



UMZIMVUBU
— LOCAL MUNICIPALITY —

UMZIMVUBU LOCAL MUNICIPALITY

ANNUAL ADJUSTED BUDGET OF

UMZIMVUBU LOCAL MUNICIPALITY

2014/15 TO 2016/17
MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS

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Abbreviations and Acronyms

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

Part 1 – Annual Adjusted Budget

1.1 MAYORAL ADJUSTMENT BUDGET PRESENTATION



23th January 2015 at Alfred Ndzo Council Chamber, Mt Ayliff.

The preparation process of the Capital and Operating Budget 2014/2015 has commenced as expected by submitting the Budget and IDP Review plan to Council for approval in 31 August 2013. The Executive Managers and Management have submitted their budget proposals timeously and advised for consolidation in one Council Budget. The consolidated budget has been discussed by Management and adjustments were subsequently made.

The submissions were based on the Medium Term Revenue and Expenditure Framework for 2014/2015 to 2016/2017 and these were mainly for the operating estimates as well as Capital estimates. The IDP and Budget review process has been conducted in most wards as coordinated by the office of the Mayor, Ward Councillors, IDP office, Financial Services and the Municipal Managers offices.

This exercise was carried out in order to establish the Capital Budget priorities as per IDP as well as to review the IDP for consideration of the Budget preparation process. The draft budget has been tabled in Council and adopted by March 2014 as required by the MFMA. The final budget as well as budget related policies and proposed tariffs have been presented in budget community meetings/ budget hearings for input by the communities. Final budget has been tabled in Council and adopted by May 2014 as required by the MFMA. Community comments and suggestions from the consultative process have been noted and some considered and incorporated in the budget.

In terms of Section 72 of the MFMA, the Accounting Officer must by the 25th of January of each year assess the performance of the Municipality during the first half of the financial year.

The Accounting Officer is also expected to make recommendations as to whether an adjustment budget is necessary and recommend revised projections for revenue and expenditure to the extent that this may be necessary.

The performance assessment and the budget projections as per the table above will necessitate the adjustments on the 2014/2015 approved budget both on capital and operating projections. According to National Treasury budget regulations; the adjusted budget must be approved by the Council by 23th January 2015 as it is informed by the mid-term performance assessment.

The adjustment budget is performed to cater and cover for the over expenditure and unauthorized expenditure and this should be done once in the budget year at least after six months. Once this is done, then the savings or over expenditure realized should be allocated to cover where there are gaps. This needs to be submitted to council for approval and implementation. The adjustment budget for 2014/15 is prepared with other budgeted items being increased or decreased depending on the six months implementation rate.

1.2 Council Resolutions

On 23st January 2015 the Council of Umzimvubu Local Municipality met to consider the annual adjusted budget of the municipality for the financial year 2014/15. The Council approved and adopted the following resolutions:

1. The Council of Umzimvubu Local Municipality , acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
 - 1.1. The annual adjusted budget of the municipality for the financial year 2014/15 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification);
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote);
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type); and
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source.
 - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
 - 1.2.1. Budgeted Financial Position ;
 - 1.2.2. Budgeted Cash Flows;
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation;
 - 1.2.4. Asset management; and
 - 1.2.5. Basic service delivery measurement.
2. The Council of Umzimvubu Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2014 the tariffs for other services, as set out in Annexures E1 to E21 respectively.
3. To give proper effect to the municipality's annual budget, the Council of Umzimvubu Local Municipality approves:
 - 3.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.

1.3 Executive Summary

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

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Some of these revenue collection strategies are electricity cut offs of consumers on arrears more than 30 days, signing of acknowledgement of debts and making arrangements as per council policies and bylaws on debt collection and credit control. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 70 and 72 were used to guide the compilation of the 2014/15 MTREF.

The main challenges experienced during the compilation of the 2014/15 MTREF can be summarized as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained roads and electricity infrastructure;
- The need to reprioritize projects and expenditure within the existing resource envelope given the cash flow realities and with also ensuring the non- declining cash position of the municipality;
- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2014/15 MTREF process; and
- Availability of affordable capital.

The following budget principles and guidelines directly informed the compilation of the 2014/15 MTREF:

- The 2014/15 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 2014/15 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- An upper limit was set for the following items and allocations to these items had to be supported by a list and/or motivation setting out the intention and cost of the expenditure which was used to prioritise expenditures:

- Strategic Planning – R 1,407,580
- Community Participation – R2,081,074
- Communication and Corporate Imaging – R 934,560
- Internal Audit, Audit Fees and Audit Committee – R4,596,500
- Events and Programs – R492,940
- Special Programs – R584,100
- Revenue Management – R7,150,604
- Asset Management – R 3,078,489
- Budget Reporting and Audit Management – R 1,805,639
- Debt Impairment – R 15,000,000
- Depreciation and Asset Impairment – R43,496,000
- Planning Projects – R 2,691,595
- Community Safety programs – R6,226,120
- Human Resources & Administration programs – R8,332,473
- ICT Programs – R4,620,890

In view of the aforementioned, the following table is a consolidated overview of the proposed 2014/15 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2014/15 MTREF

R thousand	Adjustment Budget 2014/2015	Budget Year 2014/2015
Total Operating Revenue	R 276 256 937	R 240 256 937
Total Operating Expenditure	R -234 630 348	R -211 198 549
Surplus/(Deficit) for the year	R 41 626 589	R 29 058 388
Total Capital Expenditure	R 102 360 303	R 80 423 152

Total adjusted operating revenue has increased by 15, 5 per cent or R36 million for the Adjustments Budget 2014/15 financial year when compared to the 2014/15 Original Budget.

Total adjusted operating expenditure for the 2014/15 financial year has been appropriated at R234.6 million and translates into a budgeted surplus of R41, 6 million. When compared to the 2014/15 Original Budget, operational expenditure has increased due to non-cash items amounting to R58,5 million by 11 per cent in the 2014/15 adjusted budget.

The adjusted capital budget of R102,3 million for 2014/15 is 25 per cent more when compared to the 2014/15 Original Budget. The increase is due to various projects that were roll overs. A substantial portion of the capital budget will be funded from council surpluses over MTREF with anticipated transfers of R36,3 million in 2014/15 MTREF.

Operating Revenue Framework

For Umzimvubu Local Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

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

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 95 per cent annual collection rate for property rates and other key service charges;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);

The following table is a summary of the 2014/15 MTREF (classified by main revenue source):

Table 2 Summary of Adjusted revenue classified by main revenue source

Description	Ref	Budget Year 2014/15									Budget Year +1 2015/16	Budget Year +2 2016/17
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands	1	A	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H		
Revenue By Source												
Property rates	2	10 000	-	-	-	-	-	-	-	10 000	-	-
Property rates - penalties & collection charges										-		
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	2 500	-	-	-	-	-	-	-	2 500	-	-
Service charges - other										-		
Rental of facilities and equipment		1 497								1 497		
Interest earned - external investments		1 900							250	250	2 150	
Interest earned - outstanding debtors		1 300							100	100	1 400	
Dividends received										-		
Fines		800							(400)	(400)	400	
Licences and permits		2 557							(157)	(157)	2 400	
Agency services		1 310							-	-	1 310	
Transfers recognised - operating		141 431					4 560	20 775	25 335	166 766		
Other revenue	2	17 616	-	-	-	-	-	(278)	(278)	17 338	-	-
Gains on disposal of PPE		262						2 178	2 178	2 440		
Total Revenue (excluding capital transfers and contributions)		181 173	-	-	-	-	4 560	22 468	27 028	208 201	-	-

Table 3 Percentage growth in adjusted revenue by main revenue source

Description	Current Year 2014/15			
	Original Budget	%	Adjusted Budget	%
R thousands				
Revenue By Source				
Property rates	10 000 000	4.2%	10 000 000	3.6%
Service charges - refuse revenue	2 500 000	1.0%	2 500 000	0.9%
Rental of facilities and equipment	1 497 000	0.6%	1 647 000	0.6%
Interest earned - external investments	1 000 000	0.4%	1 350 000	0.5%
Interest earned - outstanding debtors	1 300 000	0.5%	1 400 000	0.5%
Agency Services	1 310 000	0.5%	1 310 000	0.5%
Fines	800 000	0.5%	400 000	0.5%
Licences and permits	2 400 000	1.0%	2 400 000	0.9%
Transfers recognised - operational	140 656 000	58.5%	143 056 000	51.7%
Transfers recognised - Capital	68 294 000	28.4%	68 294 000	24.7%
Roll Over Grants	-	0.0%	23 710 152	8.6%
Other revenue	10 238 108	4.3%	17 986 873	6.5%
Gains on disposal of PPE	261 829	0.1%	2 440 626	0.9%
Total Revenue	240 256 937	100%	276 494 651	100%
Total Revenue from property rates and service charges	12 500 000	5.2%	12 500 000	4.5%

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

Revenue generated from rates and services charges forms a low percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise less than two thirds of the total revenue mix which means the municipality is grant dependant. In the Adjusted budget for 2014/15 financial year, revenue from rates and services charges totalled R12 million or 5 per cent.

Based on the municipal generated revenue property rates is the first largest revenue source totalling 3.6 per cent or R10 million rand by 2014/15 Adjusted and remains the same from 2014/15 Original budget. The second largest sources is 'other revenue' which consists of various items such as income received from VAT, building plan fees, transport fees and advertisement fees totalling 8.6 per cent or R 17 million rand by 2014/15 Adjusted and increases from R10,2million by 2014/15 Original budget. Service Charges is the third largest revenue source totalling 0.9 per cent or R2,5million rand by 2014/15 Adjusted and remains the same from 2014/15 Original budget.

Operating, capital, roll over grants and transfers total R208, 8 million in the 2014/15 Original Budget and steadily increases to R234.9 million by 2014/15 Adjusted Budget.

The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 4 Adjusted Operating Transfers and Grant Receipts

Description	Ref	Budget Year 2014/15						
		Original Budget	Prior Adjusted	Multi-year capital	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget
		A	7 A1	8 B	9 C	10 D	11 E	12 F
R thousands								
RECEIPTS:	1, 2							
-								
<u>Operating Transfers and Grants</u>								
National Government:		140 294	-	-	-	-	-	140 294
Local Government Equitable share		136 167					-	136 167
Finance Management	3	1 600					-	1 600
Municipal Systems Improvement		934					-	934
Expended Public Works Programme		1 593					-	1 593
Provincial Government:		987	-	-	-	1 663	1 663	2 650
Sport and Recreation		250					-	250
Other transfers and grants [insert description]	5	737				1 663	1 663	2 400
District Municipality:		150	-	-	-	-	-	150
<i>Community Development worker Operational Grant</i>		150					-	150
Other grant providers:		-	-	-	-	-	-	-
<i>[insert description]</i>							-	-
Total Operating Transfers and Grants	6	141 431	-	-	-	1 663	1 663	143 094

1.4 Adjusted Operating Expenditure Framework

The Municipality's expenditure framework for the 2014/15 budget and MTREF is informed by the following:

- 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;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services.

The following table is a high level summary of the 2014/15 budget and MTREF (classified per main type of operating expenditure):

Table 5 Summary of adjusted operating expenditure by standard classification item

Description	Ref	Budget Year 2014/15								
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget
		1	3	4	5	6	7	8	9	10
R thousands	1	A	A1	B	C	D	E	F	G	H
Expenditure By Type	-									
Employee related costs		52 557	-	-	-	-	-	14 846	14 846	67 403
Remuneration of councillors		14 658						1 965	1 965	16 623
Debt impairment		11 894						11 802	11 802	23 696
Depreciation & asset impairment		31 860	-	-	-	-	-	3 140	3 140	35 000
Finance charges		21						-	-	21
Bulk purchases		-	-	-	-	-	-	-	-	-
Other materials										-
Contracted services		1 530	-	-	-	-	-	-	-	1 530
Transfers and grants		4 559								4 559
Other expenditure		70 718	-	-	-	-	-	15 080	15 080	85 798
Loss on disposal of PPE										-
Total Expenditure		187 797	-	-	-	-	-	46 833	46 833	234 630
Surplus/(Deficit)		(6 624)	-	-	-	-	4 560	(24 365)	(19 805)	(26 429)
Transfers recognised - capital		68 294								68 294
Surplus/ (Deficit) for the year		61 670	-	-	-	-	4 560	(24 365)	(19 805)	41 865

The budgeted allocation for employee related costs for the 2014/15 Adjusted Budget totals R67 million, which equals 28 per cent of the total operating expenditure.

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.

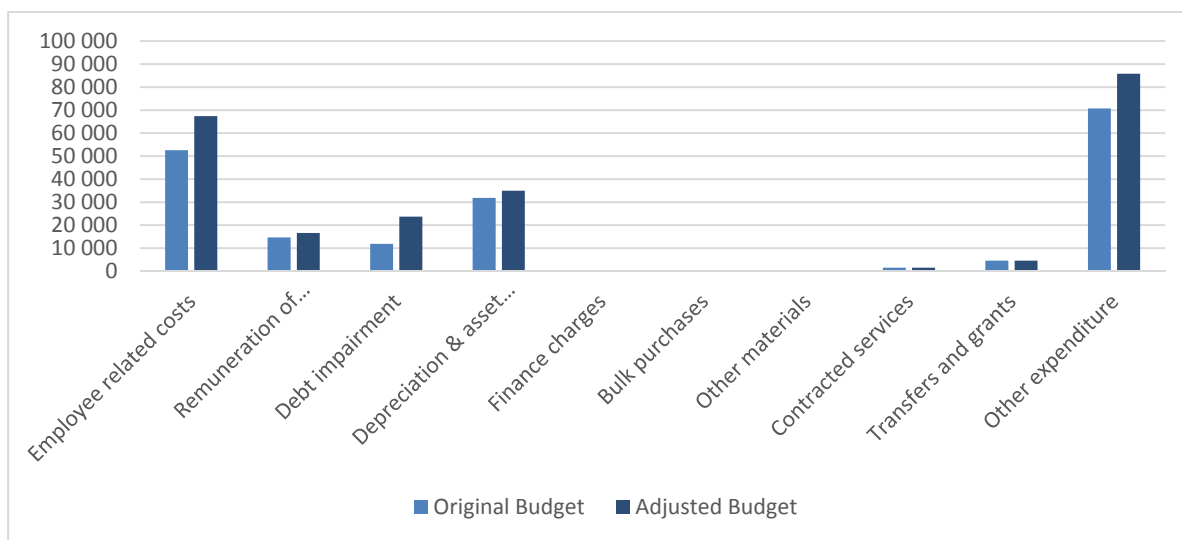
The provision of debt impairment was determined based on an annual collection rate of 85 per cent and the Debt Write-off Policy of the Municipality. For the 2014/15 Adjusted Budget this amount equates to R15 million. While this expenditure is considered to be a non-cash

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 R43,4 million for the 2015/16 Adjusted Budget and equates to 18 per cent of the total operating expenditure. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. Further details relating to contracted services can be seen in MBRR SB1.

Figure 1 Main adjusted operational expenditure categories for the 2014/15 financial year



1.4.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality’s current infrastructure, the 2014/15 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the Municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services.

During the compilation of the 2014/15 Adjusted MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Municipality’s infrastructure and historic deferred maintenance. During the 2015 Adjustment Budget this allocation was adjusted slightly downwards to R3,3 million owing to the challenges faced by the Municipality.

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

Table 6 Adjusted Repairs and maintenance per asset class

Description	Budget Year 2014/15								
	Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget
R thousands	A	7 A1	8 B	9 C	10 D	11 E	12 F	13 G	14 H
Repairs and maintenance expenditure by Asset Class/Sub-class									
Infrastructure	1 200	-	-	-	-	-	-	-	1 200
Infrastructure - Road transport	600	-	-	-	-	-	-	-	600
<i>Roads, Pavements & Bridges</i>	600	-	-	-	-	-	-	-	600
Infrastructure - Electricity	600	-	-	-	-	-	-	-	600
<i>Generation</i>									-
<i>Transmission & Reticulation</i>									-
<i>Street Lighting</i>	600	-	-	-	-	-	-	-	600
Community	771	-	-	-	-	-	-	-	771
Parks & gardens	771	-	-	-	-	-	-	-	771
Other assets	1 418	-	-	-	-	-	(118)	(118)	1 300
General vehicles	135	-	-	-	-	-	-	-	135
Specialised vehicles	-	-	-	-	-	-	-	-	-
Plant & equipment	259	-	-	-	-	-	-	-	259
Computers - hardware/equipment	64	-	-	-	-	-	-	-	64
Civic Land and Buildings	650	-	-	-	-	-	-	-	650
Other	310	-	-	-	-	-	(118)	(118)	192
Intangibles	106	-	-	-	-	-	-	-	106
Computers - software & programming									-
Other (list sub-class)	106	-	-	-	-	-	-	-	106
Total Repairs and Maintenance Expenditure to be adjusted	3 495	-	-	-	-	-	(118)	(118)	3 377

For the 2014/15 adjusted budget, 2 per cent or R3, 3 million of total repairs and maintenance will be spent on infrastructure assets. Road infrastructure at 60 per cent (R1,850 million). Community assets have been allocated R 771 of total repairs and maintenance equating to 29 per cent.

1.5 Adjusted Capital expenditure

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

Description	Ref	Budget Year 2014/15									Budget Year +1 2015/16	Budget Year +2 2016/17
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
		A	5 A1	6 B	7 C	8 D	9 E	10 F	11 G	12 H		
R thousands												
Capital Expenditure - Standard												
<i>Governance and administration</i>		5 680	-	-	-	-	-	712	712	6 392	-	-
Executive and council		140						552	552	692		
Budget and treasury office		1 300						100	100	1 400		
Corporate services		4 240						60	60	4 300		
<i>Community and public safety</i>		3 581	-	-	-	-	-	(250)	(250)	3 331	-	-
Community and social services		730						500	500	1 230		
Sport and recreation									-	-		
Public safety		2 851						(750)	(750)	2 101		
Housing									-	-		
Health									-	-		

Table 7 2014/15 Medium-term adjusted capital budget per vote

<i>Economic and environmental services</i>		67 573	-	-	-	-	-	20 274	20 274	89 847	-	-
Planning and development		5 126						(3 576)	(3 576)	1 550		
Road transport		62 447						25 850	23 850	88 297		
Environmental protection									-	-		
<i>Trading services</i>		3 590	-	-	-	-	-	(800)	(800)	2 790	-	-
Electricity									-	-		
Water									-	-		
Waste water management									-	-		
Waste management		3 590						(800)	(800)	2 790		
<i>Other</i>									-	-		
Total Capital Expenditure - Standard	3	80 424	-	-	-	-	-	19 936	19 936	102 360	-	-

For 2014/15 adjusted budget an amount of R102 million has been appropriated for the development of infrastructure which represents 85 per cent of the total capital budget. Transport and roads receives the highest allocation of R86 million in 2014/15 adjusted budget.

Further detail relating to asset classes and proposed capital expenditure is contained in MBRR B9 (Asset Management). In addition to the MBRR Tables SB34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class.

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

1.6 Annual Adjustment Budget Tables

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2014/15 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Table 8 MBRR Table B1 – Adjustment Budget Summary

Description	Budget Year 2014/15									
	Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	
R thousands	A	1	2	3	4	5	6	7	8	
	A	A1	B	C	D	E	F	G	H	
Financial Performance										
Property rates	10 000	-	-	-	-	-	-	-	10 000	
Service charges	2 500	-	-	-	-	-	-	-	2 500	
Investment revenue	1 900	-	-	-	-	-	250	250	2 150	
Transfers recognised - operational	141 431	-	-	-	-	4 560	20 775	25 335	166 766	
Other own revenue	25 342	-	-	-	-	-	1 443	1 443	26 785	
Total Revenue (excluding capital transfers and contributions)	181 173	-	-	-	-	4 560	22 468	27 028	208 201	
Employee costs	52 557	-	-	-	-	-	14 846	14 846	67 403	

Remuneration of councillors	14 658	-	-	-	-	-	1 965	1 965	16 623
Depreciation & asset impairment	31 860	-	-	-	-	-	3 140	3 140	35 000
Finance charges	21	-	-	-	-	-	-	-	21
Materials and bulk purchases	-	-	-	-	-	-	-	-	-
Transfers and grants	4 559	-	-	-	-	-	-	-	4 559
Other expenditure	84 142	-	-	-	-	-	26 882	26 882	111 024
Total Expenditure	187 797	-	-	-	-	-	46 833	46 833	234 630
Surplus/(Deficit)	(6 624)	-	-	-	-	4 560	(24 365)	(19 805)	(26 429)
Transfers recognised - capital	68 294	-	-	-	-	-	-	-	68 294
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	61 670	-	-	-	-	4 560	(24 365)	(19 805)	41 865
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year	61 670	-	-	-	-	4 560	(24 365)	(19 805)	41 865
Capital expenditure & funds sources									
Capital expenditure	80 423	-	-	-	-	-	19 937	19 937	102 360
Transfers recognised - capital	80 423	-	-	-	-	-	10 646	10 646	91 069
Public contributions & donations	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-
Internally generated funds	-	-	-	-	-	-	11 291	11 291	11 291
Total sources of capital funds	80 423	-	-	-	-	-	19 937	19 937	102 360
Financial position									
Total current assets	69 187	-	-	-	-	-	-	-	69 187
Total non current assets	263 246	-	-	-	-	-	-	-	263 246
Total current liabilities	33 055	-	-	-	-	-	-	-	33 055
Total non current liabilities	28 164	-	-	-	-	-	-	-	28 164
Community wealth/Equity	209 545	-	-	-	-	-	-	-	209 545
Cash flows									
Net cash from (used) operating	105 161	-	-	-	-	-	(13 474)	(13 474)	91 687
Net cash from (used) investing	(80 161)	-	-	-	-	-	(17 759)	(17 759)	(97 920)
Net cash from (used) financing	(17 626)	-	-	-	-	-	-	-	(17 626)
Cash/cash equivalents at the year end	56 885	-	-	-	-	-	(31 233)	(31 233)	25 652
Cash backing/surplus reconciliation									
Cash and investments available	63 706	-	-	-	-	-	-	-	63 706
Application of cash and investments	15 531	-	-	-	-	-	267	267	15 798
Balance - surplus (shortfall)	48 175	-	-	-	-	-	(267)	(267)	47 908
Asset Management									
Asset register summary (WDV)	263 228	-	-	-	-	-	-	-	263 228
Depreciation & asset impairment	31 860	-	-	-	-	-	3 140	3 140	35 000
Renewal of Existing Assets	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	3 025	-	-	-	-	-	(118)	(118)	2 907
Free services									
Cost of Free Basic Services provided	4 155	-	-	-	-	-	-	-	-
Revenue cost of free services provided	4 170	-	-	-	-	-	-	-	-
Households below minimum service level									
Water:	12 000	-	-	-	-	-	-	-	12 000
Sanitation/sewerage:	28	-	-	-	-	-	-	-	28
Energy:	-	-	-	-	-	-	-	-	-
Refuse:	178	-	-	-	-	-	-	-	178

Explanatory notes to MBRR Table B1 – Adjustment Budget Summary

1. Table B1 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
 4. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years.
 5. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. But over the MTREF there is progressive improvement in the level of cash-backing of obligations.
 6. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs.

Table 9 MBRR Table B2 – Adjusted Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Description	Ref	Budget Year 2014/15								
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget
R thousands	1, 4	A	5 A1	6 B	7 C	8 D	9 E	10 F	11 G	12 H
Revenue - Standard										
<i>Governance and administration</i>		170 058	-	-	-	-	-	1 655	1 655	171 713
Executive and council		150	-	-	-	-	-	(150)	(150)	-
Budget and treasury office		169 517	-	-	-	-	-	2 043	2 043	171 560
Corporate services		391	-	-	-	-	-	(238)	(238)	153
<i>Community and public safety</i>		5 746	-	-	-	-	-	(919)	(919)	4 827
Community and social services		652	-	-	-	-	-	(345)	(345)	307
Public safety		5 094	-	-	-	-	-	(574)	(574)	4 520
<i>Economic and environmental services</i>		70 912	-	-	-	-	-	24 699	24 699	95 611
Planning and development		340	-	-	-	-	-	4 172	4 172	4 512
Road transport		70 572	-	-	-	-	-	20 528	20 528	91 100
<i>Trading services</i>		2 750	-	-	-	-	-	1 593	1 593	4 343
Waste management		2 750	-	-	-	-	-	1 593	1 593	4 343
Total Revenue - Standard	2	249 466	-	-	-	-	-	27 029	27 029	276 495

<u>Expenditure - Standard</u>	-									
<i>Governance and administration</i>		118 318	-	-	-	-	-	19 906	19 906	138 224
Executive and council		33 151	-	-	-	-	-	2 515	2 515	35 666
Budget and treasury office		68 848	-	-	-	-	-	17 890	17 890	86 738
Corporate services		16 319	-	-	-	-	-	(499)	(499)	15 820
<i>Community and public safety</i>		26 197	-	-	-	-	-	573	573	26 770
Community and social services		11 028	-	-	-	-	-	756	756	11 784
Public safety		15 169	-	-	-	-	-	(183)	(183)	14 986
<i>Economic and environmental services</i>		30 574	-	-	-	-	-	26 155	26 155	56 729
Planning and development		14 132	-	-	-	-	-	1 006	1 006	15 138
Road transport		16 442	-	-	-	-	-	25 149	25 149	41 591
<i>Trading services</i>		12 709	-	-	-	-	-	197	197	12 906
Waste management		12 709	-	-	-	-	-	197	197	12 906
Total Expenditure - Standard	3	187 798	-	-	-	-	-	46 832	46 832	234 630
Surplus/ (Deficit) for the year		61 668	-	-	-	-	-	(19 803)	(19 803)	41 865

Explanatory notes to MBRR Table B2 – Adjusted Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table B2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. 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 B4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, but not the Waste management function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue.

Table 10 MBRR Table B3 – Adjusted Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description <i>[Insert departmental structure etc]</i>	Ref	Budget Year 2014/15								
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget
		A	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H
R thousands										
Revenue by Vote	1									
Vote 1 - EXECUTIVE AND COUNCIL		650	-	-	-	-	-	(650)	(650)	-
Vote 2 - BUDGET AND TREASURY		169 517	-	-	-	-	-	2 043	2 043	171 560
Vote 3 - CORPORATE SERVICES		391	-	-	-	-	-	(238)	(238)	153
Vote 4 - LOCAL ECONOMIC DEVELOPMENT		340	-	-	-	-	-	4 172	4 172	4 512
Vote 5 - INFRASTRUCTURE AND PLANNING		70 572	-	-	-	-	-	20 528	20 528	91 100
Vote 6 - COMMUNITY AND SOCIAL SERVICES		152	-	-	-	-	-	155	155	307
Vote 7 - PUBLIC SAFETY		5 094	-	-	-	-	-	(574)	(574)	4 520
Vote 8 - WASTE MANAGEMENT		2 750	-	-	-	-	-	1 593	1 593	4 343
Total Revenue by Vote	2	249 466	-	-	-	-	-	27 029	27 029	276 495
Expenditure by Vote	1									
Vote 1 - EXECUTIVE AND COUNCIL		41 699	-	-	-	-	-	2 457	2 457	44 156

Vote 2 - BUDGET AND TREASURY		68 848	-	-	-	-	-	17 890	17 890	86 738
Vote 3 - CORPORATE SERVICES		16 319	-	-	-	-	-	(499)	(499)	15 820
Vote 4 - LOCAL ECONOMIC DEVELOPMENT		14 132	-	-	-	-	-	1 006	1 006	15 138
Vote 5 - INFRASTRUCTURE AND PLANNING		16 442	-	-	-	-	-	25 150	25 150	41 592
Vote 6 - COMMUNITY AND SOCIAL SERVICES		2 479	-	-	-	-	-	815	815	3 294
Vote 7 - PUBLIC SAFETY		15 169	-	-	-	-	-	(183)	(183)	14 986
Vote 8 - WASTE MANAGEMENT		12 709	-	-	-	-	-	197	197	12 906
Total Expenditure by Vote	2	187 797	-	-	-	-	-	46 833	46 833	234 630
Surplus/ (Deficit) for the year	2	61 669	-	-	-	-	-	(19 804)	(19 804)	41 865

Explanatory notes to MBRR Table B3 – Adjusted Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table B3 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.
2. Note that the surpluses on these trading accounts are utilised as an internal funding source for the capital programme for asset renewal, refurbishment and the development of new asset infrastructure, *and are not used to cross-subsidise other municipal services.*

Table 11 MBRR Table B4 – Adjusted Budgeted Financial Performance (revenue and expenditure)

Description	Ref	Budget Year 2014/15								
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget
		A	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H
R thousands	1	A	A1	B	C	D	E	F	G	H
Revenue By Source										
Property rates	2	10 000	-	-	-	-	-	-	-	10 000
Service charges - refuse revenue	2	2 500	-	-	-	-	-	-	-	2 500
Rental of facilities and equipment		1 497								1 497
Interest earned - external investments		1 900						250	250	2 150
Interest earned - outstanding debtors		1 300						100	100	1 400
Fines		800						(400)	(400)	400
Licences and permits		2 557						(157)	(157)	2 400
Agency services		1 310						-	-	1 310
Transfers recognised - operating		141 431					4 560	20 775	25 335	166 766
Other revenue	2	17 616	-	-	-	-	-	(278)	(278)	17 338
Gains on disposal of PPE		262						2 178	2 178	2 440
Total Revenue (excluding capital transfers and contributions)		181 173	-	-	-	-	4 560	22 468	27 028	208 201
Expenditure By Type										

Employee related costs	52 557	-	-	-	-	-	14 846	14 846	67 403
Remuneration of councillors	14 658						1 965	1 965	16 623
Debt impairment	11 894						11 802	11 802	23 696
Depreciation & asset impairment	31 860	-	-	-	-	-	3 140	3 140	35 000
Finance charges	21						-	-	21
Contracted services	1 530	-	-	-	-	-	-	-	1 530
Transfers and grants	4 559								4 559
Other expenditure	70 718	-	-	-	-	-	15 080	15 080	85 798
Total Expenditure	187 797	-	-	-	-	-	46 833	46 833	234 630
Surplus/(Deficit)	(6 624)	-	-	-	-	4 560	(24 365)	(19 805)	(26 429)
Transfers recognised - capital	68 294								68 294
Surplus/ (Deficit) for the year	61 670	-	-	-	-	4 560	(24 365)	(19 805)	41 865

Explanatory notes to Table B4 – Adjusted Budgeted Financial Performance (revenue and expenditure)

1. Total revenue is R208million in adjusted budget 2014/15. Revenue to be generated from property rates is R10 million in the adjusted budget 2014/15 financial year. Services charges relating refuse removal totalling R2 million for the adjusted budget 2014/15 financial year.
2. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. The percentage share of this revenue source increases.
3. The following graph illustrates the major expenditure items per type.

Table 12 MBRR Table B5 – Adjusted Budgeted Capital Expenditure by vote, standard classification and funding source

Description	Ref	Budget Year 2014/15								
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget
		A	5 A1	6 B	7 C	8 D	9 E	10 F	11 G	12 H
R thousands										
<u>Single-year expenditure to be adjusted</u>	2									
Vote 1 - EXECUTIVE AND COUNCIL		840	-	-	-	-	-	1 053	1 053	1 893
Vote 2 - BUDGET AND TREASURY		1 300	-	-	-	-	-	100	100	1 400
Vote 3 - CORPORATE SERVICES		4 240	-	-	-	-	-	60	60	4 300
Vote 4 - LOCAL ECONOMIC DEVELOPMENT		5 126	-	-	-	-	-	(3 576)	(3 576)	1 550
Vote 5 - INFRASTRUCTURE AND PLANNING		62 447	-	-	-	-	-	25 850	25 850	88 297
Vote 6 - COMMUNITY AND SOCIAL SERVICES		30	-	-	-	-	-	-	-	30
Vote 7 - PUBLIC SAFETY		2 851	-	-	-	-	-	(750)	(750)	2 101
Vote 8 - WASTE MANAGEMENT		3 590	-	-	-	-	-	(800)	(800)	2 790
Capital single-year expenditure sub-total		80 423	-	-	-	-	-	19 937	19 937	102 360
Total Capital Expenditure - Vote		80 423	-	-	-	-	-	19 937	19 937	102 360
<u>Capital Expenditure - Standard</u>										
<i>Governance and administration</i>		5 680	-	-	-	-	-	712	712	6 392

Executive and council		140						552	552	692
Budget and treasury office		1 300						100	100	1 400
Corporate services		4 240						60	60	4 300
<i>Community and public safety</i>		3 581	-	-	-	-	-	(250)	(250)	3 331
Community and social services		730						500	500	1 230
Public safety		2 851						(750)	(750)	2 101
<i>Economic and environmental services</i>		67 573	-	-	-	-	-	20 274	20 274	89 847
Planning and development		5 126						(3 576)	(3 576)	1 550
Road transport		62 447						25 850	25 850	88 297
<i>Trading services</i>		3 590	-	-	-	-	-	(800)	(800)	2 790
Waste management		3 590						(800)	(800)	2 790
Total Capital Expenditure - Standard	3	80 424	-	-	-	-	-	19 936	19 936	102 360
Funded by:										
National Government		80 423						(10 129)	(10 129)	70 294
Other transfers and grants								20 775	20 775	20 775
Total Capital transfers recognised	4	80 423	-	-	-	-	-	8 646	8 646	91 069
Internally generated funds								11 291	11 291	11 291
Total Capital Funding		80 423	-	-	-	-	-	19 937	19 937	102 360

Explanatory notes to Table B5 – Adjusted 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. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
3. The capital programme is funded from capital and provincial grants and transfers, public contributions and donations and internally generated funds from current year surpluses. For 2014/15, capital transfers totals R68 million (68 per cent). These funding sources are further discussed in detail in 2.6 (Overview of Budget Funding).

Table 13 MBRR Table B6 – Adjusted Budgeted Financial Position

Description	Ref	Budget Year 2014/15								
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget
		A	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H
R thousands										
ASSETS										
Current assets										
Cash		32 235								32 235
Call investment deposits	1	31 471	-	-	-	-	-	-	-	31 471
Consumer debtors	1	3 479	-	-	-	-	-	-	-	3 479
Other debtors		1 437								1 437
Current portion of long-term receivables		113								113
Inventory		452								452

Total current assets		69 187	-	-	-	-	-	-	69 187
Non current assets									
Long-term receivables									-
Investments									-
Investment property		29 922							29 922
Investment in Associate									-
Property, plant and equipment	1	230 935	-	-	-	-	-	-	230 935
Agricultural									-
Biological									-
Intangible		2 371							2 371
Other non-current assets		18							18
Total non current assets		263 246	-	-	-	-	-	-	263 246
TOTAL ASSETS		332 433	-	-	-	-	-	-	332 433
LIABILITIES									
Current liabilities	-								
Bank overdraft									-
Borrowing		15 863	-	-	-	-	-	-	15 863
Consumer deposits									-
Trade and other payables		17 119	-	-	-	-	-	-	17 119
Provisions		73							73
Total current liabilities		33 055	-	-	-	-	-	-	33 055
Non current liabilities									
Borrowing	1	17 375	-	-	-	-	-	-	17 375
Provisions	1	10 789	-	-	-	-	-	-	10 789
Total non current liabilities		28 164	-	-	-	-	-	-	28 164
TOTAL LIABILITIES		61 219	-	-	-	-	-	-	61 219
NET ASSETS	2	271 214	-	-	-	-	-	-	271 214
COMMUNITY WEALTH/EQUITY									
Accumulated Surplus/(Deficit)		(42 371)	-	-	-	-	-	-	(42 371)
Reserves		251 916	-	-	-	-	-	-	251 916
TOTAL COMMUNITY WEALTH/EQUITY		209 545	-	-	-	-	-	-	209 545

Explanatory notes to Table B6 – Adjusted Budgeted Financial Position

- Table B6 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).
- 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.
- Table 66 is supported by an extensive table of notes providing a detailed analysis of the major components of a number of items, including:
 - Call investments deposits;
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions non current;

- Changes in net assets; and
 - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
 5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 14 MBRR Table B7 – Adjusted Budgeted Cash Flow Statement

Description	Ref	Budget Year 2014/15								
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget
		A	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H
R thousands										
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Ratepayers and other		36 279						(2 709)	(2 709)	33 570
Government - operating	1	141 431						4 561	4 561	145 992
Government - capital	1	68 294						22 774	22 774	91 068
Interest		3 200						350	350	3 550
Dividends										
Payments										
Suppliers and employees		(139 463)						(36 450)	(36 450)	(175 913)
Finance charges		(21)								(21)
Transfers and Grants	1	(4 559)								(4 559)
NET CASH FROM/(USED) OPERATING ACTIVITIES		105 161	-	-	-	-	-	(13 474)	(13 474)	91 687
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE		262						2 178	2 178	2 440

Decrease (Increase) in non-current debtors									-	-
Decrease (increase) other non-current receivables	-								-	-
Decrease (increase) in non-current investments									-	-
Payments										
Capital assets		(80 423)						(21 937)	(21 937)	(102 360)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(80 161)	-	-	-	-	-	(17 759)	(17 759)	(97 920)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans									-	-
Borrowing long term/refinancing									-	-
Increase (decrease) in consumer deposits									-	-
Payments										
Repayment of borrowing		(17 626)							-	(17 626)
NET CASH FROM/(USED) FINANCING ACTIVITIES		(17 626)	-	-	-	-	-	-	-	(17 626)
NET INCREASE/ (DECREASE) IN CASH HELD		7 374	-	-	-	-	-	(31 233)	(31 233)	(23 859)
Cash/cash equivalents at the year begin:	2	49 511							(6 461)	43 050
Cash/cash equivalents at the year end:	2	56 885						(31 233)		19 191

Explanatory notes to Table B7 – Adjusted Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. The approved 2014/15 MTREF provide for a further net decrease in cash of R23 million for the 2014/15 financial year resulting in an overall projected positive cash position of R19 million at year end.
4. As part of the 2014/15 mid-year review and Adjustments Budget this unsustainable cash position had to be addressed as a matter of urgency and various interventions were spending priorities.
5. The 2013/14 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.

Table 15 MBRR Table B8 – Adjusted Cash Backed Reserves/Accumulated Surplus Reconciliation

Description	Ref	Budget Year 2014/15								
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget
		A	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H
R thousands										
Cash and investments available										
Cash/cash equivalents at the year end	1	56 885	-	-	-	-	-	(31 233)	(31 233)	25 652
Other current investments > 90 days		6 821	-	-	-	-	-	31 233	31 233	38 054
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-
Cash and investments available:		63 706	-	-	-	-	-	-	-	63 706
Applications of cash and investments										
Unspent conditional transfers		-	-	-	-	-	-	-	-	-
Unspent borrowing										-
Statutory requirements										-
Other working capital requirements	2	10 517	-					267	267	10 784
Other provisions										-
Long term investments committed		-	-					-	-	-

Reserves to be backed by cash/investments		5 014	-	-	-	-	-	-	-	5 014
Total Application of cash and investments:		15 531	-	-	-	-	-	267	267	15 798
Surplus(shortfall)		48 175	-	-	-	-	-	(267)	(267)	47 908

Explanatory notes to Table B8 – Adjusted Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2014/15 MTREF was not funded owing to the significant deficit.
6. As part of the budgeting and planning guidelines that informed the compilation of the 2014/15 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

Table 16 MBRR Table B9 - Asset Management

Description	Ref	Budget Year 2014/15								Budget Year +1 2015/16	Budget Year +2 2016/17	
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
		A	7 A1	8 B	9 C	10 D	11 E	12 F	13 G	14 H		
R thousands												
CAPITAL EXPENDITURE												
<u>Total New Assets to be adjusted</u>	1	80 423	-	-	-	-	-	20 187	20 187	102 610	-	-
<i>Infrastructure - Road transport</i>		60 749	-	-	-	-	-	-	-	60 749	-	-
<i>Infrastructure - Electricity</i>		-	-	-	-	-	-	20 774	20 774	20 774	-	-
Infrastructure		60 749	-	-	-	-	-	20 774	20 774	81 523	-	-
Community		2 000	-	-	-	-	-	-	-	2 000	-	-
Other assets	6	15 974	-	-	-	-	-	(587)	(587)	15 387	-	-
Intangibles		1 700	-	-	-	-	-	-	-	1 700	-	-
<u>Total Capital Expenditure to be adjusted</u>	4	60 749	-	-	-	-	-	-	-	60 749	-	-
<i>Infrastructure - Road transport</i>		60 749	-	-	-	-	-	-	-	60 749	-	-
<i>Infrastructure - Electricity</i>		-	-	-	-	-	-	22 774	22 774	22 774	-	-
Infrastructure		60 749	-	-	-	-	-	20 774	20 774	83 523	-	-
Community		2 000	-	-	-	-	-	-	-	2 000	-	-
Other assets		15 974	-	-	-	-	-	(587)	(587)	15 387	-	-
Intangibles		1 700	-	-	-	-	-	-	-	1 700	-	-

TOTAL CAPITAL EXPENDITURE <i>to be adjusted</i>	2	80 423	-	-	-	-	-	20 187	20 187	102 610	-	-
ASSET REGISTER SUMMARY - PPE (WDV)	5											
<i>Infrastructure - Road transport</i>		230 935							-	230 935		
Infrastructure		230 935	-	-	-	-	-	-	-	230 935	-	-
Investment properties		29 922								29 922		
Intangibles		2 371								2 371		
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	263 228	-	-	-	-	-	-	-	263 228	-	-
EXPENDITURE OTHER ITEMS												
<u>Depreciation & asset impairment</u>		31 860	-	-	-	-	-	3 140	3 140	35 000	-	-
<u>Repairs and Maintenance by asset class</u>		3 025	-	-	-	-	-	(118)	(118)	3 506	-	-
<i>Infrastructure - Road transport</i>		1 200	-	-	-	-	-	-	-	1 200	-	-
<i>Infrastructure - Electricity</i>		600	-	-	-	-	-	-	-	600	-	-
Infrastructure		1 800	-	-	-	-	-	-	-	1 800	-	-
Community		262	-	-	-	-	-	-	-	262	-	-
Other assets	6	1 562	-	-	-	-	-	(118)	(118)	1 444	-	-
TOTAL EXPENDITURE OTHER ITEMS <i>to be adjusted</i>		34 885	-	-	-	-	-	3 022	3 022	38 506	-	-

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The Municipality meets both these recommendations.
3. The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF. It highlights the Municipality's strategy to address the maintenance backlog.

Table 17 MBRR Table B10 - Basic Service Delivery Measurement

Description	Ref	Budget Year 2014/15									
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	
			7	8	9	10	11	12	13	14	
		A	A1	B	C	D	E	F	G	H	
<u>Household service targets</u>	1										
<u>Water:</u>											
Piped water inside dwelling								-	-		
Piped water inside yard (but not in dwelling)	2	22000000								22 000	
Using public tap (at least min.service level)		6000000								6 000	
Other water supply (at least min.service level)		7000000								7 000	
<i>Minimum Service Level and Above sub-total</i>		35 000	-	-	-	-	-	-	-	35 000	
No water supply		12000000								12 000	
<i>Below Minimum Service Level sub-total</i>		12 000	-	-	-	-	-	-	-	12 000	
Total number of households	5	47 000	-	-	-	-	-	-	-	47 000	
<u>Sanitation/sewerage:</u>											
Flush toilet (connected to sewerage)										-	
Flush toilet (with septic tank)		19000								19 000	
<i>Minimum Service Level and Above sub-total</i>		19 000	-	-	-	-	-	-	-	19 000	

Bucket toilet		27000							-	27 000
Other toilet provisions (< min.service level)									-	-
No toilet provisions		1000							-	1 000
<i>Below Minimum Service Level sub-total</i>		28 000	-	-	-	-	-	-	-	28 000
Total number of households	5	47 000	-	-	-	-	-	-	-	47 000
<u>Refuse:</u>										
Removed at least once a week (min.service)		13797							-	13 797
Minimum Service Level and Above sub-total		13 797	-	-	-	-	-	-	-	13 797
Removed less frequently than once a week		7331							-	7 331
Using communal refuse dump		56445							-	56 445
Using own refuse dump		103317							-	103 317
Other rubbish disposal									-	-
No rubbish disposal		10730							-	10 730
<i>Below Minimum Service Level sub-total</i>		177 823	-	-	-	-	-	-	-	177 823
Total number of households	5	191 620	-	-	-	-	-	-	-	191 620
<u>Households receiving Free Basic Service</u>	15									
Electricity/other energy (50kwh per household per month)		4155							-	4 155
Refuse (removed at least once a week)									-	-
<u>Cost of Free Basic Services provided (R'000)</u>	16	4 155 000								
Refuse (removed once a week)									-	-
Total cost of FBS provided (minimum social package)		4 155	-	-	-	-	-	-	-	-
<u>Highest level of free service provided</u>										
Property rates (R'000 value threshold)		15000							-	15 000
Electricity (kw per household per month)		4155							-	4 155
Refuse (average litres per week)									-	-
Total revenue cost of free services provided (total social package)		4 170	-	-	-	-	-	-	-	-

Part 2 – Supporting Documentation

1.7 Overview of the annual budget process

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

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

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

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the 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.

1.7.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2013) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule on 26 August 2013. Key dates applicable to the process were:

- **August 2014** – Planning for the next three year budget begins in accordance with the coordination and preparation of the Budget/ IDP process plan.
- **November 2014** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **3 to 7 January 2015** - Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;
- **January 2015** – Submission of report to Council on implementation of budget and financial status of municipality
- **23 January 2015** - Council approves the 2014/15 Mid-year Review s72
- **23 January 2015** - Council approves the 2014/15 Adjustments Budget;
- **March 2015** - Recommendations of the Mayoral Committee are communicated to the Budget Steering Committee, and on to the respective departments. The draft 2015/16 MTREF is revised accordingly;
- **March 2015** - Tabling in Council of the draft 2015/16 IDP, SDBIP and 2015/16 MTREF for public consultation. Submission of draft Budget to National, Provincial Treasury and Other Stakeholders (MFMA s22)
- **April 2015** – Public consultation and participation;
- **April 2015** – Closing date for written comments ,finalisation of the 2015/16 IDP, SDBIP and 2015/16 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- **May 2015** - Tabling of the 2015/16 MTREF before Council for consideration and approval.

1.7.2 IDP and Adjusted Service Delivery and Budget Implementation Plan

It started in September 2013 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2014/15 MTREF in August.

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;

- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2015/16 MTREF, based on the approved 2014/15 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2015/16 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2014/15 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

1.7.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2014/15 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2014/15 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Performance trends
- The approved 2014/15 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 51 and 54 has been taken into consideration in the planning and prioritisation process.

1.7.4 Community Consultation

The draft 2014/15 MTREF as tabled before Council on March 2014 for community consultation was published on the municipality's website, and hard copies were made available at customer care offices, municipal notice boards and various libraries.

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

Ward Committees were utilised to facilitate the community consultation process in April 2014, and included nine public briefing sessions. The applicable dates and venues were published in all the local newspapers and on average attendance of 100 were recorded per meeting. This is up on the previous year's process. This can be attributed to the additional

initiatives that were launched during the consultation process, including the specific targeting of ratepayer associations. Individual sessions were scheduled with organised business and imbizo's were held to further ensure transparency and interaction. Other stakeholders involved in the consultation included churches, non-governmental institutions and community-based organisations.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant considered as part of the finalisation of the 2014/15MTREF. Feedback and responses to the submissions received are available on request. The following are some of the issues and concerns raised as well as comments received during the consultation process:

- Capital expenditure is not allocated to the areas in the same ratio as the income derived from those areas. This is a normal practice in a collective taxation environment. The Municipality is responsible for managing the equitable use of resources to ensure that constitutional imperative to progressively improve basic services in undeveloped areas is realized in a sustainable manner over a reasonable period of time;
- Several complaints were received regarding poor service delivery, especially the state of road infrastructure;
- Poor performance relating to infrastructure development and maintenance especially in the areas of road construction and maintenance were raise
- The affordability of tariff increases, especially property rates, was raised on numerous occasions. This concern was also raised by organized business as an obstacle to economic growth; and
- During the community consultation process large sections of the community made it clear that tariff increases this year was fair to fund additional budget requests. They indicated that the municipality must do more to ensure efficiencies and value for money.

1.8 Overview of alignment of adjusted 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.

The municipality is committed to redressing and addressing the needs of the people and values inputs from our communities. Honorable Mayor and the Municipal Manager Offices held consultative forums and imbizo for the stakeholders and members of public in all twenty seven wards. Members of communities were required to provide their IDP needs and minutes were recorded for all those meetings. This was done to ensure that there was consultation between the municipality and the communities with regard to their needs and service delivery. 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.

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

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

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2014/15 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 22 IDP Strategic Objectives

This section aims at providing a synopsis of the development issues arising from the situational analysis of Umzimvubu Local Municipality in the form of a SWOT (Strengths, Weaknesses, Opportunities and Threats). For ease reference, the issues raised have been grouped under the 4 KPA's of the Five Year Local Government Strategic Agenda namely:

Basic Services Delivery and Infrastructure
 Local Economic Development
 Financial Viability and Financial Management
 Municipal Transformation and Institutional Development
 Good Governance and Community Participation

1. STRENGTHS

Local Economic Development

- It is relatively close to major hubs (East London) in the province

- Quality of agricultural attributes of soil types, climatic diversity and rainfall. High concentration of prime agricultural land in the hands of large commercial sugar cane farmers
- Labour forces
- Strategic location of Mt Frere and Mt Ayliff towns
- Local Economic Development Strategy
- Historical and cultural sites
- Variety of business services available, e.g. from banks, business partners etc.
- Well established infrastructure with good transport network
- Various government sectors in Mt Ayliff town
- Strong Functionally Chamber of Business
- Vacant land for development
- Social cohesion
- Dedicated housing section
- Availability of land for housing project

Financial Viability and Financial Management

- Finance Services Department in Place
- Experienced Chief Financial Officer
- Municipal work within its budget

Municipal Transformation and Institutional Development

- Corporate Services Department is in place
- Human resources Development Strategy is in place
- Experienced, qualified and dedicated municipal staff

Good Governance and Community Participation

- Good turnaround strategy
- Good political/administration relationships.
- Statutory governance structures in place.
- Functional ward committees.
- Good communication and community participation strategy
- Up and running Municipal Website

2. WEAKNESSES

Basic Services Delivery and Infrastructure

- Limited growth in the manufacturing industry
- Bulk water supply is a major constraint that affects the municipality.
- More than 50% of the population still does not have access to clean water and obtain water from rivers and streams.
- Lack of upgrading and maintenance of infrastructure and services.
- Rural areas still rely on pit latrine or no toilet system at all.
- The urban areas have proper water borne sanitation systems, but rural areas still rely on pit latrines or no system at all. This places tremendous strain on the environment and
- Lack of electricity to an extent that there are areas that still use paraffin and candle as a source of energy
- Storm water is not properly managed

Local Economic Development

- Insufficient water supply
- Lack of LED institution
- Low level of employment opportunities
- Local SMMEs are not geared to take advantage of emerging business and tender opportunities offered.
- Impediments to SMME development in Umzimvubu Municipality include low levels of education and productive skills of access to finance, inadequate infrastructure, lack in effective demand and communication.
- Limited growth in the manufacturing industry
- Lack of skills
- Industrial development is concentrated in Mt Ayliff and Mt Frere Towns.

Financial Viability and Financial Management

- Lack of a comprehensive strategy for maximizing the income of the Council.
- The outstanding debt on rates and services owed to the Municipalities is still very high

Municipal Transformation and Institutional Development

- Lack of office space
- Lack of staff accommodation

Good Governance and Community Participation

- Implementation of communication and community participation strategy
- Ward Committees still do not have clear understanding on IDP processes.

3. OPPORTUNITIES

Basic Services Delivery and Infrastructure

- Existing railway lines/infrastructure.
- Infrastructure, Planning and Development Department in place
- Municipal Infrastructure Grant funding is available for the provision of services

Local Economic Development

- Young energetic human capital
- Tourism attractive
- Strong agricultural base and potential to developing agriculture to new high value product
- Desire for development
- Black Economic Empowerment
- Existence of a strong NGOs and CBOs
- Available of agricultural land
- Eco tourism development
- Urban greening
- Corridor development
- Urban expansion

Financial Viability and Financial Management

- Implementation of MPRA

Municipal Transformation and Institutional Development

- Construction of new offices.
- Agglomeration of various government sector department in one locality

Good Governance and Community Participation

- Ward Committees have been established
- Communication and Public Participation in place
- 2010 -2015 Comprehensive Municipal IDP document in place

4. TREATS

Basic Services Delivery and Infrastructure

- The occurrence of cholera and related diseases is as a result of the absence of potable water as well as the lack of sanitation
- Non-payment of services could reduce the willingness of services provider to extend and maintain services.
- Land invasion leading to uncontrolled settlement and impact on natural resources

Local Economic Development

- HIV/Aids which has a direct impact on the ability and the area to grow.
- Lack of Infrastructure and services maintenance
- Skills exodus
- Erosion and the degradation of field as a result of poor land management due to overgrazing and incorrect cultivation methods need to be addressed by means of control measures and efforts are needed to increase people's awareness of the advantages of good waste management practices.
- Erosion and Water pollution is a common problem in the area as the people use the rivers for all purposes including washing cars and clothes, animal feed, human consumption and other purposes
- Alien plants

Financial Viability and Financial Management

- Poverty and Unemployment rate
- Non- payment of rates

Good Governance and Community Participation

- Low levels of participation by certain stakeholders in the IDP process.

Summary of Key Priority/Critical Issues

- In summary the key priority/critical issues that need urgent attention are follows:
- Eradication of the backlogs especially on water, sanitation and electricity;
- Dealing ahead with current conditions of roads and storm water;
- Upgrading the ageing infrastructure and services;
- Address the low to middle income backlogs;
- Creation of economic growth and job opportunities;
- Promote tourism development;
- Dealing with HIV/Aids pandemic;

- Urban regeneration strategy;
- Promotion of nodal development;
- Mainstreaming of gender equality into development programmes;
- Intensification of social services for children and youth;
- Skills development.

The 2014/15 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

1.9 Measurable performance objectives and indicators

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

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.

Table 18 MBRR Table SB4 - Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2011/12	2012/13	2013/14	Budget Year 2014/15		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Prior Adjusted	Adjusted Budget
<u>Borrowing Management</u>							
Credit Rating	Short term/long term rating						
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure				9.4%	0.0%	7.5%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants				0.0%	0.0%	0.0%
<u>Safety of Capital</u>							
Gearing	Long Term Borrowing/ Funds & Reserves				6.9%	0.0%	6.9%
<u>Liquidity</u>							
Current Ratio	Current assets/current liabilities				209.3%	0.0%	209.3%
Current Ratio adjusted for aged debtors	Current assets/current liabilities less debtors > 90 days/current liabilities				796.4%	0.0%	0.0%
Liquidity Ratio	Monetary Assets/Current Liabilities				1.9	0.0	1.9
<u>Revenue Management</u>							
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/ Last 12 Mths Billing						
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue				2.8%	0.0%	2.4%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old				0.0%	0.0%	0.0%
<u>Creditors Management</u>							
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA s 65(e))						
Creditors to Cash					30.1%	0.0%	89.2%
<u>Other Indicators</u>							
Electricity Distribution Losses (2)	Total Volume Losses (kW) Total Cost of Losses (Rand '000)						
Water Distribution Losses (2)	Total Volume Losses (kℓ) Total Cost of Losses (Rand '000)						
Employee costs	Employee costs/(Total Revenue - capital revenue)				29.0%	0.0%	32.4%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)				1.7%	0.0%	1.7%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)				17.6%	0.0%	16.8%
<u>IDP regulation financial viability indicators</u>							
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)				0.0%	0.0%	0.0%
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services				1.9%	0.0%	1.7%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure				0.5	0.0	0.1

1.9.1 Performance indicators and benchmarks

1.9.1.1 Borrowing Management

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

1.9.1.2 Safety of Capital

- *The debt-to-equity ratio* is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors, overdraft and tax provisions as a percentage of funds and reserves. During the 2014/15 financial year the ratio deteriorated to a level 3.9per cent. As part of the planning guidelines that informed the compilation of the 2014/15 MTREF ensuring proper cash-backing of reserves and funds has been considered a prudent financial sustainability.

1.9.1.3 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the Municipality has set a limit of 1, hence at no point in time should this ratio be less than 1. Going forward it will be necessary to maintain 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 2014/15 financial year the ratio was 1.7 and as part of the financial planning strategy it has been decreased to 0.7 in the 2014/15 financial year.

1.9.1.4 Revenue Management

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

1.9.1.5 Creditors Management

- The Municipality has managed to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality has managed to ensure a 100 per cent compliance rate to this legislative obligation. This has had a favourable impact on suppliers' perceptions of risk of doing business with the Municipality, which is expected to benefit the Municipality in the form of more competitive pricing of tenders, as suppliers compete for the Municipality's business.

1.9.1.6 Other Indicators

- The initiatives to ensure these targets are achieved include managing illegal connections and theft of electricity by rolling out smart metering systems, including prepaid meters.
- Employee costs as a percentage of operating revenue continues to increase over the MTREF.
- Similar to that of employee costs, repairs and maintenance as percentage of operating revenue is also decreasing owing directly to cost drivers such as bulk purchases increasing far above inflation. In real terms, repairs and maintenance has increased as part of the Municipality's strategy to ensure the management of its asset base.

1.10 Overview of budget assumptions

1.10.1 Funding choices and management matters

Tough decisions on the expenditure side have been made by giving priority to ensure that service delivery is improved in all aspects as follows,

- Supports of meaningful local economic development initiatives that foster micro and small business opportunities and job creation.
- Day to day operations for provision of service delivery.
- That there is expediting spending on capital projects that are funded by conditional grant and council revenue.
- Supports of meaningful special programs for community groups.

1.10.2 The Municipal Budget and reporting Regulations

Since 1 July 2009, the budgets have been prepared as per requirements of the regulations. The municipality have complied with the formats set out in schedule A, B and C and the relevant attachments to each of the schedules.

1.10.3 MFMA Circular No. 70 and 72

Circular No. 70 has provided guidance on budget preparations on many aspects which on this current budget preparations, the inflation forecast for increases have been considered.

Circular No.72 provides further guidance to municipalities for the preparation of 2014/15 Budgets and Medium Term Revenue and Expenditure Framework. Main guidance provided is on outgoing councils need to ensure that the inputs into 2014/15 budget and MTREF safeguard the financial sustainability of the municipality. More specifically, the council is advised against unrealistically low tariff increases and over-ambitious capital expenditure programmes.

1.10.4 Collection rate for revenue services

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

The rate of revenue collection is currently expressed as a percentage (81 per cent) of annual billings. Cash flow is assumed to be 81 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

1.10.5 Growth or decline in tax base of the municipality

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

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

1.10.6 Impact of national, provincial and local policies

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

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

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

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

It is estimated that a spending rate of at least 90 per cent is achieved on operating expenditure and 98 per cent on the capital programme for the 2014/15 MTREF of which performance has been factored into the cash flow budget.

1.11 Overview of budget funding

1.11.1 Medium-term outlook: operating revenue

Figure 2 Breakdown of operating revenue over the 2014/15 MTREF

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

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

- Growth in the municipality and economic development;
- Revenue management and enhancement;
- Achievement of a 95 per cent annual collection rate for consumer revenue;
- National Treasury guidelines;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.

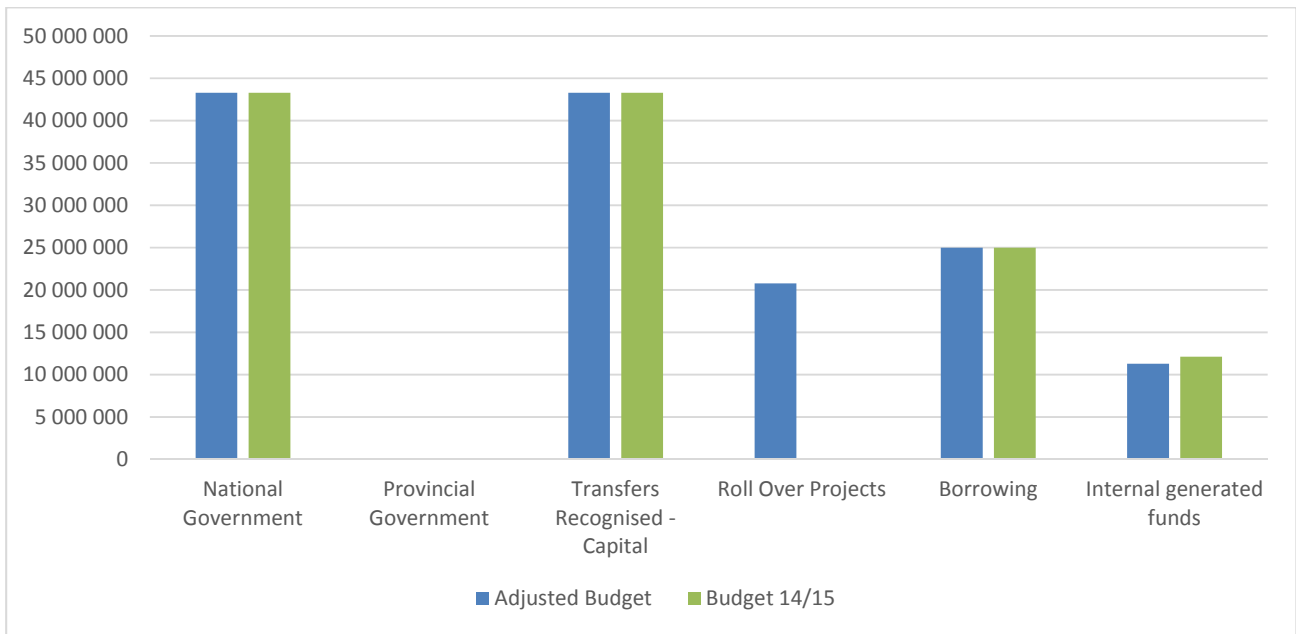
The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

1.11.2 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2014/15 medium-term capital programme:

Table 19 Sources of adjusted capital revenue over the MTREF

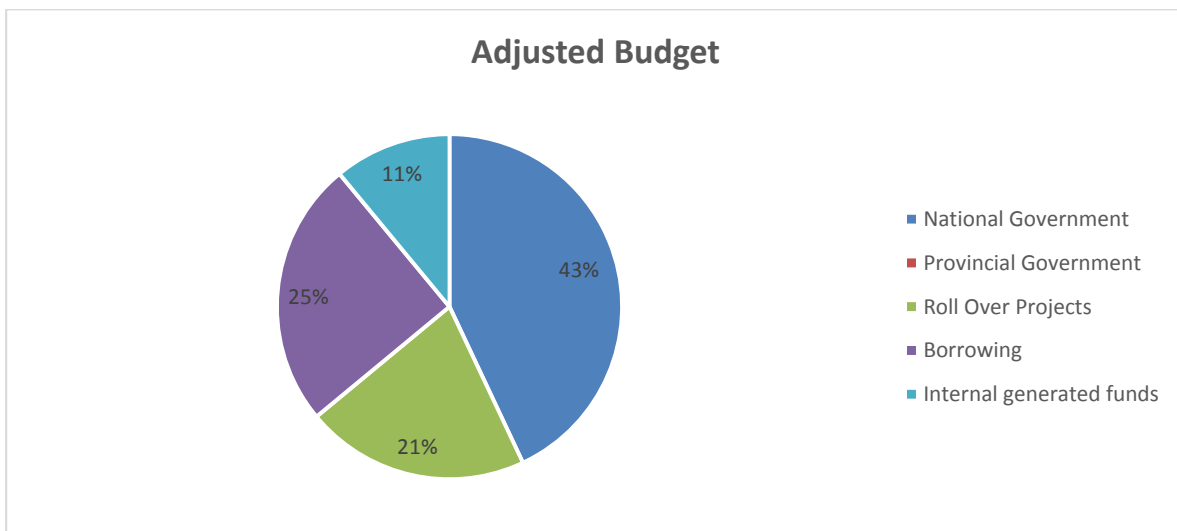
Vote Description	2014/2015 Medium term revenue and expenditure Framework			
	Adjusted Budget	%	Budget 14/15	%
<u>Funded by:-</u>				
National Government	45 294 000	43%	43 294 000	54%
Provincial Government				
Transfers Recognised - Capital	45 294 000	43%	43 294 000	54%
Roll Over Projects	20 774 911	21%	-	
Borrowing	25 000 000	25%	25 000 000	31%
Internal generated funds	11 291 392	11%	12 129 157	15%
Total Capital Funding	102 360 303	100%	80 423 157	100%



The above table is graphically represented as follows for the 2014/15 financial year.

Figure 3 Sources of capital revenue for the 2014/15 financial year

Capital grants and receipts equates to 36 per cent of the total revenue budget. Capital budget is funded as follows: - 11% is from internally generated funding, 21% is funded from roll over projects and 68% is funded from the government grants and borrowings.



1.11.3 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 20 MBRR Table B7 - Budget cash flow statement

Description	Ref	Budget Year 2014/15								
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget
		A	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H
R thousands										
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Ratepayers and other		36 279						(2 709)	(2 709)	33 570
Government - operating	1	141 431						4 561	4 561	145 992
Government - capital	1	68 294						20 774	20 774	89 068
Interest		3 200						350	350	3 550
Dividends										-
Payments										
Suppliers and employees		(139 463)						(36 450)	(36 450)	(175 913)
Finance charges		(21)								(21)
Transfers and Grants	1	(4 559)								(4 559)
NET CASH FROM/(USED) OPERATING ACTIVITIES		105 161	-	-	-	-	-	(13 474)	(13 474)	91 687
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE		262						2 178	2 178	2 440
Decrease (Increase) in non-current debtors										-
Decrease (increase) other non-current receivables	-									-
Decrease (increase) in non-current investments										-
Payments										
Capital assets		(80 423)						(19 937)	(19 937)	(100 360)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(80 161)	-	-	-	-	-	(17 759)	(17 759)	(97 920)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans										-
Borrowing long term/refinancing										-
Increase (decrease) in consumer deposits										-
Payments										
Repayment of borrowing		(17 626)								(17 626)
NET CASH FROM/(USED) FINANCING ACTIVITIES		(17 626)	-	-	-	-	-	-	-	(17 626)
NET INCREASE/ (DECREASE) IN CASH HELD		7 374	-	-	-	-	-	(31 233)	(31 233)	(23 859)
Cash/cash equivalents at the year begin:	2	49 511							(6 461)	43 050
Cash/cash equivalents at the year end:	2	56 885						(31 233)		19 191

The above table shows that cash and cash equivalents of the Municipality moving from a negative cash balance of R23 million to a surplus of R19 million with the approved 2014/15 MTREF. With the 2014/15 adjustments budget various cost efficiencies and savings had to be realised to ensure the Municipality could meet its operational expenditure commitments. In addition the Municipality undertook an extensive debt collection process to boost cash levels. These initiatives and interventions have translated into a positive cash position for the Municipality and it is projected that cash and cash equivalents on hand will increase to R8 million by the financial year end. For the 2014/15 MTREF the budget has been prepared to ensure high levels of cash and cash equivalents over the medium-term with cash levels.

1.11.4 Cash Backed Reserves/Accumulated Surplus Reconciliation

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

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

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

Table 21 MBRR Table B8 - Cash backed reserves/accumulated surplus reconciliation

Description	Ref	Budget Year 2014/15								
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget
		A	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H
R thousands										
Cash and investments available										
Cash/cash equivalents at the year end	1	56 885	-	-	-	-	-	(31 233)	(31 233)	25 652
Other current investments > 90 days		6 821	-	-	-	-	-	31 233	31 233	38 054
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-
Cash and investments available:		63 706	-	-	-	-	-	-	-	63 706
Applications of cash and investments										
Unspent conditional transfers		-	-	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-
Statutory requirements		-	-	-	-	-	-	-	-	-
Other working capital requirements	2	10 517	-	-	-	-	-	267	267	10 784
Other provisions		-	-	-	-	-	-	-	-	-
Long term investments committed		-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments		5 014	-	-	-	-	-	-	-	5 014
Total Application of cash and investments:		15 531	-	-	-	-	-	267	267	15 798

Surplus(shortfall)		48 175	-	-	-	-	-	(267)	(267)	47 908
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From the above table it can be seen that the cash and investments available total R38 million in the 2014/15 financial year, including the projected cash and cash equivalents as determined in the cash flow forecast. The following is a breakdown of the application of this funding:

- Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year. In the past these have been allowed to 'roll-over' and be spent in the ordinary course of business, but this practice has been discontinued. During the 2014/15 financial year the municipality was required to supply National Treasury with a detailed analysis of the unspent grants as well as an action plan of spending the grants. The Municipality has received the necessary roll-over approval from the National Treasury as the funding appropriation relating to the unspent conditional grants could be motivated as part of existing projects.
- There is no unspent borrowing from the previous financial years. In terms of the municipality's Borrowing and Investments Policy, borrowings are only drawn down once the expenditure has been incurred against the particular project. Unspent borrowing is ring-fenced and reconciled on a monthly basis to ensure no unnecessary liabilities are incurred.
- Provisions for statutory requirements include VAT owing to timing differences resulting from year-end obligations.
- The main purpose of other working capital is to ensure that sufficient funds are available to meet obligations as they fall due. A key challenge is often the mismatch between the timing of receipts of funds from debtors and payments due to employees and creditors. For the purpose of the cash backed reserves and accumulated surplus reconciliation a provision equivalent to one month's operational expenditure has been provided for. It needs to be noted that although this can be considered prudent, the desired cash levels should be 60 days to ensure continued liquidity of the municipality. Any underperformance in relation to collections could place upward pressure on the ability of the Municipality to meet its creditor obligations.
- Long term investments consist primarily of the sinking funds for the repayment of future borrowings. The sinking fund value is held within long term investments and must be 'held to maturity' and is not available for spending.
- Most reserve fund cash-backing is discretionary in nature, but the reserve funds are not available to support a budget unless they are cash-backed. The reserve funds are not fully cash-backed. The level of cash-backing is directly informed by the municipality's cash backing policy. These include the rehabilitation of landfill sites and quarries.

It can be concluded that the Municipality has a surplus against the cash backed and accumulated surpluses reconciliation. It needs to be noted that for all practical purposes the 2014/15 MTREF was unfunded when considering the funding requirements of section 18 and 19 of the MFMA. The 2014/15 MTREF has been informed by ensuring the financial plan meets the minimum requirements of the MFMA. Nevertheless from a pure cash flow perspective (cash out flow versus cash inflow) the budget is funded and is therefore credible. The challenge for the Municipality will be to ensure that the underlying planning and cash flow assumptions are meticulously managed, especially the performance against the collection rate.

1.11.5 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.

1.11.5.1 Cash/cash equivalent position

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

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year. The forecasted cash and cash equivalents for the 2014/15 MTREF shows R19 million in the adjusted budget.

1.11.5.2 Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses. 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.

1.11.5.3 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.

1.11.5.4 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.

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

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

The factor is calculated by deducting the maximum macro-economic inflation target increase (which is currently 3 - 6 per cent). The result is intended to be an approximation of the real increase in revenue. Considering the lowest percentage tariff increase in relation to revenue generated from rates and services charges is 6 per cent, with the increase in electricity at 9 per cent it is to be expected that the increase in revenue will exceed the inflation target figures. However, the outcome is lower than it might be due to the slowdown in the economy and a reduction in consumption patterns. This trend will have to be carefully monitored and managed with the implementation of the budget.

1.11.5.6 Cash receipts as a percentage of ratepayer and other revenue

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. Given that the assumed collection rate was based on a 95 per cent performance target, the cash flow statement has been conservatively determined. In addition the risks associated with objections to the valuation roll need to be clarified and hence the conservative approach, also taking into consideration the cash flow challenges experienced in the current financial year. This measure and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly.

1.11.5.7 Debt impairment expense as a percentage of billable revenue

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

1.11.5.8 Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 2 per cent timing discount has been factored into the cash position forecasted over the entire financial year. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

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

The purpose of this measurement is to determine the proportion of a municipality's 'own-funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers/grants and contributions) has been excluded. Further details relating to the borrowing strategy of the Municipality.

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

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

1.11.5.11 Consumer debtors change (Current and Non-current)

The purpose of these measures is to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Both measures show a relatively stable trend in line with the Municipality's policy of settling debtor's accounts within 30 days.

1.11.5.12 Repairs and maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected. Details of the Municipality's strategy pertaining to asset management and repairs and maintenance is contained in MBRR SA34C.

1.11.5.13 Asset renewal/rehabilitation expenditure level

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

1.12 Expenditure on grants and reconciliations of unspent funds

Table 22 MBRR SB8 - Expenditure on transfers and grant programmes

Description	Ref	Budget Year 2014/15						
		Original Budget	Prior Adjusted	Multi-year capital	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget
		A	7 A1	8 B	9 C	10 D	11 E	12 F
R thousands								
RECEIPTS:	1, 2							
-								
<u>Operating Transfers and Grants</u>								
National Government:		140 294	-	-	-	-	-	140 294
Local Government Equitable share		136 167					-	136 167
Finance Management	3	1 600					-	1 600
Municipal Systems Improvement		934					-	934
Expended Public Works Programme		1 593					-	1 593
Provincial Government:		987	-	-	-	1 663	1 663	2 650
Sport and Recreation		250					-	250
Other transfers and grants [insert description]	5	737				1 663	1 663	2 400
District Municipality:		150	-	-	-	-	-	150
<i>Community Development worker Operational Grant</i>		150					-	150
							-	-
Other grant providers:		-	-	-	-	-	-	-
<i>[insert description]</i>							-	-
							-	-
Total Operating Transfers and Grants	6	141 431	-	-	-	1 663	1 663	143 094

1.13 Councillor and employee benefits

Table 23 MBRR SB11 - Summary of councillor and staff benefits

Summary of remuneration	Ref	Budget Year 2014/15										% change
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget		
R thousands		A	5 A1	6 B	7 C	8 D	9 E	10 F	11 G	12 H		
Councillors (Political Office Bearers plus Other)												
Basic Salaries and Wages		7 292							-	7 292	0.0%	
Pension and UIF Contributions		1 087							-	1 087	0.0%	
Medical Aid Contributions		394							-	394	0.0%	
Motor Vehicle Allowance		3 375							-	3 375	0.0%	
Cellphone Allowance									-			
Housing Allowances		2 437							-	2 437		
Other benefits and allowances		7 356						(5 318)	(5 318)	2 038		
Sub Total - Councillors		21 941	-					(5 318)	(5 318)	16 623	-24.2%	
% increase			(0)							(0)		
Senior Managers of the Municipality												
Basic Salaries and Wages		4 230							-	4 230	0.0%	
Pension and UIF Contributions		491							-	491	0.0%	
Medical Aid Contributions		121							-	121	0.0%	
Overtime									-			
Performance Bonus								671	671	671		
Motor Vehicle Allowance		999							-	999	0.0%	
Cellphone Allowance									-			
Housing Allowances		691							-	691		
Other benefits and allowances		348							-	348		
Payments in lieu of leave		299							-	299		
Long service awards									-			
Post-retirement benefit obligations									-			
Sub Total - Senior Managers of Municipality		7 179	-					671	671	7 850	9.4%	
% increase			(0)							0		
Other Municipal Staff												
Basic Salaries and Wages		26 453							12 877	39 330	48.7%	
Pension and UIF Contributions		3 428							-	3 428	0.0%	
Medical Aid Contributions		6 953							-	6 953	0.0%	
Overtime									-			
Performance Bonus								1 297	1 297	1 297		
Motor Vehicle Allowance		2 617							-	2 617	0.0%	
Cellphone Allowance									-			
Housing Allowances		2 160							-	2 160		
Other benefits and allowances		3 213							-	3 213		
Payments in lieu of leave		370							-	370	0.0%	
Long service awards		185							-	185	0.0%	
Post-retirement benefit obligations									-			
Sub Total - Other Municipal Staff		45 379	-					14 174	14 174	59 553	31.2%	
% increase												
Total Parent Municipality		74 499	-					9 527	9 527	84 026	12.8%	
COUNCILLOR ALLOWANCES, EMPLOYEE REMUNERATION & ENTITY REMUNERATION		74 499	-					9 527	9 527	84 026	12.8%	
% increase												
TOTAL MANAGERS AND STAFF		52 558	-					14 845	14 845	67 403	28.2%	

1.9. Monthly targets for revenue, expenditure and cash flow

Table 24 MBRR SB14- Budgeted monthly revenue and expenditure

Description	Ref	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework	Budget Year +1 2015/16	Budget Year +2 2016/17	
		July	August	Sept.	October	November	December	January	February	March	April	May	June				Budget Year 2014/15
		Outcome	Outcome	Outcome	Outcome	Outcome	Outcome	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget				Adjusted Budget
R thousands																	
Revenue By Source																	
Property rates		833	833	833	833	833	833	833	833	833	833	833	837	10 000	-	-	
Service charges - refuse		208	208	208	208	208	208	208	208	208	208	208	212	2 500	-	-	
Rental of facilities and equipment		115	115	115	115	115	115	115	115	115	115	115	232	1 497	-	-	
Interest earned - external investments		158	158	158	158	158	158	158	158	158	158	158	412	2 150	-	-	
Interest earned - outstanding debtors		108	108	108	108	108	108	108	108	108	108	108	212	1 400	-	-	
Fines		33	33	33	33	33	37	33	33	33	33	33	33	400	-	-	
Licences and permits		208	208	208	208	208	208	208	208	208	208	208	112	2 400	-	-	
Agency services		97	97	97	97	97	97	97	97	97	97	97	243	1 310	-	-	
Transfers recognised - operational			99 784			49 892			16 631				459	166 766	-	-	
Other revenue		1 450	1 450	1 450	1 450	1 450	1 450	1 450	1 450	1 450	1 450	1 450	1 388	17 338	-	-	
Gains on disposal of PPE		548			1 641								252	2 440	-	-	
Total Revenue		3 758	102 994	3 210	4 851	53 102	3 214	3 210	3 210	19 841	3 210	3 210	4 391	208 201	-	-	
Expenditure By Type																	
Employee related costs		4 617	4 617	4 617	5 617	8 790	5 617	5 617	5 617	5 617	5 617	5 617	5 444	67 403	-	-	
Remuneration of councillors		1 222	1 222	1 222	1 222	1 322	1 222	1 522	1 522	1 522	1 522	1 522	1 581	16 623	-	-	
Debt impairment		283	283	283	283	283	283	15 000	283	283	283	283	5 866	23 696	-	-	
Depreciation & asset impairment								17 500	3 363	3 363	3 363	3 363	4 048	35 000	-	-	
Finance charges			2	2	2	2	2	2	2	2	2	2	1	21	-	-	
Contracted services		128	128	128	128	128	128	128	128	128	128	128	128	1 530	-	-	
Grants and subsidies						553	553	553	553	553	553	553	688	4 559	-	-	
Other expenditure		5 668	5 668	5 668	5 668	5 668	5 668	5 668	5 668	5 668	5 668	5 668	23 450	85 798	-	-	
Loss on disposal of PPE													-	-	-	-	
Total Expenditure		11 917	11 919	11 919	12 919	16 746	13 472	45 989	17 135	17 135	17 135	17 135	41 206	234 630	-	-	
Surplus/(Deficit)		(8 160)	91 075	(8 709)	(8 069)	36 357	(10 258)	(42 779)	(13 925)	2 706	(13 925)	(13 925)	(36 814)	(26 429)	-	-	
Transfers recognised - capital		31 000				13 607		7 866		7 214		8 607	-	68 294	-	-	
Contributed assets													-	-	-	-	

Table 25 MBRR SB12 - Budgeted monthly revenue and expenditure (municipal vote)

Description	Ref	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
		Outcome	Outcome	Outcome	Outcome	Outcome	Outcome	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands																
Revenue by Vote																
Vote 1 - EXECUTIVE AND COUNCIL													-	-	-	-
Vote 2 - BUDGET AND TREASURY		6 314	99 784	6 314	6 314	6 314	6 314	6 314	6 314	6 314	6 314	6 314	8 636	171 560	-	-
Vote 3 - CORPORATE SERVICES						33	33	33	33	33	33	33	21	153	-	-
Vote 4 - LOCAL ECONOMIC DEVELOPMENT		70	70	70	70	70	70	70	70	70	70	70	3 742	4 512	-	-
Vote 5 - INFRASTRUCTURE AND PLANNING		3 581	25 979	3 581	3 581	3 581	3 581	3 581	3 581	6 854	3 581	3 581	26 038	91 100	-	-
Vote 6 - COMMUNITY AND SOCIAL SERVICES		13	13	13	13	13	13	13	13	13	13	13	164	307	-	-
Vote 7 - PUBLIC SAFETY		320	350	350	350	350	350	350	350	350	350	350	700	4 520	-	-
Vote 8 - WASTE MANAGEMENT			407	407	407	407	407	407	407	407	407	407	273	4 343	-	-
Total Revenue by Vote		10 298	126 603	10 735	10 735	10 768	10 768	10 735	10 768	14 041	10 735	10 735	39 574	276 495	-	-
Expenditure by Vote																
Vote 1 - EXECUTIVE AND COUNCIL		3 635	3 635	3 635	3 635	3 635	3 635	3 635	3 635	3 635	3 635	3 635	4 171	44 156	-	-
Vote 2 - BUDGET AND TREASURY		2 103	2 103	2 103	2 103	2 103	2 103	37 103	2 103	2 103	2 103	17 103	13 605	86 738	-	-
Vote 3 - CORPORATE SERVICES		1 392	1 392	1 392	1 392	1 392	1 392	1 392	1 392	1 392	1 392	1 392	508	15 820	-	-
Vote 4 - LOCAL ECONOMIC DEVELOPMENT		1 181	1 181	1 181	1 181	1 181	1 181	1 181	1 181	1 181	1 181	1 181	2 147	15 138	-	-
Vote 5 - INFRASTRUCTURE AND PLANNING		3 394	3 394	3 394	3 394	3 394	3 394	3 394	3 394	3 394	3 394	3 394	4 258	41 592	-	-
Vote 6 - COMMUNITY AND SOCIAL SERVICES		197	197	197	197	197	197	197	197	197	197	197	1 127	3 294	-	-
Vote 7 - PUBLIC SAFETY		1 298	1 298	1 298	1 298	1 298	1 298	1 298	1 298	1 298	1 298	1 298	708	14 986	-	-
Vote 8 - WASTE MANAGEMENT				1 334	1 334	1 334	1 334	1 334	1 334	1 334	1 334	1 334	900	12 906	-	-
Total Expenditure by Vote		13 200	13 200	14 534	14 534	14 534	14 534	49 534	14 534	14 534	14 534	29 534	27 424	234 630	-	-
Surplus/ (Deficit)		(2 902)	113 403	(3 799)	(3 799)	(3 766)	(3 766)	(38 799)	(3 766)	(493)	(3 799)	(18 799)	12 150	41 865	-	-

Table 26 MBRR SB13 - Budgeted monthly revenue and expenditure (standard classification)

Description - Standard classification	Ref	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework			
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17	
		Outcome	Outcome	Outcome	Outcome	Outcome	Outcome	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	
R thousands																	
Revenue - Standard																	
<i>Governance and administration</i>		61 314	7 782	6 314	6 314	46 317	6 314	6 314	6 347	6 347	6 347	6 347	6 347	5 657	171 713	-	-
Executive and council																	
Budget and treasury office		61 314	7 782	6 314	6 314	46 314	6 314	6 314	6 314	6 314	6 314	6 314	6 314	5 639	171 560	-	-
Corporate services						3			33	33	33	33	33	18	153	-	-
<i>Community and public safety</i>		333	363	363	363	363	363	363	363	363	363	363	363	864	4 827	-	-
Community and social services		13	13	13	13	13	13	13	13	13	13	13	13	164	307	-	-
Public safety		320	350	350	350	350	350	350	350	350	350	350	350	700	4 520	-	-
<i>Economic and environmental services</i>		13 651	26 049	3 651	3 651	13 651	3 651	5 651	3 651	12 324	3 651	3 651	3 651	2 379	95 611	-	-
Planning and development		70	70	70	70	70	70	2 070	70	470	70	70	70	1 342	4 512	-	-
Road transport		13 581	25 979	3 581	3 581	13 581	3 581	3 581	3 581	11 854	3 581	3 581	3 581	1 038	91 100	-	-
<i>Trading services</i>		200	307	207	407	407	407	407	407	407	407	407	407	373	4 343	-	-
Waste management		200	307	207	407	407	407	407	407	407	407	407	407	373	4 343	-	-
<i>Other</i>																-	-
Total Revenue - Standard		75 498	34 501	10 535	10 735	60 738	10 735	12 735	10 768	19 441	10 768	10 768	10 768	9 273	276 495	-	-
Expenditure - Standard																	
<i>Governance and administration</i>		6 130	6 130	6 130	6 130	6 130	7 130	42 130	6 130	7 130	6 130	22 130	16 794	138 224	-	-	
Executive and council		2 635	2 635	2 635	2 635	2 635	3 635	2 635	2 635	3 635	2 635	3 635	2 681	35 666	-	-	
Budget and treasury office		2 103	2 103	2 103	2 103	2 103	37 103	2 103	2 103	2 103	2 103	2 103	17 103	86 738	-	-	
Corporate services		1 392	1 392	1 392	1 392	1 392	1 392	1 392	1 392	1 392	1 392	1 392	508	15 820	-	-	
<i>Community and public safety</i>		2 216	2 216	2 216	2 216	2 216	2 216	2 216	2 216	2 216	2 216	2 216	2 394	26 770	-	-	
Community and social services		918	918	918	918	918	918	918	918	918	918	918	1 686	11 784	-	-	
Public safety		1 298	1 298	1 298	1 298	1 298	1 298	1 298	1 298	1 298	1 298	1 298	708	14 986	-	-	
<i>Economic and environmental services</i>		4 575	4 575	4 575	4 575	4 575	4 575	4 575	4 575	4 575	4 575	4 575	6 404	56 729	-	-	
Planning and development		1 181	1 181	1 181	1 181	1 181	1 181	1 181	1 181	1 181	1 181	1 181	2 147	15 138	-	-	
Road transport		3 394	3 394	3 394	3 394	3 394	3 394	3 394	3 394	3 394	3 394	3 394	4 257	41 591	-	-	
<i>Trading services</i>		-	1 334	334	1 334	1 334	1 334	1 334	1 334	1 334	1 334	1 334	566	12 906	-	-	
Waste management			1 334	334	1 334	1 334	1 334	1 334	1 334	1 334	1 334	1 334	566	12 906	-	-	
<i>Other</i>															-	-	
Total Expenditure - Standard		12 921	14 255	13 255	14 255	14 255	15 255	50 255	14 255	15 255	14 255	30 255	26 159	234 630	-	-	
Surplus/ (Deficit) 1.		62 577	20 246	(2 720)	(3 520)	46 483	(4 520)	(37 520)	(3 487)	4 186	(3 487)	(19 487)	(16 886)	41 865	-	-	

Table 27 MBRR SB16 - Budgeted monthly capital expenditure (municipal vote)

Description - Municipal Vote	Ref	Budget Year 2014/15											Medium Term Revenue and Expenditure Framework			
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
		Outcome	Outcome	Outcome	Outcome	Outcome	Outcome	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands																
<u>Single-year expenditure appropriation</u>																
Vote 1 - EXECUTIVE AND COUNCIL		373	350	70	70	70	70	180	70	350	70	70	150	1 893	-	-
Vote 2 - BUDGET AND TREASURY		108	108	108	108	108	108	108	108	108	108	108	212	1 400	-	-
Vote 3 - CORPORATE SERVICES								4 000		300			(0)	4 300	-	-
Vote 4 - LOCAL ECONOMIC DEVELOPMENT				171	171	171	171	171	171	171	171	171	11	1 550	-	-
Vote 5 - INFRASTRUCTURE AND PLANNING		31 000	6 500	5 062	5 062	5 062	5 062	5 062	5 062	5 062	5 062	5 062	3 239	88 297	-	-
Vote 6 - COMMUNITY AND SOCIAL SERVICES										30			-	30	-	-
Vote 7 - PUBLIC SAFETY				238	238	238	238	238	238	238	238	238	197	2 101	-	-
Vote 8 - WASTE MANAGEMENT								1 640		1 150			-	2 790	-	-
Capital single-year expenditure sub-total	3	31 481	6 958	5 649	5 649	5 649	5 411	11 399	5 649	7 409	5 649	5 649	3 808	102 360	-	-
Total Capital Expenditure	2	31 481	6 958	5 649	5 649	5 649	5 411	11 399	5 649	7 409	5 649	5 649	3 808	102 360	-	-

1.14 Capital expenditure details

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

Table 28 MBRR SB 18a - Capital expenditure on new assets by asset class

Description	Ref	Budget Year 2014/15									Budget Year +1	Budget Year +2
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
		A	7	8	9	10	11	12	13	14		
R thousands		A	A1	B	C	D	E	F	G	H		
Capital expenditure on new assets by Asset Class/Sub-class												
Infrastructure		60 749	-	-	-	-	-	22 774	22 774	83 523	-	-
Infrastructure - Road transport		60 749	-	-	-	-	-	-	-	60 749	-	-
Roads, Pavements & Bridges		60 749	-	-	-	-	-	-	-	60 749	-	-
Storm water		-	-	-	-	-	-	-	-	-	-	-
Infrastructure - Electricity		-	-	-	-	-	-	22 774	22 774	22 774	-	-
Generation		-	-	-	-	-	-	22 774	22 774	22 774	-	-
Community		2 000	-	-	-	-	-	-	-	2 000	-	-
Parks & gardens		2 000	-	-	-	-	-	-	-	2 000	-	-
Other assets		15 724	-	-	-	-	-	(587)	(587)	15 137	-	-
General vehicles		2 750	-	-	-	-	-	-	-	2 750	-	-
Specialised vehicles	18	-	-	-	-	-	-	-	-	-	-	-
Plant & equipment		-	-	-	-	-	-	-	-	-	-	-
Computers - hardware/equipment		410	-	-	-	-	-	-	-	410	-	-
Furniture and other office equipment		100	-	-	-	-	-	-	-	100	-	-
Other		12 464	-	-	-	-	-	(587)	(587)	11 877	-	-
Intangibles		1 700	-	-	-	-	-	-	-	1 700	-	-
Computers - software & programming		-	-	-	-	-	-	-	-	-	-	-
Other (list sub-class)		1 700	-	-	-	-	-	-	-	1 700	-	-
Total Capital Expenditure on new assets to be adjusted	1	80 173	-	-	-	-	-	22 187	22 187	102 360	-	-

Table 58 MBRR SB 18c - Repairs and maintenance expenditure by asset class

Description	Ref	Budget Year 2014/15								
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget
		A	7 A1	8 B	9 C	10 D	11 E	12 F	13 G	14 H
R thousands										
<u>Repairs and maintenance expenditure by Asset Class/Sub-class</u>										
-										
<u>Infrastructure</u>		1 200	-	-	-	-	-	-	-	1 200
Infrastructure - Road transport		600	-	-	-	-	-	-	-	600
<i>Roads, Pavements & Bridges</i>		600	-	-	-	-	-	-	-	600
<i>Storm water</i>										-
Infrastructure - Electricity		600	-	-	-	-	-	-	-	600
<i>Street Lighting</i>		600	-	-	-	-	-	-	-	600
<u>Community</u>		771	-	-	-	-	-	-	-	771
Parks & gardens		771	-	-	-	-	-	-	-	771
<u>Other assets</u>		1 418	-	-	-	-	-	(118)	(118)	1 300
General vehicles		135	-	-	-	-	-	-	-	135
Specialised vehicles	18	-	-	-	-	-	-	-	-	-
Plant & equipment		259	-	-	-	-	-	-	-	259
Computers - hardware/equipment		64	-	-	-	-	-	-	-	64
Civic Land and Buildings		650	-	-	-	-	-	-	-	650
Other		310	-	-	-	-	-	(118)	(118)	192
<u>Intangibles</u>		106	-	-	-	-	-	-	-	106
Computers - software & programming										-
Other (list sub-class)		106	-	-	-	-	-	-	-	106
Total Repairs and Maintenance Expenditure to be adjusted	1	3 495	-	-	-	-	-	(118)	(118)	3 377

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 has employed three interns undergoing training in various divisions of the Financial Services Department.

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 adjustment SDBIP document will be finalised after approval of the 2014/15 MTREF in February 2014 directly aligned and informed by the 2014/15 MTREF.

6. Annual Report

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

7. MFMA Training

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

1.15 Municipal manager's quality certificate

I **GPT Nota** Municipal Manager of Umzimvubu Local Municipality, hereby certify that the annual adjustment budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name _____

Municipal Manager of Umzimvubu Local Municipality (EC442)

Signature _____

Date _____