20 528	-	-	23 083	23 083	18 546	21 327	24 527
Waste management		-	-	-	-	-	-	-	-	-
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Standard</b>	2	309 084	351 947	335 618	419 230	481 572	481 572	461 096	479 106	522 745
<b>Expenditure - Standard</b>										
<i>Governance and administration</i>		51 910	58 759	61 161	116 951	185 322	185 322	172 274	170 679	169 974
Executive and council		22 459	25 422	18 964	26 645	29 278	29 278	33 246	35 184	37 275
Budget and treasury office		10 381	11 751	14 615	18 361	20 456	20 456	21 801	23 065	24 373
Corporate services		19 070	21 586	27 582	71 944	135 588	135 588	117 227	112 430	108 325
<i>Community and public safety</i>		22 566	25 544	8 704	8 575	9 850	9 850	9 634	10 242	10 857
Community and social services		-	-	-	-	-	-	-	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		7 474	8 460	8 040	8 575	9 850	9 850	9 634	10 242	10 857
Housing		-	-	-	-	-	-	-	-	-
Health		15 092	17 084	664	-	-	-	-	-	-
<i>Economic and environmental services</i>		62 410	70 644	65 627	72 750	68 184	68 184	66 170	70 155	74 142
Planning and development		20 415	23 108	14 958	5 065	2 624	2 624	6 594	7 013	7 434
Road transport		20 095	22 746	29 126	37 716	36 524	36 524	30 832	32 634	34 384
Environmental protection		21 900	24 789	21 543	29 969	29 036	29 036	28 744	30 508	32 324
<i>Trading services</i>		146 463	165 786	196 672	90 461	194 775	194 775	177 412	188 961	201 167
Electricity		-	-	-	-	-	-	-	-	-
Water		105 796	119 755	102 759	77 707	148 550	148 550	124 516	132 560	141 000
Waste water management		40 666	46 032	93 913	12 754	46 225	46 225	52 896	56 401	60 167
Waste management		-	-	-	-	-	-	-	-	-
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
<b>Total Expenditure - Standard</b>	3	283 348	320 732	332 164	288 737	458 131	458 131	425 489	440 037	456 139
<b>Surplus/(Deficit) for the year</b>		25 735	31 215	3 454	130 493	23 441	23 441	35 606	39 069	66 606

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

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote.

**Table 10 MBRR NT A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

DC14 Joe Gqabi - Table A3 Consolidated 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>										
Vote 1 - MANAGEMENT SERVICES	1	22 471	25 587	1 906	3 923	3 923	3 923	10 154	16 785	22 231
Vote 2 - FINANCIAL SERVICES		19 444	22 140	151 930	165 383	168 898	168 898	182 218	197 095	214 417
Vote 3 - CORPORATE SERVICES		7 785	8 865	(1 017)	865	860	860	920	975	1 034
Vote 4 - TECHNICAL SERVICES		241 328	274 795	174 407	244 480	270 876	270 876	267 804	264 251	285 063
Vote 5 - COMMUNITY SERVICES		18 055	20 559	8 392	4 580	37 015	37 015	-	-	-
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
<b>Total Revenue by Vote</b>	2	309 084	351 947	335 618	419 230	481 572	481 572	461 096	479 106	522 745
<b>Expenditure by Vote to be appropriated</b>										
Vote 1 - MANAGEMENT SERVICES	1	20 139	22 796	15 833	19 203	21 626	21 626	30 052	31 973	33 905
Vote 2 - FINANCIAL SERVICES		11 711	13 256	15 675	20 020	22 382	22 382	24 630	25 931	27 411
Vote 3 - CORPORATE SERVICES		21 550	24 394	24 038	31 635	20 796	20 796	31 662	33 625	35 668
Vote 4 - TECHNICAL SERVICES		191 334	216 578	254 996	192 557	304 829	304 829	335 694	345 371	355 829
Vote 5 - COMMUNITY SERVICES		38 613	43 707	21 622	25 322	88 498	88 498	3 451	3 137	3 325
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
<b>Total Expenditure by Vote</b>	2	283 348	320 732	332 164	288 737	458 131	458 131	425 489	440 037	456 139
<b>Surplus/(Deficit) for the year</b>	2	25 735	31 215	3 454	130 493	23 441	23 441	35 606	39 069	66 606

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

1. Total revenue is R461.096 million in 2013/14.
2. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government.
3. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

**Table 11 MBRR NT A4 - Budgeted Financial Performance (revenue and expenditure)**

DC14 Joe Gqabi - Table A4 Consolidated 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	-	-	-	-	-	-	-	-	-	-
Property rates - penalties & collection charges		-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	-	-	-	-	32 034	32 034	32 034	5 625	6 469	7 439
Service charges - sanitation revenue	2	-	-	-	-	22 657	22 657	22 657	18 055	20 764	23 878
Service charges - refuse revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - other		-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		-	-	15	5	-	-	-	-	-	-
Interest earned - external investments		4 964	2 901	1 403	1 000	2 515	2 515	2 515	2 666	2 826	2 995
Interest earned - outstanding debtors		-	-	-	-	1 333	1 333	1 333	1 533	1 763	2 028
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines		0	0	-	-	-	-	-	-	-	-
Licences and permits		-	-	-	-	-	-	-	-	-	-
Agency services		-	-	(2 108)	3 158	3 158	3 158	3 158	-	-	-
Transfers recognised - operational		174 927	227 154	209 648	238 528	241 328	241 328	241 328	244 382	261 967	281 907
Other revenue	2	28 442	24 299	2 707	1 050	3 918	3 918	3 918	3 540	3 742	3 966
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>208 333</b>	<b>254 354</b>	<b>211 664</b>	<b>243 741</b>	<b>306 943</b>	<b>306 943</b>	<b>306 943</b>	<b>275 802</b>	<b>297 531</b>	<b>322 213</b>
<b>Expenditure By Type</b>											
Employee related costs	2	60 180	72 679	78 594	101 902	120 907	120 907	120 907	124 458	132 423	140 368
Remuneration of councillors		3 571	3 755	4 086	4 957	4 418	4 418	4 418	5 352	5 695	6 036
Debt impairment	3	2 548	-	548	-	26 716	26 716	26 716	8 386	9 644	11 091
Depreciation & asset impairment	2	36 161	37 472	41 617	41 831	42 276	42 276	42 276	44 812	47 501	50 351
Finance charges		2 410	2 804	2 575	809	3 086	3 086	3 086	3 272	3 468	3 702
Bulk purchases	2	-	-	-	-	-	-	-	-	-	-
Other materials	8	-	-	-	-	-	-	-	-	-	-
Contracted services		25 673	43 341	35 003	12 285	45 146	45 146	45 146	47 013	49 834	52 824
Transfers and grants		20 477	33 921	89 408	55 859	105 673	105 673	105 673	56 100	48 262	40 195
Other expenditure	4, 5	131 563	126 242	80 180	71 094	109 911	109 911	109 911	135 785	142 881	151 222
Loss on disposal of PPE		766	518	155	-	-	-	-	311	329	349
<b>Total Expenditure</b>		<b>283 348</b>	<b>320 732</b>	<b>332 164</b>	<b>288 737</b>	<b>458 131</b>	<b>458 131</b>	<b>458 131</b>	<b>425 489</b>	<b>440 037</b>	<b>456 139</b>
<b>Surplus/(Deficit)</b>											
Transfers recognised - capital		100 751	97 592	123 954	175 489	174 629	174 629	174 629	185 294	181 575	200 532
Contributions recognised - capital	6	-	-	-	-	-	-	-	-	-	-
Contributed assets		-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>25 735</b>	<b>31 215</b>	<b>3 454</b>	<b>130 493</b>	<b>23 441</b>	<b>23 441</b>	<b>23 441</b>	<b>35 606</b>	<b>39 069</b>	<b>66 606</b>
Taxation		-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after taxation</b>		<b>25 735</b>	<b>31 215</b>	<b>3 454</b>	<b>130 493</b>	<b>23 441</b>	<b>23 441</b>	<b>23 441</b>	<b>35 606</b>	<b>39 069</b>	<b>66 606</b>
Attributable to minorities		-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) attributable to municipality</b>		<b>25 735</b>	<b>31 215</b>	<b>3 454</b>	<b>130 493</b>	<b>23 441</b>	<b>23 441</b>	<b>23 441</b>	<b>35 606</b>	<b>39 069</b>	<b>66 606</b>
Share of surplus/ (deficit) of associate	7	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>		<b>25 735</b>	<b>31 215</b>	<b>3 454</b>	<b>130 493</b>	<b>23 441</b>	<b>23 441</b>	<b>23 441</b>	<b>35 606</b>	<b>39 069</b>	<b>66 606</b>

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

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations.
3. Single-year capital expenditure has been appropriated at R50.15 million for the 2013/14 financial year.
4. Multi-year capital expenditure has been appropriated at R50.37million for the 2013/14 financial year.
5. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year.
6. The capital programme is funded from capital and national and provincial grants and transfers. For 2013/14, capital transfers totals R185.294 million.

**Table 12 MBRR NT A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

DC14 Joe Gqabi - Table A5 Consolidated Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>R thousand</b>											
<b>Capital expenditure - Vote</b>											
<b>Multi-year expenditure to be appropriated</b>	2										
Vote 1 - MANAGEMENT SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 2 - FINANCIAL SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 3 - CORPORATE SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 4 - TECHNICAL SERVICES		-	-	-	-	-	-	-	56 368	108 552	134 268
Vote 5 - COMMUNITY SERVICES		-	-	-	-	-	-	-	-	2 500	3 000
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	-	-	-	-	-	-	-	56 368	111 052	137 268
<b>Single-year expenditure to be appropriated</b>	2										
Vote 1 - MANAGEMENT SERVICES		-	-	-	42	892	892	892	-	-	750
Vote 2 - FINANCIAL SERVICES		-	-	-	-	-	-	-	395	370	395
Vote 3 - CORPORATE SERVICES		2 468	2 329	2 329	-	495	495	495	348	100	200
Vote 4 - TECHNICAL SERVICES		87 450	86 234	86 234	171 813	83 938	83 938	83 938	49 308	1 530	1 535
Vote 5 - COMMUNITY SERVICES		-	8 044	8 044	610	610	610	610	100	150	200
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		89 918	96 606	96 606	172 465	85 935	85 935	85 935	50 151	2 150	3 080
<b>Total Capital Expenditure - Vote</b>		89 918	96 606	96 606	172 465	85 935	85 935	85 935	106 519	113 202	140 348
<b>Capital Expenditure - Standard</b>											
<i>Governance and administration</i>		1 779	2 329	2 329	736	3 249	3 249	3 249	3 773	2 000	2 880
Executive and council		-	-	-	42	742	742	742	-	-	750
Budget and treasury office		-	-	-	-	-	-	-	3 380	1 890	2 010
Corporate services		1 779	2 329	2 329	694	2 507	2 507	2 507	393	110	120
<i>Community and public safety</i>		689	8 044	8 044	-	717	717	717	100	2 650	3 200
Community and social services		-	-	-	-	-	-	-	-	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-	-
Public safety		689	8 044	8 044	-	107	107	107	100	2 650	3 200
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	610	610	610	-	-	-
<i>Economic and environmental services</i>		-	-	-	-	14	14	14	-	-	-
Planning and development		-	-	-	-	-	-	-	-	-	-
Road transport		-	-	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	14	14	14	-	-	-
<i>Trading services</i>		87 450	86 234	86 234	171 729	81 955	81 955	81 955	102 646	108 552	134 268
Electricity		-	-	-	-	-	-	-	-	-	-
Water		87 450	86 234	86 234	115 229	57 569	57 569	57 569	83 769	95 394	121 111
Waste water management		-	-	-	56 500	24 386	24 386	24 386	18 876	13 158	13 158
Waste management		-	-	-	-	-	-	-	-	-	-
<i>Other</i>		-	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Standard</b>	3	89 918	96 606	96 606	172 465	85 935	85 935	85 935	106 519	113 202	140 348
<b>Funded by:</b>											
National Government		86 234	86 234	86 234	171 729	84 471	84 471	84 471	106 519	113 202	140 348
Provincial Government		-	8 044	8 044	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	86 234	94 277	94 277	171 729	84 471	84 471	84 471	106 519	113 202	140 348
Public contributions & donations	5	-	-	-	-	-	-	-	-	-	-
Borrowing	6	-	-	-	-	-	-	-	-	-	-
Internally generated funds		3 684	2 329	2 329	736	1 464	1 464	1 464	-	-	-
<b>Total Capital Funding</b>	7	89 918	96 606	96 606	172 465	85 935	85 935	85 935	106 519	113 202	140 348

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

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
4. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

**Table 13 MBRR NT A6 - Budgeted Financial Position**

DC14 Joe Gqabi - Table A6 Consolidated 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		66 889	4 000	4 000	707	0	0	0	3 967	4 205	4 493
Call investment deposits	1	-	-	-	19 493	-	-	-	20 000	21 200	22 652
Consumer debtors	1	1 799	8 464	8 464	-	22 585	22 585	22 585	-	-	-
Other debtors		50 034	70 087	70 087	-	21 009	21 009	21 009	-	-	-
Current portion of long-term receivables		-	-	-	-	-	-	-	-	-	-
Inventory	2	711	1 227	1 227	1 392	1 291	1 291	1 291	1 483	1 572	1 679
<b>Total current assets</b>		<b>119 433</b>	<b>83 779</b>	<b>83 779</b>	<b>21 592</b>	<b>44 885</b>	<b>44 885</b>	<b>44 885</b>	<b>25 450</b>	<b>26 977</b>	<b>28 825</b>
<b>Non current assets</b>											
Long-term receivables		-	-	-	-	-	-	-	-	-	-
Investments		1 251	3 546	3 546	3 848	4 605	4 605	4 605	3 850	4 081	4 361
Investment property		5 201	2 686	2 686	2 686	2 639	2 639	2 639	3 850	4 081	4 361
Investment in Associate		-	-	-	-	-	-	-	-	-	-
Property, plant and equipment	3	1 118 781	1 174 227	1 174 227	1 281 601	1 282 367	1 282 367	1 282 367	1 275 017	1 351 518	1 444 098
Agricultural		-	-	-	-	-	-	-	-	-	-
Biological		-	-	-	-	-	-	-	-	-	-
Intangible		1 146	4 163	4 163	4 163	3 346	3 346	3 346	3 547	3 759	3 985
Other non-current assets		-	-	-	-	-	-	-	-	-	-
<b>Total non current assets</b>		<b>1 126 378</b>	<b>1 184 622</b>	<b>1 184 622</b>	<b>1 292 297</b>	<b>1 292 957</b>	<b>1 292 957</b>	<b>1 292 957</b>	<b>1 286 264</b>	<b>1 363 440</b>	<b>1 456 804</b>
<b>TOTAL ASSETS</b>		<b>1 245 811</b>	<b>1 268 401</b>	<b>1 268 401</b>	<b>1 313 890</b>	<b>1 337 842</b>	<b>1 337 842</b>	<b>1 337 842</b>	<b>1 311 714</b>	<b>1 390 417</b>	<b>1 485 629</b>
<b>LIABILITIES</b>											
<b>Current liabilities</b>											
Bank overdraft	1	-	-	-	-	39 704	39 704	39 704	-	-	-
Borrowing	4	356	323	323	364	585	585	585	398	422	450
Consumer deposits		-	-	-	-	-	-	-	-	-	-
Trade and other payables	4	109 419	103 185	103 185	68 599	58 033	58 033	58 033	47 315	50 154	50 000
Provisions		-	-	-	11 351	15 968	15 968	15 968	11 415	12 100	12 929
<b>Total current liabilities</b>		<b>109 775</b>	<b>103 508</b>	<b>103 508</b>	<b>80 314</b>	<b>114 290</b>	<b>114 290</b>	<b>114 290</b>	<b>59 128</b>	<b>62 676</b>	<b>63 380</b>
<b>Non current liabilities</b>											
Borrowing		7 178	6 855	6 855	6 475	5 913	5 913	5 913	6 054	6 418	6 803
Provisions		15 712	15 611	15 611	15 051	23 970	23 970	23 970	14 052	14 895	15 789
<b>Total non current liabilities</b>		<b>22 890</b>	<b>22 467</b>	<b>22 467</b>	<b>21 527</b>	<b>29 883</b>	<b>29 883</b>	<b>29 883</b>	<b>20 106</b>	<b>21 313</b>	<b>22 591</b>
<b>TOTAL LIABILITIES</b>		<b>132 665</b>	<b>125 975</b>	<b>125 975</b>	<b>101 840</b>	<b>144 173</b>	<b>144 173</b>	<b>144 173</b>	<b>79 235</b>	<b>83 989</b>	<b>85 971</b>
<b>NET ASSETS</b>	5	<b>1 113 146</b>	<b>1 142 427</b>	<b>1 142 427</b>	<b>1 212 049</b>	<b>1 193 670</b>	<b>1 193 670</b>	<b>1 193 670</b>	<b>1 232 480</b>	<b>1 306 428</b>	<b>1 399 658</b>
<b>COMMUNITY WEALTH/EQUITY</b>											
Accumulated Surplus/(Deficit)		1 113 146	1 142 427	1 142 427	1 212 049	1 193 670	1 193 670	1 193 670	1 232 480	1 306 428	1 399 658
Reserves	4	-	-	-	-	-	-	-	-	-	-
Minorities' interests		-	-	-	-	-	-	-	-	-	-
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	5	<b>1 113 146</b>	<b>1 142 427</b>	<b>1 142 427</b>	<b>1 212 049</b>	<b>1 193 670</b>	<b>1 193 670</b>	<b>1 193 670</b>	<b>1 232 480</b>	<b>1 306 428</b>	<b>1 399 658</b>

**Explanatory notes to Table A7 - Budgeted Cash Flow Statement**

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

**Table 14 MBRR NT A7 - Budgeted Cash Flow Statement**

DC14 Joe Gqabi - Table A7 Consolidated Budgeted Cash Flows

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>CASH FLOW FROM OPERATING ACTIVITIES</b>											
Receipts											
Ratepayers and other		37,696	8,917	613	4,213	323,913	323,913	323,913	28,753	32,738	37,311
Government - operating	1	155,144	228,768	209,648	238,528	216,385	216,385	216,385	244,382	261,967	281,907
Government - capital	1	81,234	94,694	196,232	175,489	150,235	150,235	150,235	185,294	181,575	200,532
Interest		4,964	2,901	3,075	1,000	1,485	1,485	1,485	2,666	2,826	2,995
Dividends		-	-	-	-	-	-	-	-	-	-
Payments											
Suppliers and employees		(163,888)	(260,409)	(198,565)	(190,236)	(534,612)	(534,612)	(534,612)	(321,306)	(340,806)	(361,891)
Finance charges		(2,410)	(2,804)	(2,575)	(809)	(2,541)	(2,541)	(2,541)	(3,272)	(3,468)	(3,702)
Transfers and Grants	1	(20,477)	(33,921)	(89,408)	(55,859)	(21,726)	(21,726)	(21,726)	(56,100)	(48,262)	(40,195)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>92,263</b>	<b>38,146</b>	<b>119,021</b>	<b>172,324</b>	<b>133,139</b>	<b>133,139</b>	<b>133,139</b>	<b>80,419</b>	<b>86,570</b>	<b>116,957</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
Receipts											
Proceeds on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Decrease (Increase) in non-current debtors		-	-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables		-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments		(1,313)	(828)	-	-	(150)	(150)	(150)	(1,000)	(1,000)	(1,000)
Payments											
Capital assets		(91,064)	(99,850)	(99,850)	(172,465)	(154,360)	(154,360)	(154,360)	(106,519)	(113,202)	(140,348)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(92,377)</b>	<b>(100,679)</b>	<b>(99,850)</b>	<b>(172,465)</b>	<b>(154,510)</b>	<b>(154,510)</b>	<b>(154,510)</b>	<b>(107,519)</b>	<b>(114,202)</b>	<b>(141,348)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
Receipts											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		-	-	-	-	-	-	-	500	1,000	1,500
Payments											
Repayment of borrowing		(396)	(356)	(356)	(339)	(320)	(320)	(320)	(339)	(360)	(381)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>(396)</b>	<b>(356)</b>	<b>(356)</b>	<b>(339)</b>	<b>(320)</b>	<b>(320)</b>	<b>(320)</b>	<b>161</b>	<b>640</b>	<b>1,119</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>(510)</b>	<b>(62,889)</b>	<b>18,814</b>	<b>(479)</b>	<b>(21,691)</b>	<b>(21,691)</b>	<b>(21,691)</b>	<b>(26,939)</b>	<b>(26,991)</b>	<b>(23,272)</b>
Cash/cash equivalents at the year begin:	2	224,746	224,236	161,347	21,691	5,000	5,000	5,000	21,691	(5,248)	(32,240)
Cash/cash equivalents at the year end:	2	224,236	161,347	180,162	21,212	(16,691)	(16,691)	(16,691)	(5,248)	(32,240)	(55,512)

**Joe Gqabi District Municipality – 2013/14 Annual Budget and MTREF (Final for Approval by Council)  
(30 May 2013)**

DC14 Joe Gqabi - Table A4 Consolidated 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	-	-	-	-	-	-	-	-	-	-
Property rates - penalties & collection charges		-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	-	-	-	-	32,034	32,034	32,034	5,625	6,469	7,439
Service charges - sanitation revenue	2	-	-	-	-	22,657	22,657	22,657	18,055	20,764	23,878
Service charges - refuse revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - other		-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		-	-	15	5	-	-	-	-	-	-
Interest earned - external investments		4,964	2,901	1,403	1,000	2,515	2,515	2,515	2,666	2,826	2,965
Interest earned - outstanding debtors		-	-	-	-	1,333	1,333	1,333	1,533	1,763	2,028
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines		0	0	-	-	-	-	-	-	-	-
Licences and permits		-	-	-	-	-	-	-	-	-	-
Agency services		-	-	(2,108)	3,158	3,158	3,158	3,158	-	-	-
Transfers recognised - operational		174,927	227,154	209,648	238,528	241,328	241,328	241,328	244,382	261,957	281,907
Other revenue	2	28,442	24,299	2,707	1,050	3,918	3,918	3,918	3,540	3,742	3,966
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>208,333</b>	<b>254,354</b>	<b>211,664</b>	<b>243,741</b>	<b>306,943</b>	<b>306,943</b>	<b>306,943</b>	<b>275,802</b>	<b>297,531</b>	<b>322,213</b>
<b>Expenditure By Type</b>											
Employee related costs	2	60,180	72,679	78,594	101,902	120,907	120,907	120,907	124,458	132,423	140,368
Remuneration of councillors		3,571	3,755	4,086	4,957	4,418	4,418	4,418	5,352	5,695	6,036
Debt impairment	3	2,548	-	548	-	26,716	26,716	26,716	8,386	9,644	11,091
Depreciation & asset impairment	2	36,161	37,472	41,617	41,831	42,276	42,276	42,276	44,812	47,501	50,351
Finance charges		2,410	2,804	2,575	809	3,086	3,086	3,086	3,272	3,468	3,702
Bulk purchases	2	-	-	-	-	-	-	-	-	-	-
Other materials	8	-	-	-	-	-	-	-	-	-	-
Contracted services		25,673	43,341	35,003	12,285	45,146	45,146	45,146	47,013	49,834	52,824
Transfers and grants		20,477	33,921	89,408	55,859	105,673	105,673	105,673	56,100	48,262	40,195
Other expenditure	4, 5	131,563	126,242	80,180	71,094	109,911	109,911	109,911	135,785	142,881	151,222
Loss on disposal of PPE		766	518	155	-	-	-	-	311	329	349
<b>Total Expenditure</b>		<b>283,348</b>	<b>320,732</b>	<b>332,164</b>	<b>288,737</b>	<b>458,131</b>	<b>458,131</b>	<b>458,131</b>	<b>425,489</b>	<b>440,037</b>	<b>456,139</b>
<b>Surplus/(Deficit)</b>		<b>(75,015)</b>	<b>(66,378)</b>	<b>(120,500)</b>	<b>(44,996)</b>	<b>(151,188)</b>	<b>(151,188)</b>	<b>(151,188)</b>	<b>(149,688)</b>	<b>(142,506)</b>	<b>(133,926)</b>
Transfers recognised - capital		100,751	97,592	123,954	175,489	174,629	174,629	174,629	185,294	181,575	200,532
Contributions recognised - capital	6	-	-	-	-	-	-	-	-	-	-
Contributed assets		-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>25,735</b>	<b>31,215</b>	<b>3,454</b>	<b>130,493</b>	<b>23,441</b>	<b>23,441</b>	<b>23,441</b>	<b>35,606</b>	<b>39,069</b>	<b>66,606</b>
Taxation		-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after taxation</b>		<b>25,735</b>	<b>31,215</b>	<b>3,454</b>	<b>130,493</b>	<b>23,441</b>	<b>23,441</b>	<b>23,441</b>	<b>35,606</b>	<b>39,069</b>	<b>66,606</b>
Attributable to minorities		-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) attributable to municipality</b>		<b>25,735</b>	<b>31,215</b>	<b>3,454</b>	<b>130,493</b>	<b>23,441</b>	<b>23,441</b>	<b>23,441</b>	<b>35,606</b>	<b>39,069</b>	<b>66,606</b>
Share of surplus/ (deficit) of associate	7	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>		<b>25,735</b>	<b>31,215</b>	<b>3,454</b>	<b>130,493</b>	<b>23,441</b>	<b>23,441</b>	<b>23,441</b>	<b>35,606</b>	<b>39,069</b>	<b>66,606</b>



**Joe Gqabi District Municipality – 2013/14 Annual Budget and MTREF (Final for Approval by Council)  
(30 May 2013)**

DC14 Joe Gqabi - Table A4 Consolidated 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	-	-	-	-	-	-	-	-	-	-
Property rates - penalties & collection charges		-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	-	-	-	-	32 034	32 034	32 034	5 625	6 469	7 439
Service charges - sanitation revenue	2	-	-	-	-	22 657	22 657	22 657	18 055	20 764	23 878
Service charges - refuse revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - other		-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		-	-	15	5	-	-	-	-	-	-
Interest earned - external investments		4 964	2 901	1 403	1 000	2 515	2 515	2 515	2 666	2 826	2 995
Interest earned - outstanding debtors		-	-	-	-	1 333	1 333	1 333	1 533	1 763	2 028
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines		0	0	-	-	-	-	-	-	-	-
Licences and permits		-	-	-	-	-	-	-	-	-	-
Agency services		-	-	(2 108)	3 158	3 158	3 158	3 158	-	-	-
Transfers recognised - operational		174 927	227 154	209 648	238 528	241 328	241 328	241 328	244 382	261 967	281 907
Other revenue	2	28 442	24 299	2 707	1 050	3 918	3 918	3 918	3 540	3 742	3 966
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>208 333</b>	<b>254 354</b>	<b>211 664</b>	<b>243 741</b>	<b>306 943</b>	<b>306 943</b>	<b>306 943</b>	<b>275 802</b>	<b>297 531</b>	<b>322 213</b>
<b>Expenditure By Type</b>											
Employee related costs	2	60 180	72 679	78 594	101 902	120 907	120 907	120 907	124 458	132 423	140 368
Remuneration of councillors		3 571	3 755	4 086	4 957	4 418	4 418	4 418	5 352	5 695	6 036
Debt impairment	3	2 548	-	548	-	26 716	26 716	26 716	8 386	9 644	11 091
Depreciation & asset impairment	2	36 161	37 472	41 617	41 831	42 276	42 276	42 276	44 812	47 501	50 351
Finance charges		2 410	2 804	2 575	809	3 086	3 086	3 086	3 272	3 468	3 702
Bulk purchases	2	-	-	-	-	-	-	-	-	-	-
Other materials	8	-	-	-	-	-	-	-	-	-	-
Contracted services		25 673	43 341	35 003	12 285	45 146	45 146	45 146	47 013	49 834	52 824
Transfers and grants		20 477	33 921	89 408	55 859	105 673	105 673	105 673	56 100	48 262	40 195
Other expenditure	4, 5	131 563	126 242	80 180	71 094	109 911	109 911	109 911	135 785	142 881	151 222
Loss on disposal of PPE		766	518	155	-	-	-	-	311	329	349
<b>Total Expenditure</b>		<b>283 348</b>	<b>320 732</b>	<b>332 164</b>	<b>288 737</b>	<b>458 131</b>	<b>458 131</b>	<b>458 131</b>	<b>425 489</b>	<b>440 037</b>	<b>456 139</b>
<b>Surplus/(Deficit)</b>		<b>(75 015)</b>	<b>(66 378)</b>	<b>(120 500)</b>	<b>(44 996)</b>	<b>(151 188)</b>	<b>(151 188)</b>	<b>(151 188)</b>	<b>(149 688)</b>	<b>(142 506)</b>	<b>(133 926)</b>
Transfers recognised - capital		100 751	97 592	123 954	175 489	174 629	174 629	174 629	185 294	181 575	200 532
Contributions recognised - capital	6	-	-	-	-	-	-	-	-	-	-
Contributed assets		-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>25 735</b>	<b>31 215</b>	<b>3 454</b>	<b>130 493</b>	<b>23 441</b>	<b>23 441</b>	<b>23 441</b>	<b>35 606</b>	<b>39 069</b>	<b>66 606</b>
Taxation		-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after taxation</b>		<b>25 735</b>	<b>31 215</b>	<b>3 454</b>	<b>130 493</b>	<b>23 441</b>	<b>23 441</b>	<b>23 441</b>	<b>35 606</b>	<b>39 069</b>	<b>66 606</b>
Attributable to minorities		-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) attributable to municipality</b>		<b>25 735</b>	<b>31 215</b>	<b>3 454</b>	<b>130 493</b>	<b>23 441</b>	<b>23 441</b>	<b>23 441</b>	<b>35 606</b>	<b>39 069</b>	<b>66 606</b>
Share of surplus/ (deficit) of associate	7	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>		<b>25 735</b>	<b>31 215</b>	<b>3 454</b>	<b>130 493</b>	<b>23 441</b>	<b>23 441</b>	<b>23 441</b>	<b>35 606</b>	<b>39 069</b>	<b>66 606</b>

## Part 2 – Supporting Documentation

### 2.1 Overview of the annual budget process

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

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

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

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

### 2.2 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2011) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule in August 2011. In accordance with the original budget time schedule the IDP and annual budget for 2013/14 were to be adopted by Council on 31 May 2012.

#### 2.2.1 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2013/14 MTREF, financial modelling to ensure affordability and long-term financial sustainability, was undertaken. The following key factors and planning strategies have informed the compilation of the 2013/14 MTREF:

- Municipality growth.
- Policy priorities and strategic objectives.
- Asset maintenance.
- Economic climate and trends (i.e inflation, tariff increases, household debt).
- The approved 2012/13 adjustments budget and performance against the SDBIP.
- Cash Flow Management Strategy.
- Debtor payment levels.
- Loan and investment possibilities.
- The need for tariff increases versus the ability of the community to pay for services.
- Improved and sustainable service delivery.

In addition to the above, the strategic guidance given in National Treasury's MFMA Circular 66 has been taken into consideration in the planning and prioritisation process.

### **2.2.2 Community Consultation**

The draft 2013/14 MTREF was tabled before Council for community consultation. Thereafter it was published on the municipality's website, and hard copies made available at, municipal notice boards and various municipal offices.

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

Ward Committees were utilised to facilitate the community consultation process in April 2013.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant considered as part of the finalisation of the 2013/14 MTREF

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

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

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

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

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

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

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All

spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

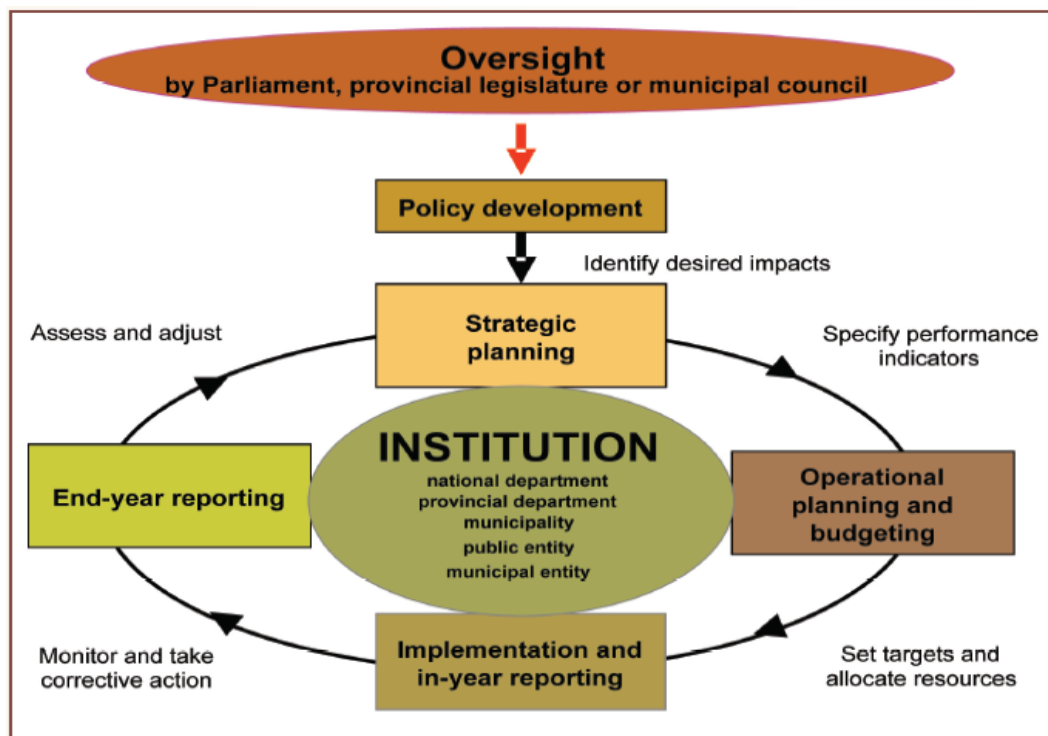
The identification of strategic focus areas which informed the preparation of the IDP and Budget is based on the six key performance areas contained in the 5 Year Local Government Strategic Agenda which are:

- Spatial rationale and analysis.
- Institutional development and transformation.
- Local economic development.
- Infrastructure and service delivery.
- Good governance.
- Financial viability.

## 2.4 Measurable performance objectives and indicators

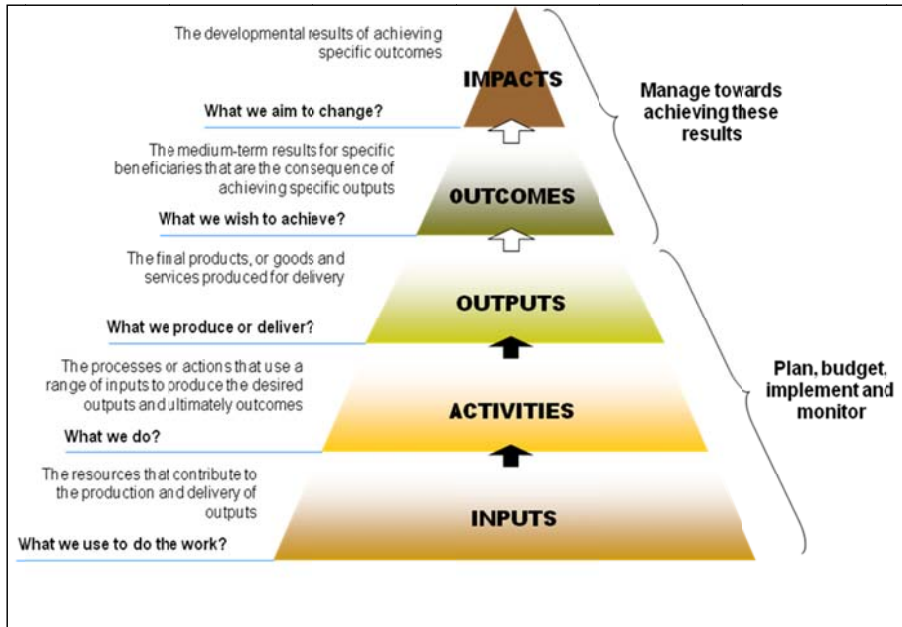
Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality target, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:



The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations.

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



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

Table 15 MBRR NT SA8 – Performance indicators and benchmarks

DC14 Joe Gqabi - 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>Borrowing Management</b>											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	1.0%	1.0%	0.9%	0.4%	0.7%	0.7%	0.7%	0.8%	0.8%	0.9%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	8.4%	11.6%	145.4%	22.0%	5.2%	5.2%	5.2%	5.1%	4.7%	4.4%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Safety of Capital</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>Liquidity</b>											
Current Ratio	Current assets/current liabilities	1.1	0.8	0.8	0.3	0.4	0.4	0.4	0.4	0.4	0.5
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	1.1	0.8	0.8	0.3	0.4	0.4	0.4	0.4	0.4	0.5
Liquidity Ratio	Monetary Assets/Current Liabilities	0.6	0.0	0.0	0.3	0.0	0.0	0.0	0.4	0.4	0.4
<b>Revenue Management</b>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		132.5%	36.7%	100.0%	100.0%	513.3%	513.3%	513.3%	100.0%	100.0%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)			132.5%	36.7%	100.0%	100.0%	513.3%	513.3%	513.3%	100.0%	100.0%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	24.9%	30.9%	37.1%	0.0%	14.2%	14.2%	14.2%	0.0%	0.0%	0.0%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
<b>Creditors Management</b>											
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA' s 65(e))										
Creditors to Cash and Investments		39.2%	49.0%	43.9%	323.4%	-228.3%	-228.3%	-228.3%	284.7%	317.2%	209.6%
<b>Other Indicators</b>											
Electricity Distribution Losses (2)	Total Volume Losses (kW)										
	Total Cost of Losses (Rand '000)										
Water Distribution Losses (2)	Total Volume Losses (kt)										
	Total Cost of Losses (Rand '000)										
Employee costs	Employee costs/(Total Revenue - capital revenue)	28.9%	28.6%	37.1%	41.8%	39.4%	39.4%	39.4%	37.2%	35.5%	33.9%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	34.9%	30.9%	39.1%	41.8%	39.4%	39.4%	39.4%	38.9%	37.2%	35.6%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	60.3%	104.4%	106.7%	52.6%	75.4%	75.4%	75.4%	77.7%	75.0%	72.8%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	18.5%	15.8%	20.9%	17.5%	14.8%	14.8%	14.8%	14.4%	13.7%	13.1%
<b>IDP regulation financial viability indicators</b>											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year	10.3	7.9	1.5	2.9	2.9	2.9	21.8	22.2	23.9	27.3
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	0.0%	0.0%	537842.7%	0.0%	79.7%	79.7%	79.7%	0.0%	0.0%	0.0%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	16.1	9.4	8.9	1.2	(0.7)	(0.7)	(0.7)	0.6	0.6	0.9

## 2.5 Performance indicators and benchmarks

### 2.5.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Joe Gqabi District Municipality's borrowing strategy is primarily informed by the affordability of debt repayments.

The structure of the Municipality's debt portfolio is dominated by annuity loans. The following financial performance indicators have formed part of the compilation of the 2013/14 MTREF:

- *Capital charges to operating expenditure* is a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing has steadily increased from 0.4 percent in 2012/13 to 0.8 percent in 2013/14. This increase can be attributed to the raising of loans to fund portions of the capital programme. While borrowing is considered a prudent financial instrument in financing capital infrastructure development, this indicator will have to be carefully monitored going forward as the Municipality will eventually reach its prudential borrowing limits.
- *Borrowing funding of own capital expenditure* measures the degree to which own capital expenditure (excluding grants and contributions) has been funded by way of borrowing.

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

#### 2.5.1.1 Safety of Capital

- *The gearing ratio* is a measure of the total long term borrowings over funds and reserves. The ratio has been consistent at 0.4 percent.

#### 2.5.1.2 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the Municipality has set a limit of 1, hence at no point in time should this ratio be less than 1. For the 2013/14 MTREF the current ratio is 0.4:1. Going forward it will be necessary to improve these levels.
- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2009/10 financial year the ratio was 0.6 and it has declined to 0.4:1 in 2013/14 financial year. A negative liquidity ratio needs to be considered a pertinent risk for the municipality as any under collection of revenue will translate into serious financial challenges for the Municipality. As part of the longer term financial planning objectives this ratio will always have to be set at a minimum of 1.

#### 2.5.1.3 Other Indicators

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

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

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

A summary of the free basic services package is set out below:

- All registered indigents, including consumers in the rural areas, will receive 6 kl of water per month fully subsidised.

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

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

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

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

The Credit Control and Debt Collection Policy as approved by Council in May 2012 is currently under review. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the increasing of the credit periods for the down payment of debt. In addition emphasis will be placed on latest legislation changes and court rulings to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

The 2013/14 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 75 percent on current billings. In addition, the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the Municipality's cash levels. A service provider, to specifically deal with historical debt, has already been appointed.

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

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

Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

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

### **2.6.3 Supply Chain Management Policy**

No changes were made to the existing Supply Chain Management Policy.

### **2.6.4 Budget and Virement Policy**

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the Municipality's system of delegations. The Budget and Virement Policy is currently being compiled.



## **2.6.5 Cash Management and Investment Policy**

No changes were made to the Municipality's Cash Management and Investment Policy. The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves.

## **2.6.6 Tariff Policy**

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

## **2.7 Overview of budget assumptions**

### **2.7.1 External factors**

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

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

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

- National Government macro economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration. The wage agreement SALGBC concluded with the municipal workers unions on 31 July 2009 as well as the categorisation and job evaluation wage curves collective agreement signed on 21 April 2010 was implemented.

### **2.7.3 Collection rate for revenue services**

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

### **2.7.4 Salary increases**

The collective agreement regarding salaries/wages has expired and a new salary increase is currently negotiated at SALGBC. 6.85% is budgeted for the 2013/14 financial year.

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

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

- Creating jobs;
- Infrastructure Development
- Enhancing education and skill development;
- Improving Health services;

- Rural development and agriculture; and
- Strengthening financial management in public sector

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

## 2.7.6 Ability of the municipality to spend and deliver on the programmes

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

## 2.8 Overview of budget funding

### 2.8.1 Medium-term outlook: operating revenue

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

**Table 16 Breakdown of the operating revenue over the medium-term**

Description	2013/14 Medium Term Revenue & Expenditure Framework					
	Budget Year 2013/14		Budget Year +1 2014/15		Budget Year +2 2015/16	
R thousand						
<b>Financial Performance</b>						
Service charges - sanitation revenue	18 055	100%	20 764	15%	23 878	15%
Interest earned - outstanding debtors	1 533	100%	1 763	15%	2 028	15%
Other revenue	3 540	-16%	3 742	6%	3 966	6%
Interest earned - external investments	2 666	167%	2 826	6%	2 995	6%
Transfers recognised	244 382	2%	261 967	7%	281 907	8%
Service charges - water revenue	5 625	100%	6 469	15%	7 439	15%
	275 802	13%	297 531	8%	322 213	8%

Fig 5: Breakdown of the operating revenue - 2013/14

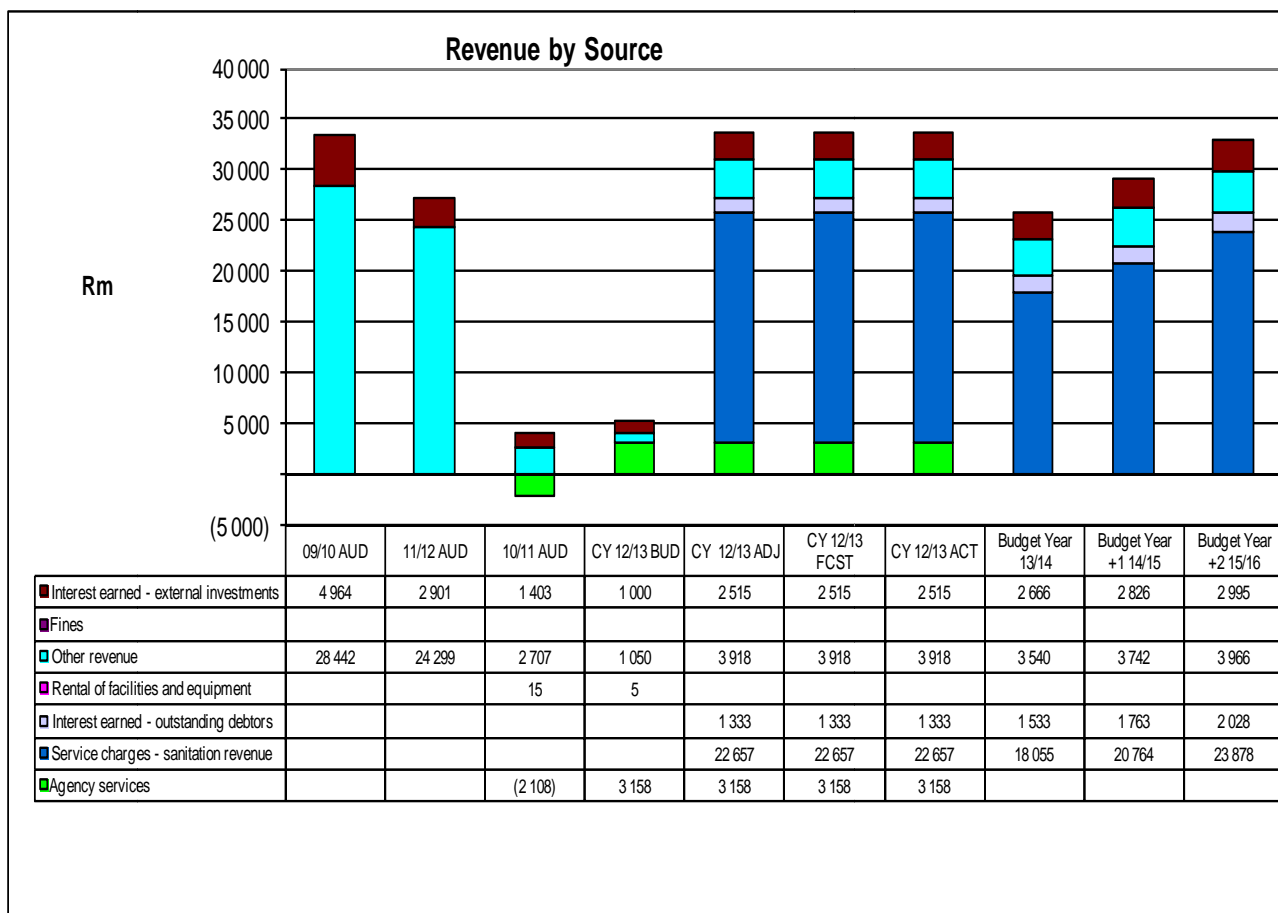
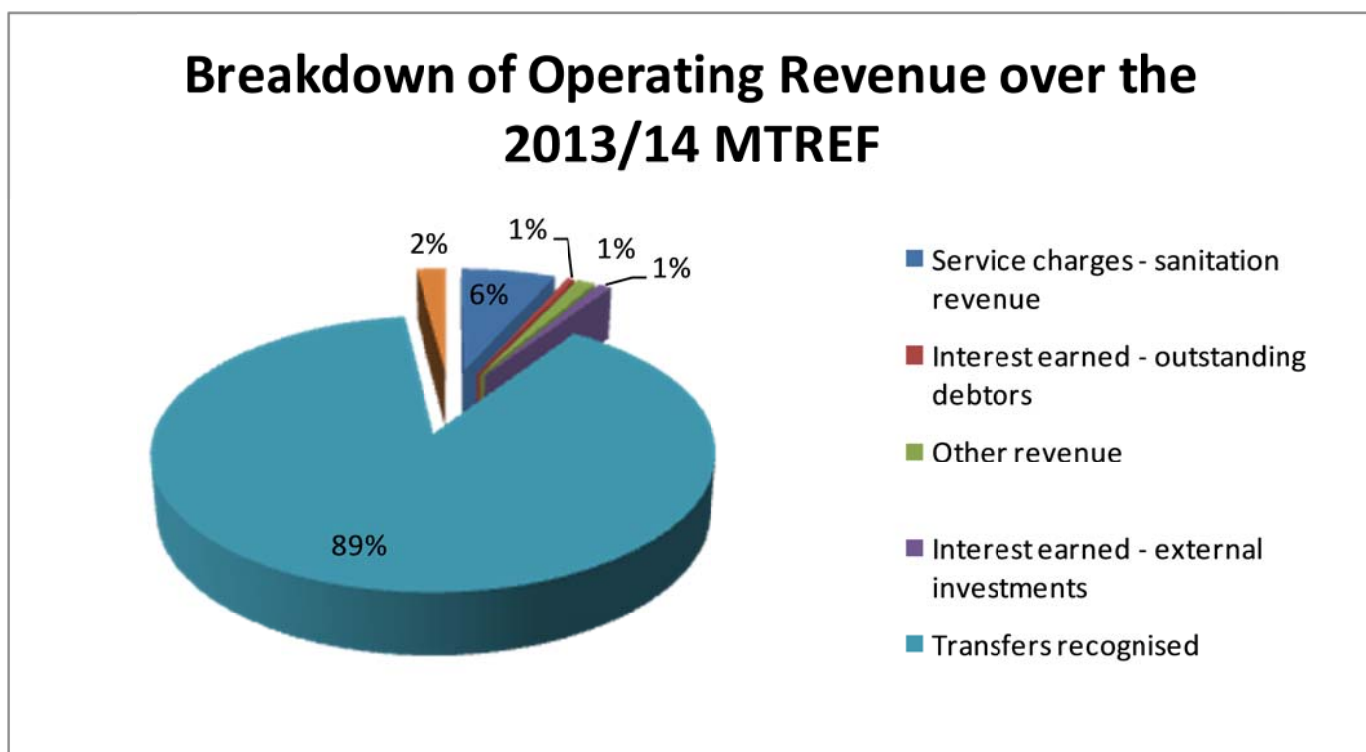


Fig 6: Breakdown of the operating revenue - 2013/14



## 2.8.2 Medium-term outlook: capital revenue

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

**Table 17 Sources of capital revenue over the MTREF**

Description R thousand	2013/14 Medium Term Revenue & Expenditure Framework					
	Budget Year 2013/14		Budget Year +1		Budget Year +2	
<b>Funded by:</b>						
National Government	180,794	-6.11%	171,575	-5.10%	185,532	8.13%
Provincial Government	–	0.00%	–	0.00%	–	0.00%
District Municipality	–	0.00%	–	0.00%	–	0.00%
Other transfers and grants	4,500	0.00%	10,000	0.00%	15,000	0.00%

The capital programme is funded from National Grants and transfers.

## 2.8.3 Cash Flow Management

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

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

**Table 18 MBRR NT A7 - Budget cash flow statement**

DC14 Joe Gqabi - Table A7 Consolidated Budgeted Cash Flows

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>CASH FLOW FROM OPERATING ACTIVITIES</b>											
Receipts											
Ratepayers and other		37 696	8 917	613	4 213	323 913	323 913	323 913	28 753	32 738	37 311
Government - operating	1	155 144	228 768	209 648	238 528	216 385	216 385	216 385	244 382	261 967	281 907
Government - capital	1	81 234	94 694	196 232	175 489	150 235	150 235	150 235	185 294	181 575	200 532
Interest		4 964	2 901	3 075	1 000	1 485	1 485	1 485	2 666	2 826	2 995
Dividends		-	-	-	-	-	-	-	-	-	-
Payments											
Suppliers and employees		(163 888)	(260 409)	(198 565)	(190 238)	(534 612)	(534 612)	(534 612)	(321 306)	(340 806)	(361 891)
Finance charges		(2 410)	(2 804)	(2 575)	(809)	(2 541)	(2 541)	(2 541)	(3 272)	(3 468)	(3 702)
Transfers and Grants	1	(20 477)	(33 921)	(89 408)	(55 859)	(21 726)	(21 726)	(21 726)	(56 100)	(48 262)	(40 195)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>92 263</b>	<b>38 146</b>	<b>119 021</b>	<b>172 324</b>	<b>133 139</b>	<b>133 139</b>	<b>133 139</b>	<b>80 419</b>	<b>86 570</b>	<b>116 957</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
Receipts											
Proceeds on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Decrease (Increase) in non-current debtors		-	-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables		-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments		(1 313)	(828)	-	-	(150)	(150)	(150)	(1 000)	(1 000)	(1 000)
Payments											
Capital assets		(91 064)	(99 850)	(99 850)	(172 465)	(154 360)	(154 360)	(154 360)	(106 519)	(113 202)	(140 348)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(92 377)</b>	<b>(100 679)</b>	<b>(99 850)</b>	<b>(172 465)</b>	<b>(154 510)</b>	<b>(154 510)</b>	<b>(154 510)</b>	<b>(107 519)</b>	<b>(114 202)</b>	<b>(141 348)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
Receipts											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		-	-	-	-	-	-	-	500	1 000	1 500
Payments											
Repayment of borrowing		(396)	(356)	(356)	(339)	(320)	(320)	(320)	(339)	(360)	(381)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>(396)</b>	<b>(356)</b>	<b>(356)</b>	<b>(339)</b>	<b>(320)</b>	<b>(320)</b>	<b>(320)</b>	<b>161</b>	<b>640</b>	<b>1 119</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>(510)</b>	<b>(62 889)</b>	<b>18 814</b>	<b>(479)</b>	<b>(21 691)</b>	<b>(21 691)</b>	<b>(21 691)</b>	<b>(26 939)</b>	<b>(26 991)</b>	<b>(23 272)</b>
Cash/cash equivalents at the year begin:	2	224 746	224 236	161 347	21 691	5 000	5 000	5 000	21 691	(5 248)	(32 240)
Cash/cash equivalents at the year end:	2	224 236	161 347	180 162	21 212	(16 691)	(16 691)	(16 691)	(5 248)	(32 240)	(55 512)

#### 2.8.4 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 66 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

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

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'.

Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a

small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

**Table 19 MBRR NT A8 - Cash backed reserves/accumulated surplus reconciliation**

DC14 Joe Gqabi - Table A8 Consolidated Cash backed reserves/accumulated surplus reconciliation

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>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	224 236	161 347	180 162	21 212	(16 691)	(16 691)	(16 691)	(5 248)	(32 240)	(55 512)
Other current investments > 90 days		(157 347)	(157 347)	(176 161)	(1 011)	(23 013)	(23 013)	(23 013)	29 215	57 645	82 657
Non current assets - Investments	1	1 251	3 546	3 546	3 848	4 605	4 605	4 605	5 000	5 500	5 830
<b>Cash and investments available:</b>		<b>68 139</b>	<b>7 547</b>	<b>7 547</b>	<b>24 048</b>	<b>(35 099)</b>	<b>(35 099)</b>	<b>(35 099)</b>	<b>28 967</b>	<b>30 905</b>	<b>32 975</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		21 433	24 053	24 053	-	8 514	8 514	8 514	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2								(10 000)	(10 600)	(11 236)
Other working capital requirements	3	19 288	50 308	581	68 599	(174 266)	(174 266)	(174 266)	23 635	22 922	18 683
Other provisions											
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
<b>Total Application of cash and investments:</b>		<b>40 721</b>	<b>74 361</b>	<b>24 634</b>	<b>68 599</b>	<b>(165 752)</b>	<b>(165 752)</b>	<b>(165 752)</b>	<b>13 635</b>	<b>12 322</b>	<b>7 447</b>
<b>Surplus(shortfall)</b>		<b>27 419</b>	<b>(66 814)</b>	<b>(17 087)</b>	<b>(44 551)</b>	<b>130 654</b>	<b>130 654</b>	<b>130 654</b>	<b>15 332</b>	<b>18 583</b>	<b>25 528</b>

## 2.8.5 Funding compliance measurement

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

### 2.8.5.1 Cash/cash equivalent position

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

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year.

### 2.8.5.2 Cash plus investments less application of funds

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

### 2.8.5.3 Monthly average payments covered by cash or cash equivalents

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

should be made of the ability of the Municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts. As indicated above the Municipality aims to achieve at least one month's cash coverage in the medium term, and then gradually move towards two months coverage. This measure will have to be carefully monitored going forward.

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

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

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

Table 20 MBRR NT SA10 - Funding compliance measurement

DC14 Joe Gqabi Supporting Table SA10 Funding measurement

Description	MFMA section	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>Funding measures</b>												
Cash/cash equivalents at the year end - R'000	18(1)b	1	224,236	161,347	180,162	21,212	(16,691)	(16,691)	(16,691)	(5,248)	(32,240)	(55,512)
Cash + investments at the yr end less applications - R'000	18(1)b	2	27,419	(66,814)	(17,087)	(44,551)	130,654	130,654	130,654	15,332	18,583	25,528
Cash year end/monthly employee/supplier payments	18(1)b	3	16.1	9.4	8.9	1.2	(0.6)	(0.6)	(0.6)	(0.2)	(1.3)	(2.1)
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	25,735	31,215	3,454	130,493	23,441	23,441	23,441	35,606	39,069	66,606
Service charge rev % change - macro CPX target exclusive	18(1)a,(2)	5	N.A	(6.0%)	(6.0%)	(6.0%)	(6.0%)	(6.0%)	(6.0%)	(62.7%)	9.0%	9.0%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	132.5%	36.7%	100.0%	100.0%	513.3%	513.3%	513.3%	100.0%	100.0%	100.0%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	0.0%	0.0%	3749.4%	0.0%	48.8%	48.8%	48.8%	35.4%	35.4%	35.4%
Capital payments % of capital expenditure	18(1)c;19	8	101.3%	103.4%	103.4%	100.0%	179.6%	179.6%	179.6%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								0.0%	0.0%	0.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A	51.5%	0.0%	(100.0%)	0.0%	0.0%	0.0%	(45.7%)	15.0%	15.0%
Long term receivables % change - incr(decr)	18(1)a	12	N.A	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	11.2%	22.6%	19.2%	10.0%	18.0%	18.0%	20.3%	20.4%	20.7%	20.9%
Asset renewal % of capital budget	20(1)(vi)	14	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

<b>Supporting indicators</b>												
% incr total service charges (incl prop rates)	18(1)a		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	(56.7%)	15.0%	15.0%
% incr Property Tax	18(1)a		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% incr Service charges - electricity revenue	18(1)a		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% incr Service charges - water revenue	18(1)a		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	(82.4%)	15.0%	15.0%
% incr Service charges - sanitation revenue	18(1)a		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	(20.3%)	15.0%	15.0%
% incr Service charges - refuse revenue	18(1)a		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% incr in Service charges - other	18(1)a		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total billable revenue	18(1)a		-	-	15	5	54,680	54,680	54,680	23,680	27,232	31,317
Service charges			-	-	-	-	54,680	54,680	54,680	23,680	27,232	31,317
Property rates			-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue			-	-	-	-	-	-	-	-	-	-
Service charges - water revenue			-	-	-	-	32,034	32,034	32,034	5,625	6,469	7,439
Service charges - sanitation revenue			-	-	-	-	22,657	22,657	22,657	18,055	20,764	23,878
Service charges - refuse removal			-	-	-	-	-	-	-	-	-	-
Service charges - other			-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment			-	-	15	5	-	-	-	-	-	-
Capital expenditure excluding capital grant funding			3,684	2,329	2,329	736	1,464	1,464	1,464	-	-	-
Cash receipts from ratepayers	18(1)a		37,686	8,917	613	4,213	323,913	323,913	323,913	28,753	32,738	37,311
Ratepayer & Other revenue	18(1)a		28,442	24,299	613	4,213	63,100	63,100	63,100	28,753	32,738	37,311
Change in consumer debtors (current and non-current)			28,091	26,718	-	(78,551)	(34,957)	(34,957)	(34,957)	23,680	3,552	4,065
Operating and Capital Grant Revenue	18(1)a		275,677	324,746	333,602	414,017	415,957	415,957	415,957	429,676	443,542	482,439
Capital expenditure - total	20(1)(vi)		89,918	96,606	96,606	172,465	85,935	85,935	85,935	106,519	113,202	140,348
Capital expenditure - renewal	20(1)(vi)		-	-	-	-	-	-	-	-	-	-
<b>Supporting benchmarks</b>												
Growth guideline maximum			6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
OP guideline			4.3%	3.9%	4.6%	5.0%	5.0%	5.0%	5.0%	5.4%	5.6%	5.4%
DoRA operating grants total MFY												
DoRA capital grants total MFY												
Provincial operating grants												
Provincial capital grants												
District Municipality grants												
Total gazetted/advised national, provincial and district grants										-	-	-
Average annual collection rate (arears inclusive)												



**Joe Gqabi District Municipality – 2013/14 Annual Budget and MTREF (Final for Approval by Council)  
(30 May 2013)**

Trend											
Change in consumer debtors (current and non-current)		28,091	26,718	-	(34,957)	23,680	3,552	4,085	-	-	-
<b>Total Operating Revenue</b>		208,333	254,354	211,664	243,741	306,943	306,943	306,943	275,802	297,531	322,213
<b>Total Operating Expenditure</b>		283,348	320,732	332,164	288,737	458,131	458,131	458,131	425,489	440,037	456,139
<b>Operating Performance Surplus/(Deficit)</b>		(75,015)	(66,378)	(120,500)	(44,996)	(151,188)	(151,188)	(151,188)	(149,688)	(142,506)	(133,926)
<b>Cash and Cash Equivalents (30 June 2012)</b>									(5,248)		
<b>Revenue</b>											
% Increase in Total Operating Revenue			22.1%	(16.8%)	15.2%	25.9%	0.0%	0.0%	(10.1%)	7.9%	8.3%
% Increase in Property Rates Revenue			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% Increase in Electricity Revenue			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% Increase in Property Rates & Services Charges			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	(58.7%)	15.0%	15.0%
<b>Expenditure</b>											
% Increase in Total Operating Expenditure			13.2%	3.6%	(13.1%)	58.7%	0.0%	0.0%	(7.1%)	3.4%	3.7%
% Increase in Employee Costs			20.8%	8.1%	29.7%	18.7%	0.0%	0.0%	2.9%	6.4%	6.0%
% Increase in Electricity Bulk Purchases			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Average Cost Per Budgeted Employee Position (Remuneration)			0	0	0	0	0	0	0	0	0
Average Cost Per Councillor (Remuneration)			0	0	0	0	0	0	0	0	0
R&M % of PPE		11.2%	22.6%	19.2%	10.0%	18.0%	18.0%	18.0%	20.4%	20.7%	20.9%
Asset Renewal and R&M as a % of PPE		11.0%	22.0%	19.0%	10.0%	18.0%	18.0%	18.0%	20.0%	21.0%	21.0%
Debt Impairment % of Total Billable Revenue		0.0%	0.0%	3749.4%	0.0%	48.8%	48.8%	48.8%	35.4%	35.4%	35.4%
<b>Capital Revenue</b>											
Internally Funded & Other (R'000)		3,684	2,329	2,329	736	1,464	1,464	1,464	-	-	-
Borrowing (R'000)		-	-	-	-	-	-	-	-	-	-
Grant Funding and Other (R'000)		86,234	94,277	94,277	171,729	84,471	84,471	84,471	106,519	113,202	140,348
Internally Generated Funds % of Non Grant Funding		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	0.0%	0.0%	0.0%
Borrowing % of Non Grant Funding		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grant Funding % of Total Funding		95.9%	97.6%	97.6%	99.6%	98.3%	98.3%	98.3%	100.0%	100.0%	100.0%
<b>Capital Expenditure</b>											
Total Capital Programme (R'000)		89,918	96,606	96,606	172,465	85,935	85,935	85,935	106,519	113,202	140,348
Asset Renewal		-	-	-	-	-	-	-	-	-	-
Asset Renewal % of Total Capital Expenditure		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Cash</b>											
Cash Receipts % of Rate Payer & Other		132.5%	36.7%	100.0%	100.0%	513.3%	513.3%	513.3%	100.0%	100.0%	100.0%
Cash Coverage Ratio		0	0	0	0	(0)	(0)	(0)	(0)	(0)	(0)
<b>Borrowing</b>											
Credit Rating (2009/10)									0		
Capital Charges to Operating		1.0%	1.0%	0.9%	0.4%	0.7%	0.7%	0.7%	0.8%	0.9%	0.9%
Borrowing Receipts % of Capital Expenditure		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Reserves</b>											
Surplus/(Deficit)		27,419	(66,814)	(17,087)	(44,551)	130,654	130,654	130,654	15,332	18,583	25,526
<b>Free Services</b>											
Free Basic Services as a % of Equitable Share		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Free Services as a % of Operating Revenue (excl operational transfers)		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>High Level Outcome of Funding Compliance</b>											
Total Operating Revenue		208,333	254,354	211,664	243,741	306,943	306,943	306,943	275,802	297,531	322,213
Total Operating Expenditure		283,348	320,732	332,164	288,737	458,131	458,131	458,131	425,489	440,037	456,139
Surplus/(Deficit) Budgeted Operating Statement		(75,015)	(66,378)	(120,500)	(44,996)	(151,188)	(151,188)	(151,188)	(149,688)	(142,506)	(133,926)
Surplus/(Deficit) Considering Reserves and Cash Backing		(47,536)	(133,192)	(137,557)	(88,546)	(20,535)	(20,535)	(20,535)	(134,355)	(123,923)	(108,397)
MTREF Funded (1) / Unfunded (0)	15	0	0	0	0	0	0	0	0	0	0
MTREF Funded ✓ / Unfunded ✗	15	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗

**2.8.5.5 Debt impairment expense as a percentage of billable revenue**

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

**2.8.5.6 Capital payments percentage of capital expenditure**

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that creditors be paid within 30 days.

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

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

*2.8.5.8 Repairs and maintenance expenditure level*

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

*2.8.5.9 Asset renewal/rehabilitation expenditure level*

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

## 2.9 Expenditure on grants and reconciliations of unspent funds

Table 21 MBRR SA19 - Expenditure on transfers and grant programmes

DC14 Joe Gqabi - Supporting Table SA19 Expenditure on transfers and grant programme

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>EXPENDITURE:</b>										
<b>Operating expenditure of Transfers and Grants</b>										
National Government:		144 722	144 722	151 071	181 850	181 850	181 850	193 876	208 660	225 878
Local Government Equitable Share		125 943	125 943	149 031	166 056	166 056	166 056	178 958	194 392	211 537
Municipal Drought Relief		14 106	14 106	-	11 604	11 604	11 604	-	-	-
Municipal Systems Improvement		750	750	790	1 000	1 000	1 000	890	934	967
Finance Management		1 000	1 000	1 250	1 250	1 250	1 250	1 250	1 250	1 250
Water Services Operating Subsidy		-	-	-	-	-	-	10 000	10 000	10 000
EPWP Incentive		2 924	2 924	-	1 940	1 940	1 940	1 000	-	-
Rural Roads Asset Management Grant		-	-	-	-	-	-	1 778	2 084	2 124
Provincial Government:		84 046	84 046	30 434	56 678	36 447	36 447	50 506	53 307	56 329
		-	-	-	-	-	-	380	411	-
		-	-	-	-	-	-	13 826	14 656	15 385
		-	-	-	-	-	-	4 000	4 240	4 944
		-	-	-	-	-	-	32 300	34 000	36 000
Capacity Building		84 046	84 046	30 434	56 678	36 447	36 447	-	-	-
District Municipality:		-	-	-	-	-	-	-	-	-
<i>[insert description]</i>		-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-
Other grant providers:		-	-	19 043	-	334	334	-	-	-
<i>INVOICE BASED FINANCE</i>		-	-	19 043	-	334	334	-	-	-
		-	-	-	-	-	-	-	-	-
<b>Total operating expenditure of Transfers and Grants</b>		<b>228 768</b>	<b>228 768</b>	<b>200 548</b>	<b>238 528</b>	<b>218 631</b>	<b>218 631</b>	<b>244 382</b>	<b>261 967</b>	<b>282 207</b>
<b>Capital expenditure of Transfers and Grants</b>										
National Government:		94 694	94 694	143 957	174 629	174 629	174 629	180 794	171 575	185 532
Municipal Infrastructure Grant (MIG)		94 694	94 694	143 957	174 629	174 629	174 629	165 792	151 566	160 521
		-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-
MIG and MWG		-	-	-	-	-	-	15 002	20 009	25 011
Provincial Government:		-	-	-	-	-	-	-	-	-
Other capital transfers/grants <i>[insert description]</i>		-	-	-	-	-	-	-	-	-
District Municipality:		-	-	-	-	-	-	-	-	-
<i>[insert description]</i>		-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-
Other grant providers:		-	-	-	-	-	-	4 500	10 000	15 000
<i>INVOICE BASED FINANCE</i>		-	-	-	-	-	-	-	-	-
<i>Orio</i>		-	-	-	-	-	-	4 500	10 000	15 000
<b>Total capital expenditure of Transfers and Grants</b>		<b>94 694</b>	<b>94 694</b>	<b>143 957</b>	<b>174 629</b>	<b>174 629</b>	<b>174 629</b>	<b>185 294</b>	<b>181 575</b>	<b>200 532</b>
<b>TOTAL EXPENDITURE OF TRANSFERS AND GRANTS</b>		<b>323 462</b>	<b>323 462</b>	<b>344 505</b>	<b>413 157</b>	<b>393 260</b>	<b>393 260</b>	<b>429 676</b>	<b>443 542</b>	<b>482 739</b>

## 2.10 Contracts having future budgetary implications

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

## 2.11 Capital expenditure details

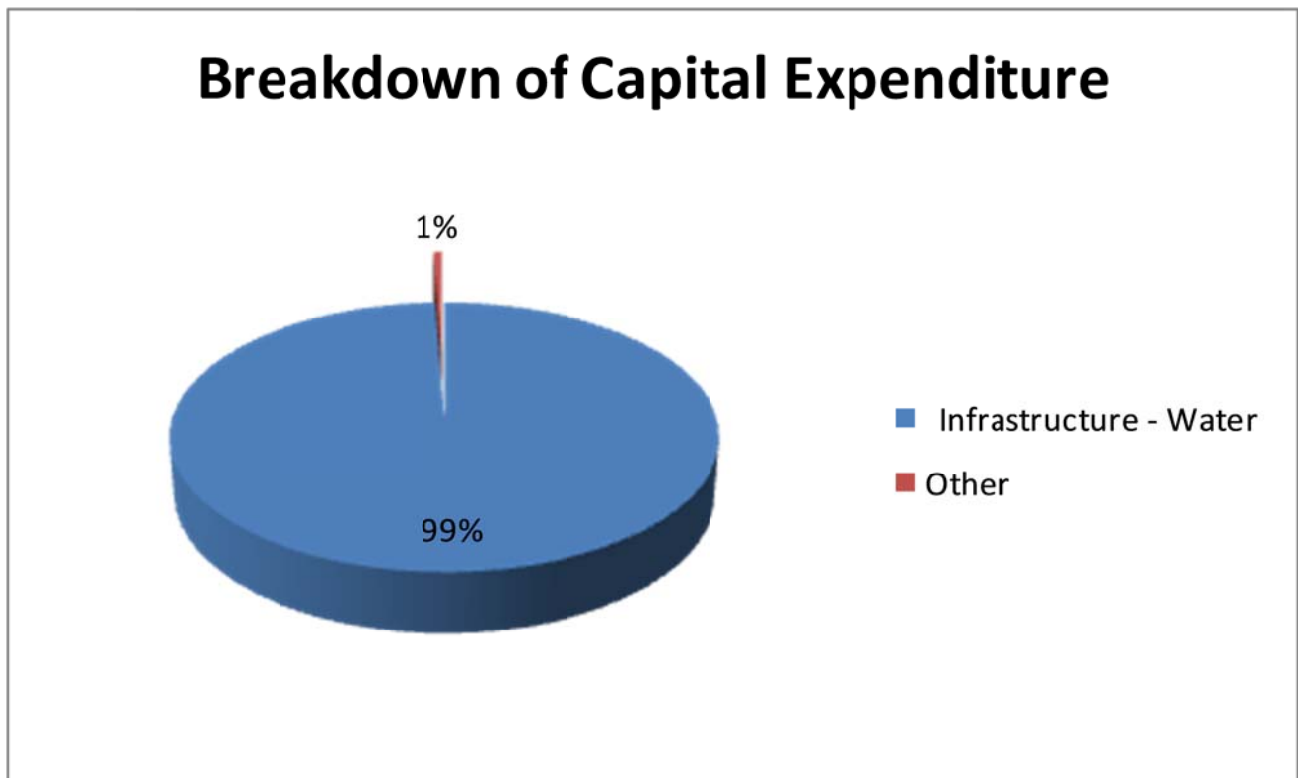
The following tables present details of the Municipality's capital expenditure programme.

**Table 22 2013/14 Capital expenditure by asset class**

DC14 Joe Gqabi - Table A9 Consolidated 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
<b>CAPITAL EXPENDITURE</b>										
<b>Total New Assets</b>	1	89 918	96 606	96 606	172 465	85 935	85 935	106 519	113 202	140 348
Infrastructure - Road transport		-	-	-	-	-	-	-	-	-
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
Infrastructure - Water		87 450	86 234	86 234	115 229	57 569	57 569	106 026	110 442	137 028
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	-	-	56 500	24 386	24 386	-	-	-
Infrastructure		87 450	86 234	86 234	171 729	81 955	81 955	106 026	110 442	137 028
Community		-	-	-	-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	2 468	10 373	10 373	736	3 980	3 980	493	2 760	3 320
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
<b>Total Renewal of Existing Assets</b>	2	-	-	-	-	-	-	-	-	-
Infrastructure - Road transport		-	-	-	-	-	-	-	-	-
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
Infrastructure - Water		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	-	-	-	-	-	-	-	-
Infrastructure		-	-	-	-	-	-	-	-	-
Community		-	-	-	-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	-	-	-	-	-	-	-	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure</b>	4	-	-	-	-	-	-	-	-	-
Infrastructure - Road transport		-	-	-	-	-	-	-	-	-
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
Infrastructure - Water		87 450	86 234	86 234	115 229	57 569	57 569	106 026	110 442	137 028
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	-	-	56 500	24 386	24 386	-	-	-
Infrastructure		87 450	86 234	86 234	171 729	81 955	81 955	106 026	110 442	137 028
Community		-	-	-	-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets		2 468	10 373	10 373	736	3 980	3 980	493	2 760	3 320
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>	2	89 918	96 606	96 606	172 465	85 935	85 935	106 519	113 202	140 348

Fig 7: Total capital expenditure per category



## 2.12 Legislation compliance status

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

1. In year reporting  
Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the Municipality's website.
2. Internship programme  
The Municipality is participating in the Municipal Financial Management Internship programme and is intending to employ interns to undergo training in various divisions of the Budget and Treasury Office.
3. Budget and Treasury Office  
The Budget and Treasury Office has been established in accordance with the MFMA.
4. Audit Committee  
An Audit Committee has been established and is fully functional.
5. Service Delivery and Implementation Plan  
The detail SDBIP document is at a draft stage and will be finalised after approval of the 2013/14 MTREF on the 30 June 2013 directly aligned and informed by the 2013/14 MTREF.
6. Annual Report  
Annual report has been compiled in terms of the MFMA and National Treasury requirements.
7. MFMA Training  
The MFMA training module in electronic format is presented at the Municipality's internal centre and training is ongoing.

## 2.13 Municipal manager's quality certificate

I \_\_\_\_\_, Municipal Manager of Joe Gqabi District Municipality hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act 56 of 2003 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.

Signature

\_\_\_\_\_  
ZA Williams  
Municipal Manager  
Joe Gqabi District Municipality (DC14)

Date: \_\_\_\_\_